Quarterly Commentary

Investor WAUSX / Institutional WGUSX

Wasatch U.S. Select Fund

MARCH 31, 2023

With Clouds Appearing to Part for the Banking Industry, We See Some Silver Linings for High-Quality Companies

OVERVIEW

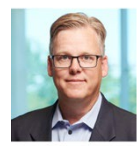
During the first quarter of 2023, the benchmark Russell 3000® Growth Index was up 13.85%. The Wasatch U.S. Select Fund—Investor Class posted a solid return but underperformed the benchmark, ending the period up 11.66%.

U.S. stocks experienced broad gains for the period but were volatile. Stocks started the year on an upswing, but in March, failures of three regional banks in the U.S., and the government-brokered sale of troubled Swiss firm Credit Suisse Group AG, dragged down bank stocks and rattled investors.

The broad U.S. equity market weathered the turmoil well, shrugging off talk from the White House and Capitol Hill about tighter regulation of banks and rallying into the end of the quarter. Hopes that the crisis would push the Federal Reserve closer to the end of its tightening cycle appeared to outweigh concerns about fallout to the general economy. Investors also seemed to gain confidence that the efforts of regulators to contain the crisis had warded off financial contagion within the banking system.

FUND MANAGERS

Mike Valentine
Portfolio Manager
<1 YEAR ON FUND / 6 YEARS AT WASATCH



Paul Lambert
Portfolio Manager
<1 YEAR ON FUND / 23 YEARS AT WASATCH

Austin Bone
Portfolio Manager
<1 YEAR ON FUND / 6 YEARS AT WASATCH

Mick Rasmussen
Portfolio Manager
<1 YEAR ON FUND / 8 YEARS AT WASATCH

Data show past performance and is not indicative of future performance. Current performance may be lower or higher than the data quoted. For the most recent month-end performance data, visit wasatchglobal.com. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. The Advisor may absorb certain expenses, without which total returns would have been lower. Wasatch Funds will deduct a 2% redemption fee on Fund shares held 60 days or less. Performance data does not reflect this redemption fee or taxes. ***Total Expense Ratio: Investor Class—Gross 11.81%, Net 1.01% / Institutional Class—Gross 10.54%, Net 0.86%. The Advisor has contractually agreed to limit certain expenses to 1.00% for the Investor Class and 0.85% for the Institutional Class through at least 1/31/2024.***

While the Fund was up for the period, it still underperformed its benchmark. Because the Fund is a concentrated portfolio, its performance relative to the benchmark is dictated by a relatively small number of holdings. Some of the top contributors and detractors from Fund performance are discussed in the section below.

DETAILS OF THE QUARTER

Bank OZK (OZK), colloquially known as "Bank of the Ozarks," was the largest detractor from Fund performance during the period. The bank saw its stock price decline in sympathy with other bank stocks during March, but we believe the strong fundamentals of Bank OZK set it apart from the ones making headlines in the press.

Bank OZK follows conventional banking models, with a well-diversified customer base, appropriate levels of loans and deposits and a small securities portfolio. Despite liquidity pressures at a number of other banks, our research found no significant uptick in withdrawals at Bank OZK. Moreover, we believe it is a well-managed bank serving geographical areas with healthy real-estate markets, favorable demographics and above-average economic growth.

HealthEquity, Inc. (HQY), a health-savings account (HSA) custodian, also detracted from Fund performance. While the stock drifted lower in the period, fundamentals remain strong. The company has continued to experience strong HSA account growth and asset growth for its platform, and we anticipate significant long-term growth for the company as more employers offer HSAs to attract employees.

Another weak stock in the Fund was Medpace Holdings, Inc. (MEDP). Medpace is a contract research organization (CRO) supplying clinical development services to small biotechnology companies. After rising sharply during the fourth quarter of 2022, the company's shares gave back some gains during February in what appeared to be profit-taking. Also weighing on the stock were concerns that Silicon Valley Bank's collapse may make it harder for many of Medpace's customers to fund their research programs. Although short-term risk has increased, we believe the company's underlying fundamentals support attractive long-term growth. Additionally, Medpace generates large amounts of cash, which we believe will enable it to enhance shareholder value by repurchasing its stock.

The top contributor to Fund performance during the quarter was MarketAxess Holdings, Inc. The company operates an electronic trading platform that we believe is pivotal in delivering efficiency, liquidity and cost savings to investors trading in global fixed-income markets. The stock appreciated after the company released fourth-quarter earnings growth that exceeded consensus estimates. Looking ahead, our thesis on the company remains on track. MarketAxess continues to gain share of global fixed-income trading, and we like the revenue potential of some of its new offerings that help clients optimize trading and market data.

Ansys, Inc. (ANSS) was another top contributor. The engineering simulator software company reported fourth-quarter operating results that helped confirm its ability to grow revenue, even as some of its industrial customers experience a cyclical slowdown. Going forward, we expect increased demand for engineering simulator software. We also believe Ansys' scale gives it a competitive advantage, allowing it to continually refine solutions and build new features that add value for its customers. We also like that Ansys' business model is relatively sticky. The software becomes deeply embedded in clients' business workflows, making it likely that Ansys will gain incremental research and development spending from those clients.

Another strong-performing stock was Monolithic Power Systems, Inc. (MPWR). The stock was up after the company announced better-than-expected fourth-quarter earnings and revenue due to strength in its automotive segment. Management also announced a dividend increase. Monolithic is a specialized analog semiconductor manufacturer that develops custom products to solve unique and difficult problems for customers. We believe its proprietary manufacturing process is a competitive advantage for the firm. We also like that the company is focused on a variety of growing end markets and that its parts are mission-critical for customers but represent a relatively low cost for those businesses. In our view, this puts Monolithic in a good position going forward. (*Current and future holdings are subject to risk and change.)*

OUTLOOK AND POSITIONING

According to an old English proverb, "It's an ill wind that blows no one any good." As dark clouds gathered over Silicon Valley Bank and the wind blew it down, it wasn't at all clear what good might be blown our way. But now that the clouds have parted, we're beginning to see some silver linings.

Silicon Valley Bank was at the center of an ecosystem through which many start-ups and other small companies obtained funding. The bank's failure is likely to make it more difficult for small firms in biotechnology, software and other tech-driven industries to get the money they need to launch and grow their businesses. What does this mean for the companies owned in the Fund? Weaker competition and fewer rivals, mostly.

The Wasatch investment approach seeks high-quality companies with solid business models, strong cash flows and healthy balance sheets. One of the main benefits of having these traits is that the company won't run out of money when business conditions get tough. This is a key advantage in the current environment, when stock prices are down and interest rates are elevated. We don't want our companies to be forced to issue new stock at depressed prices or borrow money at high rates.

Competitors might not be as fortunate. While some are scrambling to arrange new funding sources in the wake of Silicon Valley Bank's collapse, our companies can use their cash to make acquisitions, hire new talent, invest in their businesses and take market share. The long-term competitive advantages gained from these actions can be substantial.

Another risk that may be lessening has to do with staffing. The growing companies owned in the Fund often require additional human capital to expand their businesses. Fewer start-ups should mean easing shortages of software engineers and other workers with highly specialized skills. Our companies may also benefit if difficult operating and funding conditions were to force some competitors to reduce headcounts.

In short, we think our focus on businesses with strong fundamentals may be as important now as ever. While no one wants to see bank runs, financial instability or economic turmoil, we believe the Fund's portfolio of high-quality companies is well-positioned to weather potential storms.

Thank you for the opportunity to manage your assets.

Sincerely,

Mike Valentine, Paul Lambert, Austin Bone and Mick Rasmussen

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2023

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
U.S. Select Fund—Investor	11.66%	N/A	N/A	N/A	17.80%
U.S. Select Fund —Institutional	11.75%	N/A	N/A	N/A	17.90%
Russell 3000® Growth Index†	13.85%	N/A	N/A	N/A	15.47%
Russell Midcap® Growth Index††	9.14%	N/A	N/A	N/A	18.41%

**Returns less than one year are not annualized.*

***The Wasatch U.S. Select Fund's inception date was June 13, 2022.*

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Total Annual Fund Operating Expenses include operating expenses, including the management fee, before any expense reimbursements by the Advisor. **The Advisor has contractually agreed to limit certain expenses to 1.00% for the Investor Class and 0.85% for the Institutional Class through at least 1/31/2024.** See the prospectus for additional information regarding Fund expenses.

Wasatch Funds will deduct a 2.00% redemption fee on Fund shares held 60 days or less. Performance data does not reflect the deduction of fees or taxes, which if reflected, would reduce the performance quoted. For more complete information including charges, risks and expenses, read the prospectus carefully.

Investing in small cap funds will be more volatile and loss of principal could be greater than investing in large cap or more diversified funds. Investing in foreign securities, especially in emerging and frontier markets, entails special risks, such as currency fluctuations and political uncertainties, which are described in more detail in the prospectus.

An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, containing this and other information, visit wasatchglobal.com or call 800.551.1700. Please read the prospectus carefully before investing.

Being non-diversified, the Fund can invest a larger portion of its assets in the stocks of a limited number of companies than a diversified fund. Non-diversification increases the risk of loss to the Fund if the values of these securities decline.

The Wasatch U.S. Select Fund's investment objective is long-term growth of capital.

CFA® is a trademark owned by the CFA Institute.

The Fund is new and has a limited operating history.

†The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

††The Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

Indexes are unmanaged. Investors cannot invest directly in an index.

The Wasatch U.S. Select Fund has been developed solely by Wasatch Global Investors. The Wasatch U.S. Select Fund is not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"). FTSE Russell is a trading name of certain of the LSE Group companies.

These indexes are calculated by or on behalf of FTSE International Limited or its affiliate, agent or partner. The LSE Group does not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in these indexes or (b) investment in or operation of the Wasatch U.S. Select Fund or the suitability of these indexes for the purpose to which they are being put by Wasatch Global Investors.

U.S. SELECT FUND— TOP 10 HOLDINGS
AS OF DECEMBER 31, 2022

Security Name		Percent of Net Assets
AMETEK, Inc.		4.1%
Amphenol Corp. Class A		3.9%
Roper Technologies, Inc.		3.9%
HEICO Corp. Class A		3.8%
Ensign Group, Inc.		3.6%
Bank OZK		3.4%
Copart, Inc.		3.4%
Balchem Corp.		3.4%
Old Dominion Freight Line, Inc.		3.3%
ICON PLC		3.3%
	Total	36.0%

Portfolio holdings are subject to change at any time. References to specific securities should not be construed as recommendations by the Fund or its Advisor. Current and future holdings are subject to risk.