WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAUSX / Institutional WGUSX

Wasatch U.S. Select Fund

SEPTEMBER 30, 2023

Although Companies Have Reported Strong Earnings, Stocks Were Down Due to Macroeconomic Concerns

OVERVIEW

During the third quarter of 2023, the economy stayed strong and the unemployment rate remained low. Additionally, wages, energy prices and overall inflation continued to be elevated. In response, the Federal Reserve (Fed) announced that although it didn't hike interest rates in September, it would likely keep rates higher for longer going forward. Stocks broadly declined on concerns over the effects of higher interest rates and a potential recession.

Amid this environment, The Wasatch U.S. Select Fund—Investor Class slipped -4.81% during the quarter and underperformed the benchmark Russell 3000® Growth Index, which fell -3.34%.

Among sectors, our stock selection in consumer discretionary and lack of exposure to communication services detracted most from the Fund's performance relative to its benchmark. Conversely, the Fund's holdings in financials and its underweight to information technology (IT) contributed to relative results. Because the Fund is a concentrated portfolio, its

FUND MANAGERS

Mike Valentine
Portfolio Manager
1 YEAR ON FUND / 7 YEARS AT WASATCH

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

Austin Bone
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1 YEAR ON FUND / 7 YEARS AT WASATCH

Mick Rasmussen
Portfolio Manager
1 YEAR ON FUND / 9 YEARS AT WASATCH

The performance data quoted represents past performance. Past performance does not guarantee future results. 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. The 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.***

performance relative to the benchmark is often dictated by a relatively small number of holdings. Some of the largest contributors and detractors from Fund performance are discussed below.

DETAILS OF THE QUARTER

The third quarter's greatest detractor from Fund performance was Inspire Medical Systems, Inc. (INSP). The company develops minimally invasive solutions for patients with obstructive sleep apnea. Inspire and other medical-technology firms saw their stock prices decline on concerns that the growing use of GLP-1 weight-loss drugs would reduce the need for treatments of obesity-related illnesses such as diabetes and sleep apnea. However, Inspire's nerve-stimulating device can't be prescribed to people with high body mass. Falling rates of moderate to severe obesity may even expand the company's addressable market among patients who currently are too heavy to benefit from Inspire's treatment solution. Additionally, we believe simplifications in both the airway exam and the surgical procedure used with Inspire's device will increase patient throughput, decrease backlogs and potentially accelerate revenue growth in 2024.

Cognex Corp. (CGNX) was another large detractor. The company designs and markets machine-vision hardware and software systems that enable automation of manufacturing and distribution processes world-wide. The company's share price was down after management offered future revenue guidance that was below expectations. Management cited softer manufacturing activity as a reason for the lighter guidance. We're currently reviewing the stock, because we think competitive pressures for some of its technologies are intensifying.

Novanta, Inc. (NOVT) also detracted. The company designs, develops, manufactures and sells precision photonics and motion-control components and subsystems. Novanta offers its products to original equipment manufacturers in the markets for medical equipment and advanced industrial technologies. We think the stock was down because Novanta's growth rate slowed somewhat, calling into question the company's higher valuation. But we expect its growth rate to eventually tick back up and its gross margins to continue to expand.

The third quarter's top contributor to Fund performance was HealthEquity, Inc. (HQY). The company is the largest U.S. non-bank custodian for health-savings accounts (HSAs). HealthEquity also facilitates employer-sponsored lifestyle and commuter benefits, which include fitness classes, nutrition counseling, parking programs and transit passes. As of July 31, 2023, the company's total HSA assets were up 13% from a year ago to $23.2 billion—$14.0 billion of which was held in cash with a duration of approximately three to four years. Reinvesting those funds at higher interest rates as they mature should accelerate HealthEquity's top- and bottom-line growth over the next few years. The company's commuter-benefit programs are also positioned to grow as at-home workers return to offices.

Guidewire Software, Inc. (GWRE) was also a significant contributor. The company provides enterprise software for the property and casualty insurance industry. The software supports collaborative workflow, cooperation with external partners and rule-based decision making—all of which characterize modern underwriting and claims operations. Guidewire benefits as insurance companies increasingly replace their core (usually on-premises) legacy software with centralized, cloud-based offerings. Strong fundamentals have been driving the stock price higher. The transition to software as a service (SaaS) has occurred faster than expected. In the past year, Guidewire closed 37 cloud deals, including 17 in the most recent quarter. Of those 17 deals, 11 were for tier-one insurance providers. Margins have been increasing. And cash flows have been growing. Moreover, with Guidewire moving data from legacy systems to the cloud, the company should be especially well-positioned to use artificial intelligence (AI) applications.

Old Dominion Freight Line, Inc. (ODFL) was another top contributor. The company creates efficiencies by combining goods from multiple shippers that alone would fill "less than a full truckload." News that a competing trucking company was shutting down operations and filing for bankruptcy was a catalyst for the stock as investors foresaw possible increased demand for Old Dominion's services. Over the long term, we think Old Dominion's logistics capabilities will continue to be in high demand. (*Current and future holdings are subject to risk and change.)*

OUTLOOK

We think one of the main focal points of investors during the past two years has been *fear*. In 2022, the fear was over inflation and interest rates. When those conditions turned out to be worse than feared, stocks sold off. In the first half of 2023, the fear was over a potential recession. Because that didn't happen, stocks held up relatively well.

In Q3, the fear of inflation and interest rates returned—and recession worries lingered. With the Fed announcing higher-for-longer rates, stocks sold off again even though GDP growth ticked up and consumer spending remained robust. In other words, what was good for the economy was bad for stocks due to interest-rate concerns. And the stocks of unprofitable companies were hit particularly hard.

We think most of our growth companies and their stocks have already adjusted to an environment of higher-for-longer interest rates. So what's the next fear? We believe a recession is still the main issue but more specific concerns have grown regarding government infighting, global tensions and consumers' well-being. A potential warning sign has been the increasing rate of theft at warehouses and retailers.

The managers at most of the consumer-centric companies we own have told us that underlying business conditions have been reasonably strong. But the managers have also said that they have some concerns about what lies ahead.

For our part, we don't invest based on fears or predictions surrounding those fears. We buy high-quality companies with headroom for growth, significant returns on capital, healthy cash flows and low debt levels. We think these companies can weather a variety of economic scenarios.

Although many investors are concerned that a deep recession is on the horizon, we think they should also be psychologically prepared for a different outcome: It's possible that previous interest-rate hikes have yet to be felt throughout the economy. As a result, the Fed could respond to slower economic growth and act counter to its previous rhetoric by skipping further rate hikes, and perhaps by cutting rates in the not-too-distant future. If this is the outcome, we could see a resilient stock market.

In conclusion, we'd like to say that our travel schedule for visiting companies has continued to ramp up. Overall, the tone of our meetings was cautiously optimistic. And it was nice to see that increasing numbers of employees were back in the office, hard at work.

Thank you for the opportunity to manage your assets.

Sincerely,

Mike Valentine, Paul Lambert, Austin Bone and Mick Rasmussen

TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2023

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
U.S. Select Fund—Investor	-4.81%	23.92%	N/A	N/A	15.59%
U.S. Select Fund —Institutional	-4.73%	24.25%	N/A	N/A	15.74%
Russell 3000® Growth Index†	-3.34%	26.63%	N/A	N/A	19.15%
Russell Midcap® Growth Index††	-5.22%	17.47%	N/A	N/A	14.51%

**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. The 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 markets, entails special risks, such as currency fluctuations and political uncertainties, which are described in more detail in the prospectus. 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.

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.

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

†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.

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The "cloud" is the internet. Cloud-computing is a model for delivering information-technology services in which resources are retrieved from the internet through web-based tools and applications, rather than from a direct connection to a server.

Gross domestic product (GDP) is a basic measure of a country's economic performance and is the market value of all final goods and services made within the borders of a country in a year.

Valuation is the process of determining the current worth of an asset or company.

U.S. SELECT FUND— TOP 10 HOLDINGS

AS OF JUNE 30, 2023

Security Name	Percent of Net Assets
Roper Technologies, Inc.	4.5%
Amphenol Corp. Class A	4.2%
AMETEK, Inc.	4.2%
Copart, Inc.	4.0%
Ensign Group, Inc.	3.9%
HEICO Corp. Class A	3.8%
Workday, Inc. Class A	3.5%
ICON PLC	3.5%
HealthEquity, Inc.	3.4%
Balchem Corp.	3.3%
Total	38.3%

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.