WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAUSX / Institutional WGUSX

Wasatch U.S. Select Fund

DECEMBER 31, 2023

The Fund Outperformed Its Benchmark, as Many of Our Companies Were Rewarded for Solid Fundamentals

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
Portfolio Manager
1 YEAR ON FUND / 7 YEARS AT WASATCH

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

OVERVIEW

During the fourth quarter of 2023, the Wasatch U.S. Select Fund—Investor Class gained 16.57%, outperforming the benchmark Russell 3000® Growth Index, which was up 14.09%.

Our stock selection in the financials, consumer-staples and information-technology (IT) sectors contributed to the Fund's performance relative to its benchmark. Conversely, the Fund's overweight position in the industrials sector and holdings in the consumer-discretionary sector detracted from relative results.

Looking at relative performance from a sector perspective can shed some light on the Fund's results. But, due to the concentrated nature of the portfolio, the Fund's performance is typically dictated by individual stocks. In the fourth quarter, many of our high-quality growth companies were rewarded by the market for their solid operating results.

For the year, the Fund's Investor Class posted solid returns and was up 33.36%. However, the Fund underperformed its benchmark, which

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.***

gained 41.21%. Our underperformance for the calendar year was due largely to the Fund's focus on small- and mid-cap stocks. In 2023, large-cap stocks substantially outperformed their smaller-cap peers. In particular, the so-called "magnificent seven" mega-cap stocks enjoyed outsized returns in 2023.

Large-cap stocks, particularly mega-cap stocks, are not an area of the market in which we invest. Wasatch has a 40-plus year history of investing in small-cap companies. The U.S. Select Fund's investment focus allows the Wasatch research team to venture into the mid-cap space and, on occasion, the large-cap arena. Many of our favorite small companies that Wasatch has often followed for years continue to grow. When they "graduate" out of the small-cap realm and remain attractive investments, they become candidates for the U.S. Select Fund. Due to our focus, the Fund will never have exposure to the largest companies in the Index, so we weren't surprised that the Fund underperformed in a year in which the magnificent seven enjoyed outstanding performance.

Over the long term, we believe the small- and mid-cap companies held by the Fund are poised to produce stronger earnings growth relative to the broader market and that this provides the potential for the Fund to deliver higher returns than the benchmark over a full market cycle.

DETAILS OF THE QUARTER

The top contributor to Fund performance during the fourth quarter was Trex Co., Inc. (TREX). The company manufactures high-performance composite (non-wood) decking and accessories. Trex was a laggard in 2022 as fears of rising interest rates disproportionately impacted the shares of housing-related companies. We maintained our conviction in the stock when it traded down, believing Trex would continue to take share within the composite-decking market and from traditional suppliers of wood products. The stock rebounded in 2023 due to several factors. First, Trex bought back stock in 2022, so fewer shares are now outstanding. Second, product inventories have been worked down and are no longer excessive. Third, the company's revenues were up approximately 60% in the most recently reported quarter and margins have improved going into 2024. This year looks to be a banner year for Trex as real estate regains momentum. Fourth, Trex is the leading brand for the professional contractor/builder segment—and this is the most valuable segment of the market.

Ensign Group, Inc. (ENSG) also contributed to Fund performance. Ensign's stock price advanced after the company reported third-quarter revenue growth that was a little better than expected. Our views on Ensign remain unchanged. We believe that Ensign, a long-term Wasatch holding, is one of the best-run companies in the health-care facilities-management space. What helps set Ensign apart is that it separates facilities management from patient management, enabling it to improve financial results while also delivering favorable patient outcomes. We also like the company's long history of acquiring underperforming properties and making them successful.

Another large contributor was Five Below, Inc. (FIVE). The stock sold off in the third quarter after the company announced that upcoming quarterly margins and earnings were projected to decline due to theft and expenses associated with theft prevention. While that news was disappointing, we think Five Below's management team responded appropriately. In the fourth quarter, the stock rebounded, likely because investors had time to digest news about temporary margin contraction and to appreciate that long-term fundamentals for the company remain intact. Looking ahead, we still expect the company's new-store growth rate to accelerate from the low teens to the high teens over the next 12 months.

The greatest detractor from Fund performance during the fourth quarter was Fox Factory Holding Corp. (FOXF). The company manufactures suspension products and other components for cycling and motorsports applications. Investors reacted negatively to news that Fox Factory had entered into an agreement to acquire

Marucci Sports, a manufacturer of baseball and softball bats and other sports-related products. Although acquisitions are often met with skepticism, in this case it was especially unclear why Fox Factory had decided to venture outside its core business. The unusual nature of the deal requires us to engage in discussions with management and perform an ongoing evaluation of the purported growth opportunities and operational synergies.

HealthEquity, Inc. (HQY) also detracted. The company is the largest U.S. non-bank custodian for health savings accounts (HSAs). Along with offering HSAs, the company also facilitates employer-sponsored lifestyle and commuter benefits, which include fitness classes, parking programs and transit passes. The stock was down because investors looked ahead to an environment of lower interest rates when the company would earn less income from money held on deposit for customers. While lower rates are a small headwind for HealthEquity, its business model is structured so that the near- to mid-term impact is negligible and is more than offset by the continued long-term growth of its entire platform.

Another weak name in the Fund was Paylocity Holding Corp. (PCTY). The company provides software for payroll and human-resources management using the software-as-a-service business model. Facing an uncertain U.S. employment outlook in 2024 and difficult year-over-year comparisons, Paylocity issued forward guidance that failed to reassure nervous investors. Moreover, client funds held on Paylocity's balance sheet provide the company with substantial interest income—which would be expected to decline in an environment of falling interest rates. Our long-term thesis for owning the company has not changed, so we maintained our position. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

During the past few months, interest-rate assessments have shifted from "higher for longer" to "higher for long enough." Assuming rates stay within a reasonable band around current levels, we think most of our growth-oriented companies and their stocks have already adjusted to the current normalized environment of interest yields relative to inflation. More specifically, even though we certainly don't focus on the short term, we've noticed that our stocks' daily, weekly and monthly fluctuations have become less erratic.

Given this normalized, less macro-driven environment, we're optimistic that the Fund may hold up well during periodic market downturns—a characteristic we view as more important than outperforming in up markets. And whether the economy goes into a recession or experiences a soft landing, we believe the Fund is strongly positioned for either scenario.

With revenues and margins improving for many of our companies, we're also witnessing an acceleration in earnings growth. Generally speaking, we saw earnings growth around the high teens in 2022. Growth fell to the low double-digits in 2023. Now, in 2024, we expect growth to ramp back up, approaching the mid-teens.

Thank you for the opportunity to manage your assets.

Sincerely,

Mike Valentine, Paul Lambert, Austin Bone and Mick Rasmussen

TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2023

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
U.S. Select Fund—Investor	16.57%	33.36%	N/A	N/A	24.63%
U.S. Select Fund —Institutional	16.54%	33.55%	N/A	N/A	24.75%
Russell 3000® Growth Index†	14.09%	41.21%	N/A	N/A	26.09%
Russell Midcap® Growth Index††	14.55%	25.87%	N/A	N/A	22.28%

**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.

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.

Earnings growth is a measure of growth in a company's net income over a specific period, often one year.

U.S. SELECT FUND— TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2023

Security Name		Percent of Net Assets
Roper Technologies, Inc.		4.5%
Amphenol Corp., Class A		4.4%
Ensign Group, Inc.		4.3%
AMETEK, Inc.		4.2%
HealthEquity, Inc.		4.1%
Copart, Inc.		4.1%
HEICO Corp., Class A		3.7%
Balchem Corp.		3.4%
Valvoline, Inc.		3.4%
RBC Bearings, Inc.		3.2%
	Total	39.3%

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.