

Wasatch U.S. Select Fund

MARCH 31, 2024

We Believe Artificial Intelligence Has Transformative Potential, But We're Mindful of Asymmetric Risks and Unrealistic Valuations

OVERVIEW

During the first quarter of 2024, the Wasatch U.S. Select Fund—Investor Class gained 6.11%, underperforming the benchmark Russell 3000® Growth Index, which was up 11.23%.

Our stock selection in the information-technology (IT) and financials sectors detracted most from the Fund's performance relative to its benchmark. Conversely, the Fund's holdings in the health-care and consumer-discretionary sectors outperformed those of the benchmark and contributed to 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

FUND MANAGERS



Mike Valentine
Portfolio Manager

1 / 7
YEAR ON FUND / YEARS AT WASATCH



Paul Lambert
Portfolio Manager

1 / 24
YEAR ON FUND / YEARS AT WASATCH



Austin Bone
Portfolio Manager

1 / 7
YEAR ON FUND / YEARS AT WASATCH



Mick Rasmussen
Portfolio Manager

1 / 9
YEAR ON FUND / 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 4.56%, Net 1.02% / Institutional Class—Gross 2.46%, Net 0.87%. 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 1/31/2025.***



the portfolio, the Fund's performance is typically dictated by individual stocks. We discuss some of the key contributors to and detractors from Fund performance in the following section.

DETAILS OF THE QUARTER

The greatest detractor from Fund performance during the first quarter was **MarketAxess Holdings, Inc. (MKTX)**, which offers an electronic trading platform that we believe is pivotal for delivering efficiency, liquidity and cost savings to clients operating in global fixed-income markets. After a strong finish in 2023, the stock declined at the beginning of this year due to some concerns about potential market-share losses. Nevertheless, our investment thesis remains on track. We believe MarketAxess has been finetuning its services to accommodate clients of various sizes. And we don't think the recent competitive challenges will materially impact the company's ability to grow its global fixed-income trading business over the long term. We're especially excited about the revenue potential of some new services that help clients optimize operations and data flow. During the first quarter, we took advantage of the stock-price weakness to buy more shares.

Discount retailer **Five Below, Inc. (FIVE)** also detracted. Shares slid after the company announced earnings-per-share growth that fell short of consensus expectations. The company also lowered 2024 full-year earnings guidance. The earnings miss and lower guidance were due largely to increased "shrink," or stolen goods, from Five Below's stores and to extra costs Five Below will undertake to mitigate shrink in the future. The company's management team had communicated previously about issues around shrink, and we believe the higher expenses will be transitory. Over the long term, we continue to like the company. New stores continue to be very profitable, and we anticipate an acceleration in openings next year.

Another detractor was **Globant SA**, a global IT-consulting firm. Even though the firm's earnings were ahead of expectations, the stock price fell after management issued conservative full-year guidance. General concern from investors about IT spending has weighed on the stock prices of firms in the consulting industry. However, our long-term views on the company remain unchanged. Globant continues to grow faster than many of its competitors, and we believe it will benefit as companies seek help digitalizing their business and incorporating AI into a wide range of functions.

The top contributor to Fund performance during the first quarter was **HealthEquity, Inc. (HQY)**, the largest U.S. non-bank custodian for health savings accounts (HSAs). Along with its primary business of offering HSAs, the company facilitates employer-sponsored lifestyle and commuter benefits. The stock was down late last year because investors were expecting an environment of lower interest rates that would decrease income from money held on deposit for HealthEquity customers. Our analysis gives us visibility into HealthEquity's long-term earnings-growth potential, which we believe will remain strong for years to come. With this insight, we added to our position when the stock price dropped. During the first quarter, the stock climbed based on strong revenue and earnings growth—and we think the company's annual growth rates could remain in the double digits for the next several years.

Another substantial contributor was **Medpace Holdings, Inc. (MEDP)**. The company is a contract research organization (CRO) supplying clinical development services to small biotechnology businesses. Medpace continues to post strong revenue and earnings growth as it provides critical services for its customers. The stock also benefited in the quarter from optimism that lower rates will help biotech companies more easily secure much-needed funding for future clinical development. Although Medpace isn't a traditional biotech company, we believe it gives us some exposure to the industry without the typically poor cash flows of biotech businesses. Moreover,



Medpace has continued to defy the skeptics by generally maintaining strong growth (often in double digits) and healthy fundamentals for years on end—even during several periods when biotech businesses have struggled.

Another stock that contributed to performance was **Trex Co., Inc. (TREX)**. The U.S. company manufactures high-performance composite (non-wood) decking and accessories. The stock has continued to appreciate after the company released strong operating results in February. After recent gains, we've trimmed the position. However, we continue to see upside for the stock, and we believe the company will continue taking market share in composite decking and from traditional suppliers of wood products, which have shorter lifespans and require extra upkeep compared to composites. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

AI, and technology more broadly, drove much of the market returns during the first quarter. With respect to AI, we have no doubt that it will create massive positive changes in economies around the world. And these changes are likely to be even more significant than those created by the internet. But the internet revolution and other technological transformations have led to a myriad of very bad investments (the good ones notwithstanding).

In managing the Fund, we have three main considerations regarding AI:

1. We want to avoid investing in companies whose business models will be materially disrupted by AI.
2. We're attracted to companies that will be able to use AI to strengthen their competitive positions and/or reduce costs.
3. Where possible, we're interested in certain companies directly involved in AI—but we're cognizant of the potential asymmetric risks and unreasonable valuations.

While we continue to analyze how AI may transform or disrupt companies, we are keeping our focus on other company fundamentals as well. As usual, we took note of all our companies' revenue and earnings reports. We then embarked on reanalyzing our companies and projecting their future growth rates. For the most part, our companies issued strong reports for the fourth quarter of 2023. And the growth rates we've projected for the 2024 calendar year are largely in double digits. Considering these projections and the reasonable valuations we're finding among small-caps—on an absolute basis and relative to large-caps—we're optimistic regarding investment performance going forward.

Thank you for the opportunity to manage your assets.

Sincerely,

Mike Valentine, Paul Lambert, Austin Bone and Mick Rasmussen



TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2024

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
U.S. Select Fund—Investor	6.11%	26.74%	N/A	N/A	24.98%
U.S. Select Fund —Institutional	6.17%	26.89%	N/A	N/A	25.12%
Russell 3000® Growth Index†	11.23%	37.95%	N/A	N/A	29.54%
Russell Midcap® Growth Index††	9.50%	26.28%	N/A	N/A	25.07%

*Returns less than one year are not annualized.

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

The performance data quoted represents past performance. Past performance does not guarantee future results. Information in this document regarding market or economic trends, or the factors influencing historical or future performance, reflects the opinions of management as of the date of this document. These statements should not be relied upon for any other purpose. Current performance may be lower or higher than the data quoted. To obtain the most recent month-end performance data available, please visit wasatchglobal.com. The Advisor may absorb certain Fund expenses, without which total returns would have been lower. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. **Total Expense Ratio: Investor Class—Gross 4.56%, Net 1.02% / Institutional Class—Gross 2.46%, Net 0.87%**

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 1/31/2025.** 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.

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*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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Earnings per share or EPS is the portion of a company's profit allocated to each outstanding share of common stock. EPS growth rates help investors identify companies that are increasing or decreasing in profitability.

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

U.S. SELECT FUND— TOP 10 HOLDINGS

AS OF DECEMBER 31, 2023

Security Name	Percent of Net Assets
AMETEK, Inc.	4.5%
Amphenol Corp., Class A	4.5%
Roper Technologies, Inc.	4.4%
Copart, Inc.	4.0%
Ensign Group, Inc.	4.0%
Workday, Inc., Class A	3.5%
ANSYS, Inc.	3.3%
Tyler Technologies, Inc.	3.3%
Hamilton Lane, Inc., Class A	3.3%
Trex Co., Inc.	3.2%
Total	38.0%

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.