WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAMCX / Institutional WGMCX

Wasatch Ultra Growth Fund

MARCH 31, 2023

Strong Cash Flows and Healthy Balance Sheets Have Taken on Added Importance as Interest Rates Have Risen

FUND MANAGER

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Lead Portfolio Manager

11 YEARS ON FUND / 25 YEARS AT WASATCH

OVERVIEW

Stocks of small U.S. growth companies moved higher during the first quarter of 2023. The benchmark Russell 2000® Growth Index rose 6.07% for the quarter, trimming early gains amid growing uncertainty about the future paths of interest rates and the U.S. economy. The Wasatch Ultra Growth Fund—Investor Class outperformed the benchmark with a total return of 6.87%.

Failures of three regional banks in the U.S. and the hastily arranged government-brokered sale of troubled Swiss firm Credit Suisse Group AG rattled financial markets and added another layer of complexity to an economic backdrop that was already uncertain. Equities 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 U.S. Federal Reserve (Fed) closer to the end of its tightening cycle appeared to overshadow lingering fears of financial contagion within the banking system and outweigh broader concerns about fallout to the general economy.

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—1.18% / Institutional Class—Gross 1.06%, Net 1.05%. The Advisor has contractually agreed to limit certain expenses to 1.50% for the Investor Class and 1.05% for the Institutional Class through at least 1/31/2024.***

Despite turbulence in the banking industry, financials were a source of outperformance in the Fund. We believe the well-diversified deposit bases and healthy balance sheets of the two banks owned in the Fund set them apart from the ones making headlines in the press. Although our bank stocks declined in sympathy with other banks during the first quarter, banks currently represent only about 3% of total Fund assets. Moreover, strong returns from our insurance and capital-markets stocks drove a solid overall gain in the Fund's financials.

Consumer discretionary and information technology (IT) were the Fund's other primary sources of strength, both in absolute terms and relative to the benchmark. Because our retailers tend to specialize in competitively priced, low-priced or discounted items that help consumers stretch their dollars, we believe these businesses are positioned better than most peers to navigate inflationary and recessionary environments. In the IT sector, several of our holdings benefited from the recent boom in artificial intelligence (AI), which has triggered an upswell of positive sentiment toward the semiconductor industry.

Health care was the Fund's largest source of weakness during the quarter as the collapse of Silicon Valley Bank in California created the secondary effect of bruising sentiment toward biotechnology stocks. Investors worried the bank's downfall and increased focus on credit risk may create a more difficult funding environment for biotechs and start-ups in general. While investment will be harder to come by for these types of companies, we believe the best science and technology ideas will still attract funding.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the quarter was Floor & Decor Holdings, Inc. (FND). A multi-channel specialty retailer of hard-surface flooring, Floor & Decor has become a "category killer" among the big-box home centers. Because the company cuts out middlemen and buys in large quantities, it can offer its customers a wider selection of flooring at lower prices than most of its competitors. Floor & Decor's expanding retail footprint, strong cash flows and solid balance sheet provide the company with what we consider a built-in engine for self-funded growth.

The semiconductor industry group accounted for a number of top contributors. Among these were PDF Solutions, Inc. (PDFS) and Monolithic Power Systems, Inc. (MPWR). The recent proliferation of AI chatbots has increased demand for data centers to feed the large language models that are the backbone of generative AI.

PDF Solutions provides technologies for optimizing the design and manufacture of integrated-circuit chips. The company's stock price soared to record highs in February after quarterly revenues and earnings came in ahead of Wall Street estimates. Factors boding well for the future of PDF include its growing backlog and its emerging Design-for-Inspection System (DFI System™). This new technology seeks to change the current paradigm of visual chip inspection by incorporating proprietary electrical characterization directly into the chip's design, enabling customers to detect previously unknown defects in a non-destructive way.

Monolithic Power Systems offers semiconductor-based power electronics solutions for industrial and consumer markets. Earnings per share jumped 62% in the company's most recent quarter on revenue growth of 37% versus the same quarter a year ago. Revenues from Monolithic's automotive business rose 73% year-over-year, helped by strong sales of highly integrated applications that support automated driver assistance systems. The company's enterprise-data segment grew 69%, driven by increased sales of power-management solutions for cloud-based CPU and GPU server applications.

Health-care companies represented some of the Fund's greatest detractors from performance. These included Silk Road Medical, Inc. (SILK), Esperion Therapeutics, Inc. (ESPR) and Sangamo Therapeutics, Inc. (SGMO).

Silk Road provides implantable devices to treat blockages in the carotid artery that put patients at risk of a stroke. Although Silk Road posted a narrower-than-expected loss in its most recently reported quarter, the stock sold off after management offered no guidance as to future earnings. On the plus side, revenues rose 42% compared to the same quarter a year ago on the back of increased adoption of the company's Transcarotid Artery Revascularization (TCAR) procedure. In our view, Silk Road's scalable business model, effective sales force and large cash position should provide the company with an ample runway to profitability.

Esperion develops oral therapies for people with elevated low-density lipoprotein cholesterol (LDL-C, or "bad cholesterol"). Shares of the company fell sharply in March as investors reacted negatively to data from a cardiovascular outcomes trial of Esperion's cholesterol-lowering drug Nexletol® in statin-intolerant patients. The stock fell again on news that Esperion's partner in the drug was disputing a milestone payment tied to the study's results.

Because this trial isn't directly comparable to trials of competing drugs, we believe investors who failed to look beyond the top-line data may have misinterpreted the results. Our research suggests the trial exceeded clinical expectations of many doctors, who are already prescribing Nexletol to their patients at increasing rates. We expect the milestone dispute will be settled out of court. And we believe the cardiovascular outcomes trial will lead to expansion of Nexletol's label in the U.S. and Europe, doubling the addressable treatment population and triggering additional milestone payments.

Sangamo Therapeutics specializes in the treatment and cure of single-gene disorders. The company's share price declined in March after two of its big-name partners announced they weren't planning to renew collaborations scheduled to expire later this year. The news raised additional funding questions for Sangamo, which had announced in February that it would complete its trial targeting sickle-cell disease but would make no further investment in the program. Even so, the company's main projects—for Fabry's disease and hemophilia A—look promising in our view, and we believe Sangamo's current valuation doesn't adequately reflect the company's long-term prospects. (*Current and future holdings are subject to risk and change.)*

OUTLOOK AND POSITIONING

Since the Fed began raising interest rates last year, depositors have been pulling money from banks to earn higher yields in money-market funds. Now, worries about safety have given holders of uninsured deposits in local and regional banks another reason to put their money elsewhere. Banking regulations are expected to get tighter. This will slow the rate of lending and make borrowing more expensive for companies that can't self-fund their growth. The banking crisis has already reduced lending activity and has likely increased the probability that the U.S. economy will enter a recession.

We don't see any easy answers—either for banks or for the U.S. economy as a whole. Though we like the banks the Fund currently owns, the banking industry isn't one in which we're seeking new candidates for investment.

Other areas offer better opportunities in our view. The Fund remains overweight health care, which we believe can do well in just about any macro environment. We're also overweight the semiconductor industry, where we expect machine learning to create unprecedented demand for computing over the next three to five years. And our software companies derive most of their revenues from recurring contracts that enable them to consistently generate substantial amounts of cash. By the same token, we believe depressed valuations across much of the biotechnology industry offer attractive prospects for shares of well-situated firms with cash on their balance sheets.

While our investment approach has always emphasized strong cash flows and healthy balance sheets, these themes have taken on added importance as interest rates have risen. With money becoming more expensive, we think businesses that can grow without borrowing or issuing new stock—or that swing to profitability sooner than expected—should enjoy significant competitive advantages.

Thank you for the opportunity to manage your assets.

Sincerely,

John Malooly

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Ultra Growth Fund—Investor	6.87%	-22.66%	12.10%	10.77%	12.89%
Ultra Growth Fund—Institutional	6.89%	-22.53%	12.24%	10.85%	12.93%
Russell 2000® Growth Index**	6.07%	-10.60%	13.36%	4.26%	8.49%

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

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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 1.50% for the Investor Class and 1.05% 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.

Performance for the Institutional Class prior to 1/31/2020 is based on the performance of the Investor Class. Performance of the Fund's Institutional Class prior to 1/31/2020 uses the actual expenses of the Fund's Investor Class without any adjustments. For any such period of time, the performance of the Fund's Institutional Class would have been substantially similar to, yet higher than, the performance of the Fund's Investor Class, because the shares of both classes are invested in the same portfolio of securities, but the classes bear different expenses.

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.

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 Ultra Growth Fund's primary investment objective is long-term growth of capital. Income is a secondary objective, but only when consistent with long-term growth of capital.

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***The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index is an unmanaged total return index of the smallest 2,000 companies in the Russell 3000 Index. The Russell 2000 is widely used in the industry to measure the performance of small company stocks.*

Indexes are unmanaged. Investors cannot invest directly in these or any indexes.

The Wasatch Ultra Growth Fund has been developed solely by Wasatch Global Investors. The Wasatch Ultra Growth 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 Index is 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 the Index or (b) investment in or operation of the Wasatch Ultra Growth Fund or the suitability of the Index for the purpose to which it is being put by Wasatch Global Investors.

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.

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.

ULTRA GROWTH FUND — TOP 10 HOLDINGS

AS OF DECEMBER 31, 2022

Security Name	Percent of Net Assets
Intra-Cellular Therapies, Inc.	4.2%
Five Below, Inc.	3.9%
Silk Road Medical, Inc.	3.6%
Inspire Medical Systems, Inc.	3.6%
Freshpet, Inc.	3.4%
Floor & Decor Holdings, Inc. Class A	3.0%
Bank OZK	2.7%
Balchem Corp.	2.7%
Paylocity Holding Corp.	2.6%
Five9, Inc.	2.5%
Total	32.1%

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.