WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAMCX / Institutional WGMCX

Wasatch Ultra Growth Fund

SEPTEMBER 30, 2023

To the Extent That Interest-Rate Increases Are Largely Behind Us, We Expect Small-Cap Equity Returns to Be Determined More by Revenue And Earnings Growth

FUND MANAGER

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Lead Portfolio Manager

11 YEARS ON FUND / 25 YEARS AT WASATCH

OVERVIEW

Rising bond yields and higher oil prices created strong headwinds for U.S. equities during the third quarter of 2023. Small-cap growth stocks were hit especially hard as skittish investors fled to safer alternatives. The Wasatch Ultra Growth Fund—Investor Class was down -11.65% for the quarter. The Fund underperformed the benchmark Russell 2000® Growth Index, which declined -7.32%.

Having moved sideways since October 2022, bond yields resumed the upward climb that roiled financial markets last year. Because bonds compete with stocks for investors' money, higher yields on bonds made equities less attractive in comparison and pressured stock prices lower. Bond prices fell as well because the price of a bond moves inversely to its

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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—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.***

yield. Selloffs in the stock and bond markets deepened in September after the Federal Reserve (Fed) signaled a more aggressive path for monetary policy than investors had expected.

Stocks were impacted in other ways too. As bond yields and Fed policy rates moved higher during the third quarter, borrowing became more expensive—making it harder for consumers to spend and for businesses to expand. Although concerns about a recession eased, bond yields and interest rates remained on investors' minds as surging energy prices pinched household budgets and threatened to reignite inflation.

Energy was the only area of the market that did well in the quarter. The financials sector was the only other sector of the Index to register a positive return. The Fund's financials underperformed, however. And the Fund's focus on dynamic, growing companies with high returns on equity means the slow-growing energy sector is underrepresented relative to the Index. As a result, our fundamental, bottom-up investment approach struggled to gain traction in what was largely a hostile, macro-driven environment for small-cap growth stocks.

Health care was the worst-performing sector of both the Index and the Fund. Although health care is often thought of as a defensive area that might be expected to hold its own when other parts of the market do poorly, the small-cap health-care sector includes many firms with products and services that are either still in development or still gaining acceptance by practitioners. We believe the health-care companies owned in the Fund have the potential to create significant value by serving unmet medical needs and offering innovative solutions that reduce costs within the health-care system. Even so, risk-averse investors tended to shun those businesses during the third quarter in favor of larger, more-established peers.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the quarter was Ollie's Bargain Outlet Holdings, Inc. (OLLI). The company's stores offer a constantly changing selection of close-out items and other brand-name merchandise at deeply discounted prices. A steady flow of inventory acquired from distressed retailers has attracted customers to Ollie's and boosted sales. In the company's most recent quarter, net sales rose a better-than-expected 13.7% year over year, driven by an increase of 7.9% in comparable-store sales and the addition of six new locations. With margins and earnings also exceeding estimates, management upped its guidance for fiscal year 2023. Because the discounts at Ollie's help consumers stretch their dollar, we think the company is better situated than most other retailers in the current inflationary environment.

HealthEquity, Inc. (HQY) was also a top contributor. 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.

Other strong stocks in the Fund included Magnolia Oil & Gas Corp. (MGY) and Matador Resources Co. (MTDR) as energy producers benefited from higher oil prices. Instead of ramping up production capacity when oil prices rise, Magnolia takes a measured approach to expansion both in good times and in bad. Through disciplined deployment of capital, the company has built a consistent record of returning cash to shareholders regardless of the price of oil. Matador is owned in the Fund at a lower weight than Magnolia, is more levered and seeks to grow somewhat

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faster. In our view, the two holdings together constitute a balanced approach to the oil and gas industry. Magnolia operates primarily in South Texas, while Matador holds interests in New Mexico, Texas and Louisiana.

The greatest detractor from Fund performance for the quarter 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.

Silk Road Medical, Inc. (SILK) was also a significant detractor. The company provides medical devices used in its minimally invasive procedure (called Transcarotid Artery Revascularization, or TCAR®) for the treatment of blockages in the carotid artery. Silk Road's stock price fell sharply in July after the Centers for Medicare & Medicaid Services (CMS) issued a proposed coverage decision placing traditional carotid stenting at the same reimbursement level as TCAR. The concern is that CMS support for the competitive method could hurt Silk Road's revenues.

We think investors have overreacted. Although CMS has leveled the playing field on reimbursement, we believe the competition will be determined by outcomes—not reimbursements. Silk Road's innovative system to reverse blood flow during TCAR directs any stroke-causing material away from the brain and into a filter, resulting in better outcomes than traditional stenting. Over time, we expect TCAR to continue to take market share and become the new standard of care for treating carotid artery disease.

Another weak stock in the Fund was PDF Solutions, Inc. (PDFS). The company provides technologies for optimizing the design and manufacture of integrated-circuit chips. Although earnings beat Wall Street forecasts in PDF's most recent quarter, the company's backlog expanded less than investors had hoped. Also, management lowered its revenue targets for 2023 as strength in PDF's cloud-analytics segment is offset by weakness in other business areas during the second half of the year. We view this as a temporary, cyclical deceleration and believe the company's long-term growth drivers remain in place. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

During the third quarter, investors appeared to focus mainly on the Fed's intention to keep short-term borrowing costs higher for longer. However, the Fed has also signaled it is likely nearing the end of its tightening cycle. Fewer rate hikes going forward would potentially benefit stocks and help maintain economic growth.

We don't try to predict interest rates, recessions or fluctuations in aggregate demand for goods and services. Instead, we seek companies whose innovative offerings can create their own demand and gain market share within their categories. We look for strong business models with recurring revenue streams and management teams that have demonstrated strong execution. If the U.S. economy does slip into a recession, we believe our companies are reasonably positioned to hold their own and continue to grow.

Many of the Fund's software companies, for example, offer productivity enhancements that allow their customers to do more with less. During economic downturns, these solutions provide attractive alternatives for businesses seeking to boost the efficiency of existing workers rather than hire additional ones. With computer software now the backbone of the workplace, our software and other information-technology (IT) firms derive much of their revenue from contracts and subscriptions that are renewed on a recurring basis. We believe our overweight positioning in software and IT relative to the Index has the potential to add ballast to the Fund, regardless of the economic environment.

Looking back, small-cap valuations last peaked in 2021, when the U.S. was in a much lower interest-rate environment. Since then, rising rates have caused revenue and price/earnings (P/E) multiples of our companies to contract. We can't say whether that process is over. But with interest rates having logged historic increases across the maturity spectrum, we believe much of the pain is now behind us.

To the extent that rate increases are behind us, we expect small-cap equity returns going forward to be determined more by revenue and earnings growth—and less by the effects of interest rates on P/E multiples. In the meantime, we continue to look for companies with strong fundamentals and favorable long-term prospects. We believe businesses that grow at attractive rates over time will ultimately be rewarded by the market.

Thank you for the opportunity to manage your assets.

Sincerely,

John Malooly

TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Ultra Growth Fund—Investor	-11.65%	0.95%	-7.89%	4.22%	10.58%
Ultra Growth Fund—Institutional	-11.62%	1.13%	-7.77%	4.32%	10.63%
Russell 2000® Growth Index**	-7.32%	9.59%	1.09%	1.55%	6.72%

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

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—1.18% / Institutional Class—Gross: 1.06%, Net: 1.05%**

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. 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.

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.

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

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.

The price/earnings (P/E) ratio, also known as the P/E multiple, is the price of a stock divided by its earnings per share.

Return on equity (ROE) measures a company's efficiency at generating profits from shareholders' equity.

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

ULTRA GROWTH FUND — TOP 10 HOLDINGS

AS OF JUNE 30, 2023

Security Name	Percent of Net Assets
Inspire Medical Systems, Inc.	3.8%
Floor & Decor Holdings, Inc., Class A	3.4%
Freshpet, Inc.	3.4%
Intra-Cellular Therapies, Inc.	3.2%
Five9, Inc.	2.9%
Nova Ltd.	2.9%
Balchem Corp.	2.7%
Trex Co., Inc.	2.7%
Five Below, Inc.	2.6%
Paylocity Holding Corp.	2.6%
Total	30.2%

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.