WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAMCX / Institutional WGMCX

Wasatch Ultra Growth Fund

DECEMBER 31, 2023

Even With 2023's Strong Finish, We're Still Finding Attractively Valued Small-Caps

FUND MANAGER

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Lead Portfolio Manager
11 YEARS ON FUND / 26 YEARS AT WASATCH

OVERVIEW

Optimism that the Federal Reserve was finished raising interest rates touched off a strong rally in U.S. equities during the fourth quarter. The advance gathered steam as investors began factoring interest-rate cuts into their forecasts for 2024. The Wasatch Ultra Growth Fund—Investor Class returned 19.59% for the quarter. The Fund surpassed the benchmark Russell 2000® Growth Index, which rose 12.75%.

Fourth-quarter gains erased the Fund's year-to-date performance gap versus the benchmark. Multiple stock-market contractions and lower stock prices overwhelmed revenue and earnings growth in 2022 and most of 2023. As rising interest rates and fears of recession pressured small-company growth stocks for much of 2023, our fundamental, long-term investment approach was out of favor and the Fund underperformed. With macroeconomic concerns easing during the fourth quarter, investor focus returned to company fundamentals for the first time in two years, and the Fund regained nearly all of its previously lost ground. The Fund finished the year up 19.19%, ahead of the benchmark's 18.66% gain for the period.

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.***

Information technology (IT) was the Fund's leading source of outperformance in the quarter. Helped by outsized returns across a number of holdings, our IT stocks substantially outgained the benchmark's IT positions. Because IT was an area of the market that benefited especially from the potential for lower interest rates, our overweight positioning in IT was an additional tailwind for the Fund.

Rather than being a forecast or "bet" on the sector itself, our above-benchmark exposure to IT is the natural result of our bottom-up investment process. The software industry, in particular, is an area of the market where we tend to find candidates meeting our investment criteria. For the most part, the software firms owned in the Fund are, in our view, high-quality, growing businesses deriving significant revenue from contracts that renew on a recurring basis. We believe those characteristics position our software companies to grow regardless of the economic environment.

Other sources of outperformance in the Fund included health care and financials. Pharmaceuticals and biotechnology drove Fund performance in health care, while our strength in financials was attributable to financial services and the banking industry.

Industrials and real estate were minor sources of weakness relative to the benchmark. Although our industrials generated a solid return overall, declines in two holdings caused performance to lag behind the industrials in the benchmark. Because real estate was the highest-returning sector of the Index, our lack of direct exposure was a slight headwind for the Fund.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the quarter was Intra-Cellular Therapies, Inc. (ITCI). The company develops drugs to treat disorders of the central nervous system. Intra-Cellular reported stronger-than-expected growth in sales and prescriptions for its flagship drug Caplyta for the treatment of bipolar depression and schizophrenia. The company continued to advance its development pipeline, which includes additional programs for Caplyta in the areas of major depressive disorder (MDD) and patient populations with mixed features of MDD and bipolar depression. Additionally, two public companies with central nervous system treatments were acquired for rich premiums in the fourth quarter, which improved sentiment in the space and underscored the potential value of Intra-Cellular's clinical portfolio.

C4 Therapeutics, Inc. (CCCC) was also a top contributor. The company develops therapeutics to degrade disease-causing proteins for the treatment of cancer and other diseases. C4's stock price jumped after the company announced positive data from a Phase 1 clinical trial of its therapy for multiple myeloma, a cancer that forms in blood cells. The stock moved up again on news that C4 had entered into a collaboration agreement with Merck to develop degrader-antibody conjugates (DACs) for an undisclosed oncology target that's exclusive to the collaboration.

Another strong stock in the Fund was Freshpet, Inc. (FRPT). The company sells fresh, refrigerated meals and treats for dogs and cats. We like the company's market-leading position—fueled by its large footprint in supermarkets and pet stores—that competitors have found difficult to replicate. Shares of Freshpet surged after the company's third-quarter earnings report beat estimates on both the top and bottom lines. Profitability got a boost from lower input costs, and sales increased 32.6% versus the same quarter a year ago despite lackluster unit growth for the pet-food industry as a whole.

The greatest detractor from Fund performance for the 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 bats and other sports-related products. Although the Street is often skeptical about acquisitions, in this case it was especially unclear why Fox Factory had decided to venture outside its core business. The unusual nature of the deal required us to modify our investment thesis and, in the end, left us with more questions than answers. We sold the stock to seek better opportunities elsewhere.

Paylocity Holding Corp. (PCTY) was also a detractor. 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. Also, 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. Moreover, a key competitor released disappointing quarterly financial results, raising concerns about growing competitive intensity and weighing further on Paylocity's stock price. Our long-term thesis for owning the company has not changed, so we maintained our position.

Our small weight in Atara Biotherapeutics, Inc. (ATRA) was sold after the company's experimental cell therapy for multiple sclerosis failed a Phase 2 study. Because the placebo group performed significantly better than the study's active arm, the trial raised questions about the clinical efficacy of Atara's therapy, sending the company's stock price sharply lower. A biopharmaceutical company, Atara develops cell therapies for patients with difficult-to-treat cancers and autoimmune diseases. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

As 2023 drew to a close, financial markets reflected a growing consensus that the Federal Reserve will be able to bring down inflation to its 2% target without tipping the U.S. economy into a recession. We don't know if that soft-landing scenario will prove correct, and we aren't committed to any such forecasts or predictions. Rather, we seek to position the Fund for whichever economic environment the new year brings. Simply put, we recognize the risks inherent in equity investing and try to structure the Fund in a way that mitigates those risks.

Toward that end, we're paying especially close attention to valuations. We believe businesses that are attractively valued offer a measure of protection in down markets, while companies with higher valuations may pose greater risks. We've trimmed the Fund's holdings of several companies that have done well and whose valuations now appear less attractive. To the extent that the sharp runup in stock prices during the fourth quarter has "pulled forward" gains that otherwise would have occurred in 2024, valuations may take on added importance in the year ahead.

When assessing a company's valuation, the quality of the underlying business is a key factor. We continue to seek high-quality companies with strong business models, solid growth prospects, high returns on capital and favorable cash-flow profiles. BE Semiconductor Industries N.V., commonly known as Besi, is a new addition to the Fund that we believe meets those criteria. A global operator, Besi supplies assembly equipment for the global semiconductor and electronics industries. The company is a leader in hybrid bonding—a technology that enables the higher bandwidth and increased power needed to run the next generation of smartphones.

BellRing Brands, Inc. (BRBR) is another recent purchase. The company offers ready-to-drink nutritional shakes, powders, bars and other products primarily marketed under the Premier Protein and Dymatize brands. In our view, BellRing's business is largely resistant to the potential effects of an economic slowdown or recession and stands to benefit from the growing popularity of protein drinks as low-calorie meal replacements.

While we can’t predict the future path of interest rates, inflation or the U.S. economy, we believe BellRing and other recent additions to the Fund will enhance its cash-flow characteristics and help position it for a range of economic outcomes.

Thank you for the opportunity to manage your assets.

John Malooly

TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Ultra Growth Fund—Investor	19.59%	19.19%	-8.79%	12.41%	11.62%
Ultra Growth Fund—Institutional	19.68%	19.41%	-8.65%	12.53%	11.68%
Russell 2000® Growth Index**	12.75%	18.66%	-3.50%	9.22%	7.16%

**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.

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

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

ULTRA GROWTH FUND — TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2023

Security Name		Percent of Net Assets
Freshpet, Inc.		3.6%
Inspire Medical Systems, Inc.		3.3%
Floor & Decor Holdings, Inc., Class A		3.2%
Intra-Cellular Therapies, Inc.		3.1%
Paylocity Holding Corp.		3.1%
CyberArk Software Ltd.		2.8%
HealthEquity, Inc.		2.8%
Nova Ltd.		2.8%
Balchem Corp.		2.7%
Globant SA		2.6%
	Total	30.0%

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.