WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WGROX / Institutional WIGRX

Wasatch Core Growth Fund

JUNE 30, 2026

OVERVIEW

Small-cap growth stocks posted strong gains in the second quarter, but market leadership remained narrow, with returns concentrated in companies tied to the artificial intelligence (AI) build-out.

While AI-related companies generally performed well, some of the strongest returns came from two groups: unprofitable companies and companies benefiting from a sharp acceleration in AI-driven demand today but whose durability of growth remains uncertain, in our view. We believe both groups generally represent lower-quality businesses and that, in many cases, their valuations reached extreme levels.

Amid this environment, the Wasatch Core Growth Fund—Investor Class returned 14.77%, trailing the Russell 2000® Growth Index, which gained 25.71% during the quarter.

The market's preference for lower-quality companies tied to the AI theme created a meaningful headwind for the Fund. While we own a number of companies benefiting from the AI build-out—and those holdings were among the Fund's top contributors this quarter—we've done so while maintaining our emphasis on higher-quality businesses. As such, we've avoided many of the more speculative AI-related businesses that generated the strongest returns this quarter.

In the Outlook section of this commentary, we discuss in greater detail our approach to investing in AI and how we're positioning the portfolio.

PORTFOLIO MANAGERS

Paul Lambert
Lead Portfolio Manager
21 YEARS ON FUND / 26 YEARS AT WASATCH

Mike Valentine
Lead Portfolio Manager
8 YEARS ON FUND / 9 YEARS AT WASATCH

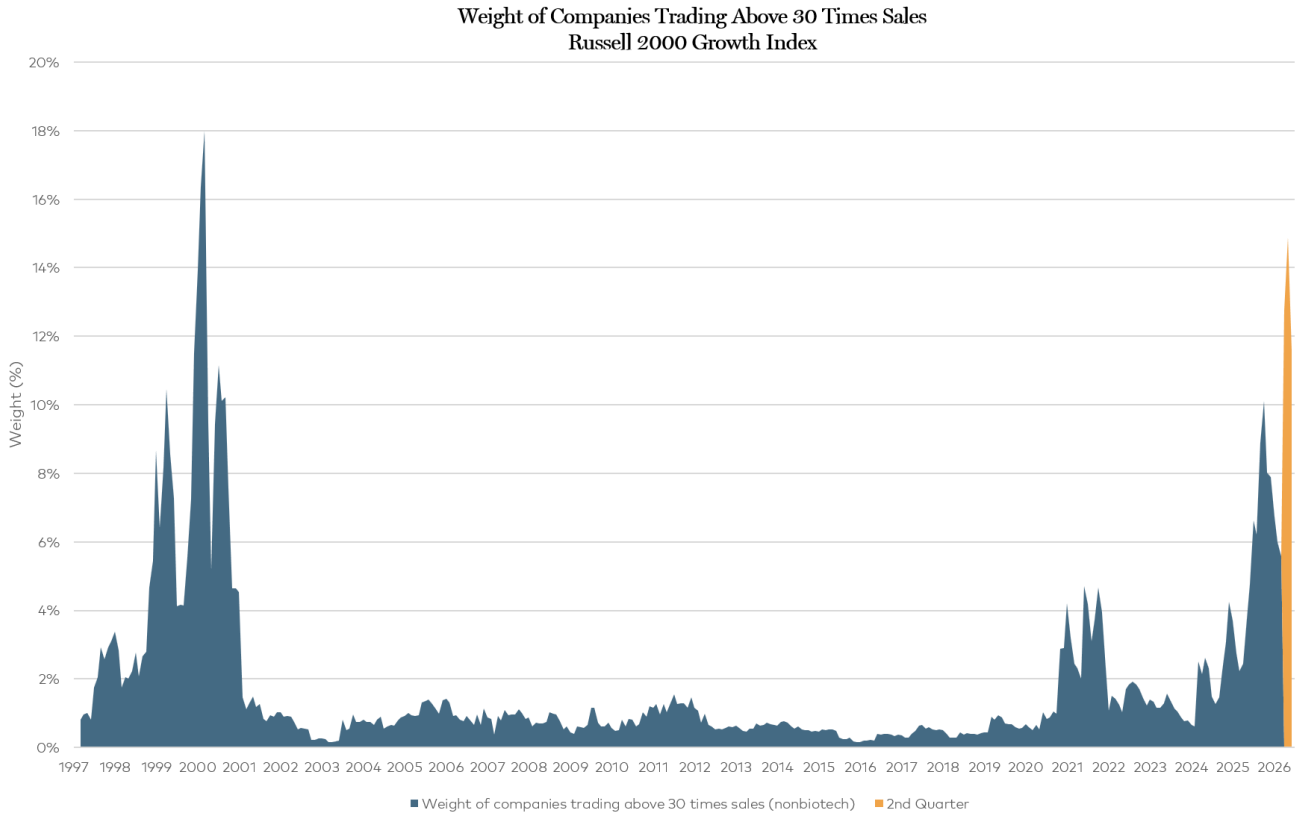
Kipling Weisel
Associate Portfolio Manager
1 YEARS ON FUND / 6 YEARS AT WASATCH

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—1.16% / 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 1/31/2027.***

Here, we simply want to illustrate the unusually exuberant characteristics of the current market environment.

The chart below shows the weighting of nonbiotechnology companies in the Russell 2000 Growth Index that are trading at a price-to-sales ratio above 30 times sales—a valuation we view as exceptionally high. We exclude biotechnology companies because such multiples are more common among early-stage biotech businesses developing potential new therapies. As the chart illustrates, in 2026 the weighting of nonbiotechnology companies trading at these extreme valuations reached its highest level since the dot-com bubble.

That weighting declined at the end of June following the Russell 2000 Growth Index's annual reconstitution, as a few companies trading above 30 times sales exited the Index. The chart below presents the data immediately prior to reconstitution because it more accurately reflects the market environment that prevailed during most of the second quarter.



Source: FactSet. Data from 3/28/98 to 6/28/26. The chart shows the proportion of Russell 2000 Growth Index constituents trading at greater than 30 times trailing 12-month sales, categorized as nonbiotech companies. Past performance is no guarantee of results. Indices are unmanaged. Investors cannot invest directly in these or any index.

DETAILS OF THE QUARTER

While the market environment favoring low-quality companies was a large reason for our relative underperformance compared to the benchmark, we also held stocks that lost ground in the period, and that too weighed on relative results.

The largest of those detractors was **Ensign Group, Inc. (ENSG),** an operator of skilled-nursing and senior-living facilities. Shares came under pressure after a short-seller report questioned the company's quality-of-care metrics, staffing practices and certain related-party business arrangements. Ensign Group is a long-time holding in the

portfolio, and we know the company's management team well. We spoke with the team after the report, and we continue to believe that Ensign is one of the most compliance-conscious firms in the health-care space and view it as one of our best ideas in the sector.

Another detractor was **Procore Technologies, Inc. (PCOR)**, a software company that manages construction projects. Many software stocks have sold off in 2026 due to concerns about how AI might disrupt software business models. The Fund does not have large exposure to software companies. But for the companies we do hold, we believe the market has underestimated the competitive moats that insulate the business from AI disruption or the ways in which the companies might actually *benefit* from AI, not be disrupted by it. Procore serves as an example. Procore's advantage lies not in its software code but in its extensive network of contractors and the proprietary data generated across thousands of projects. That network effect and dataset are significantly more difficult to replicate than the underlying software functionality, and we believe they position the company well in an AI-driven environment. AI could create more and better insights from that proprietary data.

Ollie's Bargain Outlet Holdings, Inc. (OLLI) also detracted. The retailer offers a continually changing selection of closeout items and brand-name merchandise at deeply discounted prices. Ollie's stock has been down due to concern about how rising oil prices may affect consumers' spending power. However, we believe tighter household budgets could make Ollie's value proposition more appealing, in turn making revenues more resilient than investors might expect.

The top contributor to Fund performance was **JFrog Ltd. (FROG)**. The company provides a software supply-chain platform, delivering tools like package repositories, continuous-delivery pipelines and security scanning that help companies manage, build and secure their software delivery lifecycle. Prior to the second quarter, the company was caught in a broader selloff of software stocks due to concerns about how AI might affect the industry. Our feeling at the time was that there are moats around JFrog's business model that make it quite defensible. And we continue to feel that way—in fact, we believe JFrog will benefit from AI. As AI speeds up code generation, it also increases the number of dependencies, artifacts and releases moving through the development pipeline. We believe JFrog has a crucial role to play in governing these issues.

This month, JFrog provided more evidence that its business remains strong as the company reported quarterly earnings and revenue that topped consensus estimates and as management raised earnings guidance for 2026. Management also noted that quarterly cloud revenue rose 50% year over year in the first quarter, driven by demand from customers leveraging AI coding agents.

Everus Construction Group, Inc. (ECG) was another large contributor. The company provides electrical and mechanical contracting services and power transmission and distribution construction services. Fundamentals for the business remain strong, and Everus continues to benefit from strong demand across its data-center, high-tech, hospitality and utility markets.

Everus serves as an example of our approach of finding high-quality companies that benefit from the AI build-out. Generally, we're seeking companies that are growing due to AI-related demand but that have durability of growth that is clear. Regarding Everus, we think current AI demands have already strained the electrical grid in a way that will require upgrades for the next 10 to 20 years, regardless of AI capital expenditures over the next year. Everus stands to benefit from those upgrades.

AAON, Inc. (AAON) also contributed. The company is a leading manufacturer of heating, ventilation and air-conditioning (HVAC) systems for commercial and industrial environments. Data-center cooling demand amid the AI

infrastructure build-out has led to accelerated growth for the company, whose commercial HVAC business had already experienced steady growth before the advent of AI. But AI has been a demand accelerant. In AAON's latest quarterly results, year-over-year net sales grew more than 50% and the company's total backlog increased 107.4% to a record $2.1 billion. (*Current and future holdings are subject to change and risk.)*

OUTLOOK AND POSITIONING

We acknowledge that the recent period of underperformance has been disappointing for our clients. As significant investors in the Fund alongside our clients, we share in that disappointment. But amid an exceptionally challenging 12 months, we aren't letting emotion cause us to stray from our discipline as high-quality, long-duration growth investors.

As we alluded to at the beginning of this commentary, the stocks of companies with more speculative business models have been leading the market by a wide margin. We don't believe chasing those companies is an appropriate use of our clients' capital. The last thing we want to do is abandon our investment discipline and pursue lower-quality companies trading at extreme multiples amid what we believe is an increasingly euphoric market environment. In prior similar periods, those stocks sold off substantially once market enthusiasm faded.

While disappointed to trail the benchmark, we aren't concerned about the underlying portfolio. We'd be concerned if fundamentals for our companies were collapsing. Fortunately, that hasn't been the case. Earnings growth for the portfolio remains right in line with the Fund's history, with many companies growing revenue and earnings in excess of 20%. Metrics we use to gauge the quality of companies are also in line with our expectations. The disconnect has been between business performance and stock performance, not between our expectations and company execution.

We believe much of that disconnect can be explained by the market's intense focus on AI. Companies tied directly or indirectly to the AI build-out have continued to perform exceptionally well, while many businesses perceived to be vulnerable to AI disruption have sold off sharply. Separately, we believe many companies outside the AI spotlight have been overlooked as investors have gravitated toward higher-risk, momentum-driven areas of the market.

Positioning the Portfolio

Amid the market's narrow focus, we wanted to share what we are doing within our own portfolio. First, we haven't ignored the fact that AI is a significant driver of the economy and, in turn, the earnings potential of many companies. We believe in AI's transformative potential and hold a number of companies that directly or indirectly benefit from the AI build-out.

But we're investing in AI through the lens of high-quality, long-duration growth investors. Our focus is on businesses with durable competitive advantages and long-term growth drivers that we believe extend beyond the current wave of elevated AI investment.

Several of our AI-related holdings have doubled over the past year and again contributed meaningfully to performance this quarter. While they haven't appreciated as dramatically as some of the market's more speculative AI beneficiaries, we believe they represent stronger businesses with more durable earnings potential beyond the current AI spending cycle. Those are the kinds of companies we prefer to own over the long term.

Another thing we're doing in the current market environment is capitalizing on its one-sided nature. Amid AI enthusiasm, investors appear to have ignored companies that are not direct AI beneficiaries but have nevertheless

continued to steadily compound earnings growth. This has caused some of our steady growth companies to trade at extremely attractive valuations, in our view. We've taken advantage of that opportunity, concentrating more capital into some of those positions.

Looking Ahead

We admittedly can't predict when the current period of elevated market enthusiasm will end. But when we've come out of similar periods in the past, such as the bursting of the dot-com bubble, it marked some of the best periods of outperformance in Wasatch's history. We believe that wasn't because we anticipated when market leadership would change but because we remained disciplined and continued to focus on company fundamentals.

That same discipline remains in place today. Our confidence comes not from trying to predict when market leadership will broaden but from the businesses we own. Their earnings growth and quality continue to track our expectations, and the Fund is attractively valued relative to the broader benchmark. While we can't predict when the market will once again reward those characteristics, we believe the portfolio is well positioned for long-term investors.

Thank you for the opportunity to manage your assets.

Sincerely,

Paul Lambert, Mike Valentine and Kipling Weisel

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TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2026

	Quarter*	1 Year	3 Years	5 Years	10 Years
Core Growth Fund—Investor	14.77%	1.81%	8.14%	1.37%	11.59%
Core Growth Fund—Institutional	14.79%	1.94%	8.26%	1.49%	11.73%
Russell 2000® Growth Index**	25.71%	38.74%	18.44%	5.57%	11.97%
Russell 2000® Index†	21.49%	40.78%	18.60%	6.98%	11.62%

**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 1/31/2027.** 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.

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.

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.

The Wasatch Core 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 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.

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Revenue growth is the increase in a company's revenues over a specified period of time, not necessarily one year.

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

The Russell Reconstitution is FTSE Russell's semi-annual update of the Russell U.S. Indexes to reflect changes in the U.S. equity market; in 2026, the June reconstitution takes effect after market close on Friday, June 26, 2026, with updated index membership reflected at the open on Monday, June 29, 2026.

CORE GROWTH FUND — TOP 10 HOLDINGS

AS OF MARCH 31, 2026

Security Name	Percent of Net Assets
HealthEquity, Inc.	5.2%
Everus Construction Group, Inc.	4.1%
Camtek Ltd.	3.3%
Balchem Corp.	3.2%
Fabrinet	3.2%
Standex International Corp.	3.2%
Kadant, Inc.	3.0%
Federal Signal Corp.	2.9%
Nova Ltd.	2.9%
SiteOne Landscape Supply, Inc.	2.8%
Total	33.8%

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.