

# Wasatch Micro Cap Fund

MARCH 31, 2026

## OVERVIEW

Markets were volatile in the first quarter, most notably after the beginning of the U.S.-Iran conflict at the end of February. Stocks, including micro caps, finished the quarter lower, especially in areas such as software and insurance in which investors tend to view business models as being vulnerable to artificial intelligence (AI). The Wasatch Micro Cap Fund—Investor Class finished with a loss for the quarter of -3.11% but outperformed the Russell Microcap® Growth benchmark, which declined -4.25%. In sector terms, positive contributions to the Fund's relative performance were led by selections in industrials, consumer discretionary and financials. Information technology was the largest detractor by a wide margin due to our exposure to software and services companies and our underweight to communications equipment.

## DETAILS OF THE QUARTER

Leading positive contributors included a pair of for-profit education companies, **Lincoln Educational Services Corp. (LINC)** and **Universal Technical Institute, Inc. (UTI)**. Both are viewed as AI beneficiaries, given rising demand for training in skilled areas of employment that don't require a college degree and that are less threatened by AI than many white-collar professions. In addition, the buildout of AI and cloud-services data centers has led to increased employment opportunities for skilled tradespeople and technicians. This positive demand backdrop is reflected in Lincoln's ongoing aggressive expansion of its footprint through the addition of new campuses.

## PORTFOLIO MANAGERS



**Ken Korngiebel, CFA**  
Lead Portfolio Manager

8 / 10  
YEARS ON FUND / YEARS AT WASATCH



**Thomas Bradley**  
Lead Portfolio Manager

<1 / 11  
YEARS ON FUND / YEARS AT WASATCH



**Natalie Pesqué, CFA**  
Portfolio Manager

4 / 10  
YEARS 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](http://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—1.64% / Institutional Class—1.59%. The Advisor has contractually agreed to limit certain expenses to 1.95% for the Investor Class and 1.60% for the Institutional Class through at least 1/31/2027.***



**EZCORP, Inc. (EZPW)**, another top contributor to Fund performance during the quarter, operates pawn shops in the U.S. and Latin America and offers consumers the ability to use personal items as collateral in order to access short-term loans without a credit check. The company makes money from interest payments on loans and the sale of collateralized items on failed loans. The stock moved higher in the quarter as EZCORP has benefited from rising demand, with consumers under stress from high prices for food, fuel and housing. In addition, given rising gold prices over much of 2025 and into early 2026, the company has seen higher earnings from jewelry scrapping. With gold prices easing off their recent highs during the quarter, we trimmed the position on strength.

**Cardinal Infrastructure Group, Inc. (CDNL)** was another contributor to performance. The company is an installer of "wet utilities" such as water, sewer and stormwater systems. The services it provides require a skilled workforce and significant engineering expertise, and the company is being pulled into markets by national homebuilders who value Cardinal's ability to get essential work done on a timely basis. In this vein, during the quarter Cardinal expanded its footprint beyond the Carolinas into Georgia via an acquisition, a move that was well received by the market. The company has shown impressive revenue growth, has a strong order backlog that provides visibility into future earnings and has a long runway to expand geographically and via acquisitions.

On the downside, shares of **Red Violet, Inc. (RDVT)**, a main detractor from Fund performance compared to the benchmark, fell victim to the quarter's AI-driven selloff in software stocks despite reporting exceptional results. The company leverages proprietary technologies and advanced analytics to deliver identity intelligence solutions used by financial, retail and law-enforcement organizations to prevent fraud, acquire customers and mitigate risk. Red Violet provides its services through a cloud-native software platform that offers insights and security that we believe would be extremely difficult to replicate. In addition, the company's business model is highly scalable, as the costs associated with the data used for its background checks are fixed—and we expect Red Violet's margins to continue to improve as more customers utilize that data. We view Red Violet as relatively insulated from AI disruption given these advantages, and we added to the position on weakness.

**Vital Farms, Inc. (VITL)**, a provider of specialty eggs sourced from small farms and pasture-raised chickens, continued to sag in the most recent quarter. The company's eggs sell at a premium, and concerns around heightened consumer cost sensitivity have weighed on the stock. In addition, Vital Farms's recent expansion into a second large-scale egg-washing and packaging facility have raised market fears of excess capacity in an increasingly competitive industry. The company continues to experience strong growth, and the stock is now trading at a very attractive valuation. That said, we have trimmed the position and are closely monitoring the strength of Vital Farms's brand within the specialty-egg segment.

**Willdan Group, Inc. (WLDN)** provides consulting, engineering and technical services to public and commercial clients in the infrastructure- and energy-services spaces. While Willdan released solid quarterly earnings results, forward guidance was a little lower than expected and investors appeared to use that as an excuse to realize gains after the stock's recent strong performance. We continue to view Willdan as positioned to experience strong long-term growth as utilities and commercial clients seek its expertise in designing and implementing projects that will help conserve energy. The market for its services should only increase as AI initiatives drive ever greater demand for power. *(Current and future holdings are subject to risk and change.)*

## OUTLOOK

As always, rather than trying to predict macroeconomic trends, we remain focused on identifying high-growth, high-quality companies with differentiated business models. At the same time, we seek to maintain a balanced portfolio in terms of risk exposure. While the Fund remains less exposed to areas of the micro-cap market that we



think have higher volatility and are more speculative, we do hold some stocks that have been drafting on the massive enthusiasm over AI where we see strong underlying company fundamentals.

One of the biggest investment trends in early 2026 has been an intense investor focus on the risk of AI disruption to longstanding business models. As a group, software companies have sold off sharply due to concerns that AI will replace the need for certain legacy software solutions. With respect to our software-related holdings, we believe the market has failed thus far to differentiate between true AI "losers" and those companies with business models that are relatively insulated from or even stand to benefit from AI. At the same time, we have done in-depth analysis of the impact of AI on software companies and have consolidated the Fund's holdings within the industry into our highest conviction stocks. One factor we look for includes the extent to which a company benefits from a "competitive moat" based on difficult-to-replicate factors such as cost advantages driven by efficiencies of scale, powerful network effects and high regulatory barriers.

While our focus on profitability will not always be rewarded over the short term, we believe the strong fundamentals of the companies we hold as gauged by cash flow and earnings have positioned the Fund well for attractive performance over time.

Thank you for the opportunity to manage your assets.

Sincerely,

Ken Korngiebel, Thomas Bradley and Natalie Pesqué



## TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2026

	Quarter*	1 Year	3 Years	5 Years	10 Years
Micro Cap Fund—Investor	-3.23%	21.59%	10.67%	-3.27%	13.30%
Micro Cap Fund—Institutional	-3.11%	21.71%	10.76%	-3.21%	13.33%
Russell Microcap® Growth Index**	-4.25%	41.85%	15.49%	-1.21%	8.34%
Russell Microcap® Index†	1.49%	45.78%	16.88%	3.13%	10.36%

\*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 1.95% for the Investor Class and 1.60% 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. 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 micro 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](http://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 Micro Cap Fund's investment objective is long-term growth of capital. Income is an objective only when consistent with long-term growth of capital.

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*\*\*The Russell Microcap Growth Index is an unmanaged total return index measuring the performance of the micro-cap growth segment of the U.S. equity market.*

*\*The Russell Microcap Index is an unmanaged total return index of the smallest 1,000 securities in the small-cap Russell 2000 Index along with the next smallest 1,000 companies, based on a ranking of all U.S. equities by market capitalization.*

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

*The Wasatch Micro Cap Fund has been developed solely by Wasatch Global Investors. The Wasatch Micro Cap 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.*

*All rights in the Russell Microcap Growth Index vest in the relevant LSE Group company, which owns the Index. Russell® is a trademark of the relevant LSE Group company and is used by any other LSE Group company under license.*

*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 Micro Cap Fund or the suitability of the Index for the purpose to which it is being put by Wasatch Global Investors.*

## MICRO CAP FUND – TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2025

Security Name	Percent of Net Assets
Esquire Financial Holdings, Inc.	4.0%
Red Violet, Inc.	3.8%
Mama's Creations, Inc.	3.7%
Climb Global Solutions, Inc.	2.8%
Vital Farms, Inc.	2.8%
XPEL, Inc.	2.8%
EZCORP, Inc.	2.7%
ICF International, Inc.	2.7%
Lincoln Educational Services Corp.	2.7%
TAT Technologies Ltd.	2.7%
Total	30.7%
<i>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.</i>	