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Wasatch Long/Short Alpha Fund

MARCH 31, 2026

OVERVIEW

U.S. small- and mid-cap stocks were volatile during the quarter, as shifting investor sentiment drove sharp rotations within the market. Investors' enthusiasm for artificial intelligence (AI) continued to support companies tied to the infrastructure buildout for these technologies. But each wave of new AI product releases also sparked periodic selloffs of stocks across industries perceived as vulnerable to disruption from AI, including software.

Geopolitical tensions later in the quarter—particularly those involving Iran—added to uncertainty and contributed to market swings, as investors weighed the potential for higher oil prices and the broader impact on the global economy.

Against this backdrop, the Russell 2500™ Index finished the quarter up 2.04%, while the Wasatch Long/Short Alpha Fund—Investor Class outperformed the benchmark, gaining 4.16%. The Fund's outperformance was driven largely by its short positions.

As we've discussed in previous commentaries, the Fund maintains a structural bias toward high-quality companies. We seek long positions in businesses we believe are high-quality, long-duration growth companies. On the short side, we primarily target companies we view as lower quality, while also using shorts to help balance industry and sector exposures.

PORTFOLIO MANAGER



Mick Rasmussen, CFA
Lead Portfolio Manager

4 / 11
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. 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—2.10% / Institutional Class—Gross 2.02%, Net 2.01%. The Advisor has contractually agreed to limit certain expenses to 1.75% for the Investor Class and 1.50% for the Institutional Class through at least 1/31/2027.***



For much of 2025, this structural bias worked against us. In what we would characterize as a highly speculative market environment, lower-quality companies significantly outperformed higher-quality businesses—by one of the widest margins we’ve observed in our history at Wasatch.

Many of the top-performing stocks were tied to popular investment themes such as AI, quantum computing, cryptocurrency, rare earth mining, nuclear power, and aerospace and defense. In many cases, these companies were unprofitable or lacked a proven business model generating meaningful revenue. With lower-quality stocks in favor, the Fund’s performance was pressured by both our high-quality long positions and our short positions in lower-quality companies.

In early 2026, we began to see this dynamic shift. While high-quality stocks were not necessarily strong performers—and our long portfolio underperformed the benchmark—the more speculative areas of the market sold off sharply in the first quarter. Because the Fund held short positions in many of the stocks that declined in price, it received a meaningful boost to performance on both an absolute basis and relative to the benchmark.

DETAILS OF THE QUARTER

In the first quarter, one of the largest contributors among our long positions was **RBC Bearings, Inc. (RBC)**. The company is a U.S. industrial manufacturer of highly engineered precision bearings and components used in critical aerospace, defense, industrial and energy applications. Companies tied to the aerospace and defense industries tended to have strong stock-price performance in the first quarter, as investors anticipated higher demand for their products in a more geopolitically volatile environment. Separately, fundamentals for RBC Bearings remain strong, and we continue to like the growth potential of this longtime holding.

Another top contributor was **Ensign Group, Inc. (ENSG)**. Ensign operates skilled nursing and senior living facilities. The company also acquires and leases health care real estate. Ensign’s shares moved higher after the company reported strong fourth-quarter and full-year 2025 results, in which annual revenues were up 18.7% from the prior year. Management also issued full-year 2026 earnings and revenue guidance that was well received by market participants, and cited year-over-year improvements in occupancy, skilled nursing days, and Medicare revenue in its same-store and transitioning portfolios. Ensign is a longtime Wasatch holding and we continue to view it as one of the best operators in the health-care sector.

Among short positions, contributors to Fund performance were those stocks that declined in price. The largest contributor on the short side was **Asana, Inc. (ASAN)**. The company is best known for its cloud-based work management platform, which helps teams organize, track, and manage projects, tasks and workflows. Software stocks such as Asana’s sold off broadly in the first quarter due to concerns that AI could displace some software services. When it comes to Asana, we believe it would be fairly easy for AI or a competitor to replicate its services. While we maintained a short position, we reduced it during the quarter after the stock sold off.

On the long side of the Fund’s portfolio, some of the largest detractors from performance in the first quarter were software companies. As mentioned, software stocks sold off broadly during the quarter due to concerns about AI disruption. We balanced our exposure to the industry by taking short positions in several software companies such as Asana, mentioned above, and that helped buffer performance. But our long positions in a few software stocks still detracted.

In looking at the software selloff, we believe investors have been undiscerning, repricing long-term uncertainty without consistently distinguishing between individual business models. As a result, we believe the stocks of companies with durable competitive advantages and strong fundamentals have declined alongside those of



businesses with more challenged outlooks. For the software companies in which we have long positions, we believe they possess competitive advantages that make them more resilient to the AI threat. While AI can replicate features and automate workflows, it does not easily replicate scale, network effects or deeply embedded positioning within customer ecosystems. These are the advantages we look for in our companies.

In many cases, we believe AI will reinforce—not erode—these advantages. Companies with proprietary data, established platforms and network effects are often best positioned to benefit. Proprietary data becomes more valuable as AI usage grows, enabling a reinforcing feedback loop in which AI-driven insights expand the platform’s utility and deepen its competitive moat.

One of our largest detractors, **ProCore Technologies, Inc. (PCOR)**, serves as an example of a business where the investors may be underappreciating the durability of its competitive moat. ProCore’s software helps businesses manage construction projects. Procore’s competitive 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 software’s underlying functionality, and we believe they position the company well in an AI-driven environment.

Casella Waste Systems, Inc. (CWST) also detracted. Casella is a regional solid waste, recycling and resource management firm in the U.S. Earnings per share growth was a little ahead of expectations in Casella’s most recently reported financial results. But profitability declined, which might have weighed on the stock. Although Casella’s stock price declined, we continue to like the business and the management team, which has a long history of successfully integrating acquisitions.

Turning to short positions, detractors from Fund performance were those stocks that rose in price. One of the largest detractors among our shorts was **Lumentum Holdings, Inc. (LITE)**. We hold the short position to offset the risk of some of our long holdings tied to the AI buildout. We believe the short position in Lumentum will help to mitigate the downside should the stocks of companies tied to AI infrastructure sell off broadly. But on a fundamental basis, we don’t think Lumentum has as powerful an economic engine as some of our long holdings tied to the AI buildout, nor do we think Lumentum will be as profitable. *(Current and future holdings are subject to risk and change.)*

OUTLOOK AND POSITIONING

We were encouraged to see the market dynamic favoring lower-quality companies begin to shift in early 2026. However, we believe there’s further room for this trend to evolve. While some of the more speculative areas of the market sold off sharply in the first quarter, high-quality companies have yet to reassert leadership. When they do, we believe it could be a meaningful tailwind for our long portfolio.

As we noted earlier, the Fund maintains a structural bias toward high-quality companies. Today, we believe the valuations of the high-quality companies in our long portfolio are compelling. Relative to the broad Russell 2500 Index, the portfolio’s earnings yield is near its most attractive level in at least a decade.

At the same time, fundamentals across our long holdings remain strong. We believe this combination of durable business performance and attractive relative valuations positions our long portfolio well for potential outperformance in the quarters ahead.



In response to this opportunity set, we've been gradually increasing our net long exposure, from 79% at the beginning of the year to 85% at the end of the first quarter. We reduced short exposure from 53% to 42%, closing or trimming short positions that declined during the quarter and contributed to Fund performance.

We look forward with anticipation to the performance of our long positions in the months ahead.

Thank you for the opportunity to manage your assets.

Sincerely,

Mick Rasmussen



TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2026

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Long/Short Alpha Fund—Investor	4.16%	-4.98%	6.03%	N/A	5.63%
Long/Short Alpha Fund—Institutional	4.21%	-4.88%	6.18%	N/A	5.79%
Russell 2500™ Index†	2.04%	23.45%	13.25%	N/A	5.51%
FTSE 3-Month U.S. Treasury Bill Index††	0.93%	4.22%	4.97%	N/A	3.89%

*Returns less than one year are not annualized.

**The Wasatch Long/Short Alpha Fund's inception date was October 1, 2021.

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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 1.75% for the Investor Class and 1.50% 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.

Equity investing involves risks, including potential loss of the principal amount invested. Short selling incurs significant unique risks, including potentially unlimited downside risk, high short-sale related expenses, and unavailability of securities to sell short, among others, all of which could negatively impact the performance of the Fund. Additionally, the Fund may not be able to borrow the securities it intends to sell short.

The Fund's investments in long and short equity positions expose it to changes in the value of securities, which exceed the value of the Fund's assets. Investment in the Fund will involve market risks associated with different types of investment decisions than those made for a typical "long only" fund. The Fund relies on quantitative models which entail unique risks, including the risk that a model may be limited or incorrect. These risks 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 Long/Short Alpha Fund's investment objective is long-term growth of capital.

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*The Russell 2500 Index is a market-cap weighted index that includes the smallest 2,500 small- and mid-cap stocks covered in the broad-based Russell 3000 of U.S.-based listed equities.

**The FTSE 3-Month U.S. Treasury Bill Index is intended to track the daily performance of 3-month U.S. Treasury bills.

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

The Wasatch Long/Short Alpha Fund has been developed solely by Wasatch Global Investors. The Wasatch Long/Short Alpha 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 "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 growth is a measure of growth in a company's net income over a specific period, often one year. 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.

Earnings yield refers to a company's earnings per share for the most recent 12-month period divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of each dollar invested in the stock that was earned by the company.

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

LONG/SHORT ALPHA FUND – TOP 10 LONG EQUITY HOLDINGS
AS OF DECEMBER 31, 2025

Security Name	Percent of Net Assets
HealthEquity, Inc.	5.6%
RBC Bearings, Inc.	4.7%
Medpace Holdings, Inc.	4.5%
Ensign Group, Inc.	4.3%
Guidewire Software, Inc.	4.2%
Kadant, Inc.	4.1%
Fabrinet	4.0%
Casella Waste Systems, Inc., Class A	4.0%
Bank OZK	3.9%
Monolithic Power Systems, Inc.	3.9%
Total	43.1%
<p><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></p>	