



1975
50th
ANNIVERSARY
2025

Quarterly
Commentary

Investor
WAAEX / Institutional
WIAEX

Wasatch Small Cap Growth Fund

SEPTEMBER 30, 2025

OVERVIEW

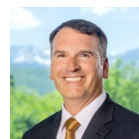
In the third quarter, U.S. small-cap stocks rallied sharply. The Federal Reserve's interest rate cut helped buoy stocks, as did economic data showing that, while there may be some pockets of concern, the U.S. economy remained steady. In this environment, the Russell 2000® Growth Index was up 12.19%. The Wasatch Small Cap Growth Fund—Investor Class did not keep pace and finished the period down -3.71%.

The quarter was indeed challenging for the Fund. In terms of performance relative to the benchmark, it was the single worst quarter for the Fund in over 20 years. We view it as an outlier from what our shareholders can expect. As such, we wanted to provide additional context. Much of the underperformance comes down to two issues.

First, we owned a handful of stocks that fell during the period and had a large effect on results. A few holdings reported slower revenue growth and their stocks were down substantially. For most of those companies, investors seemed to be debating whether the slowdown was due to the macroeconomic environment or to competitive pressures.

We have worked through that same debate. One of the ways in which we monitor whether the growth potential and quality of a company is still intact is through our "critical questions." For every company in which we invest, we create two or three critical questions designed to capture long-term insights about the business that if we knew the answer today would cause us to significantly change our position. These questions help us focus our research on where we think the company could be in five or 10 years.

PORTFOLIO MANAGERS



Ryan Snow
Lead Portfolio Manager

8 / 25
YEARS ON FUND / YEARS AT WASATCH



Ken Korngiebel, CFA
Lead Portfolio Manager

8 / 9
YEARS ON FUND / YEARS AT WASATCH



Natalie Pesqué, CFA
Portfolio Manager

<1 / 10
YEAR 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—1.15% / Institutional Class—Gross 1.07%, 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 1/31/2026.***

wasatchglobal.com

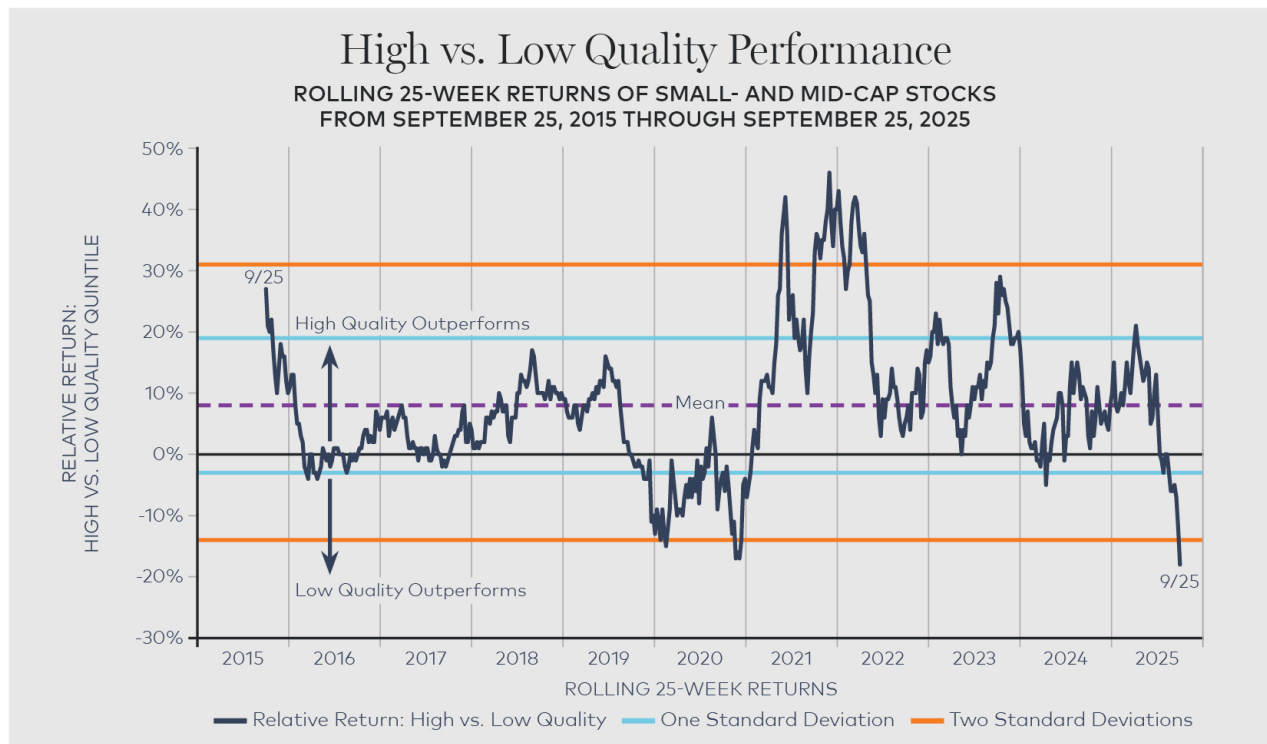
For holdings that detracted from quarterly performance, we reviewed our critical questions again. Although we sold a couple of stocks, for most of our detractors we believe the long-term investment thesis remains intact.

A Low-Quality Rally Has Persisted

The second reason the Fund underperformed is because stocks of low-quality companies have been in favor. This is a direct headwind for our investment process, which seeks to identify high-quality, long-duration growth companies. Markets have rallied since President Donald Trump backed away from his initial "Liberation Day" tariffs. And for the most part, the stocks of lower quality companies have been leading the charge.

Many of the top-performing stocks in recent months have been those of companies that we believe have speculative business models and often have little to no earnings. They're often tied to popular investment themes such as artificial intelligence (AI), quantum computing, cryptocurrency, nuclear power, aerospace and defense.

The chart below shows how extreme a headwind this has been. The chart displays one of the ways Wasatch's research team assesses whether high- or low-quality stocks are in favor. Through a proprietary process, we screen and rank all the companies in the small- and mid-cap universe based on several financial characteristics, such as return on assets (ROA) and operating profit margins, among other items. We then compare how the companies in the top quintile of this aggregate score perform relative to the bottom quintile. Based on this metric, we've rarely seen a low-quality rally of this magnitude over the past decade.



Source: Factset. Rolling 25-week performance, beginning September 25, 2015 and ending September 25, 2025, of the top quintile, or "high quality," stocks relative to the performance of the bottom quintile, or "low quality," stocks. The investment universe includes all U.S. companies with a market-capitalization range between \$250 million and \$10 billion. Quality quintiles are determined based on an aggregate scoring of several financial metrics, such as return on assets and operating profit margins, among other measures. Performance is gross of fees, represents a subset of securities from the defined universe and does not reflect the performance of the Fund. The analysis is presented for illustrative purposes only. The Fund's actual net performance, including fees and expenses, is provided in the standard performance disclosures in the total returns table. Past performance is no guarantee of future results.



Additionally, a few statistics point to how low-quality stocks have been in favor. For the third quarter, 56 stocks in the Russell 2000® Growth Index were up 80% or more. Of that group, 82% are unprofitable, and 57% trade at a multiple of 10 times sales or greater. We view this multiple, which looks at revenue and not earnings, as extreme.

We can't predict when the period favoring low-quality companies will end. But periods of low-quality outperformance have historically been short-lived. The stocks of high-quality businesses have outperformed over the long term. We believe that will continue to be the case.

DETAILS OF THE QUARTER

BellRing Brands, Inc. (BRBR) was the largest detractor from Fund performance during the quarter. BellRing is a consumer-staples company known for its Premier Protein line and other convenient-nutrition products. What's weighed on the stock most is that one of BellRing's club channel partners is expanding the floor space of the protein shake category and giving some space to other competitors. We spoke with management after that news and reevaluated the business. We came out of that work with continued conviction in the company. We believe BellRing has maintained its leadership position, and that this floor space expansion reflects the health of the category. Looking ahead, we continue to believe BellRing has headroom to double its business, supported by category growth, sourcing share from incumbent brands, and remaining a category leader in its space.

Another detractor was **Inspire Medical Systems, Inc. (INSP)**. This is an example of a company for which we reviewed our investment thesis and decided to move on. We sold the position during the quarter. Inspire develops implantable neurostimulators for treating obstructive sleep apnea. The company's shares slid in August after management downgraded full-year 2025 guidance due to delays in the U.S. commercial rollout of its next-generation Inspire V system. The delayed rollout of Inspire V raised questions about execution by management. Additionally, concerns are growing about how GLP-1 drugs may affect Inspire's addressable market.

Shake Shack, Inc. (SHAK) also detracted. The fast-casual restaurant chain is best known for its premium burgers and milkshakes. In our view, fundamentals for the company remain strong. But the stocks of most restaurant companies were down in the quarter. We believe this is due to concern about potential weakness in consumer spending. However, we continue to like the company. Shake Shack's higher-end burger concept appears to be resonating with consumers, and we like the runway for growth as it expands its national footprint. Unit economics associated with new restaurants are quite attractive, in our view, and we support management's expansion plans.

Medpace Holdings, Inc. (MEDP) was the top contributor to Fund performance. The contract research organization (CRO) provides drug development, clinical trial management and regulatory services to biotech, pharmaceutical and medical device companies. Medpace's shares jumped after the company reported strong revenue and earnings growth and raised full-year guidance. We believe Medpace's results are particularly impressive in light of the fact that there's been a slowdown in the biotech funding cycle.

Another top contributor was **Fabrinet (FN)**. The company designs, manufactures and tests complex optoelectronic and photonic components, modules and precision optical assemblies for customers in a variety of industries. Some of Fabrinet's products are used in data centers, which ties the company somewhat to AI. As mentioned, this has been a popular theme among investors, and likely helped drive the stock higher. However, we don't hold Fabrinet's stock as a thematic play on AI. The company is experiencing strong adoption of its products by both new and existing customers, and we believe it's well positioned to grow regardless of AI.

Nova Ltd. (NVMI) also contributed. Nova sells metrology and process control systems used in semiconductor manufacturing. Like Fabrinet, the firm benefits from the increasing use of AI, and its ties to the AI theme likely



helped lift the stock during the quarter. But here too, we aren't investing in Nova as part of a thematic view, and we don't view it as a speculative business. The company has a strong track record of earnings growth, in our view, and we believe its products will continue to be in high demand as semiconductor manufacturing becomes more complex. *(Current and future holdings are subject to change and risk.)*

OUTLOOK AND POSITIONING

While we were disappointed with the Fund's relative performance this quarter, we aren't deviating from our investment process. During Wasatch's 50-year history, we've encountered other periods of underperformance. And while these periods are uncomfortable, we've learned the importance of staying committed to our philosophy and process, as opposed to chasing what's currently "working" in the market. We'll always do our best to be open-minded about new opportunities that could unfold, but we'll stay true to our discipline of finding high-quality, long-duration growth companies.

As we look across the Fund's holdings, we remain encouraged by the fundamentals of our companies, and also by the high-quality nature of these businesses. By some metrics we use to gauge quality, such as ROA, the gap between our companies' average ROA and that of the Index is near its widest level in at least a decade. Earnings growth for the companies held by the Fund also remains strong, with a weighted average growth rate in the double digits for the year to date through September 30, 2025. This makes us excited about the Fund's return potential over a three- to five-year time horizon.

Thank you for the opportunity to manage your assets.

Sincerely,

Ryan Snow, Ken Korngiebel and Natalie Pesqué



TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2025

	Quarter*	1 Year	3 Years	5 Years	10 Years
Small Cap Growth Fund—Investor	-3.71%	-1.69%	10.09%	1.83%	9.87%
Small Cap Growth Fund—Institutional	-3.68%	-1.59%	10.19%	1.93%	10.00%
Russell 2000® Growth Index**	12.19%	13.56%	16.68%	8.41%	9.91%
Russell 2000® Index*	12.39%	10.76%	15.21%	11.56%	9.77%

*Returns less than one year are not annualized.

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. 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—1.15% / Institutional Class—Gross 1.07%, 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 1/31/2026.** 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 2/1/2016 is based on the performance of the Investor Class. Performance of the Fund's Institutional Class prior to 2/1/2016 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.

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 Small Cap 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.

CFA® is a trademark owned by the CFA Institute.



***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, as ranked by total market capitalization. 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 indexes.

The Wasatch Small Cap Growth Fund has been developed solely by Wasatch Global Investors. The Wasatch Small Cap 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.

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

These indexes are 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 these indexes or (b) investment in or operation of the Wasatch Small Cap Growth Fund or the suitability of these indexes for the purpose to which they are being put by Wasatch Global Investors.

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

Operating profit margin is the amount a company makes on every dollar of sales after deducting variable costs but before accounting for interest or taxes. Operating profit margin is calculated by dividing the company's operating income by its net sales.

Return on assets (ROA) measures a company's profitability by showing how many dollars of earnings a company derives from each dollar of assets it controls.

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

SMALL CAP GROWTH FUND — TOP 10 HOLDINGS

AS OF JUNE 30, 2025

Security Name	Percent of Net Assets
Nova Ltd.	4.5%
RBC Bearings, Inc.	4.1%
Fabrinet	3.9%
HealthEquity, Inc.	3.9%
Ensign Group, Inc.	3.8%
Ollie's Bargain Outlet Holdings, Inc.	3.7%
Shift4 Payments, Inc.	3.5%
Agilysys, Inc.	3.0%
Paylocity Holding Corp.	3.0%
Pinnacle Financial Partners, Inc.	3.0%
Total	36.3%
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.	