

# Wasatch Global Select Strategy

DECEMBER 31, 2025

## OVERVIEW

While macroeconomic concerns weighed on global equities, a relatively strong earnings season and Federal Reserve interest rate cuts supported stock prices in the fourth quarter. In this environment, the MSCI AC World Index gained 3.29%. The Wasatch Global Select strategy underperformed its benchmark and ended the period in negative territory.

On a geographic basis, the strategy's holdings in the U.S. and Japan lagged their counterparts in the Index and were the primary sources of underperformance relative to the benchmark. Conversely, our holdings in Brazil and Taiwan outperformed and contributed to relative performance.

At the sector level, the strategy's holdings in the communication-services, consumer-discretionary and financials sectors detracted most from relative performance. However, lack of exposure to the real-estate sector contributed to relative results.

## YEAR IN REVIEW

As part of our fourth quarter commentary, we also wanted to provide an update on performance for the 2025 calendar year. For the year, the MSCI AC World Index was up 22.34%, while the strategy had a low single-digit gain. We acknowledge that these results fell well short of our clients' expectations—and our own. As significant shareholders in the strategy, we feel that disappointment as well.

One of the most frustrating elements of the year was that underlying fundamentals remained solid. The portfolio's return on assets (ROA) and return on equity (ROE) were in line with what we've come to expect from our companies, indicating no degradation in the overall quality of the portfolio. Earnings growth was also

## PORTFOLIO MANAGERS



**Mick Rasmussen, CFA**  
Lead Portfolio Manager

<1 / 11  
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**Ken Applegate, CFA, CMT**  
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**Mike Valentine**  
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Portfolio Manager

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consistent and exceeded that of the benchmark. Over the long term, we would expect the high quality and better earnings growth of the strategy to translate into outperformance of the benchmark. But it's disappointing when those fundamentals aren't rewarded over a shorter horizon.

The bulk of the strategy's underperformance in 2025 was due to our U.S. holdings, which lagged those of the benchmark. For much of the year, the U.S. small cap market was led by companies we perceive as low quality, often with speculative business models and little or no earnings. Many of the stocks that were top performers for the year were tied to popular investment themes such as artificial intelligence (AI), quantum computing, cryptocurrency, nuclear power, aerospace and defense.

This was a direct headwind to our relative performance, as our focus on high-quality businesses—those with high levels of ROA and ROE, and a track record of durable earnings growth—led us to avoid investing in many of the more speculative small cap companies.

While performance suffered in 2025, we're not overreacting and moving into market-leading stocks we perceive as low-quality. Instead, we remain patient. As we explain more in the Outlook section of this commentary, we believe the strategy is well positioned for an environment in which high-quality stocks return to favor.

## DETAILS OF THE QUARTER

The largest detractor from strategy performance in the fourth quarter was **BayCurrent Consulting, Inc.**, a Japan-based IT consultant. Fundamentals for BayCurrent remain strong: quarterly earnings grew 78% over the same period last year. We believe the stock simply gave back some ground after substantial gains in the prior 12 months. In recent months, we've been trimming the position to lock in earlier gains, but our thesis on the company remains the same. Companies in Japan are behind the curve when it comes to digitalizing their businesses. As a local consultant specializing in digitalization, we believe BayCurrent is uniquely positioned to help them catch up.

Another detractor was **Trex Co., Inc. (TREX)**, a manufacturer of high-performance, low-maintenance composite decking, railing, and related outdoor living products. The stock was down sharply in November after management reported third quarter earnings that were short of investors' expectations. In addition, management offered disappointing guidance for the fourth quarter, pointing to a weaker housing market and softer consumer spending on home improvement as the reasons. While the company is facing some current challenges, we still view Trex as a high-quality business. We're doing more research on the company, but we still like its position as the largest company in a market that is largely a duopoly.

**Shift4 Payments, Inc. (FOUR)** also detracted. A longtime holding in many of our small cap funds, Shift4 is a U.S. company that provides payment processing solutions for hospitality, retail and e-commerce businesses. Fundamentals for the company remain solid, in our view. But the stock was down after a competitor reported disappointing results, raising concerns for the industry. While there are concerns that consumer spending could soften and affect some of Shift4's end markets, we still like the firm's long-term growth potential.

The strongest contributor to strategy performance was **ASPEED Technology, Inc.** The Taiwan-based fabless designer and leading supplier of server-management chips reported sales growth of 23% for the month of November and 44% year to date through November 30, both compared to the same periods in 2024. Increased production of server systems for AI workloads has led to greater demand for ASPEED's baseboard-management controllers. Higher selling prices tied to wider adoption of the company's next generation of products have also helped boost revenue growth and the stock.



**WEG SA** was also a top contributor. This Brazil-based company supplies electric motors, transformers, generators, control panels and other equipment used to produce and transmit electric power from wind and other sources. Recent gains in the stock appear to reflect improved investor sentiment toward companies standing to benefit as the expansion of AI data centers raises demand for electrical equipment. In addition, we expect new manufacturing capacity scheduled for 2026 will underpin stronger top-line growth in 2027.

Another contributor was **RBC Bearings, Inc. (RBC)**, a global manufacturer of highly engineered, precision bearings, components and systems for critical aerospace, defense and industrial applications. There is no change to our thesis on this longtime holding. In our view, the company's management continues to execute at a high level and has done a phenomenal job improving the companies it acquires. We believe RBC is poised for another year of steady growth in 2026.

## **OUTLOOK AND POSITIONING**

As we turn the page on 2025, we know it has been a difficult time to invest in the strategy, and we greatly appreciate your patience. As we look ahead, we remain confident in the strategy's ability to outperform the benchmark over a full market cycle.

While 2025 has been a painful year, we are not making knee-jerk reactions in response to recent performance. Throughout Wasatch's 50-year history, we've faced other challenging periods when market behavior didn't seem rational. Those experiences have taught us the value of sticking to our discipline, adhering to fundamentals and staying laser focused on finding high-quality growth businesses. This discipline has historically rewarded Wasatch strategies after periods of underperformance.

Heading into 2026, the quality of the portfolio—as measured by items such as ROE or ROA—remains high, in our view. Earnings growth has also been consistent and continues to meet our expectations.

But while fundamentals haven't changed, one thing has. When looking at the valuations of the companies held by the strategy relative to the broader Index, they're more attractive on a relative basis than they've been in a long time.

Given solid fundamentals and attractive valuations, we're quite excited about the Global Select strategy's return potential from here.

Thank you for the opportunity to manage your assets.

Sincerely,

Mick Rasmussen, Ken Applegate, Mike Valentine and Stuart Rigby



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