WASATCH
GLOBAL INVESTORS

Quarterly Commentary

Investor WAMVX / Institutional WGMVX

Wasatch Micro Cap Value Fund

DECEMBER 31, 2021

We're Particularly Optimistic Regarding Technology as It Continues to Increase Productivity and Reduce Labor Costs

FUND MANAGER

Brian Bythrow, CFA
Lead Portfolio Manager

18 YEARS ON FUND / 18 YEARS AT WASATCH

OVERVIEW

During the fourth quarter of 2021, the Wasatch Micro Cap Value Fund—Investor Class rose 0.98% and outperformed the benchmark Russell Microcap® Index, which declined -2.66%. The Fund's outperformance of the benchmark came from favorable stock selections and from advantageous sector and country weights, which resulted from our bottom-up, fundamental analysis of individual companies. For the full year, the Fund gained 26.78% as the benchmark added 19.34%.

While 2021 was a good year for small caps and micro caps, performance was volatile. Hawkish comments made by the U.S. Federal Reserve (Fed) and uncertainty over the fast-spreading Omicron variant of Covid-19 rattled investors and caused many stocks to give back earlier gains. For both the quarter and the year, micro caps underperformed their large-cap counterparts.

Data show past performance and is not indicative of future performance. 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. Performance data does not reflect this redemption fee or taxes. ***Total Expense Ratio: Investor Class 1.74% / Institutional Class—Gross: 1.84%, Net: 1.60%. 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 1/31/2022.***

From a sector perspective, we were underweighted in the poor-performing health-care sector. Moreover, our health-care names declined significantly less than the benchmark positions in health care—where biotechnology and pharmaceutical stocks took a beating due to regulatory concerns and an overabundance of biotech initial public offerings (IPOs). As health-care stocks have become somewhat out of favor and have been trading at lower valuations, we've been stepping up our research on the sector.

Beyond health care, our stock selections within industrials and information technology were key drivers of outperformance relative to the benchmark. By contrast, our stock selections in financials and consumer discretionary were disadvantageous.

Regarding geographical weightings, both our U.S. exposure and our international exposure generated benchmark-beating performance overall. Outside the U.S., the United Kingdom, Israel, Canada and Australia were our best contributors by country. At the other end of the spectrum, Germany, France, Ireland and Japan were our largest detractors by country. Relative to our U.S. holdings, our high-quality international names appear attractive to us based on their generally lower valuations and their diversification characteristics.

DETAILS OF THE QUARTER

The individual holding that contributed the most to Fund performance for the fourth quarter was Red Violet, Inc. (RDVT)—a software and services company that specializes in the collection and analysis of big data and leverages its proprietary machine-learning software to turn seemingly disparate data points into real-time insights on people, businesses and assets. Although we no longer consider Red Violet inexpensive, we still think the stock has room to run. The global pandemic has bolstered several trends regarding digital transformation as well as the pace of technological adoption by businesses and consumers. We believe these macro trends will provide a persistent tailwind for companies like Red Violet and support an acceleration of growth.

Bowman Consulting Group Ltd. (BWMN) was also a large contributor. Bowman is an engineering consulting firm that delivers a broad range of real-estate, energy, infrastructure and environmental-management services to both public and private clients in the U.S. The company's projects include large commercial developments, master planned communities and local transportation projects. Bowman recently announced quarterly revenue of $39.7 million—representing a year-over-year increase of 25%—which was the greatest quarterly revenue in the company's history. Moreover, Bowman has made several notable acquisitions that we believe will be highly accretive to earnings. For example, the company acquired Kibart, Inc.—which should help Bowman expand into building services and into mechanical, electrical and plumbing (MEP) practices.

Another significant contributor was Impinj, Inc. (PI)—a leading maker of radio-frequency identification (RFID) chips, readers and software. Impinj helps clients digitally transform their businesses by enabling wireless connectivity of everyday physical items. For example, the company's connectivity platform allows retailers to count and track individual items for inventory management and touch-free checkout and to optimize supply chains—while safeguarding data and ensuring privacy. The company's products are used in a variety of business segments including retail, manufacturing and health care. Impinj saw sales jump roughly 60% year-over-year in the third quarter of 2021, which was a strong rebound from the pandemic-impacted third quarter of 2020. Currently, the retail segment is the largest market for the company's RFID tags and readers—and resurgent sales in this segment have helped Impinj post strong revenue growth.

The individual holding that detracted the most from Fund performance for the fourth quarter was **Aspen Group, Inc. (ASPU)**—an education company that operates two online universities. In 2014, the company shifted its focus to launching post-licensure online nursing programs for existing registered nurses. Prior to the global pandemic, there was a significant nursing shortage that for years affected how patient care was delivered. Now, Covid-19 has exacerbated nursing shortages and other deficiencies in the health-care system. But despite the strongest demand for nursing staff ever seen, enrollments into Aspen's online nursing programs have been declining. We believe the Omicron variant will worsen the fatigue felt by nurses and this variant as well as other potential variants will have lingering effects on the nursing profession. After considerable re-evaluation, we no longer think Aspen can overcome the pandemic-related headwinds and we sold our position in the company.

Open Lending Corp. (LPRO) was also a large detractor. The company provides loan analytics, risk-based pricing and automated decision technology for lenders who serve car buyers. Although Open Lending is classified as a financial company, it incurs no credit risk. Instead, Open Lending offers a fee-based platform that enables lenders to assess the creditworthiness of car buyers more accurately. While third-quarter earnings results were strong, management lowered fourth-quarter loan origination guidance due to extremely low inventory levels on dealer lots resulting from supply-chain issues and production slowdowns at auto manufacturers. Also, price increases have been especially tough on car buyers with below-prime credit. While these challenges could persist into 2022, we continue to like the fact that Open Lending has a strong business model and continues to grow its partner network, which should be beneficial as inventory levels normalize. We remain excited about Open Lending's long-run growth opportunity.

Another significant detractor was **Tactile Systems Technology, Inc. (TCMD)**—a developer of compression devices used at home by patients to treat non-healing wounds and reduce the swelling caused by lymphedema, a serious and often debilitating condition. We had owned the company since its IPO. The stock was down because investors—including us—were impatient over delayed sales and earnings stemming from patients' reluctance to visit doctors amid the ongoing pandemic. Moreover, news of increased competition was the final straw in our decision to exit our position. *(Current and future holdings are subject to risk.)*

OUTLOOK

As we begin the new year, we expect to see multiple forces that could hamper economic growth and cause market volatility to stay elevated. In particular, stocks will likely be impacted when the Fed acts on its desire to raise interest rates. Moreover, supply-chain problems, labor shortages, rising wages and overall inflationary pressures will probably be with us for the intermediate term. The latest report from the U.S. Bureau of Labor Statistics showed that the Consumer Price Index rose 6.8% over the past 12 months. This was the sharpest annual increase in 39 years, vastly surpassing the Fed's target rate. Furthermore, with the spread of the Omicron variant, companies around the world are bracing themselves for the likelihood of more shutdowns—further disrupting supply chains and manufacturing processes.

With these challenges in mind, we continue to be bullish on high-quality micro-cap companies with unique products and services, strong pricing power and significant profit margins. We're especially focused on companies in which labor isn't an overly large component of input costs. Because we anticipate the potential for profit margins to be pinched and economic development to be muted in the year ahead, we're making an effort to consolidate our holdings in what we think are the "best of the best" companies.

Despite the headwinds we see in 2022, we also expect to witness the continuation of secular growth opportunities—particularly in technology as it continues to increase productivity and reduce labor costs for businesses. We see value creation and growth themes in areas such as semiconductors, industrial automation, software as a service, digitalization of mundane processes and advancement of medical procedures.

Thank you for the opportunity to manage your assets.

Sincerely,

Brian Bythrow

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2021

	Quarter*	1 Year	3 Years	5 Years	10 Years
Micro Cap Value Fund—Investor	0.98%	26.78%	32.35%	21.77%	18.80%
Micro Cap Value Fund—Institutional	1.41%	27.26%	32.62%	21.91%	18.87%
Russell Microcap® Index**	-2.66%	19.34%	20.90%	11.69%	13.62%

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 1.95% for the Investor Class and 1.60% for the Institutional Class through at least 1/31/2021.** 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. Investments in value stocks can perform differently from other types of stocks and from the market as a whole and can continue to be undervalued by the market for long periods of time. 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.

**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. 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. You cannot invest directly in these or any indexes.

The Wasatch Micro Cap Value Fund has been developed solely by Wasatch Global Investors. The Wasatch Micro Cap Value 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 Wasatch Micro Cap Value Fund's investment objective is long-term growth of capital.

Someone who is "bullish" or "a bull" is optimistic with regard to the stock market's prospects.

The U.S. Bureau of Labor Statistics (BLS) is part of the United States Department of Labor. The BLS measures labor market activity, working conditions, price changes and productivity in the U.S. economy to support public and private decision making.

The Consumer Price Index (CPI), also called the cost-of-living index, is an inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation. The CPI is published monthly. The headline CPI includes volatile food and energy prices, while the core CPI excludes food and energy.

Diversification does not eliminate the risk of experiencing investment losses.

An initial public offering (IPO) is a company's first sale of stock to the public.

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

MICRO CAP VALUE FUND — TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2021

Security Name		Percent of Net Assets
JDC Group AG		2.8%
Skyline Champion Corp.		2.1%
Full House Resorts, Inc.		1.6%
Napco Security Technologies, Inc.		1.6%
Esquire Financial Holdings, Inc.		1.6%
Patrick Industries, Inc.		1.5%
Kaleyra, Inc.		1.5%
American Outdoor Brands, Inc.		1.5%
Noodles & Co.		1.4%
Sterling Construction Co., Inc.		1.4%
	Total	17.0%

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.