



March 10, 2017

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This brochure provides information about the qualifications and business practices of Wasatch Advisors, Inc. (“Wasatch”). If you have any questions about the contents of this brochure, please contact us at **801.533.0777** or email **institutionalinfo@wasatchadvisors.com**. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Wasatch also is available on the SEC’s website at **www.adviserinfo.sec.gov**. The SEC’s website also provides information about people affiliated with Wasatch who are registered, or are required to be registered, as investment adviser representatives of Wasatch.

Wasatch is an investment adviser registered with the SEC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information to help you determine whether to hire or retain an advisor.

Pursuant to SEC rules, Wasatch will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of December 31st, the close of its business fiscal year. Wasatch will also provide other ongoing disclosure information about material changes as necessary.

Currently, our brochure may be requested by contacting us at **801.533.0777** or by email at **compliance@wasatchadvisors.com**. Our brochure is also available on our website www.wasatchadvisors.com. The brochure is free of charge.

Item 2 – Material Changes

Wasatch made the following material changes to Part 2A of its ADV filed on March 10, 2017:

- Updated the firm's AUM to \$15.0 billion as of 12/31/2016, and updated the AUM of the various products;
- Included a description of changes to the firm's Code of Ethics which now prevents employees from conducting any personal securities transactions in any individual publicly-trading companies. Previously employees were prohibited from transacting in stocks of small cap companies, but were permitted to transact in large cap stocks;
- Deleted any references to the firm's South Bend, Indiana office as that office closed in early 2017 when the Portfolio Manager for the Long/Short product relocated to the firm's Salt Lake City office; and
- Included a description of the firm's newly launched pilot accounts, seven equity accounts funded by Wasatch with \$1 million each, in an effort to further research and development. Each of the Pilot Accounts is being managed in a unique investment strategy and will have its own performance record.

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Item 4 – Advisory Business

Our History

Wasatch was founded in 1975 and is headquartered in Salt Lake City, Utah. In its first decades, Wasatch developed a fundamental, bottom-up research method that focuses on the long-term growth potential of companies and finding market inefficiencies. Wasatch initially focused on investing in the stocks of companies with small market capitalizations (small cap), and over time have organically evolved into additional asset classes.

Our Culture

Today, Wasatch is 100% employee owned with over 25 shareholders and no one employee owning 25% or more of the firm. Our autonomy fosters an entrepreneurial spirit and pride that promotes collaboration and teamwork. Years of experience have convinced us that the best ideas and insights come from subjecting our efforts to the scrutiny of multiple eyes. At Wasatch, we generate our own investment ideas and leverage our collective experience to create results for our clients.

Our People

The substance of our success has always been our people. The portfolio managers at Wasatch play a critical role in our investment philosophy and process. In addition to the individual strengths brought to each portfolio, our lead portfolio managers average 19 years of experience in the industry. Roughly one-third of our employees are shareholders in Wasatch, with no single shareholder owning more than 25% of the firm, and they elect a Board of Directors (currently consisting of eight employees) to govern the company's affairs.

Our Services

A. Discretionary Investment Advice

Wasatch provides discretionary investment advice for a variety of clients, including mutual funds, separately managed accounts, sub-advised products and private venture funds. Across all of its different clients Wasatch managed a total of \$15.0 billion in assets as of 12/31/2016.

Wasatch's advisory services are typically provided on a discretionary basis, meaning that Wasatch has full discretion to determine, consistent with clients' investment objectives and restrictions, which securities and the total amount of securities that should be bought or sold for clients' accounts. Wasatch may buy, sell, or otherwise trade securities that include, but are not limited to, common and preferred stocks, foreign stocks, initial public offerings (IPOs), private placements, 144A restricted stocks, convertible stocks and bonds, options, warrants, rights, and corporate, municipal and government bonds, notes and bills. Wasatch provides investment management services in several investment styles, including growth, core and value styles in micro, small, mid and large cap securities located in domestic and international markets. Wasatch's discretionary investment authority may be limited by conditions imposed by clients in their stated investment objectives or guidelines, and mutually agreed to by Wasatch.

1. Mutual Funds

Wasatch provides discretionary investment management services to an open-end registered investment company, Wasatch Funds Trust ("Wasatch Funds"). In total, Wasatch is the investment advisor to 19 separate portfolios in Wasatch Funds, although sub-advisers are retained to manage two of the portfolios.

Wasatch manages four U.S. domestic growth funds (Micro Cap, Small Cap Growth, Ultra Growth and Core Growth); five U.S. domestic value funds (Micro Cap Value, Small Cap Value, Large Cap Value, Long/Short and Strategic Income); two global funds (Global Opportunities and World Innovators); four emerging markets funds (Emerging Markets Small Cap, Emerging India, Emerging Markets Select and Frontier Emerging Small Countries); two other international funds (International Growth and International Opportunities) and two sub-advised bond funds (Wasatch-1st Source Income Fund and Wasatch-Hoisington U.S. Treasury Fund). Wasatch has retained 1st Source Corporation Investment Advisors, Inc. (1st Source) to sub-advise the Wasatch-1st Source Income Fund and Hoisington Investment Management Company (HIMCO) to sub-advise the Wasatch-Hoisington U.S. Treasury Fund.

As of 12/31/2016, Wasatch Funds had \$8.1 billion in assets under management. Wasatch Funds are available to retail investors as the minimum investment size for each Wasatch Fund is \$2,000. Each Fund is more fully described in the Wasatch Funds prospectus available online at www.wasatchfunds.com or www.sec.gov.

2. Separate Accounts

Wasatch manages portfolios for separate account clients in investment styles similar to those of the Wasatch Funds. Wasatch currently manages separate account portfolios in eleven investment styles (Micro Cap Growth, Small Cap Growth, Small Cap Core Growth, Small Cap Ultra Growth, Small Cap Value, Large Cap Value, Global Small Cap, International Small Cap Growth, Emerging Markets Small Cap, Frontier Emerging Small Countries and Emerging Markets Select). In addition, Wasatch would offer separate account portfolios in three other investment styles (International Micro Cap, World Innovators and Micro Cap Value).

Each of the separate account styles is generally managed similarly to the respective Wasatch Fund, although variations in the products may exist. For example, certain of the domestic products such as Small Cap Growth also offer a hybrid style that permits a significant portion of a portfolio to be invested in international small cap stocks. Within an investment style, the principle variations result from specific guidelines and restrictions placed on separate account portfolios by clients. Restrictions on the management of the account must be mutually agreed upon by Wasatch and the client. Clients who place restrictions, including restrictions as to types of securities, concentrations, cash balances, brokers to be used or not used, etc., should recognize that the performance of their accounts may not be consistent with the performance of accounts managed in the same style with no restrictions.

As of 12/31/2016, Wasatch managed \$6.9 billion in separate account assets. The minimum account size for a new separate account is generally \$1 million in assets under management in a domestic style, or \$10 million for an international style. Wasatch has the discretion to accept accounts with a value less than \$1 million depending on the nature of the account, the potential for future additions to the account and other factors. At times in the past Wasatch has accepted

clients with smaller assets under management and so some Wasatch clients have accounts smaller than \$1 million. Depending on the investment style of a new account, the minimum account size may be negotiated.

3. Foreign Sub-Advised Funds

Wasatch acts as a sub-advisor for several funds based outside of the United States. These funds range from a Canadian mutual fund to a UCITS based in the United Kingdom to Australian superannuation funds. As of 12/31/2016, Wasatch managed \$919 million as a sub-advisor to these various foreign funds. These funds are generally aimed at investors in their jurisdictions and the minimum account size varies by fund.

4. Collective Investment Trusts

Wasatch manages the Wasatch Emerging Markets Small Cap CIT which is sponsored by Comerica Bank & Trust, N. A., the Trustee of the CIT. The collective investment trust is an institutional-only investment vehicle aimed at the retirement plan market. A CIT is similar to a mutual fund in that it is comprised of pooled assets invested with a specific philosophy and strategy; however, since it is exempt from the 1940 Investment Company Act, it has a simpler structure and generally lower operating costs. As of 12/31/2016 the Emerging Markets Small Cap CIT had \$249 million in assets.

For the past three years Wasatch has also managed the Wasatch Frontier Emerging Small Countries CIT which is also sponsored by Comerica. As of 12/31/2016 the Frontier Emerging Small Countries CIT had \$255 million in assets.

5. Non-discretionary Account

Wasatch manages a single account over which Wasatch does not have investment discretion. Instead, every proposed trade must be approved or rejected by the client. This client's investment execution and performance may differ substantially from the performance of Wasatch's discretionary accounts in the same investment style. As of 12/31/2016 the non-discretionary account managed by Wasatch had \$198 million in assets.

B. Services Other Than Continuous Investment Services

1. Cross Creek Funds

Wasatch previously owned and controlled entities which acted as general partners to five private venture funds (the "Cross Creek Funds"). As of 12/31/2012 the general partner entities were acquired by Cross Creek Holdings, LLC an entity owned by former Wasatch employees. The Cross Creek Funds are now managed by Cross Creek Advisors, LLC, a registered investment adviser owned and controlled by former Wasatch employees. Wasatch does not control the Cross Creek Funds or the general partner entities which advise the funds.

Wasatch has entered into a Research Agreement whereby it provides non-discretionary research services to Cross Creek Advisors, conducting research on select private companies and providing that research to Cross Creek. Cross Creek Advisors retains investment discretion over all of the Cross Creek Funds and makes all buy and sell decisions.

2. Model Delivery Platforms/UMAs

Model delivery platforms (“MDPs”) are platforms for which Wasatch designs, monitors and, as necessary, updates a model portfolio and provides the model and updates to these platforms on a regular basis. The platforms receiving models may adopt or ignore Wasatch’s recommendations. Wasatch does not have investment or voting discretion over MDPs. Wasatch does not have responsibility for trade execution, proxy voting or any other services to MDPs other than to provide recommendations with respect to the model portfolio. The investment performance of any account on an MDP is attributable to the client, not to Wasatch, and may differ substantially from the performance of Wasatch’s discretionary accounts in the same portfolio. Wasatch also provides advice to unified managed accounts (“UMAs”) which Wasatch considers to be a form of MDP.

3. Administrative Services

In addition to providing investment services, Wasatch provides certain back office services for its various clients. Wasatch provides several services to Wasatch Funds, including providing officers to the Funds, all of whom are compensated by Wasatch and are provided at no additional charge to the shareholders of Wasatch Funds. Wasatch provides certain services to its separate account clients, including account reconciliation and statement generation, which are provided as part of its investment services.

In addition to services provided by Wasatch incidental to its advisory services, Wasatch has also been hired to provide administrative services to the Cross Creek Funds, including accounting services, capital call management and preparation of financial statements.

Item 5 – Fees and Compensation

A. Discretionary Investment Advice

1. Mutual Fund Fees

Wasatch receives fees from the Wasatch Funds based on a percentage of assets under management. Wasatch receives an annual fee based on assets under management of 0.70% from the Wasatch Strategic Income Fund; 0.90% from the Wasatch Large Cap Value Fund; 1.00% from the Wasatch Small Cap Growth, Wasatch Core Growth, Wasatch Small Cap Value, Wasatch Ultra Growth and Wasatch Emerging Markets Select Funds; 1.10% from the Wasatch Long/Short Fund; 1.25% from the Wasatch International Growth, Wasatch Global Opportunities and the Wasatch Emerging India Funds; 1.50% from the Wasatch World Innovators, Wasatch Micro Cap, and Wasatch Micro Cap Value Funds; 1.65% from the Wasatch Emerging Markets Small Cap Fund; 1.75% from the Wasatch International Opportunities and Wasatch Frontier Emerging Small Countries Funds. In addition, Wasatch receives annual fees based on assets under management of 0.50% from the Wasatch-Hoisington U.S. Treasury Fund and 0.55% from the Wasatch-1st Source Income Fund. Wasatch has retained Hoisington Investment Management Company (HIMCO) to sub-advise the Wasatch-Hoisington U.S. Treasury Fund and pays HIMCO a management fee equal to 0.25% of the Fund’s daily net assets. Wasatch has retained 1st Source Corporation Investment Advisors, Inc. (1st Source) to sub-advise the Wasatch-1st Source Income Fund and pays 1st Source a management fee equal to 0.28% of the Fund’s daily net assets. Management fees are accrued daily and paid by Wasatch Funds monthly.

On occasion Wasatch might invest a portion of a separate account in a Wasatch Fund, although Wasatch will not do this without the prior consent of the client. An example of this might be investing an account that is seeking exposure to the Indian market but is not registered to directly invest in India in the Wasatch Emerging India Fund. If any of Wasatch's advisory clients' assets are invested in Wasatch Funds, the client will pay the advisory fee charged by the Fund(s) on those assets, but no additional fees.

In addition to management fees, Wasatch Funds also reimburses Wasatch for shareholder servicing on intermediary accounts for which Wasatch has paid a shareholder servicing fee. The Funds reimburse Wasatch an amount equal to the costs that would be incurred if such services were provided by the transfer agent engaged by Wasatch Funds. Fees paid by Wasatch Funds other than the management fee (custody fee, administration fee, transfer agency fee, distribution fee, etc.) are discussed in detail in the prospectus available at www.wasatchfunds.com or www.sec.gov. These other fees may vary by share class, as thirteen Wasatch Funds have adopted an institutional share class in addition to the regular investor share class.

2. Separate Account Fees

Wasatch's compensation is based on a percentage of assets under management as follows:

a. Fee Schedules

Domestic Small Cap (including Small Cap Growth, Small Cap Core Growth, Small Cap Ultra Growth and Small Cap Value)

	<u>Account Size</u>	<u>Annual Rate</u>
First	\$50,000,000	1.00%
Next	\$50,000,000	0.90%
Above	\$100,000,000	0.85%

Domestic Micro Cap (including Micro Cap Growth and Micro Cap Value)

<u>Account Size</u>	<u>Annual Rate</u>
All Accounts	1.35%

Domestic Large Cap

	<u>Account Size</u>	<u>Annual Rate</u>
First	\$25,000,000	0.70%
Next	\$25,000,000	0.65%
Next	\$50,000,000	0.60%
Next	\$100,000,000	0.50%
Above	\$200,000,000	0.45%

International Small Cap Growth

	<u>Account Size</u>	<u>Annual Rate</u>
First	\$50,000,000	1.00%
Next	\$50,000,000	0.90%
Above	\$100,000,000	0.85%

International Micro Cap

<u>Account Size</u>	<u>Annual Rate</u>
All Accounts	1.50%

Emerging Markets Small Cap

<u>Account Size</u>	<u>Annual Rate</u>
All Accounts	1.00%

Frontier Markets

<u>Account Size</u>	<u>Annual Rate</u>
All Accounts	1.00%

Emerging Markets Select

	<u>Account Size</u>	<u>Annual Rate</u>
First	\$50,000,000	0.85%
Next	\$50,000,000	0.75%
Above	\$100,000,000	0.65%

Global Small Cap

	<u>Account Size</u>	<u>Annual Rate</u>
First	\$50,000,000	1.00%
Next	\$50,000,000	0.90%
Above	\$100,000,000	0.85%

World Innovators

	<u>Account Size</u>	<u>Annual Rate</u>
First	\$50,000,000	0.85%
Next	\$50,000,000	0.80%
Next	\$100,000,000	0.75%
Above	\$200,000,000	0.70%

The fee schedules shown above are Wasatch's current fee schedules for separately managed accounts. At times Wasatch has had other fee schedules, which provided for fees that were higher or lower than those currently in effect. As new fee schedules were put into effect, they have been applicable to new clients and the fee schedules already agreed to with existing clients were not changed. Therefore, some of Wasatch's current clients are paying different fees than those shown

above and some clients may pay more or less than other clients receiving the same services. Depending on the size of the account and the investment style, clients may negotiate fees that vary slightly from the schedules above.

b. Billing Process

Management fees are generally payable quarterly. Wasatch always bills clients, however upon request from a client the management fees may be deducted directly from client accounts. Depending on the agreement between Wasatch and its clients, management fees may be payable in advance or in arrears and may or may not be adjusted for contributions of additional assets, withdrawal of a portion of the assets, or termination of the agreement. The investment management agreement between Wasatch and a client may be terminated by either party pursuant to the terms of the agreement, generally with notice of 30 days or less. If a client has prepaid the management fee for a quarter and the agreement is terminated during the quarter, a pro-rata portion of the prepaid management fee will be refunded for the period the account was managed.

c. Performance Fees

Although the fee schedule above reflects Wasatch's standard fees, at times in the past Wasatch has agreed with qualified separate account clients to charge performance fees. These fees have been structured as fulcrum fees whereby a base fee was established (typically 1%) and then the fee rate might increase or decrease by equal proportions (to a maximum of 2% or a minimum of 0%) depending on the performance of the account relative to an agreed upon benchmark. Any performance or incentive fee arrangement will be subject to Section 205(a)(1) of the Investment Advisers Act of 1940 in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Wasatch shall include realized and unrealized capital gains and losses. Currently, less than 1% of Wasatch's separate account assets are structured with performance fees. A performance fee may give Wasatch the incentive to manage such accounts in a riskier manner in order to earn or increase the amount of its advisory fee or to favor accounts that pay a performance fee over other accounts. The conflicts created by performance fees are discussed in more detail in Item 6 below.

3. Sub-Advised Account Fees

Each sub-advised fund is a unique relationship with a custom negotiated fee. Wasatch provides different services for different accounts and receives different fees.

4. Collective Investment Trust

Wasatch receives an annual fee of 1.0% of assets under management for managing the Wasatch Emerging Markets Small Cap CIT and the Wasatch Frontier Emerging Small Countries CIT.

B. Cross Creek Funds

1. Research Agreement

Wasatch receives fees for the non-discretionary research advice it provides the Cross Creek Funds. Under the Research Agreement, Wasatch receives a quarterly fee equal to 0.50% of new assets invested by the Cross Creek direct investment funds during the quarter.

2. Administrative Fees

Wasatch provides administrative services to the Cross Creek Funds, including accounting services, capital call management and preparation of financial statements. The Cross Creek Funds pay Wasatch fees for these services in addition to management fees and performance fees paid by the Funds. The Cross Creek Funds paid Wasatch a total of \$377,800 for administrative services provided in 2016.

C. Model Delivery Platform Fees

Fees payable by model delivery platforms are typically structured as a fee on assets the client chooses to manage in accordance with the model delivered by Wasatch. Wasatch has relatively few of these arrangements and so has not established a standard fee schedule for these relationships. The fees on such arrangements are negotiable and tend to be significantly lower than the fees on discretionary investment services due to the increased work performed by clients rather than Wasatch in such arrangements.

D. Other Fees

Advisory fees payable to Wasatch do not include all the fees you will pay when we purchase or sell securities for your Account(s). The following list of fees and expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management. Unless otherwise noted in this Form ADV, Wasatch does not receive, directly or indirectly, any of these fees. They are paid to your broker, custodian or the mutual fund or other investment you hold.

The fees include, among others:

- Brokerage commissions
- Transaction fees
- Exchange fees
- SEC fees
- Advisory fees and administrative fees charged by Mutual Funds (MF), Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisors (if any are used for your account)
- Custodial Fees
- Odd-Lot differentials
- Transfer taxes
- Wire transfer and electronic fund processing fees
- Commissions or markups / markdowns on security transactions

Wasatch does not have an affiliated broker-dealer and does not receive compensation attributable to the sale of a security or other investment product such as a commission. Item 12 further describes factors that Wasatch considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions), including research received by Wasatch from brokers.

With regard to cash, clients who direct their custodians to use a sweep or other interest bearing account, including a money market fund or other fund such as an Exchange-Traded Fund (ETF),

may pay two management fees on that cash, one to the manager of the money market fund and one to Wasatch.

Item 6 – Performance-Based Fees and Side-By-Side Management

A. Separate Account Performance-Based Fees

In rare cases, Wasatch has entered into performance fee arrangements with qualified separate account clients. These fees are discussed in Item 5 above.

B. Mutual Funds, Sub-advised Accounts, Non-discretionary Accounts

Wasatch does not charge performance-based fees on mutual fund, sub-advised, collective investment trust or non-discretionary account assets.

Item 7 – Types of Clients

Wasatch provides investment advisory services to a wide array of clients. Different investment products are more suitable for different clients, and so we have broken out the types of clients by the types of products.

A. Mutual Funds

As described above, the majority of the assets Wasatch manages are in Wasatch Funds, a family of mutual funds. Wasatch Funds are available to all types of U.S. investors. They are the most suitable product for retail investors as the minimum investment size in any Wasatch Fund is \$2,000. Additional requirements for opening, maintaining and closing an account with Wasatch Funds are set forth in the prospectus available at www.wasatchfunds.com and www.sec.gov.

B. Separate Accounts

Separate accounts generally have a minimum investment size of at least \$1 million, and tend to attract larger clients. Wasatch manages portfolios for separate account clients in investment styles similar to the Wasatch Funds, except that a separate account client has the ability to negotiate with Wasatch to impose specific guidelines and restrictions on the management of the client's account.

Wasatch manages separate accounts for high net worth individuals, pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, state and local government entities, trust programs and other U.S. and international institutions.

C. Foreign Sub-Advised Funds

Each of Wasatch's foreign fund arrangements is unique. The products are tailored to individual investors in the various countries and are sponsored and marketed by the entities engaging Wasatch.

D. Collective Investment Trusts

Wasatch manages the Wasatch Emerging Markets Small Cap CIT and the Wasatch Frontier Emerging Small Countries CIT which are both sponsored by Comerica Bank & Trust, N. A., the Trustee of the CIT. The CITs are institutional-only investment vehicles aimed at the retirement plan market.

E. Non-Discretionary Account

Wasatch manages a single account over which Wasatch does not have investment discretion. Instead, every proposed trade must be approved or rejected by the client. This client's investment execution and performance may differ substantially from the performance of Wasatch's discretionary accounts in the same investment style.

F. Model Portfolio Accounts

Wasatch provides model portfolio account information on a non-discretionary basis to certain clients, including unified managed accounts. In every instance Wasatch is providing the model information to another investment manager that knows the client and exercises discretion as to whether to implement the Wasatch recommendations. Wasatch is not involved in trade execution for these accounts. Typically these model portfolio accounts are for banks with trust accounts or brokerages operating unified managed accounts.

G. Cross Creek Advisers

Wasatch provides investment advice to Cross Creek Advisers, LLC, an unaffiliated registered investment adviser who manages private funds. Wasatch provides advice on investing and selling securities to Cross Creek Advisers. Cross Creek Advisers has complete investment discretion over the private funds. It considers the advice from Wasatch along with other advice it has aggregated, including its own research, to make investment decisions for the private funds.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

Wasatch selects investments for clients based solely on investment considerations, including whether the investments are suitable for the client and consistent with the client's investment objectives and guidelines. Wasatch may give advice and take actions in the performance of its duties to certain clients that differ from the advice given, or the timing and nature of actions taken, with respect to other clients' accounts. All investments in securities include the risk of loss of your principal (invested amount) and any profits that have not been realized. Wasatch cannot guarantee any level of performance or that you will not experience a loss of your account assets. Most of Wasatch's investments are in stocks of companies that will always be subject to the general risk of overall stock market declines. In addition, stocks selected by Wasatch may decline in value even when the overall market is not in a general decline.

Wasatch may also purchase securities for clients through private transactions, including, but not limited to, venture offerings, 144A offerings, private investments in public equities (PIPEs), and investments in foreign IPOs. Securities acquired in these private transactions have even greater

risk of loss. Wasatch may invest a large portion of clients' assets in the stocks of a limited number of companies.

Each Wasatch investment style carries risk, including the risk that you may lose some or all of your investment. Some of the significant risks faced by various Wasatch products are highlighted below.

A. Domestic Small and Micro Cap

Under normal market conditions, we will invest the majority of assets in the equity securities of small growth companies. We generally use a process of "bottom-up" fundamental analysis to look for individual companies that we believe are stable and have the potential to grow steadily for long periods of time. Our analysis may include studying a company's financial statements, building proprietary financial models, visiting company facilities, and meeting with executive management, suppliers and customers.

Investments in small and micro cap companies carry risk that you may lose money. Small and micro cap companies' shares may not trade as readily as those of larger cap companies and their prices may fluctuate more widely. Small and micro cap stocks are also very sensitive to changing economic conditions and market downturns. Wasatch may also take large positions in companies, which could contribute to a lack of liquidity and price volatility if Wasatch needs to buy or sell a large number of shares at any particular time. Investments in value stocks can perform differently from the market as a whole and other types of stocks and can continue to be undervalued by the market for long periods of time.

B. Domestic Mid and Large Cap

Our large cap products tend to employ a comprehensive valuation analysis intended to establish a range for fair valuation or intrinsic company value, with a particular emphasis on company fundamentals. The valuation review may include calculating and reviewing standard ratios such as price-to-earnings and price-to book, modified discounted cash flow models and changing sector and company specific outlooks due to various subjective factors.

In addition to general stock market risk, our mid and large cap products are subject to sector weighting risks. For example, our mid and large cap products may invest a large percentage of their assets in a few sectors. Market conditions, interest rates, and economic, regulatory or financial developments could significantly affect the securities in a single sector, increasing a product's exposure to the price movements of that sector. These products are also subject to the risk that their style (growth or value) will be out of favor for an extended period of time.

Our Long/Short product is subject to market direction risk. An investment in this product will involve market risks associated with different types of investment decisions than those made for a typical "long only" stock portfolio. The Long/Short product may make short sales of securities. A short sale is when a security is borrowed, with the intention of replacing the security at a later date, and sold in anticipation of a decline in the security's price. The Long/Short product may experience a loss if the market price of the security increases between the date of the short sale and the date the security is replaced. Short sales may reduce returns or increase volatility. Losses from short sales may exceed the original amounts invested.

C. International and Global Small and Micro Cap

Our international products use a process of quantitative screening followed by “bottom up” fundamental analysis to identify individual companies that we believe have above average revenue and earnings growth potential. We travel extensively to visit companies and expect to meet with senior management of the companies in which we invest. We do not use allocation models to restrict investments to certain regions, countries or industries. We may significantly shift assets between asset classes, sectors, and geographic regions based on where we believe the best growth opportunities and valuations currently exist.

In addition to the risks described above for our domestic small and micro cap products, our global and international products face additional risks. All of them face risks related to foreign securities, including that these securities are generally more volatile and less liquid than U.S. securities. They also may be subject to additional risks due to differences in economic and political environments, the amount of information publicly available, the degree of market regulation, financial reporting, accounting and auditing standards and fluctuations in currency exchange rates. Products that invest in emerging market companies face additional risks due to increased political or social instability, unstable currencies, highly volatile securities markets, unpredictable shifts in policies relating to foreign investments, and the potential for government seizure of assets or nationalization of companies.

D. Emerging and Frontier Markets

In addition to the risks of investing in foreign securities in general, the risks of investing in the securities of companies domiciled in emerging and frontier market countries include increased political or social instability, economies based on only a few industries, unstable currencies, runaway inflation, highly volatile securities markets, unpredictable shifts in policies relating to foreign investments, lack of protection for investors against parties that fail to complete transactions, and the potential for government seizure of assets or nationalization of companies.

At times the Wasatch emerging and frontier market investment styles may invest in participatory notes to gain exposure to markets that either prohibit direct foreign ownership or where registration in a foreign market is problematic. The purchase of participatory notes involves risks that are in addition to the risks normally associated with a direct investment in the underlying security, including but not limited to the credit risk of the issuer of the note.

Item 9 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Wasatch or the integrity of Wasatch’s management. Wasatch has no information applicable to this Item.

This statement applies to our firm, and every employee.

Item 10 – Other Financial Industry Activities and Affiliations

Wasatch is not registered as a broker-dealer and is not affiliated with a broker-dealer. Wasatch Funds are distributed by ALPS Distributors, Inc., a registered broker-dealer. Certain employees of Wasatch are registered representatives of ALPS. Two of these individuals, Eric Bergeson and Kitty Swenson, are members of Wasatch’s Board of Directors.

Wasatch is a subsidiary of WA Holdings, Inc. a holding company owned 100% by employees of Wasatch Advisors. Wasatch serves as investment advisor to Wasatch Funds Trust, an affiliated registered investment company. A significant portion of Wasatch's revenues each year comes from Wasatch Funds and so a potential conflict could arise between Wasatch Funds and Wasatch's other clients. Wasatch provides several additional services to Wasatch Funds that it does not provide to other clients, including providing officers to serve the Wasatch Funds. Please refer to the disclosure regarding Wasatch Funds under Item 4.

Wasatch has retained sub-advisors to manage two Wasatch Funds. Wasatch retains Hoisington Investment Management Company to manage the Wasatch-Hoisington U.S. Treasury Fund and 1st Source Investment Advisors, Inc. ("1st Source") to manage the Wasatch-1st Source Income Fund. Wasatch shares the advisory fees of these funds with the sub-advisors. Wasatch also makes payments to 1st Source related to the acquisition of the Wasatch Large Cap Value Fund (previously 1st Source Monogram Income Equity Fund) and the Wasatch Long/Short Fund (previously 1st Source Monogram Long/Short Fund). Wasatch also has entered into a research agreement whereby it provides 1st Source with research services, which include a model portfolio as well as commentary and visits from portfolio managers. We believe that Wasatch's interests, as well as the interests of Wasatch's clients including Wasatch Funds, are aligned with the interests of the sub-advisors and do not believe these relationships create a material conflict of interest.

Item 11 – Code of Ethics

A. Summary of the Wasatch Code of Ethics

Wasatch expects its employees to act in the best interests of our clients and to place their interests ahead of our own. Wasatch has adopted a Code of Ethics ("Code"), which sets forth this standard of business conduct and states that Wasatch requires all of its supervised persons to act in accordance with it. Wasatch annually requires each supervised person to acknowledge, in writing, the terms of the Code and any amendments. Wasatch will provide a copy of the Code to clients and prospective clients upon request. Wasatch's Code requires prompt internal reporting of any violations of the Code and requires employees to comply with the Code subject to sanctions by the Board of Directors in the event of non-compliance.

The Code requires Access Persons to obtain written pre-clearance for any personal securities transaction. Approval is generally not given for the purchase of a security of any publicly-traded company, although in limited circumstances an Access Person can seek an exception from the Wasatch Board of Directors. Approval is given for the sale of securities; provided, however, that care is taken to not allow access persons to trade in a security at the same time Wasatch is trading in the security. The Code requires that access persons obtain approval from the Compliance department before investing in a limited offering, including private funds. The Code prohibits access persons from investing in IPOs. The Code requires access persons to periodically report their personal securities transactions and holdings to Wasatch's Compliance department and designated persons in the Compliance department to review those reports.

Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interests of Wasatch's clients. Access Persons are permitted to invest in securities such as U.S. Government securities, open-end mutual funds including Wasatch Funds and ETFs. Access persons (and members of their families) may invest in Wasatch Funds, for which Wasatch serves as investment advisor.

Thus, Wasatch does recommend to clients the purchase or sale of securities in which it, or its officers or employees, have a financial interest.

Wasatch's Code also contains provisions requiring pre-approval for outside business activities, service on boards of directors and political donations, along with limits on giving and receiving gifts. The Code also includes general guidance to employees on how to handle material, non-public information but is supplemented by Wasatch's Insider Trading Policy and Procedures.

B. Recommendations to Clients

Wasatch does not generally buy or sell securities to or from its clients. In the rare instance that it has done so, Wasatch has sought the prior permission of its clients and strived to explain the conflicts that are present in such a situation.

Wasatch does recommend the Wasatch Funds, which it manages, to its clients. As explained in Items 4 and 7 above, Wasatch manages products for a variety of clients in a variety of investment styles and believes that a mixture or combination of these products can be appropriate for a client. To the extent that Wasatch invests client assets over which it has discretion in one of the Wasatch Funds, it does not charge the management fee from the account and only collects the fee from the Wasatch Fund in order to avoid fee stacking.

C. Participation in Securities Recommended to Clients

Wasatch does not generally invest in individual equity securities for its own account. However, Wasatch has established and seeded a number of small proprietary portfolios (each with not more than \$1 million), for the purpose of conducting research and development and potentially establishing a performance record to enable Wasatch to offer such a portfolio investment style to clients (each a "Pilot Fund"). Wasatch may invest the Pilot Funds side-by-side in the same or similar securities as those held by Wasatch clients and funds. The Pilot Funds may be managed in a similar style or different style than existing Wasatch client portfolios and Wasatch may have an incentive to favor a Pilot Fund in order to create a good track record. In order to mitigate this risk, the Pilot Funds are subject to the same trade policies and procedures (Trade Aggregation and Allocation, General Trading, etc.) that all Wasatch clients are subject to and the trading of the Pilot Funds are subject to additional compliance monitoring.

Other than the Wasatch Funds and the Pilot Funds, Wasatch does not invest in the same securities that it recommends to clients. Wasatch may invest client assets in companies whose officers, directors or employees have accounts with Wasatch or Wasatch Funds.

Item 12 – Brokerage Practices

Clients have the ability to grant Wasatch brokerage discretion, direct Wasatch to execute transactions for the client with a specific broker, or execute transactions themselves based on Wasatch's research. The majority of Wasatch's clients grant Wasatch full power and discretion to select brokers to execute transactions for their accounts and to negotiate and determine the commissions to be paid for such transactions ("discretionary brokerage"). Wasatch utilizes a wide array of brokerage venues, including stock exchanges, electronic communication networks (ECNs), alternative trading systems, crossing networks and other alternative pools of liquidity.

Wasatch may consider a number of factors when selecting a broker or dealer to effect a transaction, including the expected market impact of the trade, the broker's execution capability,

the broker's financial strength and stability, the broker's responsiveness to Wasatch, its reputation and access to the markets for the security being traded, the efficiency with which the transaction will be effected, commission rates and the value of research products and services that a broker lawfully may provide to assist Wasatch in the exercise of its investment decision-making responsibilities. The determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for our clients. Wasatch has no affiliated broker-dealer.

A. Research and Other Soft Dollar Benefits.

1. Conflicts of Interest Arising out of Soft Dollars

- a. **Wasatch benefits from the use of client commissions to purchase research because Wasatch receives research services from brokers that it does not have to produce or pay for itself.** One of the factors that Wasatch considers when selecting a broker to effect a transaction is the research services provided to Wasatch by the broker. On nearly all trades, Wasatch accounts pay brokerage commissions that are competitive but that are higher than the lowest available rate, and Wasatch may receive research services as a result. The extra amount that clients pay above the lowest possible rate is commonly referred to as "soft dollars." These services, discussed in more detail below, are provided to Wasatch by brokers in exchange for client commissions and not because of payment from Wasatch.

As an advisor, Wasatch has a fiduciary obligation to seek the best execution for client trades and not to use client assets for its own benefit at the expense of its clients. Recognizing the value of research in managing client accounts, however, Congress enacted Section 28(e) of the Securities Exchange Act of 1934 to allow advisors to use client commissions to acquire research services as long as the advisor determines in good faith that the amount of commission was reasonable in relation to the value of the brokerage services received.

- b. **Soft dollars give Wasatch an incentive to select brokers based on its interest in receiving research services rather than on the client's interest in obtaining the best execution.** Wasatch acknowledges that brokerage is the property of our clients. In order to manage the conflicts inherent in using soft dollars, Wasatch strives to (1) have transactions executed at prices that are advantageous to clients and at commission rates that are reasonable in relation to the benefits received; (2) use soft dollars to obtain research and brokerage products and services that we believe will provide the greatest benefit to our clients; (3) not use soft dollars to obtain products and services that may be construed to fall outside of the safe harbor provided by Section 28(e); (4) make a reasonable allocation of the cost of a product or service that provides both research and non-research assistance and pay for the portion that provides non-research assistance with hard dollars; and (5) make full and fair disclosure of all material facts with respect to our soft dollar arrangements.

- c. **On nearly all trades, Wasatch accounts pay brokerage commissions that are competitive but higher than the lowest available rate another broker might have charged, and Wasatch receives research services as a result.** Wasatch clients “pay up” in these transactions (i.e., pay more than the lowest available commission for executing a securities trade in return for research services and products). To rely on the safe harbor of Section 28(e), Wasatch’s Trade Compliance Committee makes a good faith determination that the amount of commission paid is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. In determining whether a product or service is within the safe harbor, Wasatch determines whether the research and brokerage product or service provides lawful and appropriate assistance to Wasatch in carrying out its investment decision-making responsibilities. The Trade Compliance Committee also attempts to evaluate the cost of commissions against the industry averages.
- d. **Client accounts that have paid for a specific service may not receive the benefit from that service and other client accounts may benefit from a service for which they did not pay.** All soft dollars that are generated from Wasatch clients are aggregated together and collectively used to pay for research services. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of soft dollar benefits. The types of research services acquired with soft dollars often benefit Wasatch’s research team across the board and it is impossible to separately measure the benefits a research service provides to each of the accounts managed by Wasatch. In addition, the volume and nature of trading activities of the accounts are not uniform, and so the amount of soft dollars paid by each account varies.

Certain clients of Wasatch (directed brokerage clients, clients that elect to execute their own transactions and clients in foreign jurisdictions which prohibit soft dollar usage) do not contribute soft dollars through their transactions. These clients benefit from the research services provided to Wasatch through soft dollars generated by other Wasatch clients, even though they do not contribute soft dollars. The number of clients Wasatch has in foreign jurisdictions has increased over the past few years and as a result the clients whose trades generate soft dollars are increasingly subsidizing those clients that do not contribute soft dollars.

Wasatch has adopted the Soft Dollar Standards approved by the CFA Institute. Wasatch believes that all of its soft dollar arrangements comply with the CFA Institute’s Soft Dollar Standards. Clients are welcome to request additional information concerning Wasatch’s soft dollar arrangements, including a list of products and services acquired by Wasatch with soft dollars, the brokers used to provide those products and services, and the total amount of commissions and soft dollars paid by an account.

2. Types of Research Acquired with Soft Dollars

a. Proprietary Research

Roughly two-thirds of the soft dollar research provided to Wasatch is from broker-dealers who provide their own proprietary research services. These brokers “bundle” trade execution services and research services into the total cost of the commission. The types of services Wasatch receives from proprietary research brokers include: (1) access to research analysts at the broker and reports generated by the analysts who follow companies in which Wasatch is interested in investing; (2) coordinating meetings or calls with management teams of companies in which Wasatch is interested in investing; (3) coordinating trips for Wasatch research members to visit companies, often in foreign jurisdictions; (4) providing attendance at conferences sponsored by brokers where companies present to potential investors such as Wasatch. These services are not generally available for sale otherwise and can only be obtained by paying commissions.

Wasatch attempts to track the proprietary research services it receives from broker-dealers. Although best execution is always the principal objective, Wasatch attempts over the course of a year to allocate commissions to those broker-dealers providing the most valued services. Portfolio managers and the Trading Department frequently discuss the quality and value of services provided by various broker-dealers. Although commission targets may be established for various broker-dealers for “budgeting” purposes, actual commissions may not reflect such suggested targets because commissions are ultimately allocated on the basis of a number of factors constituting best execution. Accordingly, the commissions paid to any given broker may exceed or be much less than the commission target for that broker. This allocation of brokerage among the various broker-dealers is monitored quarterly by the Trade Compliance Committee.

b. Third Party Research

The other one-third of the soft dollar research provided to Wasatch is through unbundled commissions, where trade execution services and research services are paid separately to the broker. Payments for research services can then be made to third-party research providers other than the executing broker. This flexibility allows Wasatch to select the research services it feels are the most valuable to its research process and in turn most beneficial to its clients. Research products and services provided to Wasatch by broker-dealers may include, among other things, databases, data services, software and publications that provide access to and/or analysis of company, market and statistical data and proprietary research and analysis, including organizing and providing transportation for on-site company visits or calls with company management, research conferences, and/or meetings with research analysts.

The two largest third party services, FactSet Research Systems, Inc. and Bloomberg Professional service, account for approximately half of the third party soft dollars used by Wasatch each year. FactSet is a source of financial information and analytics combining more than 200 databases into a single information system. This aggregated data delivery offers a broad array of financial, market and economic information, including fundamental data on tens of thousands of companies and securities worldwide. Bloomberg is an interactive, financial information network that integrates data, news, analytics, and multimedia reports into a single platform. Bloomberg analytics provide real-time tools that can retrieve fundamental company, financial and economic data, monitor risk and exposure, utilize pricing models and evaluate long and short-term performance. The Wasatch research process relies heavily on FactSet and Bloomberg to provide foundational information to allow Wasatch to construct its portfolios. The information provided

by these services is used by Wasatch to manage all of its client portfolios, including those that do not generate soft dollars.

Wasatch may invest client assets in companies that provide research products or services to Wasatch, including those paid for with soft dollars.

3. Mixed Use Allocations

Certain products and services furnished to Wasatch by broker-dealers are useful in making investment decisions regarding client accounts and also provide administrative or other non-research assistance to Wasatch. Under such circumstances, Wasatch makes a reasonable allocation as follows: the portion of such service or specific component which provides assistance to Wasatch in its investment decision-making responsibilities is obtained from the broker-dealer with commissions paid on client portfolio transactions, while the portion of such service or specific component which provides non-research assistance is paid for by Wasatch with its own resources.

4. Brokerage for Client Referrals

Promotion or sales of Wasatch Funds' shares is not a consideration in selecting broker-dealers to execute securities transactions for client accounts, including Wasatch Funds. We do not compensate broker-dealers for distributing Wasatch Funds' shares by directing brokerage transactions to them.

B. Trade Aggregation and Allocation

If Wasatch believes that the purchase or sale of a security is in the best interest of more than one of its clients, Wasatch may aggregate the securities to be purchased or sold into a single order ("a block trade") to obtain favorable execution and/or lower brokerage commissions. Wasatch will allocate securities so purchased or sold, as well as the expense incurred in the transaction, on a pro-rata basis or in another manner that it considers equitable and consistent with its fiduciary obligations to clients. Clients may not receive a pro-rata allocation of a block trade in instances where the trade is only partially filled. In such instances, for example, some clients may receive their entire allocation and some clients may not receive any allocation if their pro-rata share is less than a minimal amount or if Wasatch has used another equitable method to allocate the block trade. Clients should recognize that the advice given and the actions taken with respect to their accounts might differ from the advice given or the timing and nature of action taken with respect to other advisory accounts. Clients should further recognize that transactions in a specific security might not be accomplished for all advisory accounts at the same time or at the same price, or that some clients may not even receive a security that other clients in the same investment style hold in their portfolios.

Certain conflicts of interest will arise related to aggregated transactions. Wasatch's Board of Directors, as well as the Wasatch Funds' Board of Trustees, have approved written trade aggregation policies and procedures that seek to ensure that aggregated transactions are made in a manner fair and equitable to, and in the best interest of, client accounts. Wasatch has designated its Trade Compliance Committee to be responsible for the implementation and periodic review and monitoring of these procedures.

Conflicts may arise in the allocation of investment opportunities among accounts that Wasatch advises. Wasatch will seek to allocate investment opportunities believed appropriate for one or more of its accounts equitably and consistent with the best interests of all accounts involved.

However, there can be no assurance that a particular investment opportunity that comes to Wasatch's attention will be allocated in any particular manner.

From time to time, Wasatch is given the opportunity to purchase an allocation of shares in an IPO or secondary offering. These allocations may be offered to Wasatch in part as a result of its past usage of various brokerage firms or previous private investments. In these offerings, portfolio managers will determine which investment styles are most appropriate for the investment and Wasatch will allocate securities purchased in these offerings to client accounts in these styles using a pro-rata or other equitable method. As noted previously, clients who direct Wasatch to use a particular broker to execute trades for their accounts will generally be unable to participate in IPOs. Additionally, certain client accounts may not be able to participate in foreign IPOs due to regulatory, administrative or operational limitations.

C. Other Wasatch Brokerage Practices

1. Priority of Order Fill

When placing client transactions through multiple brokers the Wasatch trading department will typically place trades for discretionary brokerage accounts first. A discretionary account gives Wasatch full power and discretion to select broker-dealers to execute transactions for the Account and to negotiate and determine any commission rates to be paid for such transactions. Execution of orders for clients who direct the use of a particular broker, will generally be placed after the completion of orders for the discretionary brokerage accounts. Model accounts and UMAs are generally provided model changes after Wasatch has created the order and has initiated the trades for discretionary clients.

For a single separate account which executes its own trades, Wasatch has established a monthly trade rotation. The account alternates with the other Wasatch accounts transacting in the same securities by trading in front of these accounts for an entire month and then trading behind all of these accounts the following month.

2. Directed Brokerage

Some clients, when entering into an advisory relationship, instruct Wasatch to execute transactions for their accounts through a specific broker or dealer. Such relationships include directed brokerage arrangements and certain commission recapture arrangements ("directed brokerage"). In the event that a client directs Wasatch to use a particular broker, the client has the sole responsibility for negotiating commission rates and other transaction costs with the directed broker. Thus, a disparity may exist between the commissions borne by the client and the commissions borne by Wasatch's other clients that do not direct Wasatch to use a particular broker. Further, some brokers assess minimum transaction charges, which may be disadvantageous to the client. The client should further understand that by instructing Wasatch to execute transactions through a specific broker, the client might not obtain commission rates and execution as favorable as those that would be obtained if Wasatch was able to place transactions with other brokers. The client also may forego benefits that Wasatch may be able to obtain for its other clients through, for example, negotiating volume discounts or block trades. In addition, Wasatch clients who elect directed brokerage generally trade after Wasatch clients who elect discretionary brokerage. Accordingly, broker directed transactions may be subject to price movements, particularly in volatile markets, that may result in the

client receiving a price that is less favorable than the price obtained for non-broker directed orders. The client also may not be able to participate in IPOs, private placements and other investment opportunities available to clients who do not direct Wasatch to use a particular broker. If a client is unable to participate in an IPO, Wasatch may go to the market to purchase the security, which may be at a higher price than the IPO price.

3. Cross Trades

In the course of providing advisory services, Wasatch may simultaneously recommend the sale of a particular security for one account and the purchase of the same security for another account if such recommendations are consistent with each client's investment objectives and guidelines. Therefore, opportunities may arise for Wasatch to effect "cross" transactions between client accounts. If Wasatch determines that it is more cost effective and in the best interests of clients to cross securities between client accounts, Wasatch, acting as investment advisor and fiduciary to both buyer(s) and seller(s), may effect cross trades between client accounts consistent with its policies and procedures. ERISA accounts are not permitted to participate in cross trades with any other Wasatch advisory client. Trades for ERISA accounts may be placed after cross trades for a particular security have been made on behalf of non-ERISA accounts. Accordingly, trades for accounts that do not participate in cross transactions may be subject to price movements, particularly in volatile markets, and may receive a price that is less favorable than the price obtained in a cross transaction.

4. Trade Errors

In the event an error occurs in the handling of client transactions, Wasatch will seek to identify and correct the error as promptly as possible consistent with its Trade Error Policy and Procedures.

5. Affiliated Trades

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Wasatch's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Wasatch will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis.

6. Foreign Currency Transactions

Wasatch may engage in foreign currency transactions to facilitate trading in or settlement of trades in foreign securities. It is Wasatch's policy to seek out and trade with those broker-dealers whom we believe will provide best execution on behalf of our clients, usually via third parties. In situations where it is market convention or operationally efficient, or where a client limits Wasatch to trading foreign exchange with certain counterparties or requires Wasatch to trade solely with the client's custodian bank, such limitations may impact our ability to obtain best execution for the client.

7. Investing in Brokers

Wasatch may invest client assets in broker-dealers, including those used to execute client transactions or that underwrite public or private offerings in which Wasatch may participate.

Item 13 – Review of Accounts

A. Regular Portfolio Review

Portfolio managers are responsible for structuring and maintaining the model portfolio for each investment style offered by Wasatch Advisors. Portfolio managers generally review model portfolio holdings daily. A client manager is responsible for each client's account and reviews client portfolios at least monthly for conformance to the appropriate model portfolio and client objectives. In addition, each client account is reviewed quarterly to identify and explain any performance outliers compared to the related model account.

B. Event-driven Portfolio Review

In addition to the regular review of accounts described above, client accounts are reviewed more frequently based on events that arise. Client accounts are monitored by a software program, Advent Rules Manager, to ensure they comply with the various guidelines and restrictions imposed by the client. If the software restricts a proposed trade in a client account, the account is reviewed promptly and alternate instructions are given. Similarly client accounts are reviewed in real time if there are large inflows or outflows of assets in the account.

Wasatch traders run computerized allocation strategies to assist them with identifying the trades necessary for each client account to reflect as closely as possible the appropriate model portfolio for that account. The traders are informed on a daily basis of any significant activity in client accounts. Client managers follow through to ensure compliance with all instructions.

C. Client Reporting

Wasatch provides a written quarterly report to separately managed accounts which includes a statement of assets as of quarter end, calculated performance for the account and a commentary. Oral reports are provided quarterly at the request of a client. Wasatch Fund clients receive a written quarterly statement from the transfer agent retained by the Funds.

Item 14 – Client Referrals and Other Compensation

Wasatch receives no economic benefit for providing investment advice to clients other than from clients.

Wasatch has entered into a contractual agreement with an unaffiliated, third-party agent in Australia to assist Wasatch with soliciting investment advisory clients in Australia. If an investor is introduced to Wasatch by the agent, the agent is compensated based on a percentage of the management fees paid to Wasatch by the client for a maximum of five years from the initial investment commitment, so long as they are managed by Wasatch. Such compensation is paid in accordance with the provisions of Rule 206(4)-3 under the Investment Advisers Act of 1940. The

agent's compensation does not increase the referred client's investment advisory fees beyond that which Wasatch would otherwise charge the referred client for Wasatch's services.

Certain Wasatch employees who solicit investment advisory clients on behalf of Wasatch are compensated on the basis of a percentage of the advisory fees paid by such referred clients.

Item 15 – Custody

Wasatch generally takes steps to avoid having custody of client assets. We do not have custody over Wasatch Funds, collective investment trusts or any sub-advised accounts.

Wasatch does have custody of a limited number of separate account assets, but only to the extent we are authorized to withdraw advisory fees directly from client accounts without independent verification from the client. If you are one of these accounts, we follow the custody rules in 206(4)-(2)(a) under the Investment Advisers Act and: (1) ensure that you use a broker-dealer, bank or other qualified custodian to hold and maintain your assets; (2) make due inquiry with your custodian to form a reasonable belief that the custodian sends you an account statement at least quarterly; and (3) include a note on each quarterly account statement we send to these accounts urging clients to compare the account statements they receive from the custodian with those they receive from Wasatch. You should carefully review the account statements you receive from your qualified custodian with the account statements you receive from Wasatch. Your Wasatch statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Despite those variances, by comparing these statements you will be able to determine whether account transactions, including deductions to pay advisory fees, are proper.

Item 16 – Investment Discretion

As described above in Item 4, Wasatch provides discretionary investment supervisory services to the majority of its clients. We have full discretionary authority to make determinations regarding the securities that are to be bought and sold, as well as the quantities of such securities. Such authority is provided in our contract with each client.

Clients have the ability to propose reasonable guidelines and restrictions on the management of their accounts. Frequently requested guidelines include restrictions as to the types of securities, concentrations, cash balances, brokers to be used or not used, etc. Wasatch will work with clients to agree upon guidelines to be adopted. Client investment guidelines are an integral component of a client's investment management agreement, and as such, become part of the contractual obligation between the client and Wasatch. Clients who place restrictions on their account should recognize that the performance of their account might not be consistent with the performance of accounts managed in the same style with no restrictions.

Wasatch manages a single account over which Wasatch does not have investment discretion. For this account every proposed trade must be approved or rejected by the client. This client's investment execution and performance may differ substantially from the performance of Wasatch's discretionary accounts in the same investment style.

Item 17 – Voting Client Securities

Clients may choose to direct Wasatch to vote proxies solicited by or with respect to issuers of securities held in their account or retain the authority to vote such proxies themselves. Wasatch

has established a Proxy Voting Committee to oversee the firm's proxy voting activities. Wasatch has also retained an independent service provider, Institutional Shareholder Services ("ISS"), to assist in reconciling and processing proxy ballots and providing record-keeping and vote disclosure services, as well as research on proxy issues.

Wasatch will only instruct a client's custodian to forward copies of proxy materials and shareholder communications relating to securities held in the client's account to ISS if the client has provided authorization to do so on its behalf.

Wasatch's policy is to vote client securities in the manner we believe will best maximize shareholder value. Wasatch has adopted and implemented a Proxy Voting Policy, including guidelines and procedures to assist research analysts in making decisions about how to vote on issues we believe are most relevant to creating shareholder value or that occur most frequently in the types of securities in which we invest. As a result of our research process and investing in companies that we believe have high quality management teams, Wasatch generally supports the recommendations of the company's board of directors when voting proxies. However, we ultimately vote for or against recommendations based on the fundamental premise that at all times we are attempting to maximize the value of investments for the benefit of our clients. Wasatch recognizes that the general guidelines are not exhaustive and cannot anticipate all of the potential issues, or the facts and circumstances surrounding a particular vote. In these situations, Wasatch may supplement or deviate from the general guidelines.

In the event that Wasatch has identified a material conflict of interest in any proposal that is the subject of a proxy to be voted for a client account, Wasatch will instruct ISS to vote that proposal in accordance with ISS' published recommendation. In such cases, any vote recommended by ISS is binding and may not be overridden by Wasatch. Proposals on the same proxy ballot for which Wasatch does not have a material conflict of interest will be voted in accordance with Wasatch's Proxy Voting Policy.

Generally, clients who choose to direct Wasatch to vote proxies follow Wasatch's Proxy Voting Policy. In rare circumstances, clients may provide their own voting guidelines on how to vote issues, which may not be consistent with Wasatch's voting guidelines. In such circumstances, Wasatch provides the client's guidelines to ISS to administer the guidelines on the client's behalf at the request of the client. Wasatch may pay an additional fee on behalf of the client to ISS to provide this service to the client.

Clients may obtain a copy of Wasatch's complete Proxy Voting Policy upon request. Clients may also obtain information from Wasatch about how Wasatch voted any proxies on behalf of their account(s). Wasatch Funds' proxy voting record is available on the Funds' website at www.wasatchfunds.com and the SEC's website at www.sec.gov no later than August 31 for the prior 12 months ending June 30.

Item 18 – Financial Information

Wasatch, as a registered investment advisor, is required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients, and Wasatch has not been the subject of any bankruptcy proceeding.