WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAINX / Institutional WIINX

Wasatch Emerging India Fund

JUNE 30, 2020

Seeking Well-Situated Businesses With the Potential To Emerge From the Crisis in Better Competitive Positions

FUND MANAGERS

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9 YEARS ON FUND / 25 YEARS AT WASATCH

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4 YEARS ON FUND / 9 YEARS AT WASATCH

OVERVIEW

Early signs of economic recovery extended gains in Indian stocks as the second quarter drew to a close. The benchmark MSCI India Investable Market Index (IMI) finished 21.52% higher for the quarter. The Wasatch Emerging India Fund—Investor Class lagged its benchmark with a return of 14.29%.

A stock-market rally that had begun in March gathered steam in May as the June 8 expiration of India's nationwide coronavirus lockdown approached. Adding to the enthusiasm was an official report that showed India's gross domestic product had risen a better-than-expected 3.1% during the first three months of 2020 compared to the same period a year ago.

Imposed in late March and extended several times, the lockdown encompassed some of the world's strictest stay-at-home orders and forced the closure of all non-essential businesses and services. Although

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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, leading to higher total shareholder returns. 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 1.68% / Institutional Class—1.49%. The Advisor has contractually agreed to limit certain expenses to 1.75% for the Investor Class and 1.50% for the Institutional Class through at least 1/31/2021.***

India's stringent containment measures were likely beneficial from a health-care perspective, the measures were taking a heavy toll on the economy and couldn't be sustained in all parts of the country.

Rural areas appeared to be faring better than urban centers. The crop-sowing season and favorable monsoon rains led to a sharp drop in rural unemployment and boosted sales of tractors, two-wheeled vehicles and fertilizer. In addition, the federal government announced a program to create temporary jobs in villages for millions of migrant workers who had fled crowded cities on foot during the lockdown to seek the relative safety of their rural homes. Rural India accounts for about two-thirds of the population and has been a long-running investment theme in the Fund.

At first glance, it may appear that the Fund's lack of investments in energy was the greatest source of underperformance relative to the Index because energy was the benchmark's top sector during the second quarter. But this information is misleading because the one company that dominates the energy sector in the Index has a mobile-telecommunications operation that was the main driver of performance. Regarding traditional energy companies, the cyclical, capital-intensive nature of the businesses doesn't fit well with our preference for growing, high-quality companies.

The materials sector was an area in which the Fund underperformed. Because our materials holdings tend to be less cyclical and tied more to the consumer, they became less appealing to investors seeking to benefit from an upturn in the Indian economy.

Sources of strength against the benchmark included consumer staples and information technology. In each of these sectors, our stocks outgained the corresponding positions in the Index and contributed significantly to the Fund's return.

DETAILS OF THE QUARTER

The strongest individual contributor to Fund performance for the quarter was **Bajaj Finance Ltd.** A non-bank financial company, Bajaj offers a broad spectrum of lending services. The company's stock price had declined during the first quarter as the Covid-19 lockdown and a government-imposed moratorium on loan repayments battered Indian financials. But Bajaj recently informed investors that the percentage of the company's loans actually using the moratorium has fallen from 27% to 15.5% over the past two months, indicating improvement in customers' ability and willingness to repay debt. For our part, even before this news, we were confident that Bajaj could ride out the pandemic and emerge stronger competitively. So we purchased additional shares for the Fund. Our patience and conviction were rewarded as the stock rebounded nicely.

Britannia Industries Ltd. was also a strong contributor. The company offers fast-moving consumer goods that include biscuits, breads, dairy products and cakes. Investors cheered a 21% jump in quarterly consolidated net profit at Britannia versus the same quarter a year ago. Management cited subdued inflation for key raw materials used in the baking business. Additionally, the company reported year-over-year revenue increases of 20% in April and 28% in May as citizens under lockdown stocked their pantries and ate more of Britannia's snacks.

Another significant contributor to performance was **Info Edge India Ltd.** The company runs an online job-posting website for recruiters, job seekers and employers. Info Edge also operates leading online portals dedicated to matrimony, real estate and education. Billings in the flagship recruitment-solutions segment were down -6% during the company's most-recent quarter, beating expectations for a much larger decrease as lock-downs impacted hiring by businesses. Quarterly revenue in the segment rose 11%, and segment profitability also showed healthy improvement.

With Indian equities in rally mode during the second quarter, the poorest performers in the Fund detracted only modestly from its return.

One detractor was **Avenue Supermarts Ltd.**, a newly added Fund holding. The company's stock price slipped several percentage points during the quarter's final weeks in what we consider normal fluctuation. Avenue operates a chain of supermarkets under the D-Mart brand. Its stores, most of which are company-owned, offer items that range from food to apparel and general merchandise. With retail distribution in India still dominated by small neighborhood businesses called kirana stores, we think opportunities abound for well-managed operators such as Avenue to formalize their industries and reap significant economies of scale.

City Union Bank Ltd. was also a detractor. The company operates as a full-service bank providing a wide range of banking and financial services across India. Higher provisions for bad loans resulted in a net loss in City Union's most-recent quarter. Lingering uncertainty about whether the government will extend the loan moratorium set to expire at the end of August also weighed on the company's stock. We believe City Union can survive the current downturn and is well-positioned for long-term growth. We used recent weakness in the stock as an opportunity to increase its weight in the Fund.

Another comparatively weak stock in the Fund was **3M India Ltd.** The company manufactures products for markets that include electronics, industrial, telecommunications, health care, office and consumer. 3M India's share price was little-changed during the second quarter, and we have no significant news to report. *(Current and future holdings are subject to risk.)*

OUTLOOK

We have no unique insight into whether the resurgence of Covid-19 observed during June represents a temporary flare-up or the beginning of something worse. For the moment, it appears India's containment measures have produced some benefits and the epicenter of the pandemic is now in the Americas. Because the course of the pandemic is to a large extent unknowable, we cannot act with any degree of certainty on predictions about its various twists and turns and their short-term investment implications.

One thing we do know is that developing nations experience infectious disease to a much greater extent than the developed world. This isn't to minimize the seriousness of the coronavirus pandemic or diminish its tragedy. Rather, our point is that across a wide swath of emerging markets, the challenges to public health extend far beyond the coronavirus. They're the unfortunate consequences of poverty, underdevelopment and all of the associated problems.

In India, economic imperatives appear likely to forestall another nationwide lockdown. Our job as investors is to maintain our long-term focus as we continue to apply our disciplined approach. Toward that end, we continue to seek well-situated businesses with the potential to survive the current crisis and emerge from it in better competitive positions.

The latest feedback we've heard from management teams is that companies are beginning the process of normalization. Outside of large cities, some companies are even seeing business activity at close to pre-Covid levels. And in many regions, over 80% of retail stores have already reopened.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan and Matthew Dreith

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2020

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Emerging India Fund—Investor	14.29%	-12.51%	0.37%	6.30%	8.44%
Emerging India Fund—Institutional	14.15%	-12.43%	0.45%	6.45%	8.53%
MSCI India Investable Market Index†	21.52%	-17.97%	-3.29%	0.72%	0.43%

**Returns less than one year are not annualized.*

***Average annual total returns since the Emerging India Fund's inception on 4/26/2011.*

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Total Annual Fund Operating Expenses include operating expenses, including the management fee, before any expense reimbursements by the Advisor. **The Advisor has contractually agreed to limit certain expenses to 1.75% for the Investor Class and 1.50% for the Institutional Class through at least 1/31/2021.** 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 2/1/2016 is based on the performance of the Investor Class. Performance of the Fund's Institutional Class prior to 2/1/2016 uses the actual expenses of the Fund's Investor Class without any adjustments. For any such period of time, the performance of the Fund's Institutional Class would have been substantially similar to, yet higher than, the performance of the Fund's Investor Class, because the shares of both classes are invested in the same portfolio of securities, but the classes bear different expenses.

Investing in small funds will be more volatile and loss of principal could be greater than investing in large cap or more diversified funds. Investing in foreign securities, especially in emerging markets, entails special risks, such as unstable currencies, highly volatile securities markets and political and social instability, 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.

[1]The MSCI India Investable Market Index (IMI) covers all investable large, mid and small cap securities across India, targeting approximately 99% of the Indian market's free-float adjusted market capitalization. You cannot invest directly in this or any index.

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The Wasatch Emerging India Fund's investment objective is long-term appreciation of capital.

Gross domestic product (GDP) is a basic measure of a country's economic performance and is the market value of all final goods and services made within the borders of a country in a year.

EMERGING INDIA FUND — TOP 10 HOLDINGS

AS OF MARCH 31, 2020

Security Name	Percent of Net Assets
Divi's Laboratories Ltd. (India)	6.5%
Dr. Lal PathLabs Ltd. (India)	6.1%
Bajaj Finance Ltd. (India)	6.1%
Pidilite Industries Ltd. (India)	5.9%
ICICI Lombard General Insurance Co. Ltd. (India)	5.9%
Berger Paints India Ltd. (India)	5.0%
Britannia Industries Ltd. (India)	5.0%
HDFC Bank Ltd. (India)	4.9%
AU Small Finance Bank Ltd. (India)	4.8%
Mindtree Ltd. (India)	4.7%
Total	54.8%

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.