WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor
WAINX

Institutional
WIINX

Wasatch Emerging India Fund

DECEMBER 31, 2019

Financials Drove Outperformance in India, and Economic Growth Looks Ready to Improve

FUND MANAGERS

Ajay Krishnan, CFA
Lead Portfolio Manager

8 YEARS ON FUND / 25 YEARS AT WASATCH

Matthew Dreith, CFA
Portfolio Manager

3 YEARS ON FUND / 8 YEARS AT WASATCH

OVERVIEW

The Wasatch Emerging India Fund—Investor Class ended 2019 on a positive note, generating a return of 5.75% during the fourth quarter. The Fund surpassed its benchmark, the MSCI India Investable Market Index (IMI), which rose 5.27%. Outperforming the benchmark for the full year as well, the Fund's return of 13.78% topped the 5.33% gain in the Index.

Although Indian stocks pushed to record highs during the quarter, returns were mixed across different sectors of the market. While the industrial, consumer-staples and information-technology (IT) sectors of the Index all posted declines, communication-services stocks and financials logged strong gains. Energy stocks also fared well as the price of Brent crude climbed 11% during the final three months of the year. As a result of these trends, our overweight position in industrials and lack of investments in energy were headwinds for the Fund.

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 1.70% / Institutional Class—Gross: 1.60%, Net: 1.51%. 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 1/31/2020.***

The quarter's uneven return profile reflected a continued slowdown in India's economic growth. Gross domestic product (GDP) rose 4.5% in the September quarter from a year ago—down from 5% in the previous quarter and the slowest pace of expansion in more than six years. Weakness in household expenditures—especially in rural areas of the country—impacted our consumer stocks as cautious Indians tightened their belts. The consumer-discretionary sector was the Fund's largest source of weakness relative to the Index.

Solid gains in our IT stocks were the primary reason the Fund surpassed its benchmark during the quarter. Health care was another area in which the Fund outperformed. Although the Fund's financials lagged the financials in the Index by a small margin, our overweight exposure to this very strong sector helped Fund performance relative to the benchmark. The process of financialization in India has been a major investment theme since the Fund's inception.

Toward the end of the quarter, signs began to emerge that India's growth slowdown may have run its course. Business activity picked up in both services and manufacturing during November, and the observed drop in exports was shallower than October's decline. Consumer spending remained weak, however, as sales of passenger cars fell for the 13th straight month and purchases of two-wheeled vehicles slipped 14.3% from November 2018.

The Reserve Bank of India (RBI) cut interest rates five times in 2019 in an effort to stimulate the economy. In December, the central bank opted for a wait-and-see approach, citing an uptick in inflation. The RBI's surprise decision to hold rates steady bolstered its inflation-fighting credentials and helped to shore up India's currency, the rupee.

DETAILS OF THE QUARTER

Financial stocks accounted for many of the Fund's top contributors to performance. Among these were the quarter's two strongest contributors, **Aavas Financiers Ltd.** and **AU Small Finance Bank Ltd.**, respectively. Aavas is a non-bank financial company specializing in housing loans to low- and middle-income customers in semi-urban and rural areas of India. The company uses its proprietary appraisal methodology to assess the creditworthiness of potential borrowers and provide financing solutions tailored to their needs.

AU Small Finance Bank primarily serves unbanked and underbanked low- and middle-income individuals and small businesses. Conversion from a non-bank vehicle-finance company to a small finance bank in 2017 has provided access to deposit-based funding that has improved profitability. Profit after tax at AU Small Finance Bank jumped 89% in its most-recent quarter compared to the same quarter a year ago. Management cited improved operational efficiency at the bank's branches.

Another strong stock in the Fund 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. Revenue from operations rose 19.5% year-over-year in the company's most-recent quarter, boosted by a pickup in hiring in the IT-services industry. Info Edge has fueled its rapid growth with investments in technology and human capital, as well as through acquisitions.

The industrials sector was the worst-performing sector within the Index and the Fund. **Elgi Equipments Ltd.** manufactures and sells air compressors and automotive components in India and internationally. The company derives about half its revenue from outside India and approximately 60% of its international revenue from the U.S. and Europe. In early November, Elgi reported a -3.9% decline in standalone quarterly revenue versus the year-ago quarter. Although net profit at the company rose 43% over the same period, Elgi's stock declined sharply enough to become the greatest detractor from Fund performance during the fourth quarter.

V-Mart Retail Ltd. was the second-largest detractor. The company operates department stores specializing in apparel. Shares of V-Mart fell after the company reported same-store sales growth of only 1% in its most-recent quarter. Management cited a general macroeconomic slowdown in India. V-Mart operates the majority of its stores in rural areas, where tight credit conditions have hit consumers the hardest. Based on this situation and additional research, our outlook on the company has clouded.

Pidilite Industries Ltd. is India's leading manufacturer of adhesives, sealants and construction chemicals. In the company's most-recent quarter, standalone net profit grew 32% compared to the same quarter last year. Sales grew just 4%, however, disappointing investors. Management cited challenging market conditions and an ongoing liquidity crunch, as well as disruptions resulting from a longer-than-normal monsoon. By the end of the fourth quarter, Pidilite's share price had recovered most of its earlier losses. However, the Fund's significant weighting in the stock made this holding the third-largest detractor from performance. *(Current and future holdings are subject to risk.)*

OUTLOOK

During a recent trip to India, we observed firsthand how structural reforms are transforming the country. The national goods-and-services tax (GST) implemented in 2017, for example, replaced a jumble of levies previously collected by individual states. The new scheme has greatly reduced the influence of corrupt tax collectors who demanded bribes in exchange for allowing the interstate passage of goods. Companies that previously had decentralized their production operations to avoid having to ship products across too many borders are now enjoying efficiencies in manufacturing and logistics.

GST also has accelerated the formalization of India's economy. Under the old tax system, informal players were often able to sidestep tax compliance and gain an unfair pricing advantage over rivals. By leveling the playing field, improved enforcement under GST has benefited corporate competitors and other businesses that had already been following the law. Even with India's economy slowing, market-share gains have enhanced the top-line growth of well-run public companies, providing a constructive theme for the country's stock market.

Stemming illicit profits generated through tax evasion has also helped to change the way Indians borrow, save and invest. The so-called "new India" model of finance and investment has been helped along by the demonetization program the Modi government introduced in 2016. Demonetization made it more difficult to obtain illegal financing and to channel unaccounted wealth—known as "black money" into traditional havens such as gold and real estate. Instead, Indians are turning in increasing numbers to finance companies and mutual funds for their borrowing and investment needs.

The themes embodied in the "new India" have been key elements of the Fund's investment approach. As the old way of doing things fades away, we continue to seek well-run companies positioned to benefit from India's long-term growth and development.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan and Matthew Dreith

WASATCH GLOBAL INVESTORS

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2019

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Emerging India Fund—Investor	5.75%	13.78%	18.15%	11.45%	11.44%
Emerging India Fund—Institutional	5.95%	13.93%	18.34%	11.63%	11.54%
MSCI India Investable Market Index†	5.27%	5.33%	10.37%	4.86%	2.65%

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

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

Data show past performance, which is not indicative of future performance. Current performance may be lower or higher than the data quoted. To obtain the most recent month-end performance data available, please visit wasatchglobal.com. The Advisor may absorb certain Fund expenses, without which total return would have been lower. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. **Total Expense Ratio: Investor Class—1.70% / Institutional Class—Gross: 1.60%, Net: 1.51%**

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 1/31/2020.** 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.*

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties or originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

CFA® is a trademark owned by the CFA Institute.

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 SEPTEMBER 30, 2019

Security Name	Percent of Net Assets
Bajaj Finance Ltd. (India)	9.7%
ICICI Lombard General Insurance Co. Ltd. (India)	6.0%
HDFC Bank Ltd. (India)	5.5%
Dr. Lal PathLabs Ltd. (India)	5.0%
Pidilite Industries Ltd. (India)	4.6%
Aavas Financiers Ltd. (India)	4.6%
Elgi Equipments Ltd. (India)	4.2%
Amara Raja Batteries Ltd. (India)	4.1%
AU Small Finance Bank Ltd. (India)	4.1%
Britannia Industries Ltd. (India)	4.1%
Total	51.9%

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.