WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAESX / Institutional WIESX

Wasatch Emerging Markets Select Fund

JUNE 30, 2020

Use of Technologies That Replace Person-to-Person Contact With Digital Content Is Accelerating

OVERVIEW

Emerging-market equities rebounded during the second quarter following steep losses during the first three months of the year. An upturn in risk sentiment drove the benchmark MSCI Emerging Markets Index 18.08% higher for the quarter, as economies battered by the coronavirus began to reopen and hopes grew that a vaccine would be developed. Stimulus measures enacted by governments and central banks also encouraged investors. The Wasatch Emerging Markets Select Fund—Investor Class outgained its benchmark, returning 34.97%.

Although business conditions in many developing nations remained poor, not all companies were affected equally. The Covid-19 pandemic is accelerating the adoption of e-commerce, social media and other technologies that replace person-to-person contact with digital content. The Fund's concentrated, high-conviction structure gives us wide latitude to focus the portfolio on businesses we believe are aligned with broad societal trends. Companies that have been benefiting from increased

FUND MANAGERS

Ajay Krishnan, CFA
Lead Portfolio Manager

7 YEARS ON FUND / 25 YEARS AT WASATCH

Scott Thomas, CFA
Associate Portfolio Manager

4 YEARS ON FUND / 8 YEARS AT WASATCH

Matthew Dreith, CFA
Associate Portfolio Manager

2 YEARS ON FUND / 9 YEARS AT WASATCH

use of digital forms of interaction were among the key contributors to Fund performance during the second quarter.

Our focus on what we consider high-quality companies with strong balance sheets and robust business models also served us well. Against a backdrop of heightened uncertainty, well-situated firms with the potential to survive and benefit from consolidation in their industries became more appealing to investors. For the most part, these types of survivors and consolidators are the kinds of businesses we generally seek to own in the Fund.

Taiwan and Brazil were the largest sources of outperformance relative to the benchmark. In both of these countries, our stocks surpassed the corresponding positions in the Index. The Fund also outperformed in China, helped by our emphasis on the health-care sector and general aversion to exporters tied to global economic cycles.

Manufacturing activity in China grew at a modest pace during the second quarter, according to official reports. Following a sharp contraction in February, Chinese factories returned to expansion in March as production resumed in areas previously closed to contain the spread of the coronavirus. Export orders have continued to shrink, however, as virus-related lockdowns in many parts of the world crimped external demand for Chinese products.

Korea was the Fund's primary source of weakness against the benchmark, driven by an outsized decline in a single holding. Korea's gross domestic product fell -1.4% during the first three months of 2020 in what was the economy's worst contraction since the global financial crisis. Exports slumped -24% from the year-ago quarter amid sharp declines in shipments of automobiles, semiconductors and other manufactured goods. The sobering figures indicate the limitations policy makers face in attempting to revive export-driven economies using domestic stimulus measures.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the quarter was **MercadoLibre, Inc. (MELI)**. The company provides e-commerce platforms and financial-technology solutions in Latin America. MercadoLibre reported better-than-expected revenues and earnings in its most-recent quarter as home-bound consumers flocking to the internet boosted online sales throughout the region. Although MercadoLibre is headquartered in Argentina and its stock trades in the U.S., it derives approximately half its revenue from Brazil and we consider it a Brazilian company for portfolio-management purposes.

Silergy Corp. was the second-largest contributor. A Taiwanese company, Silergy manufactures high-performance mixed-signal and analog integrated circuits used in a wide array of electronic devices. Net profit at Silergy surged over 90% during the first three months of 2020 on revenue gains of nearly 39%. Revenues remained strong during April and May, rising 48.71% and 17.51% versus April 2019 and May 2019, respectively. Because Silergy's business model—which is based on analog design engineering—is difficult to replicate, the company has significant headroom for potential growth over the coming decade in our view.

The third-largest contributor to performance was **Globant S.A.** The Fund's sole Argentine holding, Globant is an information-technology consulting firm offering software and design services to clients in 17 countries. The company's stock price rose sharply in May after quarterly revenues and earnings came in ahead of estimates. Management said it expects the coronavirus pandemic to create new opportunities for Globant by accelerating the large-scale migration of corporate clients to digital platforms.

Medytox, Inc. was the largest detractor from performance and the Fund's only holding to decline significantly in price during the quarter. Based in Korea, the company manufactures neurotoxins for cosmetic applications. Medytox saw its stock price fall after Korea's Ministry of Food and Drug Safety suspended production of some of the company's products. The ministry determined that Medytox had used ingredients without change of permission for some of its neurotoxins manufactured from December 2012 to June 2015. Concerns about corporate governance at Medytox added to the disciplinary action's negative impact, and we liquidated the Fund's position in the stock.

New additions to the Fund included **Magazine Luiza S.A.** The company operates a multi-channel retail platform of mobile, website and physical stores in Brazil. A surge in e-commerce drove Magazine Luiza's total sales higher during the first quarter, even as the Covid-19 pandemic forced the temporary closure of physical stores. With e-commerce usage lower in Latin America compared to other regions, we think a sustainable shift toward online shopping is likely to benefit retailers such as Magazine Luiza even after the pandemic abates. *(Current and future holdings are subject to risk.)*

OUTLOOK

A common criticism of newer forms of communication is their cold, impersonal nature. Over the past 25 years, face-to-face visits, letters and even many telephone calls have increasingly been replaced with email and text messaging. While much of the shift has been driven by the needs of businesses for faster, more-efficient interaction, the rise of technologies such as social media and online shopping have brought similar changes to other parts of our lives.

Covid-19 has fast-tracked this progression and turned it into a competitive advantage for businesses at its forefront. Digital technologies are enabling countless millions to work from home, shop and order meals from their favorite restaurants with little risk of spreading or contracting the disease.

We think these changes are here to stay. In particular, the abrupt transformation of the workplace through videoconferencing and productivity platforms—initially adopted out of necessity—now appears likely to benefit both businesses and their employees going forward. In short, we expect what began as social-distancing requirements during the coronavirus pandemic to hasten a broad societal trend that had already been underway.

Emerging markets with young populations are uniquely positioned to reap the benefits of these changes. In India, for example, roughly half the workforce is below the age of 35. By 2027, that percentage is expected to reach nearly 70%. Whereas past generations relied on expensive, capital-intensive technologies such as subways, freeways and automobiles to get to work, many of today's digitally native workers may soon need only walk from their bedrooms to their home offices. An extreme optimist might even imagine the notorious rush-hour traffic jams of major cities becoming quaint relics of an age gone by.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan, Scott Thomas and Matthew Dreith

WASATCH GLOBAL INVESTORS

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2020

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Emerging Markets Select Fund—Investor	34.97%	13.52%	8.48%	5.61%	3.52%
Emerging Markets Select Fund —Institutional	35.11%	13.89%	8.80%	5.92%	3.84%
MSCI Emerging Markets Index†	18.08%	-3.39%	1.90%	2.86%	1.81%

A fund's performance for very short time periods may not be indicative of future performance.

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

***Average annual total returns since the Emerging Markets Select Fund's inception on 12/13/2012.*

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—Gross: 1.97%, Net: 1.51% / Institutional Class—Gross: 1.43%, Net: 1.21%**

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 1.50% for the Investor Class and 1.20% 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.

Investing in foreign securities, especially in emerging markets, entails special risks such as currency fluctuations and political uncertainties, which are described in more detail in the prospectus. Investing in small cap funds will be more volatile and loss of principal could be greater than investing in large cap or more diversified funds.

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.

Diversification does not eliminate the risk of experiencing investment losses.

[1]The MSCI Emerging Markets Index is a free float-adjusted market capitalization index designed to measure the equity market performance of emerging markets. You cannot invest in this or any index.

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The Wasatch Emerging Markets Select Fund's investment objective is long-term growth of capital.

The global financial crisis, also known as the 2008-2009 financial crisis, is considered by many economists to have been the worst financial crisis since the Great Depression of the 1930s.

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 MARKETS SELECT FUND — TOP 10 HOLDINGS

AS OF MARCH 31, 2020

Security Name	Percent of Net Assets
Silergy Corp. (Taiwan)	6.9%
MercadoLibre, Inc.	5.6%
Bajaj Finance Ltd. (India)	4.5%
Raia Drogasil S.A. (Brazil)	4.2%
Globant S.A. (Argentina)	3.9%
HDFC Bank Ltd. (India)	3.7%
ICICI Lombard General Insurance Co. Ltd. (India)	3.6%
Vitasoy International Holdings Ltd. (Hong Kong)	3.6%
Voltronic Power Technology Corp. (Taiwan)	3.4%
Tencent Holdings Ltd. (China)	3.3%
Total	42.7%

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.