WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAFMX / Institutional WIFMX

Wasatch Frontier Emerging Small Countries Fund

SEPTEMBER 30, 2020

Frontier and Small Emerging Markets Seem to Show Positive Signs in Volatile Third Quarter

FUND MANAGER

Scott Thomas, CFA
Lead Portfolio Manager

4 YEARS ON FUND / 8 YEARS AT WASATCH

OVERVIEW

Following an impressive (and, in some markets, historic) rebound in the second quarter, market volatility resumed in the third quarter. The Wasatch Frontier Emerging Small Countries Fund—Investor Class finished the third quarter up 8.27%, outperforming its primary benchmark, the MSCI Frontier Emerging Markets Index, which finished the period up 4.35%. Year-to-date through September 30, the Fund had flat performance while the benchmark declined -17.11%.

Investors were again skittish as new rounds of lockdowns to combat the coronavirus were deemed necessary in some countries. However, the news was not entirely negative, in our view. In several markets, we saw possible early signals of a return to a more normal market environment. Among the companies to benefit during the quarter were those that facilitate digital payments, which have become integral amid widespread quarantine measures and as consumers have shifted many of their purchases online.

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—Gross: 2.30%, Net: 2.20% / Institutional Class—Gross: 2.15%, Net: 2.00%. The Advisor has contractually agreed to limit certain expenses to 2.15% for the Investor Class and 1.95% for the Institutional Class through at least 1/31/2021.***

DETAILS OF THE QUARTER

We believe e-commerce is a good example of an industry in which companies may have valuations that appear high compared to their pre-pandemic levels, but that may in fact be justified as the demand for and adoption of online shopping has accelerated during the pandemic. We believe one such example is **Sea Ltd.**, a Singapore-based company and the Fund's top contributor during the quarter. The company's offerings include digital gaming content, e-commerce and digital-payment platforms across Southeast Asia. We believe Sea's market position is advantageous and we expect that will help the company to continue to grow over the long-term, in addition to being aided by rapid digitalization across the region in countries such as Indonesia, Vietnam, the Philippines and Thailand to name a few.

The second-largest individual contributor was **TCS Group Holding plc.** A Russia-based retail financial-services provider, TCS reported strong second-quarter results with 25% growth in bottom-line profits and a 40% rise in return on equity (ROE). During the quarter, TCS also confirmed that it had agreed to be acquired by Yandex NV, which provided additional strength to the company's stock price.

The Fund's performance relative to the benchmark was helped by our overweight position in the information-technology (IT) sector. Moreover, our IT holdings produced a double-digit gain and outperformed IT positions in the benchmark. The Fund's top-contributing IT company was **Fawry for Banking Technology and Electronic Payments SAE**, a financial-technology (fintech) company that provides electronic-payment networks in Egypt. The company also produces and manages operating systems and other software and equipment used in systems specific to both retail and financial institutions. In addition to benefiting from the secular trend of digital payments favoring fintech, Fawry plays an integral role in supporting the operations of other financial entities and the government's push toward a cashless-based system.

We believe there is still significant headroom in Egypt for growth within the digital-payments space, which is still in the early stages of widespread adoption. Expansion of the industry should be further fueled by the Egyptian central bank's recent request that lenders develop a strategy to ensure widespread access to digital-payment mechanisms. As a result of this strong positioning and favorable timing, Fawry has benefited immensely throughout the pandemic. The company's stock price has increased 80% since we added it to the Fund in the second quarter and we continue to see strong fundamental trends on the horizon.

Our group of Egyptian holdings contributed to Fund performance and outperformed their benchmark counterparts during the quarter. However, the country also produced one of the Fund's biggest detractors, **Cleopatra Hospital Co.**, the largest private hospital operator in Egypt. We remain positive in our assessment of the company. With its already significant role serving Egypt's rapidly growing population of more than 100 million people (which ranks 14th globally), we believe Cleopatra has a strong market position supported by secular tailwinds favoring healthcare providers. The company has also been engaged in public discussions regarding a potential merger with Alameda Healthcare, a move that could roughly double the company's number of available hospital beds, while further solidifying Cleopatra's leading position within the fragmented Egyptian hospital market.

We believe Mexico's equity market offers exciting opportunities for long-term investors and in many cases attractive valuations in the current environment. Recent stock-market volatility has caused some Mexican companies to confront valuations of "worth more dead than alive," so to speak. We see much of this activity as being rooted in irrational responses to market volatility, and in a myopic view of current pandemic-related pressures on business activity. As a result, we believe exciting opportunities have emerged. With our disciplined approach to bottom-up, fundamental research, we believe we are well-positioned to invest in strong Mexican companies whose growth narratives are not permanently impaired, despite what current valuations might suggest.

Mexican insurance company **Qualitas Controladora S.A.B. de C.V**. was one of the Fund's the largest detractors during the quarter, despite a stock-price decline of just over 3%. Qualitas specializes in automotive insurance and related financial products and is a good example of a company that we believe is well-positioned to withstand economic uncertainty. We added to our position earlier in the year as we viewed the stock as punished undeservedly by investors selling Mexican stocks indiscriminately. The company reported a 72% increase in earnings growth and a 56% increase in ROE in the most recent quarter. Qualitas benefits from a formidable excess capital position and no debt, which we believe should enable it to withstand short-term volatility and weak economic activity due to the pandemic.

The Philippines was one of the weaker-performing markets in the benchmark during the quarter. As a result, the Fund's underweight position was beneficial. However, our Philippine holdings underperformed their benchmark peers and detracted from absolute and relative performance. **Philippine Seven Corp.**, one of our two holdings based in the Philippines, was a leading detractor during the quarter. The company licenses the operation of 7-Eleven convenience stores in the Philippines, as well as leasing and constructing commercial real estate. The pandemic is likely to impact the company's earnings over the short term, but we believe it should bounce back quickly and resume its earnings trajectory once the environment normalizes. However, we are monitoring the company to make sure our investment thesis continues to hold true. *(Current and future holdings are subject to risk.)*

OUTLOOK

In light of the still-looming macroeconomic concerns, which include forthcoming elections in numerous countries, ongoing trade wars and "second waves" of Covid-19 infections, market volatility is all but certain to continue into 2021. That said, we believe signs generally have been positive relative to worst-case projections earlier in the year. Certainly, given the unprecedented market environment in 2020, it is easy to envision a more muted outcome through this stage.

Perhaps most importantly, while we are cognizant of these macro factors and their potential impacts, we strive to be "macro aware" rather than "macro driven." We have found that the news of the day rarely impacts our fundamental investment theses, which are grounded in research of company fundamentals—including whether a company has adequate cash reserves and a management team capable of guiding it through crises like the current one.

Indeed, in addition to highlighting the value of a bottom-up focus on fundamentals, we believe the current environment also highlights the value of thoughtful, active management. Because we generally invest based on a five-year-plus long-term outlook, we are not hesitant to jump on promising opportunities when our research uncovers them, particularly when we feel stocks have been punished by concerns stemming from short-term macro factors. We believe this long-term view fundamentally accounts for the strength of the portfolio and has been key to stable and positive performance in an otherwise unstable and uncertain year for global markets.

Thank you for the opportunity to manage your assets.

Sincerely,

Scott Thomas

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2020

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Frontier Emerging Small Countries Fund—Investor	8.27%	9.85%	3.06%	1.71%	5.13%
Frontier Emerging Small Countries Fund—Institutional	8.54%	10.51%	3.39%	1.98%	5.29%
MSCI Frontier Emerging Markets Index†	4.35%	-11.52%	-5.33%	0.92%	1.45%
MSCI Frontier Markets Index†	8.29%	-2.74%	-1.69%	3.76%	4.97%

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 Frontier Emerging Small Countries Fund's inception on 1/31/2012.*

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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 2.15% for the Investor Class and 1.95% 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 cap 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 frontier and 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.

†The MSCI Frontier Emerging Markets and MSCI Frontier Markets indexes are free float-adjusted market capitalization indexes designed to measure equity market performance in the global frontier and emerging markets. You cannot invest in these or any indexes.

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The Wasatch Frontier Emerging Small Countries Fund's investment objective is long-term growth of capital.

Earnings growth is a measure of growth in a company's net income over a specific period, often one year.

Return on equity (ROE) measures a company's efficiency at generating profits from shareholders' equity.

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

FRONTIER EMERGING SMALL COUNTRIES FUND — TOP 10 HOLDINGS

AS OF JUNE 30, 2020

Security Name		Percent of Net Assets
MercadoLibre, Inc.		7.2%
Sea Ltd. ADR (Singapore)		6.6%
Cleopatra Hospital (Egypt)		5.4%
Qualitas Controladora S.A.B. de C.V. (Mexico)		5.2%
TQM Corp. Public Co. Ltd. (Thailand)		5.2%
Globant S.A. (Argentina)		4.8%
Raia Drogasil S.A. (Brazil)		4.8%
Naspers Ltd., Class N (South Africa)		4.2%
Bajaj Finance Ltd. (India)		4.1%
TCS Group Holding plc (Russia)		3.9%
	Total	51.4%

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.