

# Wasatch Global Opportunities Fund

JUNE 30, 2020

## Global Markets Saw a Dramatic Turnaround From The First Quarter

### OVERVIEW

The Wasatch Global Opportunities Fund—Investor Class gained 35.25% in the second quarter and outperformed the benchmark MSCI AC (All Country) World Small Cap Index, which gained 24.85%.

In the first quarter, markets reacted violently to the emergence of the coronavirus pandemic as it swept across the globe, bringing societal shutdowns and economic repose in its immediate wake. As dramatic as the first quarter's negative events were, the second quarter played host to similar drama, but in a positive direction, as most major global markets whipsawed upward, partially regaining what they lost in the first quarter.

Investor optimism was seemingly fueled by actions from the U.S. Federal Reserve and other central banks to support asset prices and enhance liquidity. Governments around the world also provided direct relief to unemployed workers and vulnerable businesses. Beyond these unprecedented monetary and fiscal measures, investors were periodically encouraged by news of economic reopenings and multiple reports of progress on potential coronavirus therapeutics and vaccines.

### FUND MANAGERS



**JB Taylor**  
Lead Portfolio Manager

9 / 24  
YEARS ON FUND / YEARS AT WASATCH



**Ajay Krishnan, CFA**  
Lead Portfolio Manager

8 / 25  
YEARS ON FUND / YEARS AT WASATCH



**Ken Applegate, CFA, CMT**  
Portfolio Manager

1 / 6  
YEAR ON FUND / YEARS AT WASATCH



**Paul Lambert**  
Portfolio Manager

1 / 20  
YEAR ON FUND / YEARS AT WASATCH

*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](http://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 1.56% / Institutional Class—Gross: 1.57%, Net: 1.36%. The Advisor has contractually agreed to limit certain expenses to 1.75% for the Investor Class and 1.35% for the Institutional Class through at least 1/31/2021.***

## DETAILS OF THE QUARTER

Both our developed- and emerging-market holdings added to the Fund's return and contributed to outperformance relative to the benchmark. Our developed-market holdings, which comprise about 77% of the Fund's assets, added the most to its return. The Fund is overweight versus the benchmark in emerging markets, which was a plus during the quarter.

As we approached the midpoint of the year, it seemed clear to us that information-technology (IT) companies have been among those that have fared well in the current environment. Trends that might otherwise have taken decades to play out—including widespread adoption of e-commerce, social media and other technologies that replace person-to-person contact with digital content—gained significant traction in recent months as the coronavirus kept people sheltering at home. Many of the Fund's top contributors during the quarter were IT companies, which we believe should be well-positioned to capitalize on these emergent trends, which we expect are here to stay.

One such company is **Silergy Corp.**, the largest individual contributor to Fund performance during the quarter. 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.

**MercadoLibre, Inc. (MELI)** was the top individual contributor to Fund performance. 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. Digital payments have been a key driver of the company's growth. For the most recently reported quarter, the company's net revenues were up over 37% compared to the year-ago period. We like MercadoLibre's prospects given the headroom we see to continue its expansion in the financial-technology space, where the company has had success with multiple products and across multiple markets.

Another large contributor during the quarter was **Globant S.A.** An Argentine holding, Globant is an IT 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.

The Fund's largest individual detractor from performance was **Helios Technologies, Inc. (HLIO)**. The company develops and manufactures hydraulic and electronic control products. Helios offers cartridge valves and manifolds that regulate force, speed and motion as integral components in fluid power systems. The company has faced two main challenges: First, it's an industrial company whose business is cyclical—a characteristic that hasn't been well-liked in the recent environment. Second, Helios had a major management change that may have unnerved investors. But our view is that the company's deep bench of talent and strategic vision are still in place. Moreover, we invest with a long horizon, and we think the company has the potential for significant growth even if there's just a modest pickup in the economy.



Two of our financial holdings, **AU Small Finance Bank Ltd.** and **Unifin Financiera S.A.B. de C.V.**, were also among the largest detractors. Based in India, AU primarily serves underbanked low- and middle-income individuals and small businesses. As the quarter concluded, Indian financials appeared to be rebounding following a difficult period. In the first quarter, the stocks of Indian financial companies sold off due to a number of factors, including investor concern regarding customers' ability to repay debt due to the effect of the coronavirus on India's economy, contagion from the collapse of a commercial lender and onerous fines imposed by the government on heavily indebted telecommunications firms, which raised the risk of them defaulting on their loans in some instances. Despite the weak quarter, we continue to have confidence in AU's management and believe the company has the potential to continue growing. *(Current and future holdings are subject to risk.)*

## OUTLOOK

The first six months of 2020 have emphatically reaffirmed our long-held conviction that attempting to predict macro events, much less to invest on the basis of such predictions, tends to be a fool's errand. With a global pandemic still looming over

global markets and a prospective U.S. presidential election on the horizon, the potential for further unwelcome surprises in the second half of the year seems, at the very least, plausible.

We've adjusted our holdings to stay invested in what we think are the best long-duration growth companies—but at valuations and position sizes that we believe are most attractive from a risk/return perspective. Going forward, our game plan remains unchanged. And if the overall economy remains stuck in low gear for a while, with interest rates offering anemic returns, we'll be especially comfortable owning innovative growth-oriented companies that have the potential to generate strong returns on capital.

The year, thus far, has been truly unusual in every sense. We believe the best antidote to unusual times is a portfolio of individually exceptional companies.

Thank you for the opportunity to manage your assets.

Sincerely,

JB Taylor, Ajay Krishnan, Ken Applegate and Paul Lambert



## AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2020

	Quarter*	1 Year	3 Years	5 Years	10 Years
Global Opportunities Fund—Investor	35.25%	6.63%	12.25%	9.91%	11.83%
Global Opportunities Fund—Institutional	35.50%	6.91%	12.44%	10.07%	11.92%
MSCI AC World Small Cap Index**	24.85%	-5.54%	1.43%	3.67%	8.61%

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

\*Returns less than one year are not annualized.

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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 1.35% 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 and micro 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 emerging and frontier markets, entails special risks, such as currency fluctuations and political uncertainties, which are described in more detail in the prospectus. Investments in emerging markets are subject to the same risks as other foreign securities and may be subject to greater risks than investments in foreign countries with more established economies and securities markets.**

**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](http://wasatchglobal.com) or call 800.551.1700. Please read the prospectus carefully before investing.**



*\*\*The MSCI AC (All Country) World Small Cap Index is an unmanaged index and includes reinvestment of all dividends of issuers located in countries throughout the world representing developed and emerging markets. This index is a free float-adjusted market capitalization index designed to measure the performance of small capitalization securities. You cannot invest directly in this or any index.*

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*The Wasatch Global Opportunities Fund's investment objective is long-term growth of capital.*

*Return on capital is a measure of how effectively a company uses the money, owned or borrowed, that has been invested in its operations.*

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

## GLOBAL OPPORTUNITIES FUND – TOP 10 HOLDINGS

AS OF MARCH 31, 2020

Security Name	Percent of Net Assets
Trex Co., Inc.	3.1%
AU Small Finance Bank Ltd. (India)	2.7%
Monolithic Power Systems, Inc.	2.6%
Vitasoy International Holdings Ltd. (Hong Kong)	2.6%
Globant S.A. (Argentina)	2.6%
Silergy Corp. (Taiwan)	2.5%
Tyler Technologies, Inc.	2.4%
Five9, Inc.	2.4%
MercadoLibre, Inc.	2.2%
Ensign Group, Inc. (The)	2.1%
Total	25.1%
<i>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.</i>	