



Investor
WAIOX / Institutional
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Wasatch International Opportunities Fund

SEPTEMBER 30, 2020

Japan Was the Top Country Contributor in a Volatile, Positive Third Quarter

OVERVIEW

The Wasatch International Opportunities Fund—Investor Class gained 15.42% for the third quarter of 2020. The Fund outperformed its benchmark, the MSCI AC (All Country) World ex USA Small Cap Index, which finished the quarter up 10.50%. Year-to-date through September 30, the Fund returned 24.40% and outperformed the benchmark’s -3.64% decline.

During the quarter, we were disappointed by the announcement that Japanese Prime Minister Shinzo Abe would be resigning due to lingering health issues. From a market standpoint, we believe Abe’s legacy—which includes the implementation of numerous shareholder-friendly reforms under “Abenomics”—will be a positive one.

In September, new Japanese Prime Minister Yoshihide Suga was sworn in and, having served as one of Abe’s closest advisors, is widely expected to continue a similar policy agenda that we believe should continue to support a fertile investment environment for the many exciting small companies we have been able to find in Japan.

FUND MANAGERS



Linda Lasater, CFA
Lead Portfolio Manager

4 / 14
YEARS ON FUND / YEARS AT WASATCH



Dan Chace, CFA
Portfolio Manager

<1 / 18
YEAR ON FUND / YEARS AT WASATCH



Allison He, CFA
Associate Portfolio Manager

2 / 7
YEARS 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. 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 2.09% / Institutional Class 1.96%. The Advisor has contractually agreed to limit certain expenses to 2.25% for the Investor Class and 1.95% for the Institutional Class through at least 1/31/2021.***

In the third quarter, the Fund's Japanese holdings outperformed the benchmark's Japanese positions by a wide margin. In addition to being the Fund's heaviest-weighted country, Japan was the top contributor to performance on a country basis driven by stock selection.

Stock selection was also beneficial in the information-technology (IT) sector, where our investments in software and IT services companies did especially well.

DETAILS OF THE QUARTER

Two Japanese IT companies topped the list of individual contributors to Fund performance for the quarter. The leading contributor was **BASE, Inc.**, a Japanese provider of internet-based services including net-shop creation, shopping-application development and online-payment development. The IT sector has been benefiting as the current market environment favors companies such as BASE that offer innovative and effective products and services that help people adhere to stay-at-home orders and social-distancing measures.

Japan's **Rakus Co. Ltd.**, was the Fund's second-best contributor. Rakus provides cloud and IT outsourcing services. The company has recently seen strong business momentum as the pandemic has been accelerating companies' digital transformation from on-premises/legacy systems to cloud-based solutions. Despite the uncertain environment that marked the outset of the pandemic, the company reported strong sales and profit growth but noted that business negotiations were temporarily stagnant due to Covid-19. In its most recent financial report, Rakus reported a 33.5% increase in net sales and an impressive 78.5% increase in operating profit compared to the year-ago period. We believe these positive results bode well for the company's efforts to produce sustainable growth over the long term.

Two U.K. companies were the Fund's third- and fourth-best contributors. **Future plc** is a British

multimedia company that owns numerous highly trafficked websites and publishes 78 magazines across the U.K., the U.S. and Australia, in addition to overseeing 56 global events. The company's online products include sites such as Tom's Guide, Techradar and Space.com. Its publications include Guitar World, Maximum PC, and the official magazines for PlayStation-U.K. and Xbox. Future's publications focus on high-quality, evergreen content across a number of specialty fields.

We believe the company has pulled off an impressive turnaround in recent years, demonstrating resiliency and the ability to adapt in the face of the changing market forces that have hit the publishing industry. We also believe the company is well-positioned to benefit over the long term thanks to its straightforward business model and consistent audience growth.

Avon Rubber plc designs and manufactures specialized personal-protection products such as respirator protection systems, as well as hardware and accessories (including liners and tubing) used in dairy processing. We believe the company has incredible headroom for growth as it expands its international sales operation. That narrative appears to be further supported by Avon's recent acquisition of Team Wendy, LLC, which makes Avon the world's largest helmet supplier. We expect the company will continue to grow reliably over the next several years.

Not all of our U.K. holdings contributed. A notable detractor from Fund performance was **Johnson Service Group plc**, a company that provides workwear and linens for hotels, restaurants and catering businesses throughout the U.K. The company reports that the overwhelming majority of the customers it supports are now back in operation following pandemic-induced shutdowns. With high customer retention and satisfaction rates and a strong market position, we believe Johnson may benefit as markets recover and economies continue to reopen.



Australia and China were the most significant detractors from Fund performance on a country basis. The Fund's largest individual detractor for the quarter was China-based **AK Medical Holdings Ltd.** The company manufactures medical devices that include orthopedic implants, spinal interbody cages and artificial vertebral bodies. Headwinds affecting other medical-device companies impacted the stock price of AK Medical during the quarter. A shift in distribution toward Group Purchasing Organizations in China also weighed, as investors feared that increased pressure on pricing may hurt profitability.

Our lone holding in the Philippines, **Philippine Seven Corp.**, also detracted during the quarter along with the broader market in the country. Philippine Seven 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

Through three quarters, this year has been an unprecedented one, to say the least, both from a market perspective and otherwise. The unforeseen emergence of the Covid-19 pandemic has combined with other macro factors—an election year in many countries (including the U.S.), increased

discussion of climate change and social issues, to name a few—to create a uniquely volatile and uncertain environment. We are grateful that, for the seemingly ever-present instability that has marked 2020, the Fund has generally provided a counterpoint of stability.

The pandemic has also changed the way people are doing business. While that has often been a positive for the Fund—it has often benefited from the contributions of companies making it easier to work remotely—it is nonetheless a noticeable change in the day-to-day realities of most.

As for us at Wasatch Global Investors, we certainly recognize that these solutions, however vital, are not direct replacements for the in-person visits and communication that normally mark our research and due diligence when considering companies in which we might invest.

We are nonetheless committed to maintaining the same diligent research standards by using every tool at our disposal. For now, this means replacing on-the-ground meetings with phone calls and videoconferences. So far this year, Wasatch has conducted more than 1,300 calls or virtual meetings with company management teams and analysts all across the world.

Thank you for the opportunity to manage your assets.

Sincerely,

Linda Lasater, Dan Chace and Allison He



AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2020

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Opportunities Fund—Investor	15.42%	34.24%	14.64%	14.85%	11.37%
International Opportunities Fund—Institutional	15.72%	34.71%	14.84%	15.17%	11.52%
MSCI ACWI ex USA Small Cap Index**	10.50%	6.97%	0.93%	6.80%	5.31%
MSCI World ex USA Small Cap Index†	10.12%	6.88%	1.42%	7.35%	6.55%

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

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

*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—2.09% / Institutional Class—1.96%***

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 2.25% 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 foreign securities, especially in frontier and emerging markets, entails special risks, such as currency fluctuations and political uncertainties, which are described in more detail in the prospectus. Investing in micro 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.



***The MSCI AC (All Country) World ex USA 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, excluding securities of U.S. issuers. This index is a free float-adjusted market capitalization index designed to measure the performance of small capitalization securities.*

**The MSCI World ex USA Small Cap Index is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed markets, excluding the United States.*

You cannot invest in these or any indexes.

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

The "cloud" is the internet. Cloud-computing is a model for delivering information-technology services in which resources are retrieved from the internet through web-based tools and applications, rather than from a direct connection to a server.

INTERNATIONAL OPPORTUNITIES FUND — TOP 10 HOLDINGS

AS OF JUNE 30, 2020

Security Name	Percent of Net Assets
LEENO Industrial, Inc. (South Korea)	2.7%
Fortnox AB (Sweden)	2.6%
AK Medical Holdings Ltd. (China)	2.2%
IR Japan Holdings Ltd. (Japan)	2.2%
Avon Rubber plc (United Kingdom)	2.0%
Hypoport SE (Germany)	2.0%
Esker S.A. (France)	2.0%
BASE, Inc. (Japan)	2.0%
Qualitas Controladora S.A.B. de C.V. (Mexico)	2.0%
Metropolis Healthcare Ltd. (India)	1.9%
Total	21.5%
<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>	