

Wasatch International Growth Fund

JUNE 30, 2020

Strong Quarter for Fund As International Markets Partially Recovered First-Quarter Losses

OVERVIEW

For the second quarter ended June 30, 2020, the Wasatch International Growth Fund—Investor Class gained 25.77% and outperformed its benchmark, the MSCI AC (All Country) World ex USA Small Cap Index, which finished the quarter up 22.83%.

Investors endured a first quarter of the year that was marked by fairly unprecedented volatility. Markets reacted violently to the emergence of the coronavirus 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 international markets whipsawed upward, partially regaining what they lost in the first quarter.

As the quarter concluded, officials in Japan and the United Kingdom were discussing the prospect of finalizing a trade deal in the coming weeks. Although the timeline of such a deal is tight and the outcome

FUND MANAGERS



Ken Applegate, CFA, CMT
Lead Portfolio Manager

4 / 6
YEARS ON FUND / YEARS AT WASATCH



Linda Lasater, CFA
Portfolio Manager

6 / 13
YEARS ON FUND / YEARS AT WASATCH



Derrick Tzau, CFA
Associate Portfolio Manager

<1 / 2
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. 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 1.46% / Institutional Class 1.35%. 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.***

remains uncertain, such an agreement would be the U.K.'s first post-Brexit trade agreement and its first in more than four decades. The news was among the positive developments in a quarter that saw markets (and the Fund) bounce back.

DETAILS OF 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.

One company in the Fund that we believe is well-positioned to benefit from that trend 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.

Another top IT contributor was **Kinaxis, Inc.**, a Canadian company that provides planning and response-management solutions. The company's offerings include a cloud-based enterprise platform for managing supply chains, sales and operations in a single, unified framework. We think Kinaxis's business model should prove to be vital in an environment that sees enterprise software broadly and rapidly moving to the cloud.

Two U.K. holdings we really like, **Fevertree Drinks plc (FEVR)** and **Trainline plc**, saw their stocks rebound during the second quarter after struggling, like most, in the first quarter. Fevertree

is a U.K.-based producer of premium drink mixers that continues to expand across Europe and into the United States. Moreover, our research and ongoing communications with the company's management bolster our belief that the company's brands will likely succeed in the U.S. as it continues to apply the same effective playbook it employed to become a leading brand in the U.K.

Trainline is the leading online-booking platform for train tickets in the U.K. and is one of the few companies exposed to the travel industry that we have kept in the Fund. Like most companies connected to travel, Trainline faced an unprecedented slowdown due to dramatic decreases in public travel. But as we wrote in our previous quarterly commentary, we expected that domestic travel would be quickest to recover and that Trainline, as an extremely well-run company, would likely be well-positioned to benefit. Although the pandemic crisis has obviously not yet concluded, that thesis nonetheless appeared to be intact through the end of the quarter. We believe Trainline has many years of growth ahead of it, supported by an excellent management team and considerable cash reserves. We have been adding to our position in recent months on the strength of our conviction and as the stock has been very attractively valued.

From a country standpoint, nearly every market in which the Fund had assets invested contributed to the quarter's return. The Fund's outperformance relative to the benchmark was driven by stock selection, which was particularly beneficial in Japan and the U.K., but was also a significant factor in Canada, Taiwan and Italy. The Fund's performance in South Africa, the only country to detract from the return, was driven entirely by the stock-price movement of **Clicks Group Ltd.**, our lone holding in the country. Clicks Group was the largest individual detractor during the quarter. The company operates South Africa's largest retail pharmacy chain and other retail



stores with a combined footprint of over 870 stores in South Africa and neighboring countries.

Ashmore Group plc was the second-largest individual detractor. The company is a U.K.-based investment manager focused on emerging markets. In our view, Ashmore Group remains a great company, but weak relative investment performance during the period and heightened uncertainty in emerging-market economies have led to net outflows in the business and lower-than-expected earnings growth. As a result, we exited our position during the quarter.

CTS Eventim AG & Co. Ltd. also detracted. CTS has been described as the "Ticketmaster of Europe." Fittingly, the company specializes in live-event services, including an online-ticketing platform that is distributed through numerous channels. Clearly this space has been among the absolute hardest-hit by the pandemic as stay-at-home orders have temporarily curbed large public gatherings. However, CTS is the dominant platform across Europe and we believe the company is unlikely to face significant competitive pressure in the near future. Like Trainline, we believe CTS is an exception within a segment of the economy otherwise rightly feared by investors and we expect the company to bounce back quickly as Europe's economy approaches normalcy. *(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 international 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.

Having said that, with the second quarter now concluded, we are grateful for the welcome influx of positive news that the quarter generally provided and are hopeful that the positive trend will hold for the remainder of the year. Importantly, though, even in the event that "the worst is yet to come," we take solace in the fact that the Fund has demonstrated resilience in a time of crisis, including during the most-recent quarter.

Now, more than ever, it remains our sincere conviction that quality companies that can grow steadily over the long term represent an ideal bulwark against short-term insecurity. Our ongoing commitment is to ensure that the International Growth Fund is as fully populated with such companies as is within our power. 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,

Ken Applegate, Linda Lasater and Derrick Tzau



AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2020

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Growth Fund—Investor	25.77%	6.56%	6.01%	5.72%	10.40%
International Growth Fund—Institutional	25.87%	6.74%	6.13%	5.83%	10.46%
MSCI AC World ex USA Small Cap Index**	22.83%	-4.34%	-0.17%	2.50%	6.05%
MSCI World ex USA Small Cap Index†	21.66%	-3.20%	0.53%	3.56%	7.26%

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 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 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.



***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 Growth 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.

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

INTERNATIONAL GROWTH FUND — TOP 10 HOLDINGS

AS OF MARCH 31, 2020

Security Name	Percent of Net Assets
Cochlear Ltd. (Australia)	2.7%
DiaSorin S.p.A. (Italy)	2.4%
Halma plc (United Kingdom)	2.2%
Trainline plc (United Kingdom)	2.1%
Patrizia AG (Germany)	2.1%
Vitasoy International Holdings Ltd. (Hong Kong)	1.9%
Sugi Holdings Co. Ltd. (Japan)	1.7%
Silergy Corp. (Taiwan)	1.7%
Asahi Intecc Co. Ltd. (Japan)	1.7%
Diploma plc (United Kingdom)	1.6%
Total	20.0%

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.