

Wasatch International Growth Fund

DECEMBER 31, 2019

All Sectors Contributed in Positive Fourth Quarter

OVERVIEW

The Wasatch International Growth Fund—Investor Class finished the fourth quarter of 2019 with a gain of 12.65% and outperformed the benchmark MSCI AC (All Country) World ex USA Small Cap Index, which finished the same period up 11.01%. For the 12 months ended December 31, 2019, the Fund increased 29.43% and outpaced the 22.42% return of the benchmark, helped by stock selection, especially in Japan, Taiwan and India.

During the quarter, global markets broadly rose as investors responded favorably to macro developments, including an agreement on a “phase one” deal expected to resolve portions of the U.S.-China trade dispute.

On a country basis, the top contributor to the Fund’s return and a leading contributor to our outperformance of the benchmark was the United Kingdom, our second heaviest-weighted position. Decisive election results had a positive effect on the U.K. market. While many analysts still worry about the potential outcome of Brexit, the election nonetheless provided a measure of clarity that has been rare in recent years, and investors seemingly felt optimistic about the prospect of

FUND MANAGERS



Ken Applegate, CFA, CMT
Lead Portfolio Manager

3 / 5
YEARS ON FUND / YEARS AT WASATCH



Roger Edgley, CFA
Portfolio Manager

13 / 17
YEARS ON FUND / YEARS AT WASATCH



Linda Lasater, CFA
Portfolio Manager

5 / 13
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 1.45% / Institutional Class—Gross: 1.36%, Net: 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 1/31/2020.***

market-friendly policies in the U.K. Returns were also aided by the British pound's recovery.

Japan, our heaviest-weighted country, also had a strong quarter. In early December, Japan's upper legislative house approved a U.S.-Japan trade deal introduced in September and passed by the lower legislative house in November. The deal, expected to go into effect in January 2020, will see more than \$7 billion in tariffs on U.S. goods reduced or removed in exchange for lower tariffs on Japanese industrial goods imported by the U.S.

DETAILS OF THE QUARTER

Diploma plc led the positive results of our U.K. companies in the fourth quarter and was among the Fund's top overall contributors. Diploma is a holding company for a group of subsidiaries that provide specialized technical products and services for applications primarily in life sciences, seals (gaskets, filters, cylinders, components and kits for heavy mobile machinery and specialized industrial equipment) and controls (specialized wiring, connectors fasteners and control devices).

Silergy Corp. was the strongest contributor to Fund performance for the quarter and for the 12 months ended December 31, 2019. Based in Taiwan, Silergy manufactures high-performance mixed-signal and analog integrated circuits used in a wide array of electronic devices. Silergy's stock price had languished during the latter half of 2018 and early 2019 as sluggish demand caused a buildup of inventory in semiconductor supply channels. An uptick in sales during May sparked a turnaround in the stock that accelerated during the fourth quarter. In December, Silergy announced that consolidated revenues for November had risen 38.0% in local currency and 39.7% in U.S. dollars versus November 2018.

Silergy was also the top-contributing company in what was the Fund's top-contributing sector for the quarter, information technology. Our group of industrial holdings also enjoyed a positive quarter.

Germany was the largest contributor to the Fund's performance relative to the benchmark in the fourth quarter led by **Hypoport AG**, a property-financing intermediary between financial sales teams and credit institutions in Germany. Hypoport operates a large electronic marketplace, Europace, a business-to-business platform for financial products. The company also operates a franchise system of advisors. Hypoport has been investing to replicate its platform in other areas including real estate and insurance. We think investors were surprised that the company achieved such robust growth, and they rewarded the stock accordingly. Hypoport was the second-best contributor to Fund performance for the quarter and for the 12 months. For the year ended December 31, 2019, Hypoport's share price more than doubled.

Trainline plc was also among the top contributors for the quarter. Trainline is a U.K.-based online booking platform for train tickets. The rail industry remains antiquated and is still widely reliant on the issuance of paper-based tickets. Trainline's online technology platform reduces the cost for rail carriers and makes for an improved customer experience. There are strong network effects to online platforms and, as the leader in the U.K., we believe Trainline is well-positioned to benefit. The company is using its existing platform infrastructure and strong cash flows to expand into Europe, where the rail network is even more fragmented and complicated.

Encouragingly, none of the sectors in which the Fund was invested detracted from its return in the fourth quarter. On a country basis, 18 of the 20 markets in which we were invested added to the Fund's return. Hong Kong and China were the only markets that failed to contribute to absolute performance for the quarter.

The Fund's largest individual detractor was **RaySearch Laboratories AB**. The company develops innovative software solutions for cancer treatment



planning systems, including new solutions that incorporate machine learning. The company's orders tend to be large and uneven from quarter to quarter. The third quarter of 2019 saw a decrease in software licensing sales. We continue to like RaySearch's fundamentals and the company has seen a promising increase in total order intake.

Vitasoy International Holdings Ltd. was the second-largest detractor. A multi-national based in Hong Kong, the company offers soy milk, tofu, rice milk, tea, juices and related food-and-beverage products in China and other countries. Investors reacted negatively to Vitasoy's plans to invest more heavily in its soy-milk business to stave off competitive pressures and pave the way for future growth. We think the company's strategy makes sense, however—especially in view of the large untapped potential for packaged soy milk and Vitasoy's strong brand presence in the markets it serves.

During the quarter, we sold our position in **Afterpay Ltd.**, which detracted slightly. Afterpay is a financial-technology company based in Australia. While we still generally like the company, we believe it to be both more expensive and higher on the risk curve than other investment opportunities we have been seeing. *(Current and future holdings are subject to risk.)*

OUTLOOK

We are heartened by the positive shift in the U.K. and feel the Fund is well-positioned to benefit from a market that has punched above its weight, even prior to investors' optimistic response to the recent U.K. elections.

We have been overweight in the U.K. for many years and increased our allocation through the last half of 2019, believing the country to be an attractively priced market filled with promising growth companies. Early on, as Brexit became a looming market factor, we adjusted our U.K. holdings to prioritize those with significant revenues from

international sources, rather than focus on companies with revenues tied primarily to the U.K. Thus, we believe we provided the Fund with a measure of insulation against the unpredictability that has accompanied years-long Brexit negotiations and has weighed especially heavily on domestic demand.

To this end, we are excited about the U.K. companies we hold and believe they are structured such that they should grow, even if the recent uncertain environment were to persist. Our excitement is heightened by the prospect that the current trend could hold and the cloud over consumer and business spending in the U.K. could continue to dissipate.

Although the quarter held much in the way of good news for investors, we are cognizant of the fickle nature of such short periods. Despite the impressive end to 2019, and the encouraging developments that helped facilitate such positive results for the year, trade tensions and broad deglobalization efforts continue to weigh on global growth.

As for us at Wasatch Global Investors, we continue to pursue our investment discipline. Three of our team members just returned from attending a pan-European conference in the U.K. Moreover, our team has requested meetings with an additional 60 companies for another U.K. research trip planned for the end of January 2020. We believe our due diligence, especially conducting boots-on-the-ground research, is a strategic advantage that allows us to find outstanding long-term growth companies for the Fund.

Thank you for the opportunity to manage your assets.

Sincerely,

Ken Applegate, Roger Edgley and Linda Lasater



AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2019

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Growth Fund—Investor	12.65%	29.43%	13.21%	8.88%	10.71%
International Growth Fund—Institutional	12.68%	29.55%	13.32%	8.97%	10.75%
MSCI AC World ex USA Small Cap Index**	11.01%	22.42%	9.65%	7.04%	6.92%
MSCI World ex USA Small Cap Index†	11.40%	25.41%	10.42%	8.17%	8.04%

*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—1.45% / Institutional Class—Gross: 1.36%, Net: 1.35%**

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 1/31/2020.** 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.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI,

each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

CFA® is a trademark owned by the CFA Institute.

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

Brexit is an abbreviation for "British exit," which refers to the June 23, 2016 referendum whereby British citizens voted to exit the European Union. The referendum roiled global markets, including currencies, causing the British pound to fall to its lowest level in decades.

An initial public offering (IPO) is a company's first sale of stock to the public.

INTERNATIONAL GROWTH FUND — TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2019

Security Name	Percent of Net Assets
Silergy Corp. (Taiwan)	2.4%
Vitasoy International Holdings Ltd. (China)	2.2%
Cochlear Ltd. (Australia)	2.1%
Halma plc (United Kingdom)	2.0%
Nihon M&A Center, Inc. (Japan)	1.9%
DiaSorin S.p.A. (Italy)	1.9%
Royal Unibrew A/S (Denmark)	1.8%
Canadian Western Bank (Canada)	1.7%
Diploma plc (United Kingdom)	1.7%
Abcam plc (United Kingdom)	1.7%
Total	19.4%

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.