

Wasatch International Opportunities Fund

JUNE 30, 2020

Fund Outperformed as International Markets Bounced Back in the Second Quarter

OVERVIEW

The Wasatch International Opportunities Fund—Investor Class gained 32.67% for the second quarter. The Fund outperformed its benchmark, the MSCI AC (All Country) World ex USA Small Cap Index, which finished the quarter up 22.83%. Year-to-date through June 30, 2020, the Fund gained 7.77% compared to the benchmark's loss of -12.80%.

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



Linda Lasater, CFA
Lead Portfolio Manager

4 / 13
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.***

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

We once again saw strong performance from our holdings in Japan, and the Fund outperformed the benchmark in Japan driven by stock selection. As we have recently noted, we consider Japan to be one of the deepest and most exciting small-cap markets in the world. As a result of the many attractive companies we have been finding, Japan is the most heavily weighted country in the Fund. During the second quarter, Japan was home to a number of the Fund's highest-contributing companies.

The top contributor to Fund performance for the second quarter was **BASE, Inc.**, a Japanese provider of internet-based services including net-shop creation, shopping-application development and online-payment development. The information-technology (IT) sector has been benefiting as the current market environment favors companies offering innovative and effective products and services that help people adhere to stay-at-home orders and social-distancing measures.

IR Japan Holdings Ltd., a name we've owned for several years, also contributed. The company's consulting business aligns with the increasing focus in Japan on shareholder-friendly investor relations. We bought the stock at what we considered to be an inexpensive price with an eye toward the company's long-term potential. IR Japan had been growing revenues reasonably well, at about 15% per year, without attracting substantial attention from investors. More recently, growth accelerated to about 30%—and investors took notice, sending the stock up substantially. Although we trimmed our position, we still like IR Japan, especially in the

current environment in which companies need to communicate openly about the issues they're facing.

Outside Japan, the Fund also benefited from our investments in Sweden, Australia, the U.K. and China, all of which added to its return and outperformed their respective counterparts in the benchmark.

Chinese medical-device manufacturer **AK Medical Holdings Ltd.** was the second-largest contributor after being the Fund's top contributor in the first quarter of the year. The company produces orthopedic implants, spinal interbody cages and artificial vertebral bodies, among other products. We believe AK Medical is a great company, although we adjusted our position slightly to make room for some of the other exciting opportunities we have been seeing at what we consider attractive valuations.

South Africa was the only country in which the Fund was invested that subtracted anything from its return. The minuscule detraction in South Africa was due to the stock-price decline of our only holding in the country, **Italtile Ltd.**, a leading retailer of ceramic tiles, bathroom fixtures, furniture and related products. We have come to believe that the company faces a challenging macro backdrop, and we have increasing questions about its headroom for growth. We sold our modest position during the quarter in order to focus on ideas we believe are more promising.

The most-significant detractor from Fund performance for the quarter was **Unifin Financiera S.A.B de C.V.**, which operates as a multi-purpose financial firm and is the largest equipment-leasing company in Mexico. The company saw its stock price slip amid worries about deteriorating credit quality, reduced demand for commercial equipment and the company's decision to raise capital. As Mexico navigates its sixth consecutive quarter of economic contraction, President Andrés Manuel



López Obrador's ideological opposition to an aggressive recovery plan also has weighed on equities such as Unifin and we decided to sell the Fund's small position.

Kusuri no Aoki Holdings Co. Ltd. detracted in the second quarter after outperforming in the first quarter, during which the company's stock price climbed more than 30% on the back of increased sales and profitability. The second quarter saw the stock retract a comparably modest -5.7%. Kusuri operates retail drugstores in Japan that sell everything from medicines and health food to household products and cosmetics. We believe the company's long runway for growth remains, supported by improving operating margins. *(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 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.

That the Fund held up so well in the volatile environment that characterized the first half of

2020, we believe vindicates both our bottom-up investment process and confidence in our ability to find growing micro-cap companies that meet our exacting standards in international markets around the world.

We are hopeful that the second quarter's 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.

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 Opportunities 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,

Linda Lasater, Dan Chace and Allison He



AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2020

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Opportunities Fund—Investor	32.67%	15.97%	10.25%	10.27%	11.81%
International Opportunities Fund—Institutional	32.57%	15.76%	10.33%	10.52%	11.93%
MSCI ACWI 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.*

*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.

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

INTERNATIONAL OPPORTUNITIES FUND — TOP 10 HOLDINGS

AS OF MARCH 31, 2020

Security Name	Percent of Net Assets
AK Medical Holdings Ltd. (China)	3.9%
Fortnox AB (Sweden)	2.5%
Prestige International, Inc. (Japan)	2.3%
Esker S.A. (France)	2.3%
Philippine Seven Corp. (Philippines)	2.2%
Avon Rubber plc (United Kingdom)	2.1%
LEENO Industrial, Inc. (South Korea)	2.1%
Rakus Co. Ltd. (Japan)	2.0%
IR Japan Holdings Ltd. (Japan)	2.0%
Systema Corp. (Japan)	2.0%
Total	23.5%
<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>	