

Wasatch International Opportunities Fund

DECEMBER 31, 2019

Broadly Positive Quarter Saw Growth Across Most Markets and Sectors

OVERVIEW

For the fourth quarter of 2019, the Wasatch International Opportunities Fund—Investor Class was up 7.91%, underperforming its benchmark, the MSCI AC (All Country) World ex USA Small Cap Index, which finished the quarter up 11.01%.

For the year ended December 31, 2019, the Fund's Investor Class returned 32.18%, significantly outperforming the benchmark's return of 22.42%.

On a country basis, the top contributor to the Fund's return was the United Kingdom. The Fund's U.K. holdings also outperformed their benchmark counterparts, despite the slight drag of an underweight 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.

The Fund is overweight relative to the Index in emerging markets, most notably India, and our holdings underperformed the benchmark's emerging-market positions for the quarter. Our emerging-market

FUND MANAGERS



Linda Lasater, CFA
Lead Portfolio Manager

3 / 13
YEARS ON FUND / YEARS AT WASATCH



Jared Whatcott, CFA
Portfolio Manager

5 / 14
YEARS ON FUND / YEARS AT WASATCH



Allison He, CFA
Associate Portfolio Manager

1 / 6
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 2.09% / Institutional Class—Gross: 1.96%, Net: 1.95%. 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 1/31/2020.***

holdings also experienced a weaker quarter than our developed-market positions. We continue to have a positive view of emerging markets and we especially like the growth potential of the companies in which we've invested. For the year, our emerging-market holdings contributed to absolute and relative performance.

Japan, our most heavily weighted country, had a good quarter and added to the Fund's return. Although our Japanese holdings underperformed their benchmark counterparts for the period, Japan was the top contributor to the Fund's performance on an absolute basis and relative to the benchmark for the year. We believe our Japanese holdings have outstanding long-term growth potential and are well-positioned to achieve their business goals even in more uncertain macro environments. There was good news in early December as 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

AK Medical Holdings Ltd., which was the Fund's top overall contributor in the third quarter of 2019, was again among the top contributors during the fourth quarter. The company is a Chinese medical-device manufacturer that produces orthopedic implants, spinal interbody cages, and artificial vertebral bodies, among other products. The company's most-recent report showed that revenues grew 59% and net income grew 81% on a year-over-year basis through June 30, 2019. In our view, AK Medical has a solidly established brand presence, counts a growing network of hospitals as customers and should continue to post solid growth numbers.

The largest individual contributor was **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. For the 12 months ended December 31, 2019, the company's share price more than doubled.

GB Group plc was the Fund's second-largest contributor for the fourth quarter. The company develops, sells, and supports business application software and licensing technology, as well as provides database management and analysis services. As digitalization continues to spread broadly across sectors and markets, companies like GB Group that focus on identity verification and fraud detection should continue to see opportunities to grow and expand. GB Group's sophisticated offering has already been deployed in 65 countries.

The largest individual detractor was Australian health-care company **Pro Medicus Ltd.** The stock took a breather in the fourth quarter after posting strong gains in the first nine months of the year. Pro Medicus develops software and other information-technology solutions targeted both at large medical corporations and smaller medical practices. Its flagship software suite, Visage, specializes in the handling of medical imagery and the management of medical imagery practices. For the fiscal year ended June 30, 2019, Pro Medicus management reported that revenues increased 48% year-over-year, with the company outperforming even our optimistic expectations, at times. The company's ongoing growth prospects appear solid to us. Pro Medicus is already experimenting



with promising new features, including artificial-intelligence capabilities. For the 12 months ended December 31, 2019, Pro Medicus was the strongest contributor to Fund performance with a share price that more than doubled. We trimmed our position in the second half of the year.

On a sector basis, eight of the nine sectors in which we had investments added to the Fund's return. Our holdings in the information-technology, industrials and financials sectors contributed the most. We underperformed the benchmark in information technology and outperformed in industrials and financials. Only one sector, consumer discretionary, marginally detracted from absolute performance during the quarter and we underperformed the Index in the sector. Health care was also an area of weakness relative to the benchmark.

The Fund's second-largest individual detractor was **Open Door, Inc.** The company is based in Japan and runs an online travel website that allows users to compare travel products across approximately 700 reservation sites. The company's normal travel trends were affected by the enthronement of Japan's new emperor, typhoons in early fall and the Rugby World Cup, which depressed travel demand.

Another detractor was **RaySearch Laboratories AB**, which 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. *(Current and future holdings are subject to risk.)*

OUTLOOK

We have been pleased to see developed markets respond to positive signals that, for many investors, felt perhaps overdue. The renewed optimism sent markets broadly upward. However, we do not believe the seemingly growth-friendly environment should lull investors into a sense of excessive confidence, even as we welcome the positive news.

Warren Buffett famously said investors should be "fearful when others are greedy and greedy when others are fearful." For many investors, this aphorism feels increasingly relevant in light of a historically long bull market in the U.S. and continued signs of slowing growth globally. How these factors will eventually play out is unforeseeable.

As a result of this uncertainty, even in light of the Fund's strong quarter and year, we believe it is preferable to be invested in companies that, as a result of organizational excellence, are positioned to weather even tumultuous markets, as opposed to attempting to predict the markets themselves or presuming that a positive environment will persist indefinitely. To this end, we sometimes find ourselves "expecting the worst, but hoping for the best."

We are pleased with current positive trends and believe that, insofar as they persist, they may benefit the companies we hold. No matter which way the macro environment shifts, we remain committed to investing in companies that are well-positioned for long-term growth.

Thank you for the opportunity to manage your money.

Sincerely,

Linda Lasater, Jared Whatcott and Allison He



AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2019

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Opportunities Fund—Investor	7.91%	32.18%	12.90%	10.44%	10.92%
International Opportunities Fund—Institutional	8.11%	32.54%	13.10%	10.70%	11.06%
MSCI ACWI 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.

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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 2.25% for the Investor Class and 1.95% 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 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.

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.

A bull market is defined as a prolonged period in which investment prices rise faster than their historical average. Bull markets can happen as the result of an economic recovery, an economic boom, or investor psychology.

INTERNATIONAL OPPORTUNITIES FUND – TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2019

Security Name	Percent of Net Assets
Fortnox AB (Sweden)	2.5%
Hypoport AG (Germany)	2.3%
Prestige International, Inc. (Japan)	2.1%
Philippine Seven Corp. (Philippines)	2.0%
AK Medical Holdings Ltd. (China)	1.9%
Rakus Co. Ltd. (Japan)	1.9%
Esker S.A. (France)	1.9%
Qualitas Controladora S.A.B. de C.V. (Mexico)	1.8%
Pro Medicus Ltd. (Australia)	1.8%
Systema Corp. (Japan)	1.8%
Total	19.9%
<p><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></p>	