



Investor / Institutional  
WAGSX / WGGSX

# Wasatch Global Select Fund

SEPTEMBER 30, 2020

## U.S. and Japan Among Top Contributors in Volatile, Positive Third Quarter

### OVERVIEW

The Wasatch Global Select Fund—Investor Class finished the third quarter of 2020 up 9.76%, outperforming its benchmark, the MSCI AC (All Country) World Index, which gained 8.13%. Year-to-date through September 30, the Fund’s Investor Class was up 15.17%, while the benchmark finished the same period up 1.37%.

For the third quarter, the broad U.S. market produced a strong return even though the coronavirus pandemic continued to impact the economy. While U.S. companies have been fairly resilient, no reasonable analyst would minimize the effects on stock prices from support by government fiscal initiatives and Federal Reserve monetary policies. Beyond outright securities purchases and lending backstops, the Fed recently announced plans to keep interest rates extremely low for at least the next few years and to promote higher employment and inflation. In addition, the Fed stepped outside its monetary mandate by publicly encouraging Congress to do even more on the fiscal front to assist individuals and businesses facing continued hardship.

### FUND MANAGERS



**Ken Applegate, CFA, CMT**  
Portfolio Manager

1 / 6  
YEAR ON FUND / YEARS AT WASATCH



**Ken Korngiebel, CFA**  
Portfolio Manager

1 / 5  
YEAR ON FUND / YEARS AT WASATCH



**Paul Lambert**  
Portfolio Manager

1 / 20  
YEAR ON FUND / YEARS AT WASATCH



**Linda Lasater, CFA**  
Portfolio Manager

1 / 14  
YEAR ON FUND / YEARS AT WASATCH



**Mike Valentine**  
Portfolio Manager

1 / 4  
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](http://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—Gross: 1.86%, Net: 1.35% / Institutional Class—Gross: 1.55%, Net: 0.95%. The Advisor has contractually agreed to limit certain expenses to 1.35% for the Investor Class and 0.95% for the Institutional Class through at least 1/31/2021.**

The Fund's position in the U.S. added the most to its return for the third quarter and outperformed the benchmark's U.S. position driven by stock selection.

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 companies we have been able to find in Japan.

The Fund's Japanese holdings contributed significantly to our quarterly return—behind the U.S., India and the Netherlands—and we slightly outperformed the benchmark's position in Japan aided by stock selection.

## DETAILS OF THE QUARTER

The top contributor to strategy performance for the quarter was **Square, Inc. (SQ)**, an American financial-services and merchant-services firm best known for the square-shaped mobile-payment devices from which the company derives its name. During the quarter, the company beat analysts' earnings estimates and in its second-quarter 2020 financial filings, the most recent available, the company reported total net revenue of \$1.92 billion, a 64% increase over the same period a year ago. Although the company is already a dominant force in its space, we believe it can continue to produce the long-term growth we expect.

**Sweden-based Assa Abloy AB** was another strong contributor during the quarter. The company designs and manufactures access-control

systems including mechanical and electromechanical locks, biometric-identification systems, security doors and hotel security systems. The specialized nature of the company's offerings (which tend to be difficult for smaller competitors to emulate) and trends supportive of home automation suggest the company is well-positioned for the long term. Our optimism has been further bolstered by Assa Abloy's consistent annual sales growth and considerable cash reserves.

**Adyen N.V.**, which was among the Fund's top-five contributors during the third quarter, is one IT company that provides an excellent lens into our investment process. Adyen is a Dutch company that was founded in 2006 to provide payment-processing solutions around the world. By enabling businesses to streamline payments coming from multiple channels, we believe Adyen is timely in addressing a broad operational need of companies seeking to modernize.

Through the first half of 2020, the company reported a 27% increase in net revenue and growth in processed transactions of 23% compared to the same period a year ago. We believe these results and the stock's solid gain for the quarter support our thesis that Adyen's management team is taking the right steps to enable the company to continue its growth trajectory.

A relatively new position within the Fund, the company surfaced from Wasatch's cross-organization analysis of the global payment value chain that involved our developed-market, emerging-market and U.S. teams. In keeping with our "Multiple Eyes" approach, these teams collaborated to conduct numerous, thorough channel checks with a wide variety of Adyen's customers and partners, each of which was subsequently discussed and analyzed prior to our final investment decision.

Through that instructive process, we found that the company possessed many of the key attributes

we seek. For starters, we believed Adyen's management team, including its founder and CEO, were creative thinkers with both the desire and the ability to build an excellent company. We liked that, as a founder-run company, there was an obviously vested interest in growth—one example being the involvement of the CEO and board in the talent-acquisition process. Despite being an organization with more than 1,100 employees, every new hire is vetted by the company's six-person management board.

That same attention to detail seemed to be apparent in the company's intense focus on its customers and in its iterative innovation cycle, which we believed to be unique compared to its larger competitors. We prefer to invest in companies that not only think about scaling their businesses, but that also think about *how* they will scale them. Adyen is focused on growing organically, thus innovating to achieve scale rather than attempting to buy it by acquiring other companies. We believe this is a prudent approach that can lower growth risks, as well as benefit customers through lower processing fees.

Because Adyen is a relatively new entrant that has been building its payment-processing business from scratch in a market that is heavily dependent on legacy technology, we believe the company can be nimbler than its competitors in responding to its customers' demands. And unlike many global payment processors, the company has made in-house control of its architecture and software a high priority, which tends to lead to greater expertise and a better end-product. As a result, the company has been able to rapidly address complex regulatory bottlenecks (such as processing and settling in separate currencies and accommodating widely varying regulations unique to different countries).

For Adyen, this attention to detail and in-house control has resulted in a payment platform built on a single code base across all channels and all

countries. We believe Adyen has a long path of profitable growth ahead of it as the company continues to evolve and add new revenue streams. Moreover, we believe Adyen is well-positioned to take advantage of opportunities to increase its market share in the current pandemic environment.

The largest detractor from Fund performance for the quarter was **Wex, Inc. (WEX)**, a U.S.-based provider of payment-processing and information-management services targeted at organizations within the commercial and government vehicle-fleet industries. We believe Wex has a strong business offering a timely and in-demand product. Although its software targets industries that have experienced Covid-related challenges, we anticipate the company may benefit as the pandemic has been expediting the digital transformation of organizations away from on-premises/legacy systems to cloud-based solutions.

**Guidewire Software, Inc. (GWRE)** also detracted during the quarter. Guidewire provides software for property and casualty insurance companies. Its InsuranceSuite platform allows insurance-industry customers to manage claims, policies and billing functions, while other modules can be added to assist in data management, analytics and digital engagement. We believe Guidewire is well-positioned to benefit as insurance companies increasingly replace their core (usually on-site) legacy solutions with centralized, cloud-based offerings such as Guidewire's.

Another company we like that detracted during the quarter is **Euronet Worldwide, Inc.**, which provides electronic-payment services, including automated teller machines, point-of-sale services and related financial services. Despite the anticipated drop-off in financial transactions due to the pandemic, we believe Euronet has the ability to generate double-digit annual sales growth over the long term, fueled by its meaningfully improved



earnings and potential to generate significant free cash flows. *(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.

As we navigate the current environment, we feel confident in the companies we hold. We also believe that irrational reactions to market volatility can lead to great buying opportunities for the long-term-oriented investor. By applying our due-diligence process to companies that we see as having the strongest underlying fundamentals and management teams and by making thoughtful tactical decisions, we believe we can continue to make our portfolio of companies even stronger over the five-year-plus time horizon toward which we prefer to invest.

Thank you for the opportunity to manage your assets.

Sincerely,

Ken Applegate, Ken Korngiebel, Paul Lambert,  
Linda Lasater and Mike Valentine



## TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2020

|                                    | Quarter* | 1 Year | 3 Years | 5 Years | Since Inception** |
|------------------------------------|----------|--------|---------|---------|-------------------|
| Global Select Fund—Investor        | 9.76%    | 26.00% | N/A     | N/A     | 26.00%            |
| Global Select Fund—Institutional   | 9.82%    | 26.40% | N/A     | N/A     | 26.40%            |
| MSCI AC (All Country) World Index* | 8.13%    | 10.44% | N/A     | N/A     | 10.44%            |

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

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

*\*\*The Wasatch Global Select Fund's inception date was October 1, 2019.*

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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 1.35% for the Investor Class and 0.95% 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.*

Investing in foreign securities, especially in emerging and frontier 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](http://wasatchglobal.com) or call 800.551.1700. Please read the prospectus carefully before investing.***

Being non-diversified, the Fund can invest a larger portion of its assets in the stocks of a limited number of companies than a diversified fund. Non-diversification increases the risk of loss to the Fund if the values of these securities decline.

*The Fund is new and has a limited operating history.*



<sup>†</sup>The MSCI AC (All Country) World Index is a free float-adjusted market capitalization index designed to measure the equity market performance of mid-cap and large-cap securities across 23 developed-market and 26 emerging-market countries. You cannot invest directly in this or any index.

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The Wasatch Global Select 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.

Sales growth is the increase in sales over a specified period of time, not necessarily one year.

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

## GLOBAL SELECT FUND – TOP 10 HOLDINGS

AS OF JUNE 30, 2020

| Security Name   | Percent of Net Assets |
|---|-----------------------|
| Pool Corp.  | 4.2%                  |
| Copart, Inc.  | 3.9%                  |
| Old Dominion Freight Line, Inc.   | 3.9%                  |
| Cochlear Ltd. (Australia)   | 3.8%                  |
| DocuSign, Inc.  | 3.6%                  |
| Bajaj Finance Ltd. (India)  | 3.5%                  |
| Assa Abloy AB, Class B (Sweden)   | 3.5%                  |
| Veeva Systems, Inc., Class A  | 3.4%                  |
| ICON plc (Ireland)  | 3.4%                  |
| Coloplast A/S, Class B (Denmark)  | 3.4%                  |
| Total   | 36.7%                 |
| <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> |                       |