



Investor / Institutional
WAGSX / WGGSX

Wasatch Global Select Fund

DECEMBER 31, 2019

Global Markets Ended 2019 On a Positive Note

OVERVIEW

The Wasatch Global Select Fund—Investor Class finished the first three months since its inception on October 1, 2019 with a gain of 9.40%. The Fund outperformed the benchmark MSCI AC (All Country) World Index, which finished the same period up 8.95%.

During the fourth quarter of 2019, 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. Our U.S. positions added the most to the Fund's return during the quarter and kept pace with the U.S. positions in the benchmark.

Japan was the second-largest contributor on a country basis. We are overweight versus the Index in Japan, and our holdings outperformed their benchmark counterparts. 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.

FUND MANAGERS



Ken Applegate, CFA, CMT
Portfolio Manager

<1 / 5
YEAR ON FUND / YEARS AT WASATCH



Ken Korngiebel, CFA
Portfolio Manager

<1 / 4
YEAR ON FUND / YEARS AT WASATCH



Paul Lambert
Portfolio Manager

<1 / 19
YEAR ON FUND / YEARS AT WASATCH



Linda Lasater, CFA
Portfolio Manager

<1 / 13
YEAR ON FUND / YEARS AT WASATCH



Mike Valentine
Portfolio Manager

<1 / 3
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—Gross: 1.71%, Net: 1.35% / Institutional Class—Gross: 1.43%, 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.**

On a sector basis, our information technology (IT) holdings added the most to the Fund's return, but they lagged the return of the IT positions in the benchmark. Information technology is the most overweight sector in the Fund given the number of innovative companies we have been finding globally that are helping businesses and individuals do things better, faster and cheaper. Industrials, the second most heavily weighted sector in the Fund, also contributed significantly to its return and outperformance of the benchmark. In the materials sector we have just one holding, which we mention below as having detracted from Fund performance.

DETAILS OF THE QUARTER

ICON plc, our only Irish holding, was the most-significant individual contributor during the quarter. Icon provides contract clinical research services to global pharmaceutical companies. The company's services include managing clinical studies and offering data management, regulatory, and central laboratory services. The company has benefited from the global growth of clinical trials in support of biotechnology efforts. Analysts expect the company's quarterly data to show growth in sales in its January quarterly release, and we anticipate the company will continue to perform well for the Fund.

Following news of faster-than-expected growth in New Zealand during the latter-half of 2019, stocks in the country rallied. This may have aided the strong stock-price performance of our only holding in the country. **Xero Ltd.** provides cloud-based accounting software for small- and medium-size enterprises. Xero was the first-to-market with a true cloud solution and is widely considered best-in-class. The company also has a unique acquisition model that has benefited its efforts to obtain referrals. We believe Xero is a long-duration growth story. We believe it should continue its upward trajectory.

Copart, Inc. (CPRT) was another significant contributor. Working largely with insurance companies, Copart processes and auctions salvaged vehicles—primarily to licensed dismantlers, rebuilders and used-vehicle dealers.

In 1998, when we originally invested in Copart, the company was a micro cap valued at about \$180 million. Since then, Copart has benefited from shrewd management, opportunistic use of technology, and a market with high demand and a sufficient supply of wrecked vehicles. The company now boasts a market capitalization in excess of \$22 billion, which is in mid-cap range and just the right size for the Global Select Fund. Indeed, during the fourth quarter, we reluctantly had to sell our position in Copart in our small-cap-focused strategies as it had exceeded their mandates.

Our ability to continue to hold what we believe are excellent companies like Copart, even after they have "graduated" to higher market-cap levels, is one of the primary reasons we felt compelled to create our mid-cap-oriented "Wasatch Select" Funds. In our view, Copart remains extremely well-run and we believe the company will continue to grow.

The largest individual detractor was Denmark's **Chr. Hansen Holding A/S**, which subtracted less than one-quarter of a percentage point from the Fund's return. Chr. Hansen is a bioscience company that develops and produces natural ingredients such as cultures, enzymes, probiotics and natural colors used in the food, nutritional, pharmaceutical and agricultural industries. The company has experienced softer demand for some of its products, including natural food colorings, particularly from emerging markets. Chr. Hansen's annual report released in October showed that organic growth had declined 2% from the same period in 2018, which weighed on the company's share price. We continue to like the company, believing that



Chr. Hansen remains an innovator and leader in the food cultures and enzymes market.

HEICO Corp. (HEI) also saw its share price dip slightly during the quarter. HEICO is a manufacturer of electronics and aerospace products and services. The company boasts contracts with major airlines, defense contractors and military agencies, including the U.S. Air Force, the U.S. Navy and NASA. Current defense spending levels have benefited HEICO, and we believe the stock's slight step back reflects normal short-term market movement. *(Current and future holdings are subject to risk.)*

OUTLOOK

During December, most developed markets posted solid returns to close out a strong year. In the U.S., the S&P 500® Index rose 31.49% for the 12 months ended December 31, 2019, its best return since 2013. Meanwhile, the U.K. showed early signs of casting off a shadow of uncertainty that has loomed for nearly four years.

As was also the case during the fourth quarter, a general principle in international investing is that a falling U.S. dollar is helpful to emerging markets. Weakness in the greenback can become self-reinforcing, as outsized equity gains and stronger economic growth in emerging markets pull investment away from the U.S., further impacting the dollar. Conversely, a strong U.S. dollar can pose

headwinds to emerging-market investments. Countries with structurally weak currencies are especially vulnerable to dollar strength, which may compel them to adopt overly restrictive monetary and fiscal policies in order to attract and retain foreign capital.

Although U.S. stocks generally notched significant gains during the fourth quarter, we don't necessarily view this as a sign of overexuberance. For one, after a large downturn toward the end of 2018, stocks started 2019 well off their highs. For another, price/earnings multiples for profitable companies are lower today than two years ago.

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

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 DECEMBER 31, 2019

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Global Select Fund—Investor	9.40%	N/A	N/A	N/A	9.40%
Global Select Fund—Institutional	9.40%	N/A	N/A	N/A	9.40%
MSCI AC (All Country) World Index†	8.95%	N/A	N/A	N/A	8.95%

*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 or call 800.551.1700. Please read the prospectus carefully before investing.

Diversification does not eliminate the risk of experiencing investment losses.

The Fund is new and has a limited operating history.



**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.

The price/earnings (P/E) ratio, also known as the P/E multiple, is the price of a stock divided by its earnings per share.

The S&P 500 Index includes 500 of the United States' largest stocks from a broad variety of industries. The Index is unmanaged and is a commonly used measure of common stock total return performance.