

Wasatch International Select Fund

JUNE 30, 2020

Markets Reversed Course And Rebounded in the Second Quarter

OVERVIEW

The Wasatch International Select Fund—Investor Class gained 23.97% for the second quarter of 2020. The Fund outperformed its benchmark, the MSCI EAFE Index, which finished the same period up 14.88%. Year-to-date, the Fund rose 4.82% and outperformed the benchmark's decline of -11.34%.

The International Select Fund was created with the goal of taking advantage of Wasatch's deep knowledge of the small-cap realm. For the Fund, we seek to select high-conviction companies, often ones that we have owned in other Wasatch funds and/or have followed for years, that we believe to be individually outstanding. In some cases, these companies may have outgrown the small-cap mandate of our other funds.

That the Fund held up so well in the volatile market environment that characterized the first half of the year, we believe vindicates both our bottom-up investment process and our confidence in our ability to find companies in international markets with the potential for strong long-term growth.

FUND MANAGERS



Ken Applegate, CFA, CMT
Lead Portfolio Manager

<1 / 6
YEAR ON FUND / YEARS AT WASATCH



Linda Lasater, CFA
Lead Portfolio Manager

<1 / 13
YEAR ON FUND / YEARS AT WASATCH



Derrick Tzau, CFA
Associate Portfolio Manager

<1 / 2
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: 2.03%, Net: 1.30% / Institutional Class—Gross: 1.79%, Net: 0.90%. The Advisor has contractually agreed to limit certain expenses to 1.30% for the Investor Class and 0.90% for the Institutional Class through at least 1/31/2021.***

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 coming weeks. Although the timeline of such a deal is tight and the outcome 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. It is worth noting that Japan and the U.K. are the Fund's two most heavily weighted countries and accounted for nearly one-third of the Fund's invested assets as of June 30, 2020.

DETAILS OF THE QUARTER

Xero Ltd. was the top individual contributor to Fund performance in the second quarter. The company provides cloud-based accounting software for small and medium-size enterprises. Xero was the first-to-market with a true cloud-native solution and is widely considered best-in-class. The company has continued to gain market share in the U.K. and has strengthened its U.S. operations. We like that Xero has continually added desirable functionality, such as machine-learning capabilities, that help set its platform apart. The company also has a unique acquisition model that has contributed to its efforts to obtain referrals.

Ultimately, we believe that Xero offers an impressive platform and that a sufficiently large user base needs such a platform. Although Xero is

not alone in the space, we believe the opportunity set is large enough that the company has a promising chance to become one of the major players. We believe Xero is a long-duration growth story that will be aided by tailwinds benefiting information-technology companies in general.

We have written previously about **Fevertree Drinks plc (FEVR)** and **Trainline plc (TRN)**, two U.K. holdings we really like. Both companies saw their stocks rebound during the second quarter after struggling, like most, in the first quarter. Fevertree is a U.K.-based producer of premium drink mixers. The company has faced an increase in competitive pressures as it makes a leap into the U.S. and Europe. Nevertheless, Fevertree has been effective at establishing itself as a dominant brand in the U.K. and it appears to be having success in applying that same approach to these new markets. Despite ending the first quarter as one of the Fund's detractors, we believed secular trends were supportive of the company's product offerings, a belief that has been consistently bolstered by our ongoing interactions with the company's capable management team. Consistent with that thesis, the company's stock rebounded in the second quarter and was a strong contributor.

Trainline is one of the few companies exposed to the travel industry that we have kept in the Fund. The company operates the leading online-booking platform for train tickets in the U.K. As a result, Trainline unsurprisingly faced a difficult first quarter as stay-at-home orders and social-distancing measures had their intended effect. However, as we wrote in last quarter's commentary, we expected that Trainline's excellent management team and ample cash reserves would be more than sufficient to guide the company through the short-term lull, after which we expected domestic travel would pick up quickly.

We continued to add to our position in Trainline as the company's stock price was punished in



recent months, and that patience and commitment to our investment thesis paid off in the second quarter when the company's stock price rebounded. We believe this supports our view that Trainline is an extremely well-run company with years of growth ahead of it.

There was only one company within the Fund that detracted from the quarterly return. **Kakaku.com, Inc.** is a new holding that we added to the Fund in the latter half of the quarter. The Japanese company offers online price-comparison and product-information services, online advertising and runs tabelog.com—Japan's equivalent of sites like Yelp and OpenTable. We took the opportunity of the stock's price weakness to add the company to the Fund. We believe Kakaku.com has a steady base of cash flows from its mature price-comparison business and opportunities to grow in a number of new and existing areas, including online restaurant advertising and bookings.

Kakaku.com had also started test marketing takeout and delivery services prior to the emergence of the coronavirus. We believe this is another area that has the potential to drive company growth with the current environment so strongly favoring services that facilitate social-distancing measures.

Two other underperforming Fund holdings—those with gains that were less than the benchmark's overall return—were Switzerland's **Sonova Holding AG**, a medical-device manufacturer, which was sold, and Germany's **Rational AG**, which manufactures and markets kitchen appliances and accessories for commercial-scale kitchens, selling to customers including hotels, restaurants and caterers. We believe the company still has plenty of opportunity to expand its market share as it works

to establish a foothold in the U.S. (*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.

The second quarter generally provided a welcome influx of positive news. We are hopeful that the 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 Select 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,

Ken Applegate, Linda Lasater and Derrick Tzau



TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2020

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
International Select Fund—Investor	23.97%	N/A	N/A	N/A	17.40%
International Select Fund—Institutional	23.95%	N/A	N/A	N/A	18.00%
MSCI EAFE Index†	14.88%	N/A	N/A	N/A	-4.10%

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 International 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 1.30% for the Investor Class and 0.90% 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 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.

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.



*The MSCI EAFE Index is an unmanaged index and includes reinvestment of all dividends of issuers located in 21 developed-market countries, excluding the U.S. and Canada. This index is a free float-adjusted market capitalization index designed to measure the performance of mid-cap and large-cap securities.

You cannot invest in this or any index.

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The Wasatch International Select 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.

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.

INTERNATIONAL SELECT FUND – TOP 10 HOLDINGS

AS OF MARCH 31, 2020

Security Name	Percent of Net Assets
Coloplast A/S (Denmark)	6.3%
Fisher & Paykel Healthcare Corp. Ltd. (New Zealand)	6.2%
Tsuruha Holdings, Inc. (Japan)	5.7%
Assa Abloy AB, Class B (Sweden)	4.8%
Dassault Systemes S.A. (France)	4.5%
Sartorius Stedim Biotech (France)	4.5%
Halma plc (United Kingdom)	4.4%
Cochlear Ltd. (Australia)	4.0%
Chr. Hansen Holding A/S (Denmark)	4.0%
Sonova Holding AG (Germany)	3.8%
Total	48.2%

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.