WASATCH EMERGING INDIA STRATEGY

Quick Take: India's Similarities With The U.S.

Like the U.S. in the Early 1980s, We Think India Today Is Destined For Rapid Progress

FEBRUARY 25, 2020

TAKING ADVANTAGE OF THREE MEGATRENDS

At Wasatch Global Investors, we've been researching companies in India for more than 15 years. And we meet on site with as many as 100 Indian management teams annually. Based on this bottom-up research, we believe India is poised to experience exponential growth made possible to a large extent by three megatrends: digitalization, financialization and formalization.

Digitalization involves the electronic storage, retrieval and distribution of information, and the ability to communicate, collaborate and be productive with the help of electronic devices. Financialization entails the creation and distribution of banking, investment, credit, payment and insurance services. Formalization refers to the greater transparency of economic activities and a better regulatory framework.

The resulting exponential growth is what can totally transform an economy in relatively short order—whether during the Industrial Revolution that began in the late 1700s, the Computer Revolution that began in the 1950s or India's megatrends that we're seeing today. Moreover, we believe the megatrends of digitalization, financialization and formalization should benefit our Indian holdings in particular. One reason for this is that we focus on high-quality small caps. And while exponential growth can be a decent tailwind for large companies, it can be a gale of sustained advancement for smaller companies that have even more headroom for expansion.

TODAY'S INDIA IS SIMILAR TO THE U.S. IN THE EARLY 1980s

When we consider why the United States has had better economic growth than most other developed countries in recent decades, we believe the reasons include U.S. deregulation and other free-market reforms that began in the early 1980s under President Ronald Reagan. Additionally, we think the proliferation of self-funded retirement plans around that time helped create more of an "investor culture," which has been positive for economic development.

Beyond the pro-growth measures during the Reagan administration, former U.S. Federal Reserve Chairman Paul Volcker led the fight to reduce inflation, which peaked at 14.8% in 1980. Volcker took the unpopular step of raising the federal-funds rate to 20% in 1981. But he was vindicated in the eyes of most economists when inflation fell to below 3% by 1983.

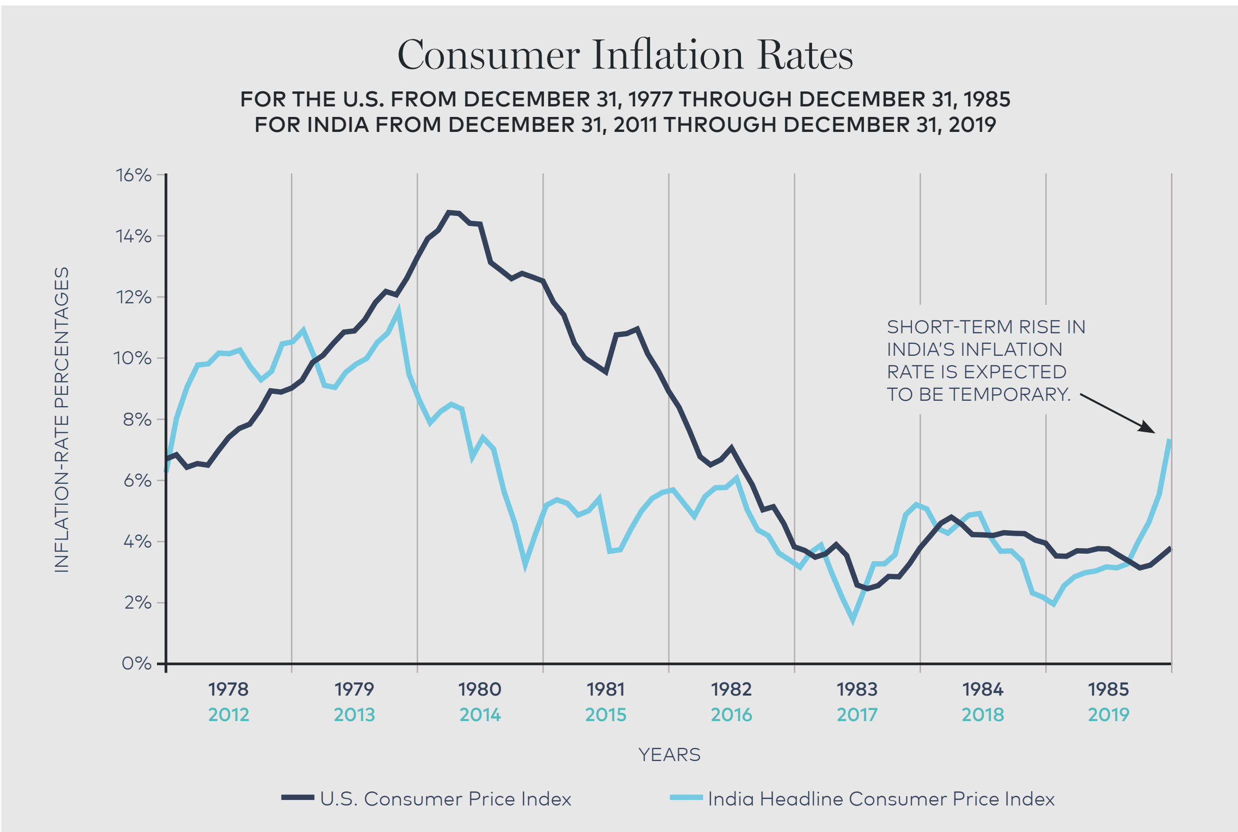
Like the U.S. in the 1980s, we think India is currently experiencing the long-term effects of reforms and initiatives that have been bolstered under Prime Minister

Narendra Modi. India's forward-thinking measures have helped make the country one of the fastest-growing major economies in the world and one of the most-fertile emerging markets for finding attractive investments.

Even India's "investor culture" is similar to that of the United States. In the U.S., there are individual retirement accounts (IRAs), 401(k) plans and other savings vehicles. In India, there are systematic investment plans (SIPs). The goal in both countries is the same: getting people who are still relatively young to take charge of retirement planning and to benefit from the powerful force of long-term compounding, mainly through investments in assets such as stocks and bonds.

Another parallel between the U.S. and India has been a willingness to fight inflation. In 2014, under the Modi administration, former Reserve Bank of India (RBI) Governor Raghuram Rajan took a page out of Paul Volcker's playbook by raising the RBI's benchmark policy rate to 8%. What followed, as indicated in the chart below, was a general decline in India's consumer price inflation—which hovered in low single digits, down from over 11% around the time Rajan became RBI Governor in 2013. Recently, there has been a short-term rise in inflation, which is related to vegetable prices but is expected to be only temporary.

In a broader context, it's important to note that the Reserve Bank of India Act was amended by the Finance Act



Sources: U.S. inflation data as per the U.S. Consumer Price Index (https://inflationdata.com). India data courtesy of Edelweiss Securities Limited. Data show monthly year-over-year inflation rates based on India's Headline Consumer Price Index.

of 2016, which allows the central bank to contain inflation within a specified target level. Therefore, inflation targeting has been enshrined in India's constitution.

Also included in the chart is the pattern of U.S. consumer price inflation from the late-1970s to the mid-1980s. Since then, U.S. inflation has never exceeded about 6% and has averaged much less than that.

In addition to the U.S. economy having been more resilient than most other developed economies in recent decades, U.S. stocks—including smaller caps—have outperformed their developed-market peers. Similarly, in the years ahead, we expect Indian stocks to generally surpass most other emerging-market names. And if we're correct about the overall health of the Indian economy, we're also likely to see strength in the currency—the rupee—which could be another source of returns for dollar-based investors in the United States.

WASATCH GLOBAL INVESTORS: EXTENSIVE EXPERIENCE IN INDIA, ESPECIALLY RESEARCHING SMALLER COMPANIES

We believe the reason to rely on Wasatch for Indian stock picking comes down to experience. As mentioned, we've been researching companies in India for over 15 years and our firm is among the relatively few U.S.-based advisors that run actively managed strategies exclusively invested in Indian stocks. Additionally, compared to their benchmarks, many of our international, global and emerging markets strategies are overweighted in India.

With our India-only strategy—the Wasatch Emerging India strategy—we typically hold 30 to 70 positions. Although we can invest in companies of any size, we focus on small- and mid-cap companies that tend to have especially significant headroom for expansion. We think our deep, fundamental research of smaller companies is very different from many emerging-market managers and indexes that typically concentrate on bigger names.

For clients who are registered to accept securities traded on the Indian stock exchanges, the Wasatch Emerging India strategy can be structured as a separately managed portfolio. Otherwise, we have the convenience of a mutual fund—the Wasatch Emerging India Fund—which is offered in Investor (Retail) Class shares and in Institutional Class shares. The Fund's historical returns, portfolio characteristics and performance statistics are presented below. Also provided are the backgrounds of the portfolio managers.

Average Annual Total Returns

FOR PERIODS ENDED DECEMBER 31, 2019

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Emerging India Fund—Investor	5.75%	13.78%	18.15%	11.45%	11.44%
Emerging India Fund—Institutional	5.95%	13.93%	18.34%	11.63%	11.54%
MSCI India Investable Market Index	5.27%	5.33%	10.37%	4.86%	2.65%

Returns less than one year are not annualized.

***Average annual total returns since the Emerging India Fund's inception on 4/26/2011.*

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—1.68% / Institutional Class—1.49%**

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 1.75% for the Investor Class and 1.50% 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.

Portfolio AS OF DECEMBER 31, 2019

Characteristics

	Portfolio	Index
Number of Holdings	34	333
Average Market Cap ($ Weighted)	$14.66 b	$37.52 b
Median Market Cap	$3.34 b	$1.36 b
EPS Growth (%, est. 5 Yr)	23%	22%
P/E (Forward)	33	18
Portfolio Turnover (%)	23.18	n/a
Active Share (%)	91	n/a

Performance Statistics

	5 Year
Alpha	6.76
Beta	0.86
R-Squared	0.80
Standard Deviation	16.49
Upside Capture	104.93
Downside Capture	82.61

ABOUT THE PORTFOLIO MANAGERS

Ajay Krishnan, CFA

Lead Portfolio Manager

25 Years of Experience / 25 Years at Wasatch

Mr. Krishnan joined Wasatch Global Investors in 1994 and serves on the Board of Directors. He is also a Portfolio Manager, the head of emerging markets investing and a member of the global research team.

Mr. Krishnan earned a Master of Business Administration from Utah State University, where he also worked as a graduate assistant. He completed his undergraduate degree at Bombay University, earning a Bachelor of Science in Physics with a minor in Mathematics.

Mr. Krishnan is a CFA charterholder and a member of the Salt Lake City Society of Financial Analysts.

Ajay is a native of Mumbai, India and speaks Hindi and Malayalam. He enjoys traveling and cycling. He is also a budding vintage-car enthusiast and an amateur horologist.

Matthew Dreith, CFA

Portfolio Manager

14 Years of Experience / 8 Years at Wasatch

Mr. Dreith is a Portfolio Manager on the emerging markets research team. He joined Wasatch Global Investors as an Analyst in 2011.

Prior to joining Wasatch, Mr. Dreith worked as an investment analyst for the Time Value of Money L.P. in Austin, Texas as well as American Century Investments in Kansas City, Missouri. He also completed an investment analyst internship with Alchemy Capital Management in Mumbai, India.

Mr. Dreith earned a Master of Business Administration degree from McCombs School of Business at the University of Texas. He is also a CFA charterholder.

Matt is a native of Colorado, and has lived in Denmark and India. He enjoys traveling, pushing his limits with spicy food, and reading nonfiction and sci-fi.

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RISKS AND DISCLOSURES

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. Investing in foreign securities, especially in emerging markets, entails special risks, such as unstable currencies, highly volatile securities markets and political and social instability, which are described in more detail in the prospectus.

Diversification does not eliminate the risk of experiencing investment losses.

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.

Information in this document regarding market or economic trends or the factors influencing historical or future performance reflects the opinions of management as of the date of this document. These statements should not be relied upon for any other purpose. ***Past performance is no guarantee of future results, and there is no guarantee that the market forecasts discussed will be realized****.*

The Wasatch Emerging India Fund's investment objective is long-term growth of capital.

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DEFINITIONS

Active share *measures the difference between portfolio holdings and the benchmark. It is the sum of the absolute values of the different weightings of each holding in the fund versus each holding in the benchmark, divided by two.*

Alpha *is a risk-adjusted measure of the so-called "excess return" on an investment. It is a common measure of assessing an active manager's performance as it is the return in excess of a benchmark index or "risk-free" investment. The difference between the fair and actually expected rates of return on a stock is called the stock's alpha.*

Beta *is a measurement of a fund's trailing return in relation to the overall market (or appropriate market index). A beta of 1 indicates the share price will typically move with the market. A beta of more than 1 indicates the share price will typically be more volatile than the market. A beta of less than 1 indicates the share price will typically be less volatile than the market.*

Downside capture *explains how well a fund performs in time periods when the benchmark's returns are less than zero.*

Earnings per share *or* **EPS** *is the portion of a company's profit allocated to each outstanding share of common stock. EPS growth rates help investors identify companies that are increasing or decreasing in profitability.*

The **federal-funds rate** *is the interest rate at which private depository institutions (mostly banks) lend balances (federal funds) at the Federal Reserve to other depository institutions, usually overnight. It is the interest rate banks charge each other for loans.*

The **MSCI Emerging Markets Index** *is a free float-adjusted market capitalization index designed to measure the equity market performance of emerging markets. You cannot invest in this or any index.*

The **MSCI India Investable Market Index (IMI)** *covers all investable large, mid and small cap securities across India, targeting approximately 99% of the Indian market's free-float adjusted market capitalization. You cannot invest directly in this or any index.*

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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.*

R-squared (R2) *is a statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index.*

Standard deviation *is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.*

Upside capture *explains how well a fund performs in time periods when the benchmark's returns are greater than zero.*

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