WASATCH GLOBAL INVESTORS

WASATCH EMERGING INDIA STRATEGY

Quick Take: India Versus China

Why We Believe India—Even More So Than China—Is a Standout Among Emerging Markets

FEBRUARY 25, 2020

GO WHERE THE WIND IS AT OUR BACKS

While diversification is one of the most-basic principles of investing, we believe diversification can go too far—to the point at which fringe ideas dilute your best ideas. We think this can be a particular problem among emerging markets, where your opportunity set is enormous but also where the rewards don't always compensate you adequately for the risks.

At Wasatch Global Investors, we scour the entire emerging-market universe. And we're delighted to invest in attractive, niche companies wherever we find them—even in countries with difficult macro conditions.

But we treat such niche opportunities as complementary elements of our approach. The core elements of our approach include an attempt to ensure we're mindful of where the wind is at our backs. And more than in any other emerging market, we believe the wind is at our backs in India—especially among smaller companies.

INDIA AS A SEPARATE ASSET CLASS

Because the opportunity set is so large and the headroom for growth is enormous, we think Indian stocks (smaller caps in particular) should be treated as a separate asset class with a dedicated investment allocation. Some might assert the same view about Chinese stocks, and we wouldn't necessarily argue with such a position.

Having said that, China's weighting in the MSCI Emerging Markets Index is above 30%. And this weighting influences many emerging-market portfolio managers. As a result, their clients probably have sizable exposure to China already.

Not so for India. The weighting for Indian positions in the MSCI Emerging Markets Index is less than 10%. And we believe it should be much higher.

For clients who'd like to consider a larger allocation, we think there are several basic questions they should ask: Why India over other countries? Why smaller caps in particular? Why now? And why Wasatch Global Investors?

DIGITALIZATION, FINANCIALIZATION AND FORMALIZATION DRIVE INDIA'S VIRTUOUS CIRCLE OF AMAZING PROGRESS

At Wasatch, we've been investing in India for more than 15 years. And we meet on site with as many as 100 Indian company 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.

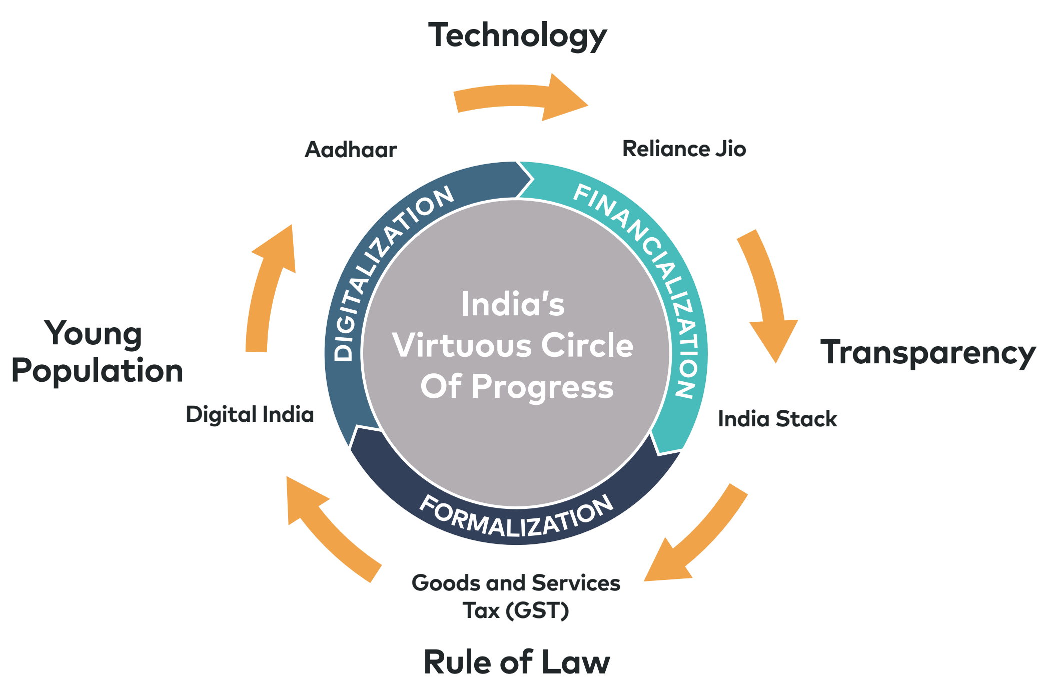
Exponential growth is what can totally transform an economy in relatively short order—whether during the Industrial Revolution that began in the late 1700s, the Computer Revolution that began in the 1950s or India's megatrends that we're seeing today. Moreover, we believe the megatrends of digitalization, 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.

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. Digitalization means that India is making great strides in the biometric identification of almost all its citizens (with data integrity and security) and in the expansion of the internet and mobile-phone services—often more quickly than developed-market counterparts.

A central part of digitalization is ***India Stack***—a set of standardized application programming interfaces (APIs) or building blocks—which allows programmers to more easily create technological solutions for governments, businesses and individuals. The goal of India Stack is to form a digital infrastructure that lessens or eliminates the need for paper records and tangible currency, and that uses biometric identification to vastly reduce requirements for peoples' physical presence. To put this initiative in perspective, India Stack is the largest open API in the world. In fact, almost all adult Indians will soon have DigiLockers to hold electronic government documents such as birth certificates, tax statements, driver's licenses, motor-vehicle registrations and exam scores.

Financialization entails the creation and distribution of banking, investment, credit, payment and insurance services. Financialization is at the foundation of any well-functioning modern economy. Moreover, digitalization

Digitalization, Financialization And Formalization Are Transforming India



is a critical element of India's rapid financialization—and the interaction of the two is critical to the country's virtuous circle of amazing progress.

Formalization refers to the greater transparency of economic activities and a better regulatory framework. One element of formalization is a simpler and fairer tax system that reduces layers of "petty corruption" and gets tax money to where it's intended—to building infrastructure, for example. Another element of formalization is making personal and business transactions with electronic devices, rather than with tangible currency notes. This way, transactions are conducted more honestly and equitably—and with less "regulatory cholesterol" that clogs economic systems.

HOW INDIA COMPARES ON THE WORLD STAGE

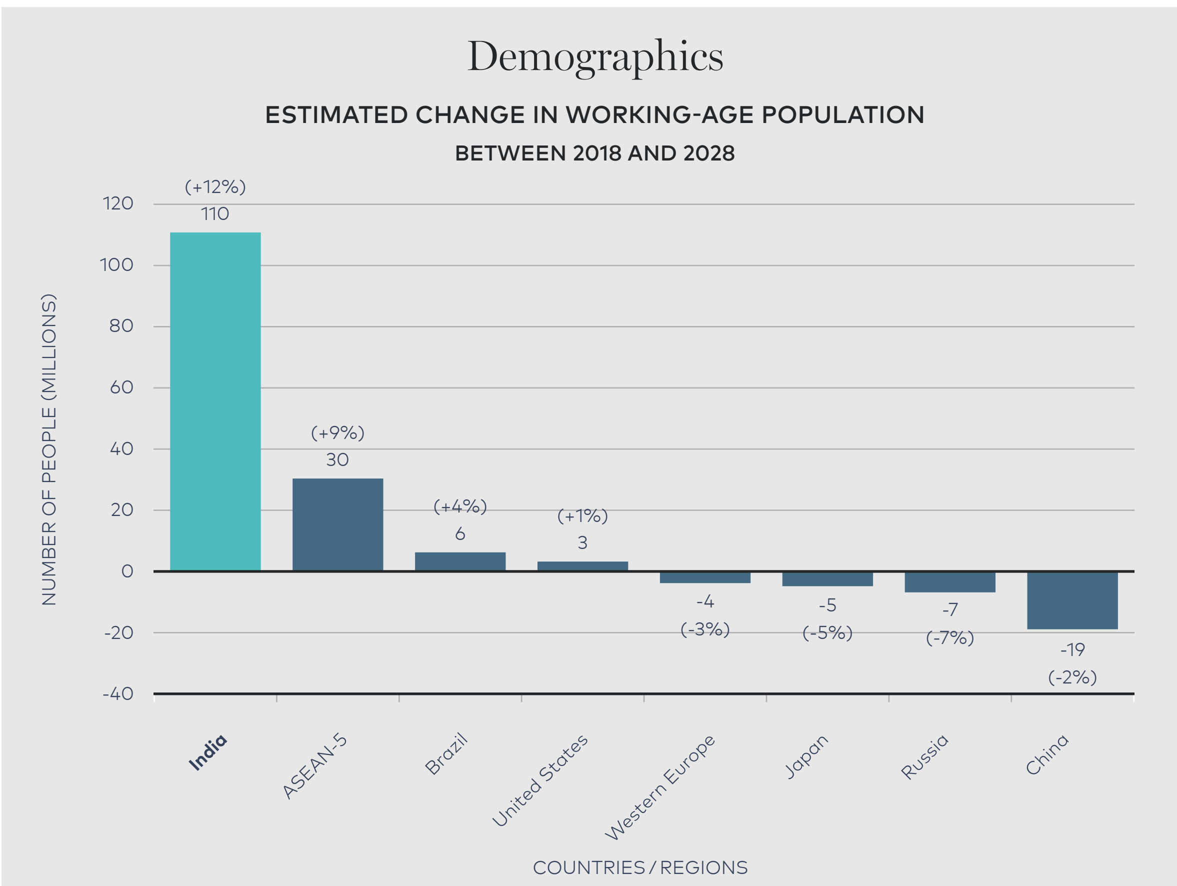
As mentioned, there's no doubt that China is a major economic force and is correspondingly well-represented in many emerging-market and global portfolios. India, by comparison, has a population of similar size, has even better investment prospects in our view and has less exposure to trade-war risks. But Indian equities are surprisingly under-represented in many portfolios.

Consider that India is home to more than 1.3 billion citizens—over a sixth of all the people in the world—and is one of the fastest-growing major economies on the planet. India also benefits from a relatively young population's willingness to embrace technology, transparency and the rule of law. Extremely rapid progress has ensued from there.

A ***young population*** is important because radical change is more likely to be accepted by people who haven't lived long lives under an obsolete paradigm. In fact, with over 65% of its total population under age 35, India has the largest group of young people on the globe. In the next decade, the estimated change in India's working-age population (ages 15 to 64) will be 110 million—making India's workforce the world's biggest at about one billion people, many of whom speak English. This is in contrast to China, which is expected to see a decline in its working-age population.

Technology has allowed India to leapfrog outmoded stages of development in the ways people communicate, the ways they live and the ways they work. Just imagine going from having no indoor plumbing or electricity to having a mobile phone and a bank account almost overnight.

Transparency—protected, of course, by world-class security—has allowed technology to function properly.



Note: The working-age population is defined by the OECD as persons aged 15 to 64 years. The Organization for Economic Cooperation and Development (OECD) is a forum where the governments of 34 democracies with market economies work with each other, as well as with more than 70 non-member economies to promote economic growth, prosperity and sustainable development. ASEAN stands for the Association of Southeast Asian Nations. The ASEAN-5 are defined by the International Monetary Fund as the Southeast Asian nations of Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Source: Macquarie Macro Strategy estimates for the 10 years ending December 31, 2028.

Without transparency, technology would be limited in its ability to improve peoples' lives. For instance, the Indian government wouldn't be able to help the poor as effectively if people weren't willing and able to disclose their identity, their circumstances and their needs.

Moreover, transparency is a vital aspect of the ***rule of law***, which is a basic element of a thriving economy. People need to know that corruption will be exposed and that what they earn and save won't be stolen through malicious schemes. The rule of law encourages people to engage in productive work and pay their taxes.

A person from a developed region visiting India might be surprised by our enthusiasm for the country's potential. After all, India is still plagued by poverty, pollution and poor infrastructure. But as we like to say, these things only represent the country's "hardware," or what can be seen on the surface. We believe the country's "software," what can only be seen by looking deeper, is in much better shape. India's software is mostly responsible for the country's technological innovation and virtuous circle of progress that are occurring at breakneck speed. This is why we think a country's software is much more important than its hardware for winning in the 21st century.

WHAT MAKES INDIA SO COMPELLING NOW?

In India, the Hindi term ***"jugaad"*** can be used to describe an improvised fix, or a clever solution born of adversity. In other words, jugaad can characterize a way of life—an attitude of doing more with less. In the past, jugaad had meant that India always found a way to move ahead incrementally and to make do.

But what's happening in India today is much more than simply making do. Preparation has met opportunity, and India is currently taking a giant leap forward. This rapid advancement is happening now because there's been a confluence of positive changes. These changes include public initiatives such as massive ***Goods and Services Tax (GST) reform*** and ***Aadhaar***, which uses biometric data to electronically identify almost all of India's adult population, and private enterprises such as ***Reliance Jio***, which is India's extremely low-cost provider of high-tech mobile-phone service.

From a political standpoint, Prime Minister Narendra Modi was overwhelmingly re-elected for another five-year term. This should enhance the prospects for continued government reforms, economic-growth initiatives, and corporate competitiveness as India strives to lure manufacturers looking for relief from tariffs and other disruptions tied to the trade dispute between the U.S. and China.

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 **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 directly 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.*

Source: MSCI. The MSCI information may only be used for your *internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties or originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)*

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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