WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAINX / Institutional WIINX

Wasatch Emerging India Fund

SEPTEMBER 30, 2022

Foreign Investors Returned to India in Droves During the Third Quarter

FUND MANAGERS

Ajay Krishnan, CFA
Lead Portfolio Manager

11 YEARS ON FUND / 28 YEARS AT WASATCH

Matthew Dreith, CFA
Portfolio Manager

6 YEARS ON FUND / 11 YEARS AT WASATCH

OVERVIEW

Strong earnings, falling oil prices and easing concerns about inflation pushed India's major stock averages to within a few percentage points of their all-time record highs during the third quarter. Equities relinquished some of those gains in the latter half of the quarter, tracking a global selloff triggered by a surging dollar and rising probabilities of recession in the U.S. and Europe. The Wasatch Emerging India Fund—Investor Class gained 9.88% for the quarter. The Fund surpassed the benchmark MSCI India Investable Market Index (IMI), which rose 7.42%.

Favorable demographics and robust consumer markets have enabled India's economy to hold up comparatively well in the face of global headwinds. Economic momentum arising out of the country's rebound from Covid-19 has also helped sustain growth. Gross domestic product (GDP) increased 13.5% in the April-to-June quarter versus the same period a year ago, official data showed. Looser mobility restrictions lifted the vast services sector—which accounts for over 50% of the nation's economy—as resurgent domestic demand fueled the fastest pace of expansion in a year.

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, without which total returns would have been lower. 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 1.52% / Institutional Class—1.37%. 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 1/31/2023.***

Foreign investors returned in droves during the third quarter after withdrawing a record $33 billion from Indian stocks during the nine months through June. Their purchases helped offset declining domestic inflows into equity mutual funds, which slowed in August to about $765 million—the lowest monthly amount since October 2021. Moreover, the recent uptick in cash flows from overseas has lent support to India's currency, the rupee, as foreigners converted their local currencies into rupees and used the proceeds to buy Indian stocks.

Lack of investments in energy was the Fund's biggest source of outperformance relative to the benchmark. With energy the worst-performing sector of the Index, sidestepping declines in energy stocks directly helped the Fund's relative return, while also allowing the Fund to benefit from strength in other areas of the market.

Additional sources of outperformance in the Fund included information technology (IT), consumer discretionary and health care. Our stocks in these areas substantially outpaced the corresponding sectors of the Index. Zero exposure to utilities and an underweight position in materials hurt the Fund's relative performance by limiting exposure to what were two of the higher-returning sectors of the Index during the quarter.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the quarter was Bajaj Finance Ltd. A non-bank financial company, Bajaj Finance is the lending arm of the Bajaj Group—a well-regarded Indian industrial house founded in 1926. Shares of the company had been under pressure for much of the year as foreign institutional investors seeking to reduce risk in their portfolios liquidated positions in Indian equities. After nine months of relentless selling, that trend reversed in July. Sentiment toward Indian financials got a boost from broad-based acceleration in demand for loans, with bank credit surging 15.5% in August—the largest monthly increase since November 2013.

Trent Ltd. was also a top contributor. The company operates a leading chain of retail stores that specialize in fashion apparel, cosmetics, perfumes and toiletries. Sputtering economies in the U.S., Europe and China have burnished the appeal of India's domestic consumer markets. Trent has been posting impressive top- and bottom-line growth, helped by improved efficiency in its supply chains. Revenues in the company's most recent quarter exceeded analyst expectations, driven largely by the accelerated opening of new stores.

Another strong stock in the Fund was Elgi Equipments Ltd. The company manufactures and sells air compressors and automotive components in India and internationally. Consolidated profit after tax rose 305% in Elgi's most recent quarter on 42% sales growth compared to the same quarter a year ago. Management cited increased demand for the company's compressors in Europe, North America and Brazil. The automotive segment also showed strength, although growth fell short of management's goals. Because compressed air is widely used in manufacturing and other industrial processes, Elgi stands to benefit from the current wave of industrialization sweeping through India.

In what was a quarter of positive performance, only two holdings detracted from the Fund's return: Persistent Systems Ltd. and AU Small Finance Bank Ltd. A multinational IT-services firm, Persistent provides outsourced software development to clients across a range of industries. Despite reporting strong financial results in its most recently completed fiscal period, Persistent saw its stock price shrink about -5% in local currency during the third quarter. Investors feared the increasingly uncertain global economic backdrop would lead to cutbacks in corporate spending on IT.

AU Small Finance Bank primarily targets unbanked and underbanked low- and middle-income borrowers in India. Measured in local currency, the company's stock price rose approximately 5% during the third quarter amid upbeat earnings news and continued improvement in asset quality. The stock may have been held back from even larger gains by rising interest rates—which threaten to increase funding costs and squeeze net interest margins of lenders such as AU. Some investors may also have been concerned about heightened competition in the housing-finance segment of the lending market. In the Fund, currency depreciation against the dollar and our ill-timed trimming of the position subtracted a minuscule amount from performance. *(Current and future holdings are subject to risk.)*

OUTLOOK

As developed countries grapple with rising inflation, declining equity prices and mounting risks of recession, India stands out among the major emerging markets. Unlike export-driven economies such as Taiwan and Korea, India doesn't depend heavily on Western markets for growth. According to data from the World Bank, private domestic consumption accounts for over 70% of GDP in India, the world's sixth-largest consumer market. With exports representing only about 12% of GDP, India is well-positioned in our view to withstand the effects of a potential global slowdown.

India's financial sector is one area that we believe offers pockets of opportunity in a world where slowing growth and elevated inflation pose serious challenges for investors seeking attractive real (inflation-adjusted) returns. Financial companies in India have benefited as credit demand rebounded from the most recent wave of Covid-19. Lifted in part by financials, India's stock market—as measured by the S&P BSE Sensex Index—has held up better than most others thus far in 2022.

We're somewhat less enthusiastic about the IT-services industry. Because these companies essentially export brainpower to the rest of the world, they're vulnerable to economic weakness in developed countries. Having spent much of the past two years inking contracts to help their clients generate revenue, IT-services firms now face the very real risk that those clients will retreat into cost-cutting mode.

Currency risk is always a consideration when investing internationally, especially in emerging markets such as India. We allow for a certain amount of depreciation in the rupee and seek companies that we believe can outgrow the currency's potential devaluation against the dollar. Over the past year, India's central bank, the Reserve Bank of India (RBI), has shored up the rupee by intervening in currency markets, drawing down its foreign-exchange reserves from $641 billion in September 2021 to under $538 billion as of September 23, 2022. Still, RBI governor Shaktikanta Das has sought to reassure investors that the central bank's forex reserves are adequate to maintain a reasonable level of stability and handle external shocks.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan and Matthew Dreith

WASATCH
GLOBAL INVESTORS

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2022

	Quarter*	1 Year	3 Years	5 Years	10 Years
Emerging India Fund—Investor	9.88%	-14.79%	11.81%	9.90%	12.75%
Emerging India Fund—Institutional	9.75%	-14.77%	11.99%	10.03%	12.88%
MSCI India Investable Market Index**	7.42%	-9.96%	12.72%	7.61%	7.71%

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

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 returns 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—1.52% / Institutional Class—1.37%**

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 1/31/2023.** 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.

Investing in small 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.

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.

**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. Indexes are unmanaged. Investors 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 Wasatch Emerging India Fund's investment objective is long-term appreciation of capital.

Gross domestic product (GDP) is a basic measure of a country's economic performance and is the market value of all final goods and services made within the borders of a country in a year.

Net interest margin is typically used for a bank or an investment firm that invests depositors' money, allowing for an interest margin between what is paid to the bank's client and what is made from the borrower of the funds. A positive net interest margin indicates that an entity has invested its funds efficiently, while a negative net interest margin implies that the funds have not been invested efficiently.

The S&P Bombay Stock Exchange Sensitive Index (S&P BSE SENSEX or simply the SENSEX) is a free-float market capitalization-weighted stock market index of 30 well-established and financially sound companies listed on BSE (Bombay Stock Exchange) Ltd. The 30 component companies, which are some of the largest and most actively traded stocks, are representative of various industrial sectors of the Indian economy.

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

EMERGING INDIA FUND — TOP 10 HOLDINGS
AS OF JUNE 30, 2022

Security Name		Percent of Net Assets
Elgi Equipments Ltd.		8.4%
Bajaj Finance Ltd.		8.4%
AU Small Finance Bank Ltd.		7.2%
HDFC Bank Ltd.		6.6%
Mindtree Ltd.		6.2%
Larsen & Toubro Infotech Ltd.		5.8%
Trent Ltd.		5.5%
Avenue Supermarts Ltd.		4.9%
Dr. Lal PathLabs Ltd.		4.9%
L&T Technology Services Ltd.		4.7%
	Total	62.5%

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.