WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAESX / Institutional WIESX

Wasatch Emerging Markets Select Fund

DECEMBER 31, 2022

Emerging Markets Benefited From a Weakening U.S. Dollar And China's Dismantling of Rigorous Zero-Covid Protocols

OVERVIEW

Stock markets in developing nations were mostly higher during the fourth quarter of 2022. Helped by a weakening U.S. dollar and China's dismantling of rigorous zero-Covid protocols, the benchmark MSCI Emerging Markets Index rose 9.70% for the quarter. The Wasatch Emerging Markets Select Fund—Investor Class lagged its benchmark with a gain of 5.25%.

Following a soft reading on U.S. retail inflation for October, Federal Reserve (Fed) Chairman Jerome Powell signaled a slower pace of interest-rate hikes going forward. His comments—which made interest-bearing investments denominated in U.S. dollars less attractive—weighed further on a dollar that had been trending lower for most of the quarter. Equities in developing nations rose sharply as the sinking greenback lifted dollar-equivalent prices of assets denominated in other currencies.

FUND MANAGERS

Ajay Krishnan, CFA
Lead Portfolio Manager
10 YEARS ON FUND / 28 YEARS AT WASATCH

Neal Dihora, CFA
Portfolio Manager
<1 YEAR ON FUND / 6 YEARS AT WASATCH

Scott Thomas, CFA
Associate Portfolio Manager
6 YEARS ON FUND / 10 YEARS AT WASATCH

Matthew Dreith, CFA
Associate Portfolio Manager
4 YEARS ON FUND / 11 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, 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—1.37% / Institutional Class—1.18%. The Advisor has contractually agreed to limit certain expenses to 1.50% for the Investor Class and 1.20% for the Institutional Class through at least 1/31/2023.***

China provided more good news for investors. In the wake of street protests against virus-related curbs on mobility, the government in Beijing abruptly dissolved its zero-tolerance policy toward Covid-19. Initial reports of reopening sparked a strong rally in China's stock market from lows registered during October. Chinese equities gave back some of those gains in December, as waves of infection spreading through the country blurred forecasts for consumption and the broader economy.

Equity markets in Taiwan and Korea also did well. Because many businesses in these economies are linked to Chinese supply chains serving end markets in the U.S. and other countries, Taiwan and Korea stand to benefit from a potential pickup in China's virus-battered manufacturing sector—as well as from easing interest-rate pressures on the global economy. The New Taiwan dollar rose 3.8% against the U.S. dollar during the fourth quarter, while the Korean won appreciated an eye-watering 13.1%. With Korea being one of the highest-returning countries in the Index, underweight exposure to Korea was a headwind for the Fund.

The Fund's biggest source of underperformance relative to the benchmark was India. Our Indian stocks lagged the Indian stocks in the benchmark, and our overweight positioning in India also impacted the Fund. One of the lowest-returning countries in the Index during the quarter, India was among only a handful of emerging markets whose currencies depreciated against the U.S. dollar.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the fourth quarter was Lasertec Corp. A Japanese firm with a sizable presence in emerging markets, Lasertec provides technology for making more advanced semiconductors. Increased funding by governments to build new semiconductor-fabrication plants has lifted sentiment toward high-end technology providers such as Lasertec. In the company's most recent quarter, net income per share surged as net sales rose 182% compared to the same quarter a year ago.

Grupo Aeroportuario del Pacifico SAB de CV, Class B was also a top contributor. Often referred to as "GAP," the company operates 12 airports in the Pacific region of Mexico under contracts with the government. Declining Covid-19 caseloads and pent-up demand for travel have raised passenger counts and improved tariff revenue at the company's airports. Comprehensive income rose 31.9% in GAP's most recent quarter on 27.6% total revenue growth versus the year-ago period. Total passenger traffic increased 24.6% year over year, exceeding its comparable pre-Covid level.

Taiwan was a key source of strength for the Fund relative to the benchmark. Top contributors in the fourth quarter included Chailease Holding Co. Ltd. The company provides financing for the leasing and installment purchase of commercial equipment, primarily in Taiwan and mainland China. Basic earnings per share rose 22.3% year over year in Chailease's most recent quarter on a 21.8% increase in operating revenue. The end of zero-Covid in China also helped support shares of the company, which stands to benefit as activity normalizes in the vast manufacturing sector of China's economy.

The greatest detractor from Fund performance for the fourth quarter was Dlocal Ltd. (DLO). Based in Uruguay, the company offers payment solutions world-wide. Dlocal's stock price fell sharply in November after an investment-research firm published a short-sale report containing scathing allegations. The company subsequently issued a targeted rebuttal and announced a share-buyback plan. Although the stock has recovered some of its losses, it finished lower on the quarter. After extensive research, we continue to own Dlocal at a reduced weight in the Fund.

Bajaj Finance Ltd. was also a significant detractor. An Indian non-bank financial company (NBFC), Bajaj offers a broad spectrum of lending services. Pent-up demand during the pandemic and an economic upturn are driving strong credit growth in India. As loan volumes swell, the country's private-sector banks are outpacing their state-owned peers, increasing their share of total credit to 38.4% in the quarter ended September—up from 37.5% in the year-ago quarter and 29.6% five years ago. The success of India's large private-sector banks has attracted growing interest from investors and drawn investment flows away from Bajaj at the margins.

Another weak stock in the Fund was **Globant SA**. An information-technology (IT) consulting firm, the company offers software and design services to clients in over 20 countries. Globant is facing an uncertain demand environment as corporate customers staring down a possible recession in 2023 shape their priorities for IT spending. The company's stock was extremely volatile during the fourth quarter, reflecting unusually cloudy outlooks for the IT-services industry and the global economy. *(Current and future holdings are subject to risk.)*

OUTLOOK

China's abandonment of its long-held zero-Covid policy shows that even authoritarian governments sometimes listen to their people. While the reopening of China is clearly a positive long-term development, the government's abrupt shift from aggressively fighting every case to allowing the virus to spread relatively unchecked through the population creates a fresh set of uncertainties both in China and globally.

The Beijing government has been reluctant to import the mRNA-based Covid-19 vaccines used in the U.S. and Europe, opting instead for homegrown shots derived from inactivated forms of the virus. Recent studies, however, have questioned the efficacy and length of protection China's vaccines offer with respect to Omicron subvariants. On the positive side, subvariants similar to those reported in China have all but disappeared in the U.S., having been outcompeted by other versions of Omicron. That suggests the likelihood of a dangerous new variant emerging in China and replacing Omicron may be smaller than previously feared.

Instead, the rest of the world may feel the impact of China's reopening primarily in the form of higher commodity prices. As Chinese factories ramp up production and hundreds of millions of motor vehicles travel more miles, global inflation already worsened by the war in Ukraine could be stoked further. The U.S., Europe and emerging markets such as India have been feeling the pinch of tighter economic conditions for most of 2022.

India's gross domestic product (GDP) grew 6.3% in the July-to-September quarter compared to a year ago—down from 13.5% expansion during the previous quarter as distortions caused by Covid-19 lockdowns faded. A contraction in the manufacturing sector also impacted growth, as higher interest rates and a slowdown in exports weighed on demand and rising input costs crimped output. Even so, we don't think slowing exports pose a serious threat to economic growth itself. 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.

A more concerning aspect of India's export slowdown is its potential effect on the nation's external finances. A widening trade gap pushed India's current-account deficit to 4.4% of GDP in the quarter ended September—up from 2.2% of GDP in the June quarter and 1.3% of GDP in the year-ago period. The broadest measure of trade and income flows with the rest of the world, a country's current-account status can significantly affect the value of its currency. During 2022, India's rupee depreciated about -10% against the U.S. dollar.

India's current-account deficit is expected to have narrowed during the fourth quarter as weakness in the currency made products priced in rupees more competitive both at home and overseas. Additionally, India's economic slowdown likely curbed demand for imports of petroleum and other raw materials, even as easing commodity prices reduced their costs. From that perspective, a modest deceleration in near-term growth might not be such a bad thing for India. On a longer horizon, we believe secular trends underway in India and the strong fundamentals of Indian businesses owned in the Fund present attractive opportunities for investment.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan, Neal Dihora, Scott Thomas and Matthew Dreith

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2022

	Quarter*	1 Year	3 Years	5 Years	10 Years
Emerging Markets Select Fund—Investor	5.25%	-37.38%	4.07%	5.02%	3.35%
Emerging Markets Select Fund —Institutional	5.27%	-37.26%	4.24%	5.23%	3.63%
MSCI Emerging Markets Index†	9.70%	-20.09%	-2.69%	-1.40%	1.44%

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

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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 1.50% for the Investor Class and 1.20% 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.

Investing in foreign securities, especially in 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.

Diversification does not eliminate the risk of experiencing investment losses.

†The MSCI Emerging Markets Index is a free float adjusted market capitalization index designed to measure the equity market performance of emerging markets. Indexes are unmanaged. Investors cannot invest in this or any index.

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The Wasatch Emerging Markets Select Fund's investment objective is long-term growth 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.

EMERGING MARKETS SELECT FUND — TOP 10 HOLDINGS
AS OF SEPTEMBER 30, 2022

Security Name	Percent of Net Assets
Bajaj Finance Ltd.	7.8%
HDFC Bank Ltd.	6.2%
MercadoLibre, Inc.	5.9%
Globant SA	5.7%
Voltronic Power Technology Corp.	5.0%
Chailease Holding Co. Ltd.	4.0%
Silergy Corp.	3.9%
NU Holdings Ltd., Class A	3.7%
WEG SA	3.6%
Grupo Aeroportuario del Pacifico SAB de CV, Class B	3.6%
Total	49.5%

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.