

Wasatch International Opportunities Fund

DECEMBER 31, 2022

International Micro-Cap Stocks Staged a Rally in The Fourth Quarter

OVERVIEW

For the fourth quarter of 2022, the Wasatch International Opportunities Fund—Investor Class gained 12.35% but trailed the benchmark MSCI AC (All Country) World ex USA Small Cap Index, which was up 13.31%.

After losing ground for much of 2022, international equities rallied in the fourth quarter. Gains were driven by signs that inflation may have peaked in some economies, leading to hopes that central banks would slow campaigns of interest-rate increases.

On a geographic basis, the Fund's holdings in India underperformed, and our overweight position detracted from results relative to the benchmark. Conversely, stock selections in Germany, Korea and Japan contributed to relative performance.

At the sector level, our holdings in the financials and consumer-discretionary sectors detracted the most from relative performance. However, stock selections in the information-technology (IT) sector made a significant contribution to the Fund's return and aided results

FUND MANAGERS



Linda Lasater, CFA
Lead Portfolio Manager

6 / 16
YEARS ON FUND / YEARS AT WASATCH



Dan Chace, CFA
Portfolio Manager

2 / 20
YEARS ON FUND / YEARS AT WASATCH



Allison He, CFA
Associate Portfolio Manager

4 / 9
YEARS 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, 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—1.91% / Institutional Class—1.89%. The Advisor has contractually agreed to limit certain expenses to 2.25% for the Investor Class and 1.95% for the Institutional Class through at least 1/31/2023.***

versus the benchmark. To a lesser extent, the Fund's lack of exposure to the underperforming real-estate sector also contributed to relative results.

DETAILS OF THE QUARTER

The greatest detractor from Fund performance for the quarter was **Aavas Financiers Ltd.** An Indian non-bank financial company, Aavas specializes in housing loans to low- and middle-income borrowers. Consolidated after-tax profit increased 16% in the company's most recent quarter on 22% revenue growth versus the year-ago period. The results were only slightly better than investors had been expecting, however, and the stock fell following the news. Moreover, management announced plans to sustain elevated investment spending on technology needed to support the company's future growth. In the current environment of rising interest rates, investors have tended to frown upon expenditures that don't generate a quick return.

Pet Center Comercio e Participacoes SA was another large detractor. The company sells food, medicines, toys, beds and other products for pets in Brazil through its digital platform and retail stores. Pet Center's third-quarter earnings were disappointing, and margin expansion has not been what many expected. However, we still like the economic resilience of the pet business. We also like the way management has positioned the company as more shopping takes place online and digitally.

Another stock that was weak during the quarter was **Nayax Ltd.** An Israeli company, Nayax offers cashless vending payment solutions for many products and services, including car washes, vending machines, laundromats, food trucks and other businesses that require unattended payments. The stock was down because Nayax is still facing supply-chain issues that have resulted in higher costs for the business. Nayax's

management team has chosen to absorb those costs rather than pass them through to customers in an attempt to gain market share from competitors. While this could decrease margins for Nayax in the near term, we like that management is taking a long-term view. Going forward, we continue to like the company's growth potential as more businesses that use cashless vending machines adopt Nayax's solutions. We also appreciate the recurring revenue model associated with the business.

LEENO Industrial, Inc. was the top contributor to performance during the quarter. This Korean company produces test pins and sockets used in the development of semiconductor chips. Increased funding by governments to build new semiconductor-fabrication plants lifted sentiment toward suppliers of technology and components to the semiconductor industry and played a role in driving LEENO's stock higher. We continue to like the company's growth potential. We also like the fact that its devices are primarily used for research and development, which somewhat insulates LEENO from technology spending cycles.

Another top contributor was **SIGMAXYZ Holdings, Inc.** The company provides consulting services in Japan and is largely focused on digital transformation, service transformation and management transformation. SIGMAXYZ has been able to increase prices for its services and continues to grow revenue at a high rate. We believe the company has a long runway for growth as Japanese companies, many of which are behind when it comes to digitalizing their businesses, make the necessary investments to catch up.

The stock of **DiscoverIE Group PLC** was also up substantially during the quarter. The U.K.-based company provides customized electrical components for a wide range of industrial applications. Management has undergone a long process of refocusing the company, divesting itself



of underperforming businesses to focus on higher-margin, higher-growth segments. Stronger earnings show those efforts are starting to gain traction. We think there's a long runway for growth ahead, due in part to DiscoverIE's focus on industries tied to high-growth secular trends such as renewable energy, vehicle electrification, medical devices and industrial automation and connectivity. *(Current and future holdings are subject to risk.)*

OUTLOOK

While recent data suggests inflation may have peaked for some countries, markets haven't yet climbed over a "wall of worry." The potential for a recession continues to cast a shadow over international equities, and markets could stay volatile until there is a clearer picture of the global economy.

As bottom-up investors, we tend to spend less time predicting the likelihood or length of a recession and more time focusing on how our companies can steer through it. On that front, we feel confident for two reasons.

First, the companies in our portfolio provide products and services that are typically critical to the businesses or consumers they serve. Demand for such services could slow marginally during a recession, but given the essential nature of these services, we don't think demand will substantially deteriorate.

Second, we believe the high-quality nature of our companies puts them in a good position to weather an economic downturn. As we've mentioned in prior commentaries, key characteristics we seek in companies include strong balance sheets, high levels of return on

invested capital and a long history of steady free-cash-flow growth. In addition, these businesses are typically managed by teams we know well and that have a history of steering businesses through difficult economic cycles.

We believe these high-quality traits don't just enable our companies to withstand a downturn. These traits also allow our businesses to go on the offensive when their competitors are on their heels. We've seen this throughout 2022, in what's been a challenging and uncertain operating environment. Over the course of the year, our firms have made acquisitions to consolidate their industries or increase their sales staff to help grab market share, for example.

If the world were to enter a recession next year, we believe many of our companies would have the strength to stay on the offensive. And this should set these companies up for better growth coming out of the downturn.

Looking beyond the next few months, we have confidence in the Fund's return potential over the next few years. The Fund's price/earnings ratio, based on 12-month forward earnings, is at its lowest level since 2016. Valuations for micro-cap stocks in Japan and the U.K., our two largest geographic weights, are also at their lowest level in nearly a decade. Given where valuations sit and the inherent growth potential we believe lies in front of our companies, we feel positive about the Fund's return profile over the mid- and long-term.

Thank you for the opportunity to manage your assets.

Sincerely,

Linda Lasater, Dan Chace and Allison He



AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2022

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Opportunities Fund—Investor	12.35%	-36.63%	-3.98%	-0.03%	5.99%
International Opportunities Fund—Institutional	12.55%	-36.50%	-3.92%	0.09%	6.14%
MSCI AC World ex USA Small Cap Index**	13.31%	-19.97%	1.07%	0.67%	5.24%
MSCI World ex USA Small Cap Index†	15.21%	-20.58%	-0.15%	0.45%	5.77%

*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 2.25% for the Investor Class and 1.95% 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 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 micro 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.



***The MSCI AC (All Country) World ex USA Small Cap Index is an unmanaged index and includes reinvestment of all dividends of issuers located in countries throughout the world representing developed and emerging markets, excluding securities of U.S. issuers. This index is a free float adjusted market capitalization index designed to measure the performance of small capitalization securities.*

**The MSCI World ex USA Small Cap Index is a free float adjusted market capitalization weighted index designed to measure the equity market performance of developed markets, excluding the United States.*

Indexes are unmanaged. Investors cannot invest in these or any indexes.

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The Wasatch International Opportunities Fund's investment objective is long-term growth of capital.

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.

Return on invested capital (ROIC) is a way to assess a company's efficiency at allocating the capital under its control to profitable investments.

Valuation is the process of determining the current worth of an asset or company.

INTERNATIONAL OPPORTUNITIES FUND – TOP 10 HOLDINGS

AS OF DECEMBER 31, 2022

Security Name	Percent of Net Assets
SIGMAXYZ Holdings, Inc.	3.0%
Aavas Financiers Ltd.	2.9%
Qualitas Controladora SAB de CV	2.7%
YouGov PLC	2.7%
DiscoverIE Group PLC	2.4%
Johns Lyng Group Ltd.	2.4%
JTC PLC	2.4%
Premium Group Co. Ltd.	2.3%
LEENO Industrial, Inc.	2.1%
Systema Corp.	2.1%
Total	25.0%

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.