WASATCH
GLOBAL INVESTORS

Quarterly Commentary

Investor WAINX / Institutional WIINX

Wasatch Emerging India Fund

JUNE 30, 2023

India Is Making Great Strides in Infrastructure, and IT Service Companies Are Helping the Government Create "Smart Cities"

PORTFOLIO MANAGER

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12 YEARS ON STRATEGY / 28 YEARS AT WASATCH

OVERVIEW

During the second quarter of 2023, India's major stock averages climbed to record highs on the back of encouraging macroeconomic data and steady corporate earnings. The benchmark MSCI India Investable Market Index (IMI) rose 13.42% for the quarter. Surpassing its benchmark, the Wasatch Emerging India Fund—Investor Class posted a total return of 15.49%. Persistent buying by foreign institutional investors underpinned support for Indian equities.

Easing inflationary pressures provided a favorable backdrop for India's financial markets. Consumer prices in India rose 4.25% in May from a year earlier—down from 4.70% in April and the smallest increase since April 2021. With inflation falling comfortably within the 2% to 6% target band of the Reserve Bank of India (RBI) , the central bank paused its series of

Data show past performance, which 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 do not reflect this redemption fee or taxes. ***Total Expense Ratio: Investor Class 1.51% / Institutional Class 1.38%. 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 1/31/2024.***

interest-rate hikes for the second straight meeting in June. The RBI had raised its policy repo rate by two-and-a-half percentage points since May 2022.

Other economic data also cheered investors. For much of the past year, rising prices and higher borrowing costs had pinched household budgets and dented consumption, which accounts for about 60% of India's gross domestic product (GDP). However, annual GDP growth accelerated to 6.1% in the quarter ended March 31—up from 4.4% in the previous quarter and above expectations. Buoyant domestic demand and cooling raw-material costs stoked optimism that India's growth will continue to outpace most of the world's major economies. The RBI expects India's GDP to expand by 6.5% in the current fiscal year.

Heat waves and below-normal rainfall appeared to pose the biggest near-term economic risks. This year, India's southwest monsoon arrived a week later than normal—the longest delay since 2019. Because the monsoon season provides about 75% of the annual rainfall the country needs to water farms, deficient or uneven rains can lead to crop failures and higher food prices. A bad harvest may also impact rural incomes and crimp domestic consumption. While the central bank has assumed normal rainfall in its forecasts for growth and inflation, RBI Governor Shaktikanta Das cited the weather as a key factor in upcoming decisions about monetary policy.

DETAILS OF THE QUARTER

Health care was the biggest source of outperformance relative to the benchmark. The Fund's information-technology (IT) holdings also outperformed. Financials made the largest contribution to the Fund's return and accounted for the two top contributors to performance—**Bajaj Finance Ltd.** and **AU Small Finance Bank Ltd.** Because funding costs are a significant expense for banks and other lenders, financial stocks may have benefited from hopes that lower inflation will allow the RBI to keep interest rates on hold.

A non-bank financial company (NBFC), Bajaj offers a broad spectrum of lending services. Consolidated profit after tax rose 30% in the company's most-recent quarter on 32% growth in revenue from operations versus the year-ago quarter. The results, which were better than expected, helped ease concerns about the planned entry of a new competitor into the sector.

AU Small Finance Bank primarily targets unbanked and underbanked low- and middle-income borrowers. Net profit in the company's most recent quarter grew 26% compared to the same quarter a year ago, supported by a 37% increase in net interest income. Investors also reacted positively to news that the RBI had approved AU's reappointment of Sanjay Agarwal as managing director and CEO for a period of three years.

Another strong stock in the Fund was **Elgi Equipments Ltd.** The company manufactures and sells air compressors and automotive components in India and internationally. Elgi has continued to execute well in terms of improved margins and increased sales of compressors in international markets. On the domestic front, inquiries from potential customers have been strong, and the automotive segment has performed well in tandem with the automotive sector of India's economy. Because compressed air is widely used in manufacturing and other industrial processes, Elgi is well-positioned in our view for the current wave of industrialization sweeping across India.

Aavas Financiers Ltd. was the only significant detractor from Fund performance in what was a quarter of predominately positive returns. An NBFC, Aavas specializes in housing loans for low- and middle-income borrowers. Reports that founder, managing director and former CEO Sushil Agarwal had trimmed his ownership stake in the company impacted shares of Aavas in April. Although the move, which was part of a leadership transition, was unexpected and rattled investors, the stock has since recovered much of its lost ground. Fundamentals of the business remain quite solid in our view, and our research suggests the new managing director is highly qualified. (*Current and future holdings are subject to risk and change.)*

OUTLOOK

A recent research trip to India allowed us to see firsthand how trends such as digitalization, financialization, formalization and industrialization are evolving and pushing the economy forward. The management teams we spoke with—even teams that have historically been more conservative—were remarkably upbeat in their outlooks.

Management teams from industrial companies reported an upsurge in demand as global companies developed China Plus One strategies for their supply chains. In another positive sign, finance companies told us loan demand from manufacturing enterprises is surging as a direct result of China Plus One. Executives from several firms said that after a number of previously unsuccessful initiatives, the government's new Production-Linked Incentive (PLI) scheme, a collection of incentives to spur companies to manufacture goods in India, is producing meaningful results. From its launch in 2020 to the end of 2022, more than 650 applications have been approved for new manufacturing facilities under the PLI.

Modern-day industrialization requires a vast infrastructure system to enable the efficient movement of raw materials, equipment, goods, information and people, but infrastructure has been an area where India's progress has often lagged. In its budget for the current fiscal year, the Indian government raised spending on infrastructure to 3.3% of GDP—an increase of over 33%. IT service companies are also helping the Indian government create "smart cities" that include better 5G infrastructure and cameras to monitor traffic.

Digitalization and financialization have been long-running themes in the Fund. Still, we've been surprised over our past few trips at how far these initiatives have progressed. The National Payments Corporation of India—an umbrella organization for all the nation's retail payment systems—recorded 9.42 billion payments in May of this year. That's up from 5.96 billion payments in May 2022, an annual increase of nearly 60%.

India's rapid advancement and modernization are quickly shifting the investment landscape. To identify the likely winners and losers amid these changes, we're focused on gaining and maintaining deep knowledge of industries, companies and management teams. After this trip, we remain as excited as ever about investment opportunities in India. We believe our continual, on-the-ground due diligence significantly enhances our efforts to generate attractive investment returns for the Fund.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Emerging India Fund—Investor	15.49%	15.43%	19.13%	9.34%	14.00%
Emerging India Fund—Institutional	15.67%	15.61%	19.38%	9.55%	14.16%
MSCI India Investable Market Index**	13.42%	15.97%	21.01%	8.85%	9.60%

**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 1.75% for the Investor Class and 1.50% for the Institutional Class through at least 1/31/2024.** 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 do 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 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. Being non-diversified, the Fund can invest a larger portion of its assets in the stocks of a limited number of companies than a diversified fund. Non-diversification increases the risk of loss to the Fund if the values of these securities decline.

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

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***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.

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 INDIA FUND — TOP 10 HOLDINGS

AS OF MARCH 31, 2023

Security Name	Percent of Net Assets
HDFC Bank Ltd.	9.7%
Bajaj Finance Ltd.	9.5%
Elgi Equipments Ltd.	8.1%
AU Small Finance Bank Ltd.	7.6%
Persistent Systems Ltd.	5.4%
LTIMindtree Ltd.	5.3%
Trent Ltd.	5.1%
L&T Technology Services Ltd.	4.4%
Avenue Supermarts Ltd.	4.3%
Dr. Lal PathLabs Ltd.	4.2%
Total	63.6%

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.