WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAINX / Institutional WIINX

Wasatch Emerging India Fund

MARCH 31, 2024

India Is on Track to Remain One of the Fastest-Expanding Economies in the World

FUND MANAGER

Ajay Krishnan, CFA
Lead Portfolio Manager

12 YEARS ON FUND / 29 YEARS AT WASATCH

OVERVIEW

India's major stock averages registered all-time highs during the first quarter of the year. The benchmark MSCI India Investable Market Index (IMI) rose 4.90% for the quarter. The Wasatch Emerging India Fund—Investor Class underperformed the benchmark with a total return of -1.61%.

Financials were the biggest source of underperformance in the Fund. High interest rates and increased capital requirements made lending more costly, pressuring profit margins and draining liquidity from the financial system. Signs that losses from bad loans are beginning to normalize, albeit from very low levels, added to negative investor sentiment toward banks and other lenders. Our financials fared worse than those in the Index, and the Fund's overweight positioning in the sector was an additional headwind.

As India's financial sector remained out of favor, the equity market was driven instead by industrials and other cyclical stocks that stand to benefit more directly from the nation's booming economy. Gross

The performance data quoted represents past performance. Past performance does not guarantee future results. 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. The performance data does not reflect this redemption fee or taxes. ***Total Expense Ratio: Investor Class—1.50% / Institutional Class—1.36%. 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 1/31/2025.***

domestic product (GDP) rose 8.4% in the final three months of 2023 from a year ago, official data from the statistics ministry showed. Although the larger-than-expected reading was mainly attributed to nonrecurring factors, the government's top economic adviser also noted underlying, intrinsic momentum in the economy. India's central bank, the Reserve Bank of India (RBI), forecasts growth of 7% in the coming fiscal year, putting India on track to remain one of the fastest-expanding economies in the world.

Our on-the-ground research indicated healthy business momentum in India, driven in large part by infrastructure projects and industrialization. During a recent visit, the companies we met with reported a healthy pipeline of new orders. Some of them are expanding abroad as their products earn higher grades for quality and value in overseas markets. Over the past three years, Prime Minister Narendra Modi's government has doubled spending on digital and physical infrastructure, boosting the potential for India's economy to grow at faster rates.

Other sources of weakness in the Fund included health care and materials. Because energy was the highest-returning sector of the Index, the Fund's lack of direct exposure to the sector hurt performance relative to the benchmark. Consumer discretionary and consumer staples were sources of strength against the benchmark. In each of these sectors, the Fund's holdings outpaced the corresponding component of the Index.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the quarter was Trent Ltd. The company operates a leading chain of retail stores specializing in fashion apparel, cosmetics, perfumes and toiletries. We visited several of Trent's stores during a recent research trip and believe the company's retail formats, store layouts and attractively priced product offerings provide significant competitive advantages. Net profit soared 139% in Trent's most recent quarter on 50.5% revenue growth compared to the same quarter a year ago. The company has continued to execute its expansion strategy, adding 56 new stores during the reported quarter.

Action Construction Equipment Ltd. was also a top contributor. The company manufactures hydraulic mobile cranes, mobile tower cranes and other construction equipment. The current wave of infrastructure spending and industrialization is creating robust demand for Action's products. In the company's most recently completed quarter, consolidated profit after tax jumped 89% as revenue increased 35% from the year-ago period.

Another strong stock in the Fund was Persistent Systems Ltd. The company provides outsourced software development to clients across a range of industries. Despite a generally uncertain operating environment, Persistent reported robust order bookings in its most recent quarter. Consolidated after-tax profit grew 20.2% on revenue gains of 15.2% versus the year-ago quarter as cost savings increased the bottom line. The company stands to benefit from its strategic partnerships with hyperscaler cloud providers, which include Amazon Web Services (AWS), Microsoft and Google Cloud.

AU Small Finance Bank Ltd. and HDFC Bank Ltd., respectively, were the biggest detractors from Fund performance for the quarter. AU primarily targets unbanked and underbanked low- and middle-income borrowers in India. Net profit was down -4.5% year over year in the company's most recent quarter as higher funding costs pressured AU's net interest margins. Management said the operating environment continued to witness higher interest rates with tight liquidity and persistent competition for deposits.

HDFC Bank provides banking, custody and other services to corporate clients worldwide. The stock fell sharply in January after HDFC reported slower deposit growth and disappointing net interest margins. HDFC Bank also continues to work through its merger with parent company HDFC Ltd., which recently dampened some investors' expectations around margins and returns on capital.

Another weak stock in the Fund was Dr. Lal PathLabs Ltd. The company operates one of India's largest chains of diagnostic pathology labs. Shares of Dr. Lal's declined in March after the company's chief executive officer resigned unexpectedly. Although the resignation spooked some investors, we don't think it will materially impact the company's business prospects. And while Dr. Lal's could face persistent competition in Tier 1 cities and in local markets, we're comfortable maintaining our position, albeit at a reduced weight. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

Food prices, which account for about half of India's consumer-price index, are responsible for most of the current inflationary pressures facing the nation. Retail inflation was 5.09% on an annual basis in February, little changed from 5.1% in January. Prices for food were up 8.66% in February from year-ago levels, driven by a 30.25% increase in the cost of vegetables. Price increases for other items were more moderate. Core inflation, which strips out food and energy, eased to 3.34% in February, down from 3.59% the previous month.

In setting monetary policy, the RBI targets the headline number rather than core inflation to prevent rising food prices from spilling over to other segments of the economy. Also, food and energy consume a greater share of household budgets in India than they do in developed countries. As a result, the RBI left its policy interest rate unchanged in February and signaled it wouldn't ease monetary restraint until inflation settles durably around its 4% goal. The RBI also increased regulatory activity on financial firms during the past several months. While the RBI looks to reduce risks to the financial system by curbing undisciplined and excessive loan growth, we view its actions as somewhat preemptive.

Financial companies are feeling the impact as margin pressures continue to reduce earnings. Deteriorating investor sentiment toward the sector has reduced the valuations of many Indian financials to levels we consider attractive. With a potential slowdown in inflation ahead—followed by interest-rate cuts from the RBI—a sentiment reversal and a sustained advance in Indian financial stocks could be on the horizon.

In the meantime, investors continue to favor India's industrial companies. Unlike financials, industrials currently enjoy stable or expanding profit margins. But while valuations of many industrial firms are now quite elevated in our view, top-line growth at some of these companies has begun to decelerate. Rather than chase these stocks at a time when prices may be getting ahead of fundamentals, we intend to closely monitor future developments with an eye toward capturing opportunities that are potentially more attractive.

That said, the growing optimism about India's industrialization has merit. Through a series of tax cuts, rebates, funding assistance and other incentives, the Modi government has been encouraging manufacturers to set up shop in India. In January, for example, import taxes on several components used in mobile devices were slashed in a move designed to boost domestic production of smartphones. India's stable political and regulatory environments offer additional advantages for manufacturers seeking to diversify supply chains away from China as part of a "China Plus One" strategy.

These efforts are producing tangible results. Slowly but surely, India is gaining ground in global electronics markets long dominated by China. As a percentage of China's electronics exports to the U.S., India's export share increased from 2.51% in November 2021 to 7.65% in November 2023. In the U.K., the percentage rose from 4.79% to

10%. India's gains at the expense of China were smaller in other countries, where tensions with China tend to be less pronounced.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan

TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2024

	Quarter*	1 Year	3 Years	5 Years	10 Years
Emerging India Fund—Investor	-1.61%	25.19%	6.64%	10.21%	13.36%
Emerging India Fund—Institutional	-1.58%	25.24%	6.74%	10.35%	13.50%
MSCI India Investable Market Index**	4.90%	39.55%	13.32%	12.28%	10.42%

**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 1/31/2025.** 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. The 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 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.

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.

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

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

EMERGING INDIA FUND — TOP 10 HOLDINGS

AS OF DECEMBER 31, 2023

Security Name		Percent of Net Assets
Trent Ltd.		8.3%
Bajaj Finance Ltd.		8.0%
Elgi Equipments Ltd.		7.4%
HDFC Bank Ltd.		7.3%
AU Small Finance Bank Ltd.		7.1%
Divi's Laboratories Ltd.		6.2%
Persistent Systems Ltd.		5.9%
Vijaya Diagnostic Centre Pvt Ltd.		4.9%
Dr Lal PathLabs Ltd.		4.4%
LTIMindtree Ltd.		3.9%
	Total	63.4%

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.