WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAESX / Institutional WIESX

Wasatch Emerging Markets Select Fund

JUNE 30, 2023

As Declines in China Dragged Down Emerging-Market Returns, Gains in India and Brazil Were the Fund's Main Sources of Strength

OVERVIEW

Equity markets in developing nations posted mixed returns during the second quarter of the year. The benchmark MSCI Emerging Markets Index finished 0.90% higher on the quarter as declines in China offset most of the gains in other countries. The Wasatch Emerging Markets Select Fund—Investor Class returned 0.52%.

China's economic rebound from zero-Covid lockdowns disappointed investors, intensifying calls for additional stimulus measures. Although sales of consumer goods have risen, the increases thus far have lagged behind the recovery in services. Recent data pointed to a cooling economy, with deflation in producer prices adding to concerns about softening domestic demand and falling exports. Because China was one of the worst-performing countries in the Index, the Fund benefited from underweight positioning relative to the benchmark.

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
7 YEARS ON FUND / 11 YEARS AT WASATCH

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—1.32% / Institutional Class—1.14%. 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 1/31/2024.***

India and Brazil were the Fund's main sources of strength. Easing inflationary pressures in India stoked optimism that the central bank will keep interest rates on hold. Down from 4.70% in April, consumer prices rose 4.25% in May from a year earlier—the smallest increase since April 2021. The Reserve Bank of India (RBI) paused its series of interest-rate hikes for the second straight meeting in June after raising its policy rate by two-and-a-half percentage points since May 2022.

Higher interest rates didn't appear to take a serious toll on India's economy. Annual gross domestic product (GDP) growth accelerated to 6.1% during the quarter ended March 31—up from 4.4% in the previous quarter and above expectations. Our Indian holdings outgained the Indian positions in the Index, and our above-benchmark allocation to India was a tailwind for the Fund.

Taiwan was the Fund's primary source of weakness relative to the benchmark. Soft overseas demand for semiconductor chips had sent Taiwan's export-driven economy into recession during the first quarter of 2023. Beginning in May, however, enthusiasm about artificial intelligence (AI) reached a fever pitch, causing shares of technology-hardware manufacturers linked to AI microprocessors to surge. Our Taiwanese stocks performed poorly in comparison and dragged down the Fund's return.

DETAILS OF THE QUARTER

Brazil was among the highest-returning countries in the Index as a newly proposed fiscal framework designed to shore up the nation's public finances advanced in the legislature. Uncertainty about the future path of fiscal spending in Brazil had been hanging over financial markets since the election of President Luiz Inácio Lula da Silva last year. Reflecting the upturn in sentiment was the real's appreciation of 5.9% against the U.S. dollar, which boosted dollar-equivalent prices of Brazilian assets. NU Holdings Ltd. and Raia Drogasil SA were top overall contributors to Fund performance.

Already Brazil's leading drugstore operator, Raia Drogasil has continued to gain market share. The company's increased scale now presents enhanced opportunities for growth on both the top and bottom lines. Because costs associated with establishing Raia Drogasil's physical and digital footprints are largely fixed, the company enjoys significant operating leverage to potentially enhance profitability.

NU Holdings is the holding company for Nubank, the largest fintech bank in Latin America. The company's stock price moved sharply higher in May after earnings and revenues topped analysts' estimates. Management cited the bank's strong capital position, excess liquidity, efficient operations and ability to scale its platform by leveraging sustainable cost advantages. Increased market penetration in Brazil has been a key driver of growth for NU Holdings as it expands its product portfolios and international footprint.

Another strong stock in the Fund was Bajaj Finance Ltd. A non-bank financial company, Bajaj offers a broad spectrum of lending services in India. Consolidated profit after tax rose 30% in the company's most recent quarter on 32% growth in revenue from operations compared to the same quarter a year ago. The better-than-expected results helped ease concerns about the planned entry of a new competitor into the sector. Additionally, Indian financials in general may have gotten a boost as slowing inflation raised hopes that the RBI will cut interest rates later this year.

The greatest detractor from Fund performance for the quarter was Sea Ltd. Based in Singapore, the company provides e-commerce, digital entertainment and financial services in Southeast Asia. Factors weighing on this holding included lackluster revenue growth tied to weak consumer sentiment throughout much of the region. Investors have also been concerned about how the company will balance growth with profitability going forward. Although we're closely monitoring a new competitive threat, we believe Sea's focus on earnings and core markets continues to support a positive long-term outlook.

Taiwan accounted for several of the Fund's other significant detractors. Among these were Silergy Corp. and momo.com, Inc. Silergy produces integrated-circuit chips used in a wide array of electronic devices. The company's shares struggled amid competitive pressures and a weak demand environment, which we believe is cyclical and temporary. Lowered short-term expectations for the automotive segment of the business may also have dampened enthusiasm for the stock. Even so, Silergy's value proposition remains attractive in our view, and we think the company will emerge from the current semiconductor cycle in a stronger competitive position.

Predominantly an e-commerce services company, momo.com operates online-shopping, television-shopping and catalog-based mail-order outlets that mainly serve retail customers in Taiwan. With the island's economy in recession, consumer sentiment in Taiwan remained poor. The company lowered its revenue guidance for 2023 and expects demand to remain soft until the second half of the year. On the plus side, momo.com has continued to gain market share in Taiwan, and our long-term investment thesis remained intact. (*Current and future holdings are subject to risk and change.)*

OUTLOOK

During a recent trip to China, members of our investment-research team got a firsthand look at the modern technology and gleaming infrastructure on display. For example, testing is underway on a vacuum-tube train that will combine aerospace and railway technologies to commute passengers from Shanghai to Hangzhou much more rapidly than currently possible. At a robotics company, a fully automated factory floor uses robots to make other robots.

While such widespread efficiencies and abundant deployment of capital in China have many positive effects, they can sometimes make a market hypercompetitive and drive down a company's profitability, adding challenges to the investment process. For this reason and others, we believe on-the-ground fundamental research is especially important when investing in Chinese businesses.

Around the same time as our China trip, other members of our team visited about 40 companies in India. The growing rivalry between China and the U.S. appears to be working to India's advantage. Exports of electronics from India rose 57% in March from the same month a year ago, official data showed. Most of the increase was attributable to mobile phones produced in India as part of a broader China Plus One strategy adopted by manufacturers seeking to diversify their supply chains.

India's Production-Linked Incentive (PLI) scheme has also contributed to the recent surge in industrial expansion. Through the PLI and other priorities within the Make in India initiative, the Modi government seeks to boost manufacturing to 25% of GDP from around 14% currently. Three Taiwanese suppliers to Apple, Inc. recently secured PLI inducements to increase the production and exports of smartphones. Apple now makes almost 7% of its iPhones in India, up sharply from around 1% in 2021.

For the most part, companies owned in the Fund have been meeting our expectations and continue to be on track for double-digit revenue and earnings growth. With the economic and geopolitical backdrops in heightened states of flux, however, we've become more attuned to short-term developments. These include incremental data points in the U.S., Europe and other developed markets that may significantly impact emerging economies. Rather than overreact, we seek to evaluate company news within its proper long-term context. Our goal in doing so is to determine whether short-term developments will likely impair a company's future outlook.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan, Neal Dihora and Scott Thomas

WASATCH
GLOBAL INVESTORS

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED JUNE 30, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Emerging Markets Select Fund—Investor	0.52%	9.29%	6.18%	6.86%	4.82%
Emerging Markets Select Fund —Institutional	0.57%	9.49%	6.33%	7.06%	5.10%
MSCI Emerging Markets Index†	0.90%	1.75%	2.32%	0.93%	2.95%
MSCI Emerging Markets Mid Cap Growth Index††	3.11%	5.95%	3.02%	1.18%	3.68%

**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 1/31/2024.** 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.

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. 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 Markets Select Fund's investment objective is long-term growth of capital.

†The MSCI Emerging Markets Index captures large- and mid-cap representation across 24 emerging-market countries.

††The MSCI Emerging Markets Mid Cap Growth Index measures the equity market performance of mid-cap securities exhibiting growth style characteristics in emerging-market countries.

Indexes are unmanaged. Investors cannot invest in this or any index.

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Earnings growth is a measure of growth in a company's net income over a specific period, often one year.

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 MARCH 31, 2023

Security Name		Percent of Net Assets
MercadoLibre, Inc.		7.7%
HDFC Bank Ltd.		6.7%
Voltronic Power Technology Corp.		5.3%
Bajaj Finance Ltd.		4.9%
Chailease Holding Co. Ltd.		4.8%
Lasertec Corp.		4.5%
Silergy Corp.		4.4%
WEG SA		4.4%
Globant SA		4.2%
Grupo Aeroportuario del Pacifico SAB de CV		4.0%
	Total	50.8%

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.