WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAESX / Institutional WIESX

Wasatch Emerging Markets Select Fund

SEPTEMBER 30, 2023

As Global Firms Still Smarting From Zero-Covid Lockdowns In China Seek to Diversify Their Supply Chains, India Is Gearing up to Significantly Expand Its Export Capabilities

OVERVIEW

A jump in U.S. Treasury yields and soft economic data in China undercut sentiment toward developing nations during the third quarter of 2023. The benchmark MSCI Emerging Markets Index surrendered early gains to finish down -2.93% for the quarter. The Wasatch Emerging Markets Select Fund—Investor Class underperformed the benchmark with a loss of -4.41%.

Hopes that cooling inflation would allow central banks to transition to easier monetary policy sent world stock markets higher during July. Pledges from the Beijing government to stimulate economic growth in China further underpinned support for emerging markets. Optimism faded during August and September, however, as China's recovery from

FUND MANAGERS

Ajay Krishnan, CFA
Lead Portfolio Manager

10 YEARS ON FUND / 29 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

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—1.32% / 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.***

zero-Covid lockdowns fell short of expectations and fears of a prolonged period of high global interest rates dampened growth prospects in the developing world.

Signals that the U.S. Federal Reserve will likely keep borrowing costs higher for longer bolstered the dollar, impacting dollar-equivalent prices of assets denominated in other currencies and lowering the returns of the Index and the Fund. In addition to its direct effects on performance, a stronger dollar makes it more expensive for developing nations to service dollar-denominated debt and issue debt denominated in their own currencies. A firmer greenback and higher interest rates in the U.S. also tend to make riskier investments in emerging markets less appealing in comparison.

Official data from China showed an outflow of $49 billion in the capital account during August—the largest monthly exodus since December 2015. Because that figure includes $29 billion from securities investments, the outflow impacted China's financial markets as well as its currency. Through the end of September, the yuan depreciated -5.0% against the dollar in 2023.

Equity weakness in China spilled over to trading partners such as Korea, South Africa and Taiwan. Hurt by a -14.1% drop in shipments to China and a sluggish global demand environment, exports from Taiwan posted their 12th straight month of year-over-year declines in August. Taiwan's central bank cut its 2023 forecast for the island's trade-dependent economy to just 1.46% GDP growth, which would be the slowest pace of expansion since 2009. Taiwan was the Fund's biggest source of underperformance in the third quarter, driven largely by holdings tied to exports of industrial components and semiconductor chips.

Bright spots in the Fund included Uruguay and Korea. In these countries, our holdings logged positive returns that helped the Fund's performance.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the quarter was **Globant SA (GLOB)**. An information-technology (IT) services firm headquartered in Luxembourg, Globant operates in over 25 countries. In what were standout financial results among IT outsourcers, revenues grew 15.9% year over year in the company's most recent quarter. Management raised its full-year guidance, citing increased demand in the AI space and Globant's expanded presence in the European market.

Bajaj Finance Ltd. was also a top contributor. A non-bank financial company (NBFC), Bajaj offers a broad spectrum of lending services in India. Shares of the company moved higher following reports that it was planning to raise up to $1 billion in new capital. Some investors viewed the move as a sign that management is anticipating stronger-than-expected loan growth. Others speculated that Bajaj is accumulating funds to aggressively fend off competition from another NBFC thought to be planning an entry into India's consumer-lending market.

Another strong stock in the Fund was **Dlocal Ltd. (DLO)**. Our only holding in Uruguay, the company operates a payment-processing platform for businesses in emerging markets. Investors reacted positively to news that Dlocal had named e-commerce veteran Pedro Arnt as co-chief executive officer. Better-than-expected quarterly results also helped push the stock higher. Revenue rose 59% in the reported quarter on a record-high total payment volume of $4.4 billion, up 80% from the same quarter a year ago.

Taiwan accounted for the two biggest detractors from Fund performance for the quarter—**Voltronic Power Technology Corp.** and **Silergy Corp.**, respectively. Voltronic designs and manufactures products that include uninterruptible power supplies and inverters. Earnings growth slowed to 3.3% in the company's most recent quarter as revenues declined -18.1% versus the year-ago quarter. Management cited drop-offs in demand from Italy and South Africa. Drawdowns of customer inventories of uninterruptible power supplies also crimped revenues. Although Voltronic has lowered its near-term guidance, the company's long-term prospects remain attractive in our view.

Silergy manufactures integrated-circuit chips used in a wide array of electronic devices. The company's shares have struggled in recent quarters amid competitive pressures and a weak demand environment, which we believe is cyclical and temporary. Lower expectations for the automotive segment of the business may also have dampened enthusiasm for the stock. Even so, Silergy's value proposition and long-term prospects remain attractive in our view.

Another weak stock in the Fund was HDFC Bank Ltd. An Indian company, HDFC Bank provides banking, custody and other services to the global corporate sector. Hoping to expand its reach beyond traditional banking, HDFC Bank merged with parent company HDFC Ltd. in July. In September, however, HDFC Bank disclosed that accounting rules and merger regulations required it to value its parent's business about 16% lower than it had reported before the merger. The company also warned that it now expects the merger to negatively impact its return on equity, net-interest margins and non-performing loan ratios as well. (*Current and future holdings are subject to risk and change.)*

OUTLOOK

By the end of August, steady deterioration in Chinese economic data had driven sentiment toward China to depressed levels. Defaults in the property sector and China's slide into deflation during July drew comparisons to Japan's "Lost Decades." At a Politburo meeting, Communist Party leaders themselves described the current economic recovery as "torturous." Meanwhile, the government's reluctance to unleash massive stimulus was characterized as a "crisis of confidence" of the type first described by U.S. President Jimmy Carter in his now-famous address of 1979.

Such extreme characterizations often prove unjustified in hindsight. Although China's current situation bears some similarities to Japan in 1990, the differences are at least as great. Unlike Japan, China quickly rebounded from bouts of deflation experienced during 2009 and 2020. In addition, new-economy industries such as electric vehicles, renewable energy and high-speed trains are currently growing in China at double-digit rates. And the Beijing government has good reason to be cautious in its use of economic stimulus—which in previous downturns sent housing prices and debt levels soaring.

Just as it appeared things couldn't get much worse for China, data released in September showed early signs that the government's piecemeal approach to stabilizing the economy was beginning to bear fruit. Industrial production and retail sales for August grew at faster-than-expected rates of 4.5% and 4.6%, respectively, while deflation pressures and the urban jobless rate eased slightly. Meanwhile, factory activity expanded in September for the first time in six months. It's too early to tell whether these improvements are part of a sustained pickup that will usher in a durable rebound in Chinese equities. However, such extremely negative sentiment as was observed during the third quarter often signals a turning point, at least in the short term.

In the meantime, India hopes to attract much of the foreign investment that might otherwise have gone to China. As global firms still smarting from zero-Covid lockdowns in China seek to diversify their supply chains, India is gearing up to significantly expand its export capabilities. Toward that end, the country's network of small and medium-sized factories has substantial unused capacity and is expected to play a key role in India's efforts to become more tightly integrated with the global economy.

The wave of industrialization sweeping across India has caused us to broaden our investment approach. While we continue to seek high-quality companies with strong cash flows and high returns on equity, we're paying increased attention to firms with more room for fundamental improvement. Because these firms typically trade at less-expensive valuations than the highest-quality companies and stand to benefit more from broad-based improvement in India's economy, we believe a wider approach to India is both justified and desirable.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan, Neal Dihora and Scott Thomas

TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Emerging Markets Select Fund—Investor	-4.41%	10.42%	0.93%	7.30%	4.51%
Emerging Markets Select Fund —Institutional	-4.37%	10.61%	1.09%	7.52%	4.75%
MSCI Emerging Markets Index†	-2.93%	11.70%	-1.73%	0.55%	2.07%
MSCI Emerging Markets Mid Cap Growth Index††	-2.08%	15.23%	-0.31%	1.55%	3.13%

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

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. To obtain the most recent month-end performance data available, please visit wasatchglobal.com. The Advisor may absorb certain Fund expenses, without which total returns would have been lower. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. **Total Expense Ratio: Investor Class—1.32% / Institutional Class—1.14%**

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. 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.

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.

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 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 these or any indexes.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties or originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

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.

Net interest margin is typically used for a bank or an investment firm that invests depositors' money, allowing for an interest margin between what is paid to the bank's client and what is made from the borrower of the funds. A positive net interest margin indicates that an entity has invested its funds efficiently, while a negative net interest margin implies that the funds have not been invested efficiently.

Return on equity (ROE) measures a company's efficiency at generating profits from shareholders' equity.

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

EMERGING MARKETS SELECT FUND—TOP 10 HOLDINGS

AS OF JUNE 30, 2023

Security Name	Percent of Net Assets
Bajaj Finance Ltd.	7.0%
MercadoLibre, Inc.	6.9%
HDFC Bank Ltd.	6.8%
NU Holdings Ltd., Class A	6.3%
Voltronic Power Technology Corp.	5.8%
Globant SA	5.1%
WEG SA	4.2%
AU Small Finance Bank Ltd.	4.0%
Raia Drogasil SA	4.0%
Lasertec Corp.	3.8%
Total	53.9%

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.