WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAESX / Institutional WIESX

Wasatch Emerging Markets Select Fund

DECEMBER 31, 2023

While the Fund's Return Surpassed the Benchmark's Gain by a Wide Margin, We Always Want to Do Better—So, We've Fine-Tuned Some of Our Screening Methodologies

FUND MANAGERS

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OVERVIEW

Stock markets in most developing nations ended 2023 on a positive note. The benchmark MSCI Emerging Markets Index shook off early losses to finish 7.86% higher during the fourth quarter of the year. The Wasatch Emerging Markets Select Fund—Investor Class surpassed the benchmark with a 12.02% return. Optimism that central banks have largely reached the end of their tightening cycles helped create a favorable backdrop for global financial markets.

Investors cheered as U.S. economic data showed receding inflation and a cooling labor market. The softer-than-expected readings raised hopes that the Federal Reserve was finished raising interest rates. As the narrative surrounding rates shifted from "higher for longer" to "higher for long enough," bond yields fell sharply amid growing expectations for

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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.***

interest-rate cuts in 2024. Meanwhile, annual inflation in the eurozone dropped to 2.4% in November—down from 2.9% in October and 4.3% in September.

The prospect of lower interest rates in the U.S. weighed on the dollar, boosting dollar-equivalent prices of assets denominated in other currencies. Currency appreciation against the dollar added about 1.7 percentage points to the Fund's total return during the fourth quarter. In the Index, currency effects accounted for approximately 2.3 percentage points of the total return. In addition to its direct effects on performance, a cheaper dollar makes riskier assets in emerging markets more attractive to international investors and makes dollar-denominated commodities less costly for developing nations to import.

China's economy continued to disappoint. Consumer and business confidence remained weak as government efforts to revive the nation's slumping property sector failed to produce meaningful results. Foreign direct investment swung to outflows earlier in 2023, and a major U.S. ratings service in December cut its outlook to negative for China's sovereign debt. Because China was one of the lowest-returning countries in the Index during the fourth quarter, underweight positioning in China was a primary source of outperformance for the Fund relative to the benchmark.

Other sources of Fund outperformance relative to the benchmark included Brazil and Taiwan. India was the Fund's biggest source of weakness against the benchmark. Although our Indian stocks posted a solid overall gain, they significantly lagged the Indian positions in the Index.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the quarter was Lasertec Corp. Based in Japan with a major presence in Asian emerging markets, the company manufactures equipment used in the production of semiconductor devices. Sales grew 83.9% in Lasertec's most recent quarter as net income increased 14.4% compared to the same quarter a year ago. Management anticipates favorable demand growth going forward and has maintained its guidance for the current fiscal year. Lasertec's order backlog continued to hover around 400 billion yen, representing approximately two years of revenues at their current level.

MercadoLibre, Inc. (MELI) was also a top contributor. The company operates platforms for payments and e-commerce in Brazil and other Latin American countries. MercadoLibre has continued to post strong operating results with expanding operating margins. The company's stock price moved higher during the fourth quarter after earnings and revenues topped forecasts. Economies of scale have generated substantial cost efficiencies at MercadoLibre while increased name recognition has allowed the company to keep marketing costs in check. We believe MercadoLibre still has plenty of headroom to grow as income levels and internet penetration rates continue to rise throughout Latin America.

Another strong stock in the Fund was Silergy Corp. A Taiwanese company, Silergy manufactures mixed-signal and analog integrated-circuit chips used in a wide array of electronic devices. Shares of the company had struggled over the past several quarters amid competitive pressures and a weak demand environment. Though sales are still down from year-ago levels, they've been trending upward for several months, with smaller year-over-year shortfalls. An upturn in demand for smartphones ahead of the holiday shopping season bolstered optimism that a sustained recovery in revenues is underway.

The greatest detractor from Fund performance for the quarter was Bajaj Finance Ltd. A non-bank financial company, Bajaj offers a broad spectrum of lending services in India. The company's stock price turned down in October after higher provisions for bad loans caused earnings to fall short of analysts' estimates. November brought further declines after the Reserve Bank of India (RBI) tightened regulatory restrictions on unsecured consumer lending. The surprise move triggered a selloff in Indian financials as investors feared higher funding costs for lenders would eat into profits. We don't think the RBI's actions will meaningfully impact Bajaj's business over the long term, and we're maintaining our position.

China accounted for a majority of the Fund's other detractors from performance. Among these were Meituan and Wuxi Biologics Cayman, Inc. Meituan operates leading online platforms for meal delivery, consumer products and retail services. Lackluster household consumption and increasing competition have posed headwinds for the company as China's economic rebound from Covid-19 restrictions has remained sluggish. Meituan's share price fell sharply in November after management warned of slower growth and higher promotional spending in the company's core meal-delivery business.

Wuxi develops biological medicines and provides value-added services to other pharmaceutical companies. The stock tumbled in December after management cautioned that fewer Covid-related projects as well as a general slowdown in clinical research funding were creating a challenging operating environment for Wuxi and its customers. Also weighing on sentiment was President Xi Jinping's ongoing anti-corruption campaign targeting China's hospitals, pharmaceutical industry and insurance funds. At least 176 hospital presidents and party secretaries were reportedly swept up in the crackdown during 2023. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

A new year offers not only a reason to look ahead but also a chance to review the year just completed. While the Fund's Investor Class return of 17.52% in 2023 surpassed the benchmark's gain of 9.83% by a wide margin, we always want to do better. One of the ways we identify areas for improvement is to analyze errors of commission (holdings that performed poorly) and errors of omission (missed opportunities). We present some key highlights of our analysis below (though our internal analysis is much more detailed and extensive).

Sources of outperformance relative to the benchmark during 2023

- Brazil accounted for much of the Fund's outperformance in 2023. Both our stock picking and our overweight positioning in Brazil were advantageous. It would have been hard to do much better in Brazil without increasing the Fund's above-benchmark exposure even further and taking on additional risk. In the benchmark, the strongest performers were mostly large conglomerates, slower-growth companies and more-indebted businesses in the industrials and energy sectors—such as Petróleo Brasileiro SA, one of Brazil's largest energy companies. Such companies typically don't align with our investment style.
- China was the worst-performing country in both the Index and the Fund. On balance, however, China was a key source of outperformance for the Fund relative to the benchmark, as underweight positioning more than made up for disadvantageous stock picking.
- In China, errors of commission resulted from overestimating the economic rebound from Covid-19 lockdowns and underestimating the government's determination to contain rising costs in the health-care sector.
- Going forward, we believe China will eventually offer many attractive investment opportunities. However, we expect to remain underweighted in Chinese stocks until signs of improvement in the economy and in the equity markets become clearer.

Sources of weakness relative to the benchmark during 2023

- Taiwan and, to a much lesser extent, India hurt the Fund's relative performance. Although our stocks generated double-digit percentage gains in both countries, they trailed the corresponding components of the Index.
- In Taiwan, our errors were mainly of omission, the largest of which was benchmark heavyweight Taiwan Semiconductor Manufacturing Company, or TSMC, whose stock was up significantly for the year. We acknowledge that TSMC is a fantastic company, but we see stronger long-term growth opportunities in less heavily traded companies. Aside from not owning TSMC, the Fund was underinvested in companies benefiting from the upswell of enthusiasm surrounding artificial intelligence (AI). Errors of commission consisted mainly of holding firms tied to e-commerce and China's economic recovery.
- In Korea, two strong performers in the benchmark that are not owned in the Fund were Samsung Electronics Co. Ltd. and SK Hynix, Inc. Samsung has more modest historical sales and SK Hynix has lower earnings-per-share (EPS) growth than our typical investments have, and both companies have relatively weaker current return-on-equity (ROE) profiles.
- Errors of omission also drove underperformance in India, primarily in the industrials sector. This was especially disappointing given that India's industrialization is an investment theme at Wasatch. But as was the case with Brazil, the benchmark's strongest performers had significantly more debt than we like to see for the companies in which we invest.
- Looking ahead, our Taiwanese companies have seen some improvement in business conditions, while investors' optimism about AI may have become overdone. With respect to India, we've fine-tuned some of our screening methodologies in a way that we believe will result in fewer missed opportunities. From a longer-term perspective, we believe the RBI's tighter loan requirements may benefit our Indian banks by reducing competition from upstart fintech firms.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan, Neal Dihora and Scott Thomas

TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
Emerging Markets Select Fund—Investor	12.02%	17.52%	-3.70%	11.15%	5.39%
Emerging Markets Select Fund —Institutional	12.11%	17.80%	-3.55%	11.37%	5.63%
MSCI Emerging Markets Index†	7.86%	9.83%	-5.08%	3.68%	2.66%
MSCI Emerging Markets Mid Cap Growth Index††	7.97%	11.97%	-3.04%	3.68%	3.61%

**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. 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.

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†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.

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Earnings per share or EPS is the portion of a company's profit allocated to each outstanding share of common stock. EPS growth rates help investors identify companies that are increasing or decreasing in profitability.

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

EMERGING MARKETS SELECT FUND—TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2023

Security Name		Percent of Net Assets
MercadoLibre, Inc.		8.2%
Bajaj Finance Ltd.		8.1%
NU Holdings Ltd., Class A		6.6%
Globant SA		6.4%
HDFC Bank Ltd.		6.1%
Voltronic Power Technology Corp.		4.9%
Lasertec Corp.		4.3%
WEG SA		4.2%
Raia Drogasil SA		4.1%
AU Small Finance Bank Ltd.		4.0%
	Total	56.9%

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.