WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAESX / Institutional WIESX

Wasatch Emerging Markets Select Fund

MARCH 31, 2024

Pro-Business Reforms Have Greatly Enhanced India's Attractiveness as a Global Manufacturing Hub

FUND MANAGERS

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OVERVIEW

Equity markets in developing nations were mostly higher during the first quarter as stocks linked to artificial intelligence (AI) rallied and an economic soft landing in the U.S. became the consensus view. Confidence in India's growth prospects bolstered investor sentiment toward emerging markets. The benchmark MSCI Emerging Markets Index rose 2.37% for the quarter. Underperforming the benchmark, the Wasatch Emerging Markets Select Fund—Investor Class was down -2.24%.

Taiwan was the biggest source of underperformance in the Fund as enthusiasm about AI reached a fever pitch. Likening the situation to "a swarm of bees," Taiwan's central-bank governor Yang Chin-long urged investors to "think calmly." Despite strong gains in the Taiwanese component of the Index, the market advance in Taiwan was narrow, with a substantial portion of stocks finishing down for the quarter. Weakness in the Fund's Taiwanese holdings significantly impacted its return.

The Fund also underperformed in India, hurt primarily by holdings in financials and health care. As India's financial sector remained out of

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—1.36% / Institutional Class—1.13%. 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 1/31/2025.***

favor with investors, the equity market was driven instead by industrials and other cyclical stocks that stand to benefit more directly from the country's booming economy.

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. 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.

Brazil was the Fund's greatest source of strength against the benchmark. Powered by an outsized gain in a single holding, the Fund's Brazilian stocks generated a double-digit percentage return. In contrast, Brazil was one of the worst-performing countries in the Index as sequential gross domestic product (GDP) readings remained flat for a second straight quarter in the October–December period. Record-setting crops of corn and soybeans had boosted exports in early 2023, resulting in a strong economic expansion. Since then, Brazil's economy has cooled as high interest rates crimped household spending and suppressed industrial output.

China remained mired in a real-estate slump that's created a liquidity crisis for developers struggling to service debt and complete construction projects. Prices for both new and existing homes continued to fall in January and February, adding to the deflationary pressures that are weighing on demand and dampening growth throughout the economy. Because Chinese stocks did poorly during the first quarter, the Fund's underweight positioning in China improved performance.

DETAILS OF THE QUARTER

The strongest contributor to Fund performance for the quarter was NU Holdings Ltd. A Brazilian firm, NU operates Latin America's largest financial technology (fintech) bank. Though earnings in the most recently reported quarter fell short of expectations, positive trends in loan growth, gross margin and asset quality lifted the company's stock price. Metrics that included revenue, deposits and client additions also surprised to the upside.

Sea Ltd. Sponsored ADR was also a top contributor. Based in Singapore, the company provides e-commerce, digital entertainment and digital financial services in Southeast Asia. For the first time since its initial public offering, Sea posted positive full-year earnings in 2023. Management struck an upbeat tone about the future, noting favorable trends in both growth and profitability across all three business segments. In our view, Sea has demonstrated its ability to fend off competition and gain market share, and we expect the company to continue to be a leading player in the markets it serves.

Another strong stock in the Fund was Trent Ltd. The company operates a leading chain of retail stores in India specializing in fashion apparel, cosmetics, perfumes and toiletries. Having visited several of Trent's stores during a recent trip to India, we 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 versus the same quarter a year ago. The company has continued to execute its expansion strategy, adding 56 new stores during the reported quarter.

The greatest detractor from Fund performance for the quarter was Silergy Corp. A Taiwanese company, Silergy manufactures mixed-signal and analog integrated-circuit chips used in a wide array of electronic devices. During the first quarter, shares of Silergy gave back some of the previous quarter's robust gain. There was also an unexpected resignation of the company's co-CEO, who was also the head of research and development. This management change, along with a disappointing earnings report, weighed on the stock. On the plus side, an overhang of inventory in supply channels has largely been cleared, and management expects to see revenue growth in the final three quarters of 2024.

Indian financials languished during the first quarter as high interest rates and tightened capital requirements made lending more costly. Signs that losses from bad loans are beginning to normalize, albeit from very low levels, added to negative sentiment surrounding the sector. Detractors in the Fund included AU Small Finance Bank Ltd. and HDFC Bank Ltd.

AU primarily targets unbanked and underbanked low- and middle-income borrowers in India. Net profit in the company's most recent quarter was down -4.5% from the year-ago 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. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

Recent pro-business reforms have greatly enhanced India's attractiveness as a global manufacturing hub. Through a series of tax cuts, rebates, funding assistance and other incentives, the government under Prime Minister Narendra Modi's direction 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.

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.

With industrialization in India well underway, investors around the world have taken notice. In our view, enthusiasm about India's growth story has driven sentiment and valuations for many industrial firms to levels we consider quite elevated. Moreover, top-line growth at some of these companies has now 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.

For the time being, at least, India's stock market has tended to reward industrials and other companies with stable or expanding profit margins that allow revenue gains to pass directly to the bottom line. While that's generally the case for industrials in India, margin pressures have been ongoing headwinds for financial firms given the higher interest-rate backdrop. Meanwhile, deteriorating sentiment toward some financials has dropped their valuations to levels we consider attractive. These conditions now create the potential for a suitable catalyst—interest-rate cuts from the RBI, for example—to trigger a potential reversal in sentiment and a tailwind for Indian financial stocks.

Similarly, China's stock market has become quite undervalued compared to historical multiples of price to earnings. Expectations are so low and conditions are so poor that investors might view even minor improvements as reasons to buy. From a macroeconomic perspective, we note that China's official purchasing managers index showed expansion in March, which bodes well for manufacturing. We don't try to predict potential "turning points" or "market bottoms," preferring instead to seek reasonably valued companies with attractive long-term prospects. In this regard, we're seeing solid investment opportunities in China—and, selectively, we're looking to increase our weight there.

As far as AI is concerned, we see a great deal of promise—and also a great deal of hype. Our job in managing the Fund is to identify opportunities that are real as opposed to imaginary, durable as opposed to fleeting and likely to generate attractive investment returns over time. Toward that end, we believe Wasatch's fundamentals-based investment approach is well-suited to the Fund's objective of long-term capital growth.

Thank you for the opportunity to manage your assets.

Sincerely,

Ajay Krishnan, Neal Dihora and Scott Thomas

TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2024

	Quarter*	1 Year	3 Years	5 Years	10 Years
Emerging Markets Select Fund—Investor	-2.24%	5.22%	-4.53%	7.93%	5.14%
Emerging Markets Select Fund —Institutional	-2.24%	5.41%	-4.39%	8.13%	5.36%
MSCI Emerging Markets Index†	2.37%	8.15%	-5.05%	2.22%	2.95%
MSCI Emerging Markets Mid Cap Growth Index††	0.53%	9.59%	-2.53%	2.58%	3.53%

**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—1.36% / Institutional Class—1.13%**

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 1/31/2025.** 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.

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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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 MARKETS SELECT FUND—TOP 10 HOLDINGS

AS OF DECEMBER 31, 2023

Security Name		Percent of Net Assets
MercadoLibre, Inc.		8.4%
Globant SA		6.9%
Bajaj Finance Ltd.		6.6%
NU Holdings Ltd., Class A		6.4%
HDFC Bank Ltd.		5.6%
Lasertec Corp.		5.4%
Voltronic Power Technology Corp.		5.0%
WEG SA		4.3%
Silergy Corp.		4.2%
Raia Drogasil SA		4.2%
	Total	57.0%

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.