

# Wasatch Global Select Fund

MARCH 31, 2024

## The Macroeconomic Environment Is Uncertain, But We Feel Positive About the Earnings Power of Our Companies

### OVERVIEW

For the first quarter of 2024, the Wasatch Global Select Fund—Investor Class gained 0.50%, underperforming the benchmark MSCI AC (All Country) World Index, which was up 8.20%.

At the sector level, the Fund's stock selection in financials and information-technology (IT) sectors detracted most from its performance relative to the benchmark. However, stock selection in the consumer-staples and health-care sectors contributed to relative results. On a geographic basis, our holdings in the United States, Japan and Taiwan were the largest detractors from relative performance.

Looking at relative performance from a sector or geographic perspective can shed some insight into the Fund's results, but because of the concentrated nature of the portfolio, our performance is typically driven by individual stocks. We discuss some of the key contributors and detractors from Fund performance in the following section.

### FUND MANAGERS



**Ken Applegate, CFA, CMT**  
Portfolio Manager

4 / 9  
YEARS ON FUND / YEARS AT WASATCH



**Paul Lambert**  
Portfolio Manager

4 / 24  
YEARS ON FUND / YEARS AT WASATCH



**Linda Lasater, CFA**  
Portfolio Manager

4 / 17  
YEARS ON FUND / YEARS AT WASATCH



**Mike Valentine**  
Portfolio Manager

4 / 7  
YEARS ON FUND / 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](http://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—Gross 2.57%, Net 1.36% / Institutional Class—Gross 1.74%, Net 0.96%. The Advisor has contractually agreed to limit certain expenses to 1.35% for the Investor Class and 0.95% for the Institutional Class through at least 1/31/2025.***



## DETAILS OF THE QUARTER

The greatest detractor from Fund performance during the first quarter was **BayCurrent Consulting, Inc.** The Japan-based company provides IT consulting services and is focused on digital transformation. BayCurrent's recently reported net profit margins were lower than expected, which weighed on the stock. While the stock price was down, we believe our long-term thesis on BayCurrent remains intact. Demand for IT consulting services remains high in Japan. And BayCurrent's position within the market remains strong, in our view. But with demand growing and the labor market for IT professionals remaining tight, BayCurrent has had to hire less-experienced consultants to help grow the business. Having less experience, these professionals require training and have a longer ramp-up period. We reduced our position size in recent months due to our concerns about staffing. However, we now see signs that the labor market for top IT talent may finally be improving. On our most recent trip to Japan, we found that some of BayCurrent's larger global competitors have been shedding talent to cut costs. We wouldn't be surprised if BayCurrent scooped up some of the more talented professionals.

Another detractor was **MarketAxess Holdings, Inc. (MKTX)**, which offers an electronic trading platform that we believe is pivotal for delivering efficiency, liquidity and cost savings to clients operating in global fixed-income markets. After a strong finish in 2023, the stock declined at the beginning of this year due to some concerns about potential market-share losses. Nevertheless, our investment thesis remains on track. We believe MarketAxess has been fine-tuning its services to accommodate clients of various sizes. And we don't think the recent competitive challenges will materially impact the company's ability to grow its business over the long term. We're especially excited about the revenue potential of some new services that help clients optimize operations and data flow. That said, MarketAxess is a volatile stock—and we strive to keep our position size at an appropriate level for risk management. During the first quarter, we took advantage of the stock-price weakness to buy more shares.

**Silergy Corp.** was another weak stock. A Taiwanese company, Silergy manufactures mixed-signal and analog integrated-circuit chips used in a wide array of electronic devices. 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 has indicated they expect to see revenue growth in the final three quarters of 2024.

**ICON PLC** was a top contributor to the Fund's performance in the first quarter. The Irish health-care company provides contracted clinical research services to biotechnology and pharmaceutical firms world-wide. Their services include overseeing clinical studies, managing data, consulting on regulatory issues and supporting pharmaceutical development through its centralized laboratories. ICON's stock price was up after the company reported earnings and revenue growth that topped consensus estimates. The stock represents one of our largest positions in the portfolio, and our views on the company remain unchanged. We believe ICON is a less risky way to invest in biotech innovation. Unlike a biotech startup, whose success or failure may hinge on the results of a clinical trial for a single therapy, ICON benefits from innovation more broadly, and a growing number of companies bringing new treatments to market.

Another substantial contributor was **HealthEquity, Inc. (HQY)**, the largest U.S. non-bank custodian for health savings accounts (HSAs). Along with their primary business of offering HSAs, the company facilitates employer-sponsored lifestyle and commuter benefits. The stock was down late last year because investors were expecting an environment of lower interest rates that would cause the company to earn less income from money held on deposit for customers. Our analysis gives us visibility into HealthEquity's long-term earnings-growth potential, which we believe will remain strong for years to come. This insight gave us confidence to add to our position when the stock price dropped. During the first quarter, the stock climbed based on strong revenue and earnings growth—and we think the company's annual growth rates will stay in the double digits for the next several years.



Another large contributor was **Sugi Holdings Co. Ltd.**, a Japan-based retail drugstore operator. Consolidation within Japan's highly fragmented retail drug industry has been positive for the stock, as a few companies have announced large mergers or acquisitions in recent months. Sugi was among the consolidators, announcing an acquisition a few weeks ago. We were encouraged to see the company use some of the cash on its balance sheet to make an accretive addition that we estimate could add as much as 25% to Sugi's revenues in the next few years. *(Current and future holdings are subject to risk and change.)*

## OUTLOOK

With several macroeconomic and geopolitical events still unfolding, it's difficult to have a clear outlook for global equity markets in the near term. Geopolitical tensions remain high, with wars in Europe and the Middle East. And as we've said in prior commentaries, an unusually busy election year adds to geopolitical uncertainty.

On the economic front, mixed data across different regions and countries makes it challenging to predict how the global economy might emerge from a period of severe monetary tightening. It's also hard to predict when, exactly, central banks might cut interest rates. If rate cuts are pushed back further than markets currently expect, this could be another source of volatility in the coming months.

We freely acknowledge that while we pay attention to geopolitical and macroeconomic news, our specialty doesn't lie in predicting what comes next. We place much more emphasis on predicting the long-term earnings growth of our companies, and we predict that growth over years, not months. In this regard, we feel good about what lies ahead. For the most part, our companies reported strong operating results for the fourth quarter of 2023. And our projections are generally for double-digit growth rates in calendar year 2024. Based on these projections and the reasonable valuations we're finding, we're optimistic regarding investment performance going forward.

Thank you for the opportunity to manage your assets.

Sincerely,

Ken Applegate, Paul Lambert, Linda Lasater and Mike Valentine



## TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2024

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Global Select Fund—Investor	0.50%	17.07%	-0.57%	N/A	7.20%
Global Select Fund—Institutional	0.57%	17.51%	-0.20%	N/A	7.59%
MSCI AC (All Country) World Index†	8.20%	23.22%	6.96%	N/A	11.32%
MSCI AC (All Country) World Mid Cap Growth Index ††	6.35%	17.04%	1.57%	N/A	8.74%

\*Returns less than one year are not annualized.

\*\*The Wasatch Global Select Fund's inception date was October 1, 2019.

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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 1.35% for the Investor Class and 0.95% 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 and frontier 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.**

**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](http://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 Global Select Fund's investment objective is long-term growth of capital.

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\*The MSCI AC (All Country) World Index captures large- and mid-cap representation across 23 developed-market and 24 emerging-market countries.

\*\*The MSCI AC (All Country) World Mid Cap Growth Index captures mid-cap securities exhibiting overall growth style characteristics across developed and emerging countries.

Indexes are unmanaged. Investors cannot invest directly 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.

Revenue growth is the increase in a company's revenues over a specified period of time, not necessarily one year.

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

**GLOBAL SELECT FUND— TOP 10 HOLDINGS**  
AS OF DECEMBER 31, 2023

Security Name	Percent of Net Assets
Amphenol Corp., Class A	5.0%
Roper Technologies, Inc.	4.6%
Copart, Inc.	4.4%
Bajaj Finance Ltd.	3.8%
ICON PLC	3.8%
RBC Bearings, Inc.	3.7%
MercadoLibre, Inc.	3.5%
Pool Corp.	3.5%
Descartes Systems Group, Inc.	3.4%
HDFC Bank Ltd.	3.4%
Total	39.1%

*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.*