WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAGCX / Institutional WGGCX

Wasatch Greater China Fund

MARCH 31, 2023

The Backdrop for Chinese Equities Looks Positive Relative to Many Other Markets

OVERVIEW

The Wasatch Greater China Fund—Investor Class was up 1.26% during the first quarter but underperformed the benchmark MSCI China Index, which ended the period with a gain of 4.71%.

A late-year rally in Chinese equities continued in January, fueled by the government's decision to lift pandemic-related social restrictions. However, stocks were volatile late in the period due to concerns about geopolitical tensions and banking turmoil in the U.S. and Europe. Despite those concerns, Chinese equities ended the period with moderate gains.

The Fund's underperformance was largely attributable to its underweight in the communication-services sector. The sector holds some mega-cap technology companies, which are in a market-capitalization range where we tend to be less exposed. Instead, our Fund skews toward small- and mid-cap stocks. Smaller companies are less covered by other investors, and we believe such stocks provide greater opportunity for active investors to add long-term value, in our view.

DETAILS OF THE QUARTER

Wuxi Biologics Cayman, Inc. was the largest detractor from Fund performance during the quarter. A contract research, development and

FUND MANAGERS

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2 YEAR ON FUND / 20 YEARS AT WASATCH

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manufacturing firm, Wuxi helps create biological medicines and provides value-added services to other pharmaceutical companies. Wuxi experienced strong revenue and earnings growth in 2022, and we thought management's execution was stellar. However, after a strong run along with the China market since October, the stock was down this quarter after the company pre-released 2022 results that were slightly below market expectations. We believe there are idiosyncratic reasons for the lighter results and continue to like Wuxi's long-term growth potential. Specifically, we like the company's role as an important player in the complex process of researching, developing and manufacturing biologic treatments. We believe demand for its services should continue to be strong as health-care innovation pushes forward, though geopolitical concerns remain in the background.

Another weak stock was Meituan. The company is best known for its food-delivery platform that links consumers and merchants, though it also connects consumers with other services in their local markets. The stock was down due to concerns about Douyin, the Chinese version of TikTok, trying to grow its presence in the local service arena. However, we would note that Meituan is still the largest player in the industry, and it's taking great efforts—including hiring 10,000 people—to fend off competition. We also think there are some differences in the two companies' advertising models that could allow both competitors to grow.

China Tourism Group Duty Free Corp. Ltd. was another detractor. The tourism and merchandise sales services company is engaged in selling duty-free goods. By operating in Hainan, a tourist island off China's southeast coast, China Tourism Group allows Chinese consumers to buy duty-free items without traveling abroad. The company benefits from China's reopening after its zero-Covid policy, and as such, its stock price was up soon after the Chinese government discussed cutting back on pandemic-era restrictions. Since then, however, investors are waiting to see pent-up shopping demand show up in the company's results. We continue to expect strong demand in the coming quarters but acknowledge that the market is in "wait-and-see" mode on the stock.

Airtac International Group was one of the largest contributors to Fund performance in the first quarter. Headquartered in Taiwan, the company manufactures pneumatic actuators for industrial automation systems. The stock rose in anticipation of China's reopening from the pandemic, which should lead to a significant uptick in factory production. This should translate into more demand for both Airtac's actuators and their replacement parts. While reopening benefits Airtac in the near term, we foresee a much longer runway for growth as Chinese businesses increasingly depend on factory automation to improve efficiency and replace an aging workforce.

Another top contributor was Sinbon Electronics Co. Ltd. The company manufactures electric cables that power a wide range of products. Sinbon continues to experience strong growth, with annual revenue in 2022 up 19.8% from the prior year. Those strong results, and anticipation of heightened demand for many products as China reopens, led the stock higher this quarter. Looking ahead, we continue to believe Sinbon has a long runway for growth. Its management team has done a good job of carving out long-term relationships with businesses in many high-growth verticals, including the green energy, medical and automotive industries. Further, we believe the company's highly variable manufacturing processes, which allow it to produce various cables with unique specifications, are a differentiator for the firm.

Sino Wealth Electronic Ltd. was another top performer. The company manufactures micro-controller units (MCUs), which are crucial to the functionality of the end products they go into. We like the business because the essential nature of MCUs makes the product quite sticky once it becomes part of a company's design plan. Further, we believe Sino Wealth is a prime beneficiary as China seeks to build a domestic semiconductor supply chain, which the government has outlined as a key priority. (*Current and future holdings are subject to risk and change.)*

OUTLOOK

Global equity markets have been volatile due to concerns about banking industries in the U.S. and Europe. However, we do not see a direct link between bank failures in those regions and the banking system in China.

High-profile U.S. bank failures were caused in large part because the banks had accumulated massive U.S. Treasury portfolios, which lost value as the Federal Reserve tightened monetary policy and raised interest rates. When the banks had to sell those securities to redeem fleeting deposits, those losses were realized.

In China, the situation is quite different. China's central bank is closer to easing monetary policy, not tightening. The banks aren't facing a large loss on the value of securities that could lead to a lack of trust from depositors and, in turn, a sudden flight of deposits. Further, China's government takes a heavier hand in controlling businesses and its financial system. While this oversight has both benefits and drawbacks, it likely gives Chinese consumers confidence in the banking system and makes a run on deposits less likely.

While China's banking system doesn't face the same risks, we acknowledge that banking troubles could lead to a slowdown in the U.S. and European economies, which would impact export-heavy businesses in China. But China's economy would still be less affected than the countries at the heart of a banking crisis.

Looking ahead, as China reopens after pandemic restrictions, we wouldn't be surprised if the country contributes an outsized portion to global economic growth this year—which could set up a relatively positive backdrop for Chinese equities.

China's reopening also gives us the opportunity to finally visit management teams in the country again. In May, our team is planning its first visit back to the country since 2019. We look forward to uncovering new investment opportunities for our shareholders.

Thank you for the opportunity to manage your assets.

Sincerely,

Dan Chace, Allison He, Pedro Huerta, Kai Pan and Kevin Unger

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2023

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Greater China Fund—Investor	1.26%	-13.46%	N/A	N/A	-15.00%
Greater China Fund—Institutional	1.26%	-13.28%	N/A	N/A	-15.07%
MSCI China Index†	4.71%	-4.73%	N/A	N/A	-16.46%

Returns less than one year are not annualized.

***The Wasatch Greater China Fund's inception date was November 30, 2020.*

Data show past performance, which is not indicative of future performance. 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—Gross 3.56%, Net 1.62% / Institutional Class—Gross 2.61%, Net 1.36%**

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 1.25% 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 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 small cap funds will be more volatile and loss of principal could be greater than investing in large cap or more diversified funds. Investing in foreign securities, especially in emerging markets, entails special risks, such as unstable currencies, highly volatile securities markets and political and social instability, which are described in more detail in the prospectus.

The Fund is subject to risks associated with investments in China and countries in the greater China region that could affect the value of your investment in the Fund, including government control over currencies, economic conditions, industries and specific issuers, as well as continued strained international relations, uncertainty regarding taxes, and limits on credible corporate governance and accounting standards. Because of its exposure to greater China, including mainland China and China's special administrative regions, such as Hong Kong, the Fund is subject to greater risk of loss as a result of volatile securities markets, adverse exchange rates and social, political, military, regulatory, economic or environmental developments, or natural disasters that may occur in the China region. The imposition of tariffs or other trade barriers by the U.S. or foreign governments on exports from China may also have an adverse impact on Chinese issuers. The Fund may invest in the securities of Chinese issuers through the China Stock Connect program. Trading through the Stock Connect Programs is currently subject to a daily quota, which limits the maximum net purchases by all purchasers using the Stock Connect Programs each day. While the daily quotas are relatively large, there is the possibility that the quotas could be reduced or exceeded, meaning buy orders for China A-shares would be rejected, affecting the Fund's ability to efficiently execute on its investment strategy.

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.

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.

The Wasatch Greater China Fund's investment objective is long-term growth of capital.

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†The MSCI China Index captures large- and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). The index covers about 85% of this China equity universe. Currently, the index includes large-cap A shares and mid-cap A shares represented at 20% of their free float adjusted market capitalization.

Indexes are unmanaged. Investors cannot invest directly in an index.

GREATER CHINA FUND— TOP 10 HOLDINGS

AS OF DECEMBER 31, 2022

Security Name	Percent of Net Assets
Chailease Holding Co. Ltd.	6.5%
Shenzhen Mindray Bio-Medical Electronics Co. Ltd.	4.6%
H World Group Ltd.	4.5%
SG Micro Corp.	4.4%
Wuxi Biologics Cayman, Inc.	4.3%
Hangzhou Tigermed Consulting Co. Ltd. Class A	4.2%
Silergy Corp.	4.1%
Proya Cosmetics Co. Ltd.	4.1%
AIA Group Ltd.	4.1%
Glodon Co. Ltd.	3.9%
Total	44.6%

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.