WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAGCX / Institutional WGGCX

Wasatch Greater China Fund

SEPTEMBER 30, 2023

China Has Its Fair Share of Economic Challenges, but It May Not Be as Bad as Gloomy Headlines Suggest

OVERVIEW

The Wasatch Greater China Fund—Investor Class was down -8.30% during the third quarter of 2023, underperforming the benchmark MSCI China Index, which dropped -1.94% during the period.

Chinese equities lost ground in the third quarter as soft economic data, rising geopolitical tensions, and concern about China's real-estate sector all created negative investor sentiment toward the country. Our thoughts on some economic headwinds can be found in the outlook section of this commentary.

During the quarter, much of the Fund's underperformance relative to its benchmark was due to an overweight position in the information-technology (IT) sector and our stock selection within that sector. Our holdings in the consumer-discretionary sector also underperformed those in the benchmark and played a role in the Fund's relative

FUND MANAGERS

Dan Chace, CFA
Lead Portfolio Manager
2 YEARS ON FUND / 21 YEARS AT WASATCH

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Associate Portfolio Manager
2 YEARS ON FUND / 10 YEARS AT WASATCH

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Kai Pan, PhD
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Kevin Unger, CFA
Associate Portfolio Manager
2 YEARS ON FUND / 8 YEARS AT WASATCH

underperformance. Within the consumer-discretionary sector, we have minimal exposure to some of the consumer-internet companies that rallied during the quarter, which detracted from relative results.

DETAILS OF THE QUARTER

Silergy Corp. was the largest detractor from Fund performance during the quarter. The company produces high-performance mixed-signal and analog integrated-circuit chips used in a wide array of electronic devices. Concerns that the semiconductor cycle may not have bottomed weighed on the stock, but we continue to have high conviction in Silergy's long-term growth potential. We believe Silergy's business model—which is based on analog design engineering—is difficult to replicate and is likely to provide the company with significant headroom for growth as it sells its chips into an array of growing end markets.

Another large detractor was Glodon Co. Ltd., a Beijing-based provider of construction, design and engineering software. Weakness in China's property market has started to impact demand for Glodon's software, which weighed on the stock. China's real-estate market has been weak since the end of 2020, and we were impressed that demand for Glodon's software was resilient in spite of it. But management has indicated that the company's revenues will be more affected by real-estate weakness going forward, and in light of that assessment we're reviewing our position in the stock.

AIA Group Ltd. was another weak stock. The Hong Kong-based insurer is one of the largest insurance companies in the world. AIA offers insurance products and other financial services throughout China and other Asian markets. The stock was down in part because some consumers have gravitated toward lower-margin long-term savings products, which has impacted margins for AIA's "new business" segment in China. We're not concerned, however, as strong sales of those long-term savings products more than offset margin contraction to produce revenue growth in the mid-teens for the new business segment in the first half of 2023. Going forward, we continue to believe that AIA will benefit as China's rising middle class seeks insurance products to protect its wealth. Indeed, demand for insurance has been strong since China lifted pandemic restrictions, which enabled consumers to meet with insurance brokers again.

Wuxi Biologics Cayman, Inc. was the top contributor to Fund performance during the quarter. Wuxi helps create biological medicines and provides value-added services to other pharmaceutical companies. The stock was down significantly in the first half of 2023 but rebounded after management reported revenue growth for the first half of the year that exceeded its own guidance. We continue to believe Wuxi plays an important role in the complex process of researching, developing and manufacturing biologic treatments. We believe demand for Wuxi's services should continue to be strong as health-care innovation pushes forward.

Another leading contributor was Kweichow Moutai Co. Ltd., a leading seller of premium baijiu, a Chinese alcoholic spirit. The company has grown revenue at a steady clip, growing earnings by an average rate of 17% over the past 18 quarters. We believe that in a time of economic uncertainty, investors favored steady revenue growers such as Kweichow Moutai, which helped push the stock price up.

Shenzhen Inovance Technology Co. Ltd. was another top contributor. The company develops and manufactures a wide range of industrial automation products for different industries. Inovance's second-quarter operating results were strong in our view, and we believe they were particularly impressive given weakness in China's manufacturing sector. Going forward, we believe industry automation is a strong secular trend in China due in part to its aging workforce. We believe that Inovance, as the leading domestic automation company, also benefits from import substitution, which has helped the company consistently gain market share over the past two decades. Further, we like Inovance's expansion into several promising end markets, including robotics. Put together, we believe these factors hold the potential for sustainable annual revenue growth in excess of 20% for the next several years. (*Current and future holdings are subject to risk and change.)*

OUTLOOK

Currently, China is beset with several challenges to its economy. The country is experiencing a real-estate downturn, simmering geopolitical tensions, high youth unemployment, a stifling of innovation among private enterprises due to government meddling, and weaker-than-expected consumer spending coming out of the pandemic lockdown. China's aging workforce is a structural headwind for the economy—albeit one that will play out over decades, not immediately.

These are real challenges. But they may not be as bad as some doomsday headlines suggest. For example, indebtedness among property developers will likely cause some businesses to fail, wiping out the shareholders and creditors of those companies. But we don't think this will set off a financial crisis. China's financial system is controlled by the state, and we believe the government has enough liquidity to address problems as they arise and to prevent a potentially dangerous level of contagion.

Regarding consumer spending, a stalled property market has made consumers more cautious about their purchases, but consumers haven't stopped spending altogether. We just came back from a trip to China and talked to friends, family, DiDi (a ride-hailing service) drivers, company management teams and others about the consumer-spending environment. We saw and heard a lot about "consumption downgrading." People are still traveling, for example, but taking shorter, domestic trips. Consumers have also pared back spending on luxury items and on more expensive restaurants—but they're still going out.

Another economic headwind—youth unemployment—may take time to fix. The younger generation is generally highly educated. These potential workers could find work in the gig economy as, for example, delivery drivers, but they're passing on those jobs for more aspirational career options. For now, many parents can support their working-age children at home, so younger workers can be patient and wait for the right job. To create more of those aspirational jobs, China must address another problem: government overreach into private enterprise.

After the government took a heavy-handed approach to regulating large technology companies, those businesses pulled back from growth initiatives and stopped hiring new employees or laid off existing ones. We sense that the government is realizing private enterprise has an important role to play in the economy and is starting to loosen the reins on businesses.

China's other headwind—geopolitical tension—is the toughest for us to predict. In our recent visit, we heard less talk among Chinese citizens about Taiwan or the U.S. than during our prior visit, which suggests tensions may have toned down a little. As of this writing, diplomatic talks between Washington and Beijing are also gaining momentum, which could be positive.

While geopolitics are a concern, in some ways the decoupling of the U.S. and Chinese economies helps make a case for investing in China over the long-term. As China and the West become less integrated, we believe two separate spheres of innovation could develop. And we believe long-term global investors could benefit from having exposure to both those spheres.

Thank you for the opportunity to manage your assets.

Sincerely,

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

TOTAL RETURNS
FOR PERIODS ENDED SEPTEMBER 30, 2023

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Greater China Fund—Investor	-8.30%	-13.75%	N/A	N/A	-20.84%
Greater China Fund—Institutional	-8.33%	-13.56%	N/A	N/A	-20.87%
MSCI China Index†	-1.94%	5.24%	N/A	N/A	-17.39%

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

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

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—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. 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 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. 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 Fund is subject to risks associated with investments in the Greater China Region that could affect the value of your investment. The Fund may invest in securities through the China Stock Connect programs, which subject the Fund to unique accessibility risks affecting the Fund's ability to efficiently execute its strategy. These risks are described in more detail in the prospectus.

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

†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 JUNE 30, 2023

Security Name	Percent of Net Assets
H World Group Ltd.	5.1%
Sinbon Electronics Co. Ltd.	4.9%
Tencent Holdings Ltd.	4.8%
Silergy Corp.	4.6%
Chailease Holding Co. Ltd.	4.6%
Shenzhen Mindray Bio-Medical Electronics Co. Ltd., Class A	4.4%
Airtac International Group	4.3%
AIA Group Ltd.	4.1%
Kweichow Moutai Co. Ltd., Class A	4.1%
Shenzhen Inovance Technology Co. Ltd., Class A	4.0%
Total	44.9%

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.