WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAIOX / Institutional WIIOX

Wasatch International Opportunities Fund

MARCH 31, 2023

The Current Macro Environment Underscores the Importance of High-Quality Investing

OVERVIEW

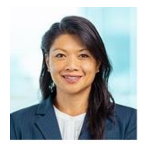
For the first quarter of 2023, the Wasatch International Opportunities Fund—Investor Class gained 1.77% but trailed the benchmark MSCI AC (All Country) World ex USA Small Cap Index, which was up 4.70%.

International equities notched gains for the period but were volatile. Stocks started the year on an upswing, but signs of persistent inflation began to weigh on equity markets in February. Volatility continued in March after a few high-profile bank failures led to concerns about the industry.

On a geographic basis, the Fund's holdings in Japan and the United Kingdom underperformed and detracted from results relative to the benchmark. However, stock selection in Sweden and Australia contributed to relative performance.

At the sector level, stock selection in the information-technology (IT) sector detracted the most from relative performance. However, the Fund's lack of exposure to the underperforming real-estate and energy sectors contributed to relative results.

FUND MANAGERS



Linda Lasater, CFA
Lead Portfolio Manager

6 YEARS ON FUND / 16 YEARS AT WASATCH

Dan Chace, CFA
Portfolio Manager

3 YEARS ON FUND / 20 YEARS AT WASATCH

Allison He, CFA
Associate Portfolio Manager

5 YEARS ON FUND / 10 YEARS AT WASATCH

Data show past performance and is not indicative of future performance. 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. Performance data does not reflect this redemption fee or taxes. ***Total Expense Ratio: Investor Class—1.96% / Institutional Class—1.91%. The Advisor has contractually agreed to limit certain expenses to 2.25% for the Investor Class and 1.95% for the Institutional Class through at least 1/31/2024.***

From time to time, we see more volatility in our micro-cap companies' performance. One reason is that micro-caps are earlier in their business life cycles and can be less diversified across regions, verticals and sometimes even customers. As such, they can be disproportionately hit when a country, sector, or even a specific customer slows. That's why we believe it's even more important to invest in high-quality companies in this cap range. Our companies are still in strong positions financially. They offer differentiated services or products that are taking share and will emerge from the current macroeconomic environment much stronger.

DETAILS OF THE QUARTER

The largest detractor from Fund performance during the quarter was Kin and Carta, PLC, a trans-Atlantic digital-transformation consultancy. Disappointing earnings results for the first half of its fiscal year weighed on the stock. Management has cited worsening economic conditions as a reason for the slowdown in revenue. We're monitoring the stock. We like its exposure to digital transformation, which is a theme in our portfolio as digital transformation is a key priority for businesses around the world. But Kin and Carta lacks the scale and diversity of some of its competitors, so it's been disproportionately hurt by some large project delays and postponements. Going forward, we'll continue to monitor how Kin and Carta can manage this period and continue to grow scale.

Systena Corp. was another large detractor. The Japan-based information-technology vendor missed its operating profit target due in part to mid-level employee turnover and slower growth for some of its more profitable business segments. We trimmed the position in light of near-term uncertainty around employee turnover but continue to hold the stock. Many Japanese companies are behind global competitors when it comes to digitalization, but with ample cash on their balance sheets and a history of adapting to market conditions, we believe these companies are poised to spend heavily on IT projects to catch up. We continue to monitor the company's ability to hire and retain critical IT staff needed to deliver on the strong trends we're seeing in IT investment in Japan.

Another stock that detracted from performance was City Union Bank Ltd. The stock of the Indian bank was down after a regulator suggested the bank wasn't fully recognizing non-performing assets on its balance sheet. The difference in the amount of non-performing assets the regulator suggested the bank should have versus what the company reported is not significant enough to suggest a major lack of control at the bank, in our view. However, in an environment where investors are concerned with any bad news associated with banks, the stock price reaction to the news has been severe.

We're currently reviewing City Union Bank because loan growth hasn't been what we expected, and credit quality has not improved to the degree we anticipated. But it's worth noting that we don't believe City Union suffers any of the risks afflicting troubled U.S. banks. We would describe City Union as a more "vanilla" bank that generates most of its earnings from the traditional business of taking its deposits and lending them out at higher rates. It doesn't have a large securities portfolio, which is what afflicted the U.S. banks that failed. It also has a large retail customer base, which should make deposits stickier. The troubled banks in the U.S. had concentrated depositors operating in the same industry, which made a run on deposits more likely, in our view.

The largest contributor to Fund performance was Fortnox AB. The Swedish company sells cloud-based software for small and medium-sized companies, with solutions addressing bookkeeping, order handling, invoicing, payroll and other critical business functions. The stock was up after the company reported another quarter of strong growth in an environment where there was concern that small- and medium-sized businesses may pare back spending. We view the results as a testament to the value Fortnox provides its customers. Going forward, we believe the company has considerable pricing power; Fortnox's services are critical to its customers' business functions but represent a relatively small part of their total operational costs.

Another top contributor was Elmos Semiconductor SE, a Germany-based company that produces semiconductors and sensors primarily for the automotive industry. The stock was up after the company offered much stronger-than-expected earnings guidance in 2023, due in part to a recovery in new-car volumes as supply-chain issues ease. We continue to like the company for its exposure to the auto industry. The electrification of the automobile is a long-term secular growth trend that could make demand for Elmos' products less cyclical than for other semiconductor manufacturers, in our view.

Mexico's Qualitas Controladora SAB de CV was another top performer. The auto insurer is rebounding from a difficult period when mobility trends and accident frequency returned to pre-pandemic levels while inflation simultaneously increased the cost of spare parts for vehicle repairs. As the company and industry raise prices and inflation settles down, we think profitability should recover on the back of improving underwriting results and the company's investment portfolio benefitting from higher interest rates. Looking ahead, we continue to like the company's long-term growth potential and stability as the market leader in an underpenetrated Mexican insurance market. Qualitas is also expanding geographically and diversifying into the relatively nascent Mexican health-insurance business. (*Current and future holdings are subject to risk and change.)*

OUTLOOK

As the quarter closed, the health of the global banking system remained one of investors' foremost concerns. So far, regulators have been able to address each troubled bank before financial contagion occurs, but it's difficult to predict whether other banks will come under pressure, and to what degree.

Within our portfolio, our direct exposure to the banking sector is limited. We hold only two banks. One of those banks, Indian financial City Union Bank, is discussed in the section above. The other bank, Canadian firm EQB Inc., has several characteristics that differentiate it from the banks that were either closed or rescued. EQB has a predominantly retail customer mix, which means the vast majority of those deposits are insured. This makes deposit flight much less likely. The bank also has a small securities book relative to its deposit base, unlike some of the banks that have failed.

In thinking beyond the banking system, an important knock-on effect of recent bank troubles is that the cost of capital for firms will continue to become more expensive. Rising interest rates have already increased capital costs considerably. If banks raise lending rates to offset increases in their deposit interest rates or if they become more selective in the customers they lend to, capital costs could increase further.

As the cost of doing business increases, it could hamper economic growth, negatively affecting corporate earnings. But the environment will be most detrimental to weaker firms, which have relied on cheap debt to fund their growth.

We believe this environment underscores the importance of investing in high-quality businesses, which have always been our focus. We've mentioned it in prior commentaries, but companies with strong balance sheets, a history of free cash flow generation and a solid, proven operating model can withstand a slowdown and continue funding strategic growth initiatives. In fact, these challenging periods are when we typically see these companies take market share from struggling competitors, setting themselves up for better long-term growth when the economy bounces back.

If international equity markets trade lower on negative macroeconomic headlines and stocks sell off indiscriminately, we'll use that volatility to our advantage, investing further in high-quality businesses. Already, the market is providing some of the most attractive investment opportunities we've seen in years. Valuations for micro-cap stocks in Japan and the U.K., our two largest geographic weights, remain near their lowest levels in nearly a decade. And the Fund's price/earnings (P/E) ratio, based on 12-month forward earnings, is near its lowest level since 2016. While stocks could be volatile due to macroeconomic uncertainty in the near term, those valuations leave us feeling quite positive about the Fund's return profile over the next several years.

Thank you for the opportunity to manage your assets.

Sincerely,

Linda Lasater, Dan Chace and Allison He

AVERAGE ANNUAL TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Opportunities Fund—Investor	1.77%	-17.05%	3.51%	-0.02%	5.04%
International Opportunities Fund—Institutional	1.74%	-17.05%	3.58%	0.10%	5.19%
MSCI AC World ex USA Small Cap Index**	4.70%	-10.37%	15.04%	1.67%	5.06%
MSCI World ex USA Small Cap Index†	4.99%	-10.13%	13.43%	1.54%	5.54%

**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 2.25% for the Investor Class and 1.95% 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.

Performance for the Institutional Class prior to 2/1/2016 is based on the performance of the Investor Class. Performance of the Fund's Institutional Class prior to 2/1/2016 uses the actual expenses of the Fund's Investor Class without any adjustments. For any such period of time, the performance of the Fund's Institutional Class would have been substantially similar to, yet higher than, the performance of the Fund's Investor Class, because the shares of both classes are invested in the same portfolio of securities, but the classes bear different expenses.

Investing in foreign securities, especially in frontier and emerging markets, entails special risks, such as currency fluctuations and political uncertainties, which are described in more detail in the prospectus. Investing in micro 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 or call 800.551.1700. Please read the prospectus carefully before investing.

The Wasatch International Opportunities Fund's investment objective is long-term growth of capital.

**The MSCI AC (All Country) World ex USA Small Cap Index is an unmanaged index and includes reinvestment of all dividends of issuers located in countries throughout the world representing developed and emerging markets, excluding securities of U.S. issuers. This index is a free float adjusted market capitalization index designed to measure the performance of small capitalization securities.

†The MSCI World ex USA Small Cap Index is a free float adjusted market capitalization weighted index designed to measure the equity market performance of developed markets, excluding the United States.

Indexes are unmanaged. Investors cannot invest in these or any indexes.

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The "cloud" is the internet. Cloud-computing is a model for delivering information-technology services in which resources are retrieved from the internet through web-based tools and applications, rather than from a direct connection to a server.

Free cash flow is a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures. It is the cash a company generates after spending the money required to maintain or expand its asset base.

The price/earnings (P/E) ratio, also known as the P/E multiple, is the price of a stock divided by its earnings per share.

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

INTERNATIONAL OPPORTUNITIES FUND — TOP 10 HOLDINGS

AS OF DECEMBER 31, 2022

Security Name	Percent of Net Assets
YouGov PLC	3.6%
SIGMAXYZ Holdings, Inc.	2.9%
JTC PLC	2.8%
DiscoverIE Group PLC	2.7%
Nexus AG	2.6%
LEENO Industrial, Inc.	2.5%
Premium Group Co. Ltd.	2.4%
Johns Lyng Group Ltd.	2.4%
Systena Corp.	2.3%
Maruwa Unyu Kikan Co. Ltd.	2.3%
Total	26.4%

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.