WASATCH GLOBAL INVESTORS

Quarterly Commentary

Investor WAIOX / Institutional WIIOX

Wasatch International Opportunities Fund

SEPTEMBER 30, 2023

International Equities Turned Lower in the Third Quarter, as Macroeconomic Concerns Weighed on Markets

OVERVIEW

For the third quarter of 2023, the Wasatch International Opportunities Fund—Investor Class was down -4.23%, underperforming the benchmark MSCI AC (All Country) World ex USA Small Cap Index, which lost -1.70%.

After rallying for much of 2023, international equity markets cooled in the third quarter. Concerns about a weak economy in China and sticky inflation data in Europe both weighed on markets during the period. Additionally, stocks came under pressure after central banks indicated they may need to leave interest rates elevated for longer than previously anticipated.

At the sector level, stock selection in the information-technology (IT) and financials sectors detracted most from our performance relative to the benchmark. However, stock selection in the health-care sector contributed to relative results.

FUND MANAGERS

Linda Lasater, CFA
Lead Portfolio Manager
7 YEARS ON FUND / 17 YEARS AT WASATCH

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

Allison He, CFA
Associate Portfolio Manager
5 YEARS ON FUND / 10 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. 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—1.96% / 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.***

On a geographic basis, stock selection in Japan detracted most from the Fund's performance relative to its benchmark. Later in the commentary, we share our views on why our Japanese holdings lagged during this quarter and the year-to-date period, and why we still have conviction in their long-term growth potential.

DETAILS OF THE QUARTER

The largest detractor from Fund performance in the third quarter was DiscoverIE Group PLC. Based in the United Kingdom, the company provides customized electrical components for a wide range of industrial applications. While the stock was down this quarter, operating results for the company have been solid in our view, particularly given the U.K.'s poor macroeconomic backdrop. Looking ahead, we still like the company's long-term growth potential. We believe there's a long runway for growth, due in part to DiscoverIE's focus on industries tied to high-growth, secular trends such as renewable energy, vehicle electrification, medical-device growth and industrial automation and connectivity. We also appreciate that management has undertaken a long process of refocusing the company, divesting from underperforming businesses to focus on higher-margin, higher-growth opportunities.

YouGov PLC, a U.K.-based, global public-opinion and data company, was also a large detractor. Organic growth for the company has been a little lighter than expected, and this has weighed on the stock. We believe the slower growth is partially due to macroeconomic headwinds, as firms may be less willing to spend on data and public-opinion polling in the current environment. However, we continue to like the company's long-term strategic direction. YouGov is emerging from a business restructuring, which has increased the company's focus on selling data products and more standardized products and services that leverage existing data. By leveraging common infrastructure and data, the company should be able to build scale more effectively and drive higher margins. We also believe the company has a technological edge over its competitors. Additionally, we believe a recent acquisition of the consumer panel business of German market research firm GfK SE should be accretive for the business.

Another detractor was Voltronic Power Technology Corp. A Taiwanese company, Voltronic designs and manufactures power products that include uninterruptible power supplies and inverters. Earnings growth slowed to 3.3% in the company's most recent quarter as revenues declined -18.1% versus the same quarter a year ago. Management cited drop-offs in demand from Italy and South Africa. Drawdowns of customer inventories of uninterruptible power supplies also crimped revenues. Although Voltronic has lowered its near-term guidance, the company's long-term prospects remain attractive in our view.

One of the largest contributors to Fund performance in the third quarter was Johns Lyng Group Ltd. The Australia-based company works with the country's insurers to restore properties damaged during insured events. The stock was weak in the second quarter but rebounded after the company reported impressive earnings results, which included 43% revenue growth. Management also announced strong expectations for organic growth in 2024. Going forward, we continue to like the company for the unique niche it's carved out serving the insurance industry.

Japan Elevator Service Holdings Co. Ltd. was another contributor. As the company's name suggests, it provides elevator maintenance, repair and renewal services to building owners throughout Japan. The company's stock was down in the prior quarter because supply-chain issues delayed the firm from getting some of its parts, which in turn resulted in slower-than-expected revenue growth. After those issues were resolved, its more recent operating results showed improved revenue growth, and the stock rebounded. We continue to believe the firm will be a steady revenue grower in the years to come. Japan has more than 600,000 elevators built before 1997 that are approaching the end of their normal lifespan and will need to be renewed or replaced. We believe Japan Elevator will continue to gain market share, as the company can offer less-expensive services because it has a lower cost structure than the service companies of elevator manufacturers.

Another contributor was Johnson Service Group PLC, a U.K.-based rental company for laundered workwear and linens. The firm serves businesses that need clean worker uniforms on a regular basis, including hotels, restaurants and caterers. Johnson Service Group's stock price was up after management reported that its full-year financial results will be better than previously expected. We've been impressed with the company's ability to pass through price increases that help absorb higher energy and labor costs. Further, we like the way the company has taken market share from competitors coming out of the pandemic. (*Current and future holdings are subject to risk and change.*)

OUTLOOK

For the year-to-date period, much of our relative underperformance stems from our holdings in Japan. As part of our quarterly outlook, we wanted to share why we believe those stocks have underperformed, and why we still have conviction in those companies.

Perhaps the most frustrating aspect of our stock performance in Japan is that, by and large, our holdings continue to demonstrate solid fundamentals. Our Japanese companies were growing earnings per share (EPS) at rates in the high teens coming into the year, and that growth rate has remained steady—or in many cases edged a little higher—since then. But two market dynamics have worked against our stocks in 2023.

First, in the wake of Japan's reopening from the pandemic, the market has rewarded many "middling" Japanese companies whose fundamentals have improved because of that tailwind. Looking across Japan's small- and micro-cap markets year to date, the top performers tended to have below-average earnings growth. Many of the top performers also have a return on equity (ROE) that is near or slightly above the average level in Japan, which suggests they are also middling in terms of business quality.

Many of the companies in this middling camp continue to have ROEs and EPS growth that are lower—and sometimes substantially lower, in our view—than our own holdings. But the stocks were rewarded for having a fairly big improvement in fundamentals. Meanwhile, our own stocks lost ground during the period, despite maintaining solid fundamentals.

A second factor working against us arose when the market began to anticipate that the Bank of Japan would raise interest rates, which resulted in a market rotation from growth to value stocks. Year-to-date, Japanese stocks with the lowest valuations (those with a price-earnings ratio below 9) have experienced returns substantially higher than the average Japanese small- or micro-cap stock.

Many outperforming stocks in both the middling camp and value camp are not the types of businesses in which we invest. At Wasatch, we're high-quality growth investors. We tend to invest in companies with strong balance sheets, high ROEs, a history of free cash flow generation, and a less economically sensitive business model that allow the company to continue growing earnings through the economic cycle. By and large, our companies in Japan have done just that. This leads to a logical question: When will our companies get credit for the solid fundamentals they continue to produce?

Candidly, we don't have a crystal ball and can't forecast exactly when market sentiment will turn more favorable toward high-quality growth companies. However, the guiding principle that underpins our investment process is that while stocks may move based on macroeconomic issues in the short term, long-term stock performance is primarily dictated by earnings growth. We've seen that principle play out over full market cycles for our entire careers, and don't think that principle is fundamentally broken in Japan today.

While we can't say exactly when the market will favor higher-quality, higher-earning companies again, we do believe there are a couple of catalysts that could bring about the change. First, valuations for our high-quality companies have come down considerably. This has started to attract strategic buyers. We believe interest from strategic buyers is an indicator that valuations have become more attractive, and we hope the broader market will soon take notice.

Another reason the market could come to appreciate high-quality growth companies is that growth could prove unsustainable for many companies in the middling camp or value camp. Japan is in the earliest stages of reopening from the pandemic, trailing far behind most countries. In the immediate aftermath of reopening, we can see why investors might gravitate toward a lower-quality or slower-growing company. The economic rebound brings a sudden infusion of growth.

But aging demographics make Japan a slow-growth, muddle-along economy over the long term. As we get a little further from the immediate economic bounce of reopening, we expect investors to reward the companies that aren't dependent on that bounce to thrive.

Thank you for the opportunity to manage your assets.

Sincerely,

Linda Lasater, Dan Chace and Allison He

TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Opportunities Fund—Investor	-4.23%	8.37%	-11.79%	-1.31%	4.19%
International Opportunities Fund—Institutional	-4.50%	8.24%	-11.87%	-1.30%	4.31%
MSCI AC World ex USA Small Cap Index**	-1.70%	19.01%	4.02%	2.58%	4.35%
MSCI World ex USA Small Cap Index†	-3.48%	17.32%	1.85%	1.28%	4.13%

**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. 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.

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.

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

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***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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Earnings growth is a measure of growth in a company's net income over a specific period, often one year.

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.

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

Return on equity (ROE) measures a company's efficiency in generating profits from shareholders' equity.

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

INTERNATIONAL OPPORTUNITIES FUND — TOP 10 HOLDINGS

AS OF JUNE 30, 2023

Security Name	Percent of Net Assets
DiscoverIE Group PLC	3.4%
JTC PLC	3.0%
Bytes Technology Group PLC	2.8%
Nexus AG	2.7%
Pro Medicus Ltd.	2.6%
Japan Elevator Service Holdings Co. Ltd.	2.5%
SIGMAXYZ Holdings, Inc.	2.4%
Johns Lyng Group Ltd.	2.4%
YouGov PLC	2.4%
LEENO Industrial, Inc.	2.4%
Total	26.6%

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.