

Wasatch International Opportunities Fund

DECEMBER 31, 2023

In the Fourth Quarter, Attention Turned to Company Fundamentals, Which Was a Tailwind for Our Performance

OVERVIEW

For the fourth quarter of 2023, the Wasatch International Opportunities Fund—Investor Class gained 14.71%, outperforming the benchmark MSCI AC (All Country) World ex USA Small Cap Index, which was up 10.12%.

At the sector level, stock selection in the financials and communication-services sectors contributed most to our performance relative to the benchmark. However, the Fund's stock selection in the real-estate and industrials sectors detracted from relative results. On a geographic basis, stock selection in the United Kingdom contributed most to the Fund's performance relative to its benchmark, while the Fund's Taiwan holdings lagged those of the benchmark and detracted from relative results.

As 2023 draws to a close, we also wanted to provide an update on annual performance. For the year, the Fund's Investor Class gained 10.64%, while the benchmark gained 15.66%.

FUND MANAGERS



Linda Lasater, CFA
Lead Portfolio Manager

7 / 17
YEARS ON FUND / YEARS AT WASATCH



Dan Chace, CFA
Portfolio Manager

3 / 21
YEARS ON FUND / YEARS AT WASATCH



Allison He, CFA
Associate Portfolio Manager

5 / 10
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. 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.***



For much of the year, our growth-oriented investment style was out of favor, which was a headwind for relative performance. But that trend abated toward the end of the year. In the fourth quarter, we were pleased to see many of our stocks get rewarded by investors for the strong fundamentals these companies produced during the year.

We share more about this dynamic in our outlook below, but we really like the return potential of the stocks in our portfolio moving forward.

DETAILS OF THE QUARTER

YouGov PLC, a U.K.-based global consumer intelligence and data company, was the largest contributor to Fund performance during the quarter. The company announced earnings results that beat expectations and confirmed an upcoming three-year plan that was well-received by investors. We continue to like the company's long-term strategic direction. YouGov is emerging from a restructuring of its business, which has it more focused on selling data products and more standardized custom 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 top contributor was **Mortgage Advice Bureau Holdings Ltd.** The U.K. company provides mortgage brokers a range of support services including technology, compliance, insurance panels, training and marketing and other mortgage-related services. The stock was up after news that U.K. mortgage originations grew in the third quarter, which would be positive for the entire mortgage industry. When the U.K. housing industry was in a downturn, Mortgage Advice Bureau invested to gain market share. If the country is now coming out of that downturn, we believe Mortgage Advice Bureau will disproportionately benefit relative to its competition.

Another top contributor was **Qualitas Controladora SAB de CV**, an auto insurer based in Mexico. The stock was up after the company reported strong quarterly operating results, including strong premium growth of more than 30% from the same period last year. 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.

AZ-COM Maruwa Holdings, Inc. was the Fund's largest detractor this quarter. The company provides transportation and logistics services to companies operating in Japan, including Amazon.com. The stock was down after Maruwa announced it was raising equity. The company needed to increase its outstanding shares to meet requirements to stay listed on the Tokyo Stock Exchange. While the stock traded lower, we think it will improve the stock's liquidity, and we like that the company will use the capital to pay off debt due in 2024. Another item likely weighing on the stock is that Maruwa will soon have a lot of capacity coming online to serve logistics partners. This could negatively impact profit margins in the near term, but given the current capacity constraints in the industry, we think investing in additional capacity will drive strong earnings growth and returns on capital.



Another weak stock was **Future PLC**. The stock of the U.K.-based special-interest media company was down after reporting disappointing operating results, including softness in its U.S. media revenue. We moved on from the company and sold out of the position. As the digital-advertising industry quickly evolves given AI and changing consumer behavior, the range of outcomes for Future has become too wide, in our view.

Aavas Financiers Ltd. was another detractor. The Indian non-bank financial company (NBFC) specializes in housing loans for low- and middle-income borrowers. To ward off risks to financial stability, the Reserve Bank of India (RBI) tightened restrictions on unsecured consumer lending. The surprise move triggered a selloff in Indian financials as investors feared higher funding costs for lenders would eat into profits. NBFCs were hit especially hard because, unlike banks, they have no deposit bases and must obtain their funding through borrowing from external sources. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

Heading into 2024, we're encouraged by what we see at the individual stock level among international micro-caps. In 2022 and much of 2023, rising interest rates caused investors to assign lower valuations to the stocks of growth-oriented companies. Rising rates tend to have an outsized impact on the prices of growth stocks because their cash flows are typically weighted further into the future. This was a headwind for our investment style, which typically favors high-quality, growth-oriented companies. But at this point, many of the stocks in our portfolio are trading at their lowest valuations since 2017.

We're also seeing attractive valuations among micro-cap stocks we don't own. Before doing deeper due diligence on a stock, we routinely screen the entire micro-cap universe as an initial step in finding companies that meet our high-quality growth criteria. We're currently finding a higher-than-usual number of high-quality companies trading at attractive valuations, making it an interesting time to hunt for new opportunities.

One thing we were encouraged about in the fourth quarter was that investor focus turned to individual company fundamentals. As central banks hinted they may be near the end of their monetary tightening cycles, we saw investor focus shift from interest rates to individual company earnings results. If this trend continues into 2024, we believe it will be a tailwind for Fund performance. Earnings growth has been strong for the majority of our companies this year, and many have positioned themselves for better future growth.

The last two years have been a challenging operating environment for businesses. But by and large, the management teams leading our firms have been strategic, using the period to invest and take market share from weaker competitors who were struggling. We believe this has positioned them for even better earnings growth in the coming years.

Looking ahead, we believe attractive valuations coupled with relatively strong earnings growth could set the stage for better returns in the next three to five years.

Thank you for the opportunity to manage your assets.

Sincerely,

Linda Lasater, Dan Chace and Allison He



TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2023

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Opportunities Fund—Investor	14.71%	10.64%	-11.58%	5.30%	5.19%
International Opportunities Fund—Institutional	14.86%	10.45%	-11.63%	5.36%	5.32%
MSCI AC World ex USA Small Cap Index**	10.12%	15.66%	1.49%	7.89%	4.88%
MSCI World ex USA Small Cap Index†	10.60%	12.62%	-0.20%	7.05%	4.63%

*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.

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

The Tokyo Stock Exchange (TSE), also abbreviated as Tocho or TSE/TYO, is the largest stock exchange in Japan and one of the world's largest marketplaces for securities.

INTERNATIONAL OPPORTUNITIES FUND – TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2023

Security Name	Percent of Net Assets
Japan Elevator Service Holdings Co. Ltd.	3.1%
Johns Lyng Group Ltd.	3.1%
Pro Medicus Ltd.	3.0%
JTC PLC	2.9%
DiscoverIE Group PLC	2.9%
Bytes Technology Group PLC	2.7%
SIGMAXYZ Holdings, Inc.	2.4%
Nexus AG	2.3%
Atoss Software AG	2.3%
Qualitas Controladora SAB de CV	2.3%
Total	27.0%
<p><i>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.</i></p>	