

Wasatch International Opportunities Fund

MARCH 31, 2024

We're Encouraged To See Earnings Growth Accelerate for Many of Our Companies

OVERVIEW

For the first quarter of 2024, the Wasatch International Opportunities Fund—Investor Class was down -0.96%, underperforming the benchmark MSCI AC (All Country) World ex USA Small Cap Index, which was up 2.11%.

At the sector level, stock selection in the industrials and information-technology (IT) sectors detracted most from our performance relative to the benchmark. However, the Fund's stock selection in the consumer-staples sector and underweight to the real-estate sector contributed to relative results.

On a geographic basis, stock selection in Japan and the United Kingdom were large detractors from relative performance. However, stock selection in Sweden and Korea contributed to relative results.

DETAILS OF THE QUARTER

Management Solutions Co. Ltd. was the Fund's largest detractor during the quarter. The Japan-based company is a consultant that helps companies manage large-scale projects, such as implementing a new technology platform or other process changes that affect multiple

FUND MANAGERS



Linda Lasater, CFA
Lead Portfolio Manager

7 / 17
YEARS ON FUND / YEARS AT WASATCH



Dan Chace, CFA
Portfolio Manager

4 / 21
YEARS ON FUND / YEARS AT WASATCH



Allison He, CFA
Associate Portfolio Manager

6 / 11
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—1.97% / Institutional Class—1.92%. 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 1/31/2025.***



departments at a firm. The stock was down after the company reported revenue growth that was below expectations. We were also disappointed with the results and are currently reviewing the position.

Another detractor was U.K.-based **Bytes Technology Group PLC**. Bytes is a value-added reseller (VAR) of software, which means it sells Microsoft and other software programs to small- and medium-sized companies. The company's stock price declined after news that its CEO was leaving amid improper trading disclosures. Having visited the company on multiple occasions, we've developed a deep understanding of the company's culture and its management roster behind the CEO. Given that familiarity, we're comfortable that the existing management team will be able to preserve Bytes' culture and fill the void of the CEO.

Going forward, we continue to think Bytes' growth potential and unique position in the market remains underappreciated. VARs such as Bytes serve as an external sales arm for Microsoft and other software companies. For that service, Bytes receives a portion of the recurring revenue from the software licenses, which tends to be a sticky revenue stream. In addition, larger VARs such as Bytes enjoy a tremendous scale advantage that can become self-reinforcing. Microsoft puts VARs in tiers based on sales volume. The better the tier, the better pricing, rebates and support the VAR receives from Microsoft. That better pricing and support then sweeten the value proposition for businesses to select Bytes as their VAR.

SMS Co. Ltd. also detracted. The Japan-based company provides medical care, nursing care and other life services for the elderly. There was no change in fundamentals that drove the stock lower during the quarter. We believe the stock simply gave back some of its gains from the fourth quarter. We continue to like SMS. In our view, the company provides valuable labor liquidity in a medical- and elder-care career market that remains in structural deficit. SMS has gone through a large investment cycle, hiring more health-care professionals, and we believe the company will see revenue and earnings growth from those hires this year.

Hemnet Group AB was the largest contributor to Fund performance. The company operates a real-estate platform in Sweden, and we like the business model, which adds value for both consumers and agents. In addition to the network effects and high margins we've seen from real-estate platforms in other countries, we believe Hemnet is a particularly attractive company because it's still in the early phases of monetizing its platform. The company has introduced a variety of new packages that improve the marketing of a home. Improved monetization of the platform is driving impressive growth. In its most recent operating results, revenue grew 37%, and earnings per share grew 75% from the same quarter a year ago. Those results drove the stock higher this quarter.

Another top contributor was **Atoss Software AG**. The German company specializes in scheduling software that helps large companies manage their workforce. Atoss' stock price was up after the company delivered strong earnings growth for its fourth quarter. We believe our thesis on the company continues to play out. In Germany, niche regulations have increased for various unions and industries over the years, creating a slew of rules around when and how long different employee groups can work. Atoss' software helps companies optimize their staffing and stay compliant with the different regulations. We believe such software provides significant value to German companies.

Qualitas Controladora SAB de CV was another contributor. We believe the Mexico-based auto insurer is hitting an inflection point where a lot of business factors are turning positive. After the height of the pandemic, people started traveling more, which naturally raised the number of accidents on the road, and in turn, raised costs for Qualitas. At the same time, supply-chain issues made it more costly for Qualitas to fix automobiles, given high inflation on spare parts. More recently, Qualitas raised prices in response to its increased costs. Those price increases are driving premium growth, which is now more than offsetting the cost inflation they've faced. Another



favorable factor for Qualitas came from repricing and extending the duration on its investment portfolio at higher interest rates, so it's earning more from those investments. All these factors are improving top-line and bottom-line growth, which has driven the stock higher. Longer term, we think the company will continue to benefit as the market leader in an underpenetrated Mexican insurance market. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

Looking ahead, we believe the Fund is at a positive inflection point that could improve relative performance. For much of the past two years, rising interest rates have been a headwind for our investment style, which favors high-quality growth companies.

While no one knows exactly when central banks will lower interest rates, it does appear that rate-hiking cycles have generally peaked, and that higher interest rates are already priced into the valuations of international growth stocks. As we come out of a period of rising interest rates, valuations for many stocks in our portfolio now trade at or near their most attractive levels since 2017.

Meanwhile, earnings growth for our companies remains strong. Many of these businesses have undergone a period of investing for future growth and have also had to adjust for rising input and labor costs. But the average earnings growth rate for stocks in the portfolio has accelerated from a low point in early 2023, which suggests those investments and adjustments are now translating into greater earnings power.

We acknowledge that the past two years have been challenging from a relative performance standpoint. But we maintained conviction in our companies throughout that period. We believe that patience is poised to be rewarded. From here, we believe attractive valuations and strong earnings growth should improve the Fund's long-term return potential.

Thank you for the opportunity to manage your assets.

Sincerely,

Linda Lasater, Dan Chace and Allison He



TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2024

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Opportunities Fund—Investor	-0.96%	7.67%	-11.24%	2.47%	4.80%
International Opportunities Fund—Institutional	-0.63%	7.88%	-11.13%	2.56%	4.96%
MSCI AC World ex USA Small Cap Index**	2.11%	12.80%	0.38%	6.24%	4.74%
MSCI World ex USA Small Cap Index†	2.58%	10.04%	-0.93%	5.39%	4.54%

*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 1/31/2025.** 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.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS growth rates help investors identify companies that are increasing or decreasing in profitability.

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

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

INTERNATIONAL OPPORTUNITIES FUND – TOP 10 HOLDINGS

AS OF DECEMBER 31, 2023

Security Name	Percent of Net Assets
Japan Elevator Service Holdings Co. Ltd.	3.4%
Bytes Technology Group PLC	3.3%
JTC PLC	3.1%
Mortgage Advice Bureau Holdings Ltd.	3.0%
Vijaya Diagnostic Centre Pvt Ltd.	2.9%
Pro Medicus Ltd.	2.9%
YouGov PLC	2.8%
Johns Lyng Group Ltd.	2.8%
Qualitas Controladora SAB de CV	2.8%
Hemnet Group AB	2.8%
Total	29.8%
<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>	