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Wasatch International Select Fund

SEPTEMBER 30, 2023

Several Macroeconomic Concerns Weighed on International Equities in the Third Quarter, Snapping the 2023 Market Rally

OVERVIEW

For the third quarter of 2023, the Wasatch International Select Fund—Investor Class was down -10.09% and underperformed the benchmark MSCI EAFE Index, which lost -4.11%.

After rallying for much of this year, global equity markets cooled in the third quarter. Concerns about a weak economy in China and sticky inflation data in Europe both weighed on equity 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, the Fund's stock selection in the financials and health-care sectors weighed most on the quarter's relative performance. On a geographic basis, stock selection in Japan and the Netherlands detracted most from the Fund's performance relative to its benchmark.

FUND MANAGERS



Ken Applegate, CFA, CMT
Lead Portfolio Manager

4 / 9
YEARS ON FUND / YEARS AT WASATCH



Linda Lasater, CFA
Lead Portfolio Manager

4 / 17
YEARS ON FUND / YEARS AT WASATCH



Derrick Tzau, CFA
Associate Portfolio Manager

3 / 5
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—Gross 3.34%, Net 1.30% / Institutional Class—Gross 2.37%, Net 0.90%. The Advisor has contractually agreed to limit certain expenses to 1.30% for the Investor Class and 0.90% for the Institutional Class through at least 1/31/2024.***



Looking at relative performance from a sector or geographic perspective can shed some insight into the Fund's results, but because of the concentrated nature of the portfolio, our performance is typically dictated by individual stocks. This quarter, we had a few large positions that weighed on the Fund's performance. While we're disappointed with that performance, the fundamentals for the vast majority of companies in the portfolio remain intact, and we're encouraged by these businesses' long-term growth potential. As we explain later in this commentary, we feel good about these companies' ability to manage what could be a tough operating environment in the months ahead.

DETAILS OF THE QUARTER

Adyen NV was the largest detractor from Fund performance during the quarter. The Dutch payments processor allows businesses to facilitate e-commerce, mobile and point-of-sale payments from customers. Adyen's stock price plunged after its first-half earnings for 2023 fell below consensus estimates. Sales growth was slower than expected, and hiring costs hurt profit margins during the period. While the results were disappointing, we continue to like the company. The continued hiring is largely the result of planned product development and expansion to new customer bases, and we believe these investments should improve growth in 2024 and beyond. Going forward, we believe Adyen plays an important role in addressing businesses' need to streamline payments that come from multiple channels.

Another detractor was **Amadeus IT Group SA**. The company provides a range of IT solutions to the travel and hospitality industries. Earlier in the year, the stock was up as investors anticipated a rebound in international air-traffic volumes as countries resume travel after the pandemic. However, air-travel demand hasn't come back as quickly as most investors probably expected, and that likely weighed on the stock in the third quarter. We're being patient with the stock. We continue to believe both the airline and hospitality industries will be under pressure to increase efficiency. Companies in these industries also need to differentiate themselves through better convenience and service to their customers. We believe Amadeus' technology solutions will play a vital role in achieving these aims.

GMO Payment Gateway, Inc. was another detractor. The Japan-based company provides credit card transaction services for e-commerce firms. GMO's stock was down after its management team suggested that as the company becomes a more strategic payment partner to larger companies, its growth rate could become more volatile from period to period, though it should still achieve its mid-term target of a 25% earnings growth rate. We were less concerned about the guidance. As GMO expands its value proposition and works on bigger projects, we're not surprised to see the growth follow a less linear path. We also believe that as the company grows larger, it wouldn't be surprising if the company adjusts its long-term profit growth target to a 20% compound annual growth rate—or slightly higher. That growth is still impressive, in our view.

The top contributor to Fund performance was **Partners Group Holding AG**, a Switzerland-based investment management firm that specializes in private equity, private infrastructure, private real estate and private debt. The stock had traded lower early in the year, but rebounded this quarter after reporting strong operating results that included 19% revenue growth, year over year, in the first half of 2023. We appreciate that the firm has tended to make decisions rooted in an intentionally long-term view. Given its specialized focus and what we consider to be a great track record, we believe the company is well-positioned to strengthen its name recognition and take more market share in the coming years.

Endava PLC was another top contributor. The British information-technology (IT) services company provides digital-transformation consulting, agile software development and various automation solutions to businesses.



Digital transformation is a business imperative for most firms over the next several years, and we believe Endava will play a critical role in helping many companies pivot their operations. However, Endava's revenue growth has been disappointing in 2023, as some companies held off on large-scale IT projects due to macroeconomic concerns. But the stock rose in the quarter after Endava's management team offered guidance suggesting that 2023 was an earnings trough, and that management expects the business to start experiencing year-over-year revenue growth in 2024.

Another contributor was **CAE, Inc.** The Canadian company provides training services for civil and defense customers globally. In particular, the company enables airlines to lower their operating costs by outsourcing pilot-training programs. CAE's stock traded higher after the company posted better-than-expected quarterly revenue and earnings growth in its most recent operating results. Management has made a concerted effort to strengthen the company's long-term competitive position, and we expect airlines to increasingly rely on CAE for flight training as a result. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

With central banks indicating they will likely keep interest rates higher for longer than they anticipated heading into the year, the macroeconomic outlook has turned even murkier. It's tough to make a prediction on whether the global economy can avoid a recession. But at minimum, the operating environment for businesses in the coming quarters should be challenging.

Already, rising interest rates have increased businesses' cost of capital considerably. And in an inflationary environment, other cost pressures remain elevated. Meanwhile, geopolitical tensions are causing companies to rethink their supply chains. An economic downturn would be another headwind for corporate earnings.

While this all sounds negative, we actually feel quite positive about the companies we hold going into a potentially challenging environment. At Wasatch, our focus is on high-quality companies. We've defined these characteristics in prior commentaries, but given the prevailing economic climate, they seem worth mentioning again.

The key characteristics we seek in companies include strong balance sheets, high levels of return on invested capital (ROIC) and a long history of steady free cash flow growth. In addition, these businesses are typically managed by teams we know well, and who have a history of steering businesses through an economic cycle.

We believe these high-quality traits enable our companies to withstand a tough operating environment better than many of their competitors. In fact, in prior downturns, we've seen our businesses go on the offensive when their competitors are back on their heels. We would expect more of the same throughout the end of this year and in 2024.

So while we're uncertain about what higher interest rates will mean for the global economy, we feel good about the companies we own in such an uncertain environment.

Thank you for the opportunity to manage your assets.

Sincerely,

Ken Applegate, Linda Lasater and Derrick Tzau



TOTAL RETURNS

FOR PERIODS ENDED SEPTEMBER 30, 2023

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
International Select Fund—Investor	-10.09%	15.17%	-6.67%	N/A	0.62%
International Select Fund—Institutional	-9.93%	15.76%	-6.33%	N/A	1.06%
MSCI EAFE Index†	-4.11%	25.65%	5.75%	N/A	4.41%
MSCI EAFE Mid Cap Growth Index††	-6.27%	18.73%	-3.02%	N/A	1.06%

*Returns less than one year are not annualized.

**The Wasatch International Select Fund's inception date was October 1, 2019.

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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 1.30% for the Investor Class and 0.90% 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 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 small cap funds will be more volatile and loss of principal could be greater than investing in large cap or more diversified funds. 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.

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

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*The MSCI EAFE Index is an unmanaged index capturing large and mid-cap representation across developed markets around the world, excluding the U.S. and Canada.

**The MSCI EAFE Mid Cap Growth Index is an unmanaged index capturing mid-cap securities exhibiting growth style characteristics across developed markets around the world, excluding the U.S. and Canada.

Indexes are unmanaged. Investors cannot invest directly in an index.

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Return on invested capital (ROIC) assesses a company's efficiency at allocating the capital under its control to profitable investments.

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 SELECT FUND – TOP 10 HOLDINGS

AS OF JUNE 30, 2023

Security Name	Percent of Net Assets
BayCurrent Consulting, Inc.	5.2%
Amadeus IT Group SA	5.1%
FirstService Corp.	4.6%
Assa Abloy AB	4.6%
Hermes International	4.6%
Descartes Systems Group, Inc.	4.6%
Scout24 SE	4.6%
Dassault Systemes SE	4.5%
CAE, Inc.	4.4%
Halma PLC	4.2%
Total	46.4%

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.