

# Wasatch International Select Fund

DECEMBER 31, 2023

## The Fund Outperformed Its Benchmark for the Quarter and Calendar Year

### OVERVIEW

For the fourth quarter of 2023, the Wasatch International Select Fund—Investor Class was up 15.32% and outperformed the benchmark MSCI EAFE Index, which gained 10.42%.

At the sector level, the Fund's stock selection in financials and overweight to information technology (IT) contributed most to the quarter's relative performance, while the Fund's lack of exposure to materials detracted from relative results. On a geographic basis, stock selection in the United Kingdom and France contributed most to the Fund's performance relative to its benchmark.

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, many of our high-quality growth companies produced solid operating results, which were well received by the market.

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

### 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](http://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.***



21.48% while the benchmark was up 18.24%. Over the course of the year, we were pleased to see the positive results of many of our companies drive their share prices higher, which led to our outperformance.

## DETAILS OF THE QUARTER

**Dassault Systèmes SA** was the largest contributor to Fund performance during the quarter. The stock of the French software company was up after management raised its 2023 profit outlook on the heels of stronger subscription sales in the third quarter. The company develops 3D design software that helps other businesses create new products and services using virtual experiences. We continue to believe that Dassault has a long runway for growth as product manufacturers turn to digital models to simulate and improve the production process of complex physical assets.

**Adyen NV** was another large contributor. The Dutch payments processor allows businesses to facilitate e-commerce, mobile and point-of-sale payments from customers. Adyen was a leading detractor in the third quarter after its first-half earnings for 2023 fell below consensus estimates. But the stock rebounded in the fourth quarter after management shared long-term targets for revenue growth and profitability that were well received by investors. Going forward, we believe Adyen will play an important role in addressing businesses' need to streamline payments that come from multiple channels.

Another top contributor was **Endava PLC**. The British IT-services company provides digital-transformation consulting, agile software development and various automation solutions to businesses. The stock prices of IT consulting companies have risen in recent months, as company earnings results have generally been positive and management outlooks have been upbeat. Looking ahead, digital transformation remains 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.

**JMDC, Inc.**, a Japan-based medical-data provider, was the largest detractor from Fund performance in the fourth quarter. While the stock price was down, we've been pleased with the company's recent results. In its most recently reported quarter, JMDC's health-care data business revenue grew 28% year over year, and EBITDA grew 33%. In the years to come, we continue to believe JMDC will play a critical role in making Japan's health-care system more efficient through the use of data and analytics.

Another detractor 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. While we expect airlines to increasingly rely on CAE for flight training, we trimmed our position in the company due to concerns about narrower profit margins for its defense business.

The stock price of **Coloplast A/S** drifted lower and detracted from performance. The Denmark-based company provides a range of medical solutions around ostomy care, continence care, wound and skin care, interventional urology, and voice and respiratory care. While we like the growth potential of some of its core businesses, we sold out of the position during the period, due to concern about capital-allocation decisions at the company. *(Current and future holdings are subject to risk and change.)*

## OUTLOOK AND POSITIONING

As we head into 2024, we're encouraged about the Fund's return potential. After international growth stocks sold off in 2022 and for much of 2023, valuations for the stocks in our portfolio have become attractive, in our view.



Meanwhile, fundamentals for our companies remain strong. We believe this trend should continue. 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 stronger earnings growth in the future.

Looking ahead, we believe attractive valuations coupled with relatively strong earnings growth should set the stage for better return potential in the next year.

Beyond our traditional outlook, we also wanted to share a brief update from our latest research trips. When our team visited the Nordic region and Germany a few months ago, management teams told us they're finding it harder to pass along wage inflation and are increasingly turning to automation and other efficiencies to offset those costs.

Separately, our team visited the U.K. in November, and the sentiment on the ground is improving as we enter the new year. It appears a few of the macroeconomic clouds that hung over the region could be finally abating. The U.K. was affected by inflation and weak growth more than most other developed markets in 2022 and 2023. But there is a sense from management teams that the economy may have hit its bottom. Management teams are seeing signs of demand improvement, especially with an expectation of stimulus leading up to next year's election.

Going into next year, our team will maintain a busy travel schedule. Internationally, research team members are headed to Japan for a three-week due-diligence trip in the first quarter. We will provide relevant insights from our research trips in the months ahead.

Thank you for the opportunity to manage your assets.

Sincerely,

Ken Applegate, Linda Lasater and Derrick Tzau



## TOTAL RETURNS

FOR PERIODS ENDED DECEMBER 31, 2023

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
International Select Fund—Investor	15.32%	21.48%	-6.00%	N/A	4.01%
International Select Fund—Institutional	15.34%	22.01%	-5.64%	N/A	4.44%
MSCI EAFE Index†	10.42%	18.24%	4.02%	N/A	6.60%
MSCI EAFE Mid Cap Growth Index††	12.86%	17.12%	-3.29%	N/A	3.91%

\*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](http://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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Earnings growth is a measure of growth in a company's net income over a specific period, often one year.

EBITDA (earnings before interest, taxes, depreciation, and amortization) is an alternate measure of profitability to net income.

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

## INTERNATIONAL SELECT FUND – TOP 10 HOLDINGS

AS OF SEPTEMBER 30, 2023

Security Name	Percent of Net Assets
Scout24 SE	5.5%
BayCurrent Consulting, Inc.	5.2%
CAE, Inc.	5.1%
FirstService Corp.	4.8%
Descartes Systems Group, Inc.	4.6%
Assa Abloy AB	4.6%
Sugi Holdings Co. Ltd.	4.5%
Amadeus IT Group SA	4.4%
Hermes International SCA	4.3%
Dassault Systemes SE	4.2%
Total	47.2%

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.