

Wasatch International Select Fund

MARCH 31, 2024

In an Uncertain Economic Environment, We're Leaning Harder Into Company Fundamentals

OVERVIEW

For the first quarter of 2024, the Wasatch International Select Fund—Investor Class was down -1.02% and underperformed the benchmark MSCI EAFE Index, which was up 5.78%.

At the sector level, the Fund's stock selection in the industrials and information-technology (IT) sectors detracted most from its performance relative to the benchmark. Meanwhile, the Fund's holdings in the consumer-staples sector contributed most to relative performance.

On a geographic basis, our stock selection in Japan and the United Kingdom detracted most from relative performance. Conversely, our holdings in Ireland and Switzerland contributed to relative results.

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

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

4 / 6
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 3.88%, Net 1.35% / Institutional Class—Gross 3.19%, Net 0.94%. 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 1/31/2025.***



driven by individual stocks. We discuss some of the key contributors and detractors from Fund performance in the following section.

DETAILS OF THE QUARTER

The Fund's largest detractor this quarter was **Endava PLC**. The British IT-services company provides digital-transformation consulting, agile software development and various automation solutions to businesses. The stock was down after Endava lowered revenue guidance for the rest of its fiscal year. Although there were signs in late 2023 that spending on IT consulting was beginning to recover, Endava and many of its competitors have indicated that spending continues to be pushed back. According to Endava and other industry participants, companies have budgeted for large-scale IT projects that require consultants, but given the uncertain economic environment, they're pausing some projects. While the recovery in spending may have been pushed back a little, Endava is still a company we want to own for the long term. Endava invested in its business during the downturn, which we think should better position it against competitors as spending on large-scale IT projects recovers. Over the long term, digital transformation remains a business imperative for most firms, and we believe Endava will play a critical role in helping many firms pivot their operations.

BayCurrent Consulting, Inc. was another detractor. Like Endava, BayCurrent provides IT consulting services and is focused on digital transformation. Japan hasn't experienced the slowdown in IT spending that is occurring in much of the world, largely because the country's businesses are behind when it comes to digitalization and are now spending to catch up. However, BayCurrent's recently reported net profit margins were lower than expected, which weighed on the stock.

While the stock price was down, we believe our long-term thesis on BayCurrent remains intact. Demand for IT consulting services remains high in Japan. And BayCurrent's position within the market remains strong, in our view. But with demand growing and the labor market for IT professionals remaining tight, BayCurrent has had to hire less-experienced consultants to help grow the business. Having less experience, these professionals require training and have a longer ramp-up period. We reduced our position size in recent months due to our concerns about staffing. However, we now see signs that the labor market for top IT talent may finally be improving. On our most recent trip to Japan, we found that some of BayCurrent's larger global competitors have been shedding talent to cut costs. We wouldn't be surprised if BayCurrent scooped up some of the more talented professionals.

JMDC, Inc., a Japan-based medical-data company, was another detractor. The stock was down after management noted it won't reach its previous earnings guidance. But the company continues to grow earnings at an impressive rate, in our view. Looking ahead, we continue to have conviction that JMDC will play a pivotal role in making Japan's health-care system more efficient through the use of data and analytics.

The top contributor to Fund performance was **Hermes International**. The French luxury design house specializes in handbags, leather goods, jewelry, clothing and lifestyle accessories, including its globally famous and highly coveted Birkin bags. Many luxury brands experienced strong demand coming out of the pandemic but have shown signs of weakness more recently. Hermes has been an exception, continuing to deliver solid earnings and revenue growth. In our view, Hermes' management team has managed its brands well, helping the company command a relatively high degree of pricing power.

Adyen NV was another large contributor. The Dutch payments processor enables businesses to facilitate e-commerce, mobile and point-of-sale payments from customers. In general, the stock has been up as management



has shown greater focus on profitability. Going forward, we believe Adyen will play an important role in addressing the need for businesses to streamline payments from multiple channels.

Another large contributor was **Sugi Holdings Co. Ltd.**, a Japan-based retail drugstore operator. Consolidation within Japan's highly fragmented retail drug industry has been positive for the stock, as a few companies have announced large mergers or acquisitions in recent months. Sugi was among the consolidators, announcing an acquisition a few weeks ago. We were encouraged to see the company use some of the cash on its balance sheet to make an accretive addition that we estimate could add as much as 25% to Sugi's revenues in the next few years. *(Current and future holdings are subject to risk and change.)*

OUTLOOK

Geopolitical tensions, a choppy global economy and uncertainty over central banks' monetary policies are conspiring to create a high degree of uncertainty in the market. When uncertainty is high, the market often truncates its view on companies, and stock prices react sharply to near-term news.

In environments such as these, we tend to lean even harder into company-specific fundamentals. With increased conviction in a company's long-term growth potential, we can use volatility to our advantage and add to position sizes when attractive entry points present themselves.

Looking ahead, we feel positive about our companies' earnings potential. For the most part, our companies issued strong reports for the fourth quarter of 2023. And our projections are generally for double-digit growth rates in calendar year 2024.

While we wouldn't be surprised if unpredictable macroeconomic events affect stock performance in the near term, we believe reasonable valuations and potentially strong earnings growth from our businesses have set the stage for compelling returns over a longer time horizon.

Thank you for the opportunity to manage your assets.

Sincerely,

Ken Applegate, Linda Lasater and Derrick Tzau



TOTAL RETURNS

FOR PERIODS ENDED MARCH 31, 2024

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
International Select Fund—Investor	-1.02%	8.13%	-4.13%	N/A	3.55%
International Select Fund—Institutional	-0.83%	8.55%	-3.75%	N/A	4.00%
MSCI EAFE Index†	5.78%	15.32%	4.78%	N/A	7.56%
MSCI EAFE Mid Cap Growth Index††	4.19%	11.17%	-1.54%	N/A	4.64%

*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 1/31/2025.** 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.

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

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 DECEMBER 31, 2023

Security Name	Percent of Net Assets
Scout24 SE	5.0%
Assa Abloy AB	5.0%
Dassault Systemes SE	4.9%
FirstService Corp.	4.8%
Descartes Systems Group, Inc.	4.8%
Hermes International SCA	4.5%
Sugi Holdings Co. Ltd.	4.4%
Amadeus IT Group SA	4.3%
REA Group Ltd.	4.3%
Obic Co. Ltd.	4.2%
Total	46.2%

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.