Wasatch Frontier Emerging Small Countries Fund
(WAFMX/WIFMX)

Quarterly Comments from Lead Portfolio Manager Scott Thomas, CFA, CPA and Portfolio Manager Jared Whatcott, CFA

Open to all investors

Average Annual Total Returns
For Periods Ended March 31, 2019

	Quarter*	1 Year	3 Years	5 Years	Since Inception**
Frontier Emerging Small Countries Fund—Investor	9.66%	-12.12%	-0.51%	-3.39%	4.14%
Frontier Emerging Small Countries Fund—Institutional	10.04%	-12.04%	-0.38%	-3.25%	4.25%
The inception of the Fund's Institutional Class shares was 2/1/2016. The differences in performance relative to the Fund's Investor Class for the longer periods are not as significant as the differences in performance for the shorter periods because the performance of the Institutional Class for the longer periods includes performance of the Fund's Investor Class using the actual expenses of the Investor Class without any adjustments. When the Institutional Class has its own performance history for the longer periods, the performance of the Fund's Institutional Class will differ more significantly from, and be higher than, the performance of the Fund's Investor Class because the expenses of the Institutional Class are lower than those of the Investor Class.					
MSCI Frontier Emerging Markets Index†	9.44%	-8.00%	5.81%	0.31%	3.86%
MSCI Frontier Markets Index†	6.87%	-15.00%	6.88%	0.57%	5.94%

*Returns less than one year are not annualized.

**Average annual total returns since the Frontier Emerging Small Countries Fund's inception on 1/31/2012.

Data show past performance, which is not indicative of future performance. Current performance may be lower or higher than the data quoted. To obtain the most recent month-end performance data available, please visit www.WasatchFunds.com. The Advisor may absorb certain Fund expenses, without which total return would have been lower. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. **Total Expense Ratio: Investor Class—Gross: 2.31%, Net: 2.17% / Institutional Class—Gross: 2.07%, Net: 1.98%**

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 of the Fund's Investor Class to 2.15% and of the Fund's Institutional Class to 1.95% through at least 1/31/2020.** See the prospectus for additional information regarding Fund expenses.

Wasatch Funds will deduct a 2.00% redemption proceeds fee on Fund shares held 60 days or less. 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 small cap funds will be more volatile and loss of principal could be greater than investing in large cap or more diversified funds. Investing in foreign securities, especially in frontier and emerging markets, entails special risks, such as unstable currencies, highly volatile securities markets and political and social instability, which are described in more detail in the prospectus.

An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, containing this and other information, visit www.WasatchFunds.com or call 800.551.1700. Please read the prospectus carefully before investing.

OVERVIEW

The first quarter of 2019 saw global equity markets rebound from fourth-quarter weakness. In the frontier and emerging small countries universe, the MSCI Frontier Emerging Markets Index rose 9.44% and the MSCI Frontier Markets Index increased 6.87%. Outpacing these benchmarks, the Wasatch Frontier Emerging Small Countries Fund—Investor Class gained 9.66%.

The strength of the U.S. dollar, which has been a persistent headwind for frontier markets and many small emerging-market countries, continued to abate in the first quarter as the U.S. Federal Reserve (Fed) signaled a "patient" approach to raising interest rates in January and again in March by projecting no further rate hikes this year. What's more, perceived progress on U.S.-China trade negotiations, however slight, and a recovery in oil prices, after hitting recent lows in December 2018, helped to improve investors' sentiment on the frontier asset class. As a result, many frontier and smaller emerging markets breathed a sigh of relief and appreciated noticeably in the quarter.

DETAILS OF THE QUARTER

Egypt was the best-performing country for the Fund and the largest contributor to performance for the first quarter. Our holdings gained nearly 30% in U.S. dollar terms and outpaced the nearly 16% gain of the Egypt position in our Frontier Emerging Markets benchmark. After a difficult period of adjustment and foreign currency liberalization in 2016, the country is now witnessing strong and ameliorating fundamentals such as improving external balances, healthy foreign exchange reserves, inflation normalization, and positive fiscal-reform initiatives. These factors along with high domestic bond yields have attracted asset inflows into the country's equity and debt markets. Two of our holdings focused on Egypt's health-care sector—**Cleopatra Hospital** and **Ibnsina Pharma S.A.E.**—were up sharply in the quarter.

Cleopatra Hospital is the largest private hospital operator in Egypt and is at the forefront of consolidating a very fragmented and underdeveloped hospital market. With Egypt's population of 100 million people, a significant undersupply of hospital beds, and one of the lowest levels of health-care spending per capita in the region, we believe demand for Cleopatra's services is set to grow at a rapid pace.

We have witnessed in several other emerging markets what we are seeing with Cleopatra—a dominant company emerging as the main hospital-industry consolidator. As most health-care systems go through various stages of maturation, typically the first mover, in this case Cleopatra, has a distinct advantage of building a network system that not only drives better cost efficiencies as the network grows, but also higher volume, thus allowing for the development of more specialized tertiary care. Over time, this improves the economics of the business, as the hospital operator is able to offer higher-priced procedures. In turn this creates a virtuous cycle of attracting better doctors, building the hospital operator's brand, driving higher volume, lowering costs and creating a business that gets better as it gets bigger.

With a combination of organic growth and strategic acquisitions, we believe Cleopatra is well-positioned to take advantage of the opportunities that come from being the dominant consolidator within the hospital industry. The company's recent results were positive indications that fundamental momentum is on track with revenue growth of nearly 30% and net earnings more than doubling in 2018 as margins across Cleopatra's hospitals improved throughout the year.

Two Latin American companies—**MercadoLibre, Inc.** and **Globant S.A**.—were the top contributors to Fund performance in the quarter. MercadoLibre operates e-commerce platforms in Brazil and other Latin American countries. During the quarter, the company reported strong results that highlighted the continued strength in sales growth across key markets such as Brazil and Argentina. This came from both the financial-technology side of the business with third-party payment volume increasing by 130% from the same period a year ago, as well as strong growth on the e-commerce side of the business. In addition, the company has been able to control key cost initiatives such as free-shipping subsidies, and other operating expenses to again reach a break-even point in operating income. A successful capital increase of $1.85 billion, with PayPal investing $750 million into the company, has put MercadoLibre in what we see as a solid position for continued expansion across Latin America's e-commerce and financial-technology markets.

Globant, an information-technology (IT) services company based in Argentina, has been witnessing strong demand for its digital services and benefits from a portfolio of high-quality, blue-chip customers. Globant's recently reported results were strong with revenue and margin guidance better than we had expected driven mostly by the company's ability to meet the needs of media and financial customers. New taxes in Argentina will likely have minimal impact on Globant's bottom line as management expects to offset this pressure by leveraging selling, general and administrative (SG&A) expenses and through new delivery locations.

While the performance of our holdings in Colombia kept pace with the benchmark's Colombia position, our underweight exposure to the country proved to be the largest detractor from performance relative to the benchmark in the quarter. Colombia was the top-performing country within the Index, increasing nearly 25% in the quarter. Economic indicators were surprisingly good, making evident a gradual firming of economic growth. Declining inflation has boosted real household incomes, leading to improving domestic consumption. Industrial production has also improved, reaching a year-over-year growth rate of around 3% in March. Inflation remains subdued, with the core Consumer Price Index at the lowest levels of the last four years and lower-than-expected inflation during January and February. At the same time, the Colombian peso appreciated 1.9% in nominal terms versus the U.S. dollar, aided by higher oil prices, the country's key export.

Our single position in Colombia, **Banco Davivienda S.A.**, a universal bank, increased nearly 25% in the quarter. The company has been benefiting from accelerating loan growth and improving credit-quality trends. Mortgages, a key lending segment for the bank, increased 16% from the same period a year ago. For 2019, the bank expects to see improving growth trends across its loan portfolio, and it has now well provided for specific problematic commercial loans in the portfolio. What's more, digital initiatives continued to gather pace with a wider suite of products. The number of digital customers reached 1.4 million, representing growth of 62% from the year-ago period.

The largest single detractor from performance was **Discovery Ltd.** a South Africa-based insurance company whose stock fell 14% in the quarter. The company reported worse-than-expected semi-annual results, citing higher investment spending on emerging businesses and a spike in mortality claims. While many investors appear concerned with the company's elevated spending on what may seem to be initiatives with uncertain outcomes, we remain confident in Discovery's long-term growth opportunities and see the stock-price weakness as a temporary overreaction.

At its core, Discovery operates a near monopoly on private health administration in South Africa and has a well-established life-insurance business, both of which are used to partially fund investments in new greenfield opportunities. Discovery has pioneered the concept of shared-value insurance—a system of customer rewards used to incentivize behavioral changes based on data analytics and cross correlations to more effectively underwrite financial risk such as for insurance and credit. Many of Discovery's new business initiatives are based on this concept, including a partnership model where Discovery is able to monetize this intellectual property to better price risk for other global insurers such as AIA Group based in Hong Kong. As Discovery adds more partners and proves the cost-savings benefit of the model, utilization will become an increasing entry barrier and competitive edge for the company. Discovery has also launched a bank in South Africa where it is able to find correlations between customers' health and shopping behavior with credit and even driving behavior.

As in the past, and currently, there have been times when Discovery's share price would seem to indicate that little positive outcome is expected from these new business initiatives given the lack of visibility. Yet, it is during periods of stock-price weakness when long-term investors set themselves up to reap the potential rewards from an attractive set of opportunities for future growth. *(Current and future holdings are subject to risk.)*

OUTLOOK

While we have seen significant volatility across a number of frontier and small emerging markets over the past few years, we still believe in their long-term fundamentals and in the quality of the companies held in the Fund. While specific externalities have been overwhelming many frontier and small emerging markets including the strong U.S. dollar, others such as weakening commodity prices and external imbalances have largely turned neutral to positive. Many frontier and small emerging-market countries have addressed and are taking steps to repair structural issues, leading to more stable and positive growth outlooks. Egypt is a good example of how structural reforms are now paying off with better stability and an environment that is more supportive of companies' efforts to meet their long-term strategic goals. What's more, domestic demand in many of these markets seems to have troughed and many economies appear poised for a continued recovery. We believe that the difficult adjustments many frontier and emerging small countries have been making and will continue to make will allow economic stability to continue to improve.

By continually striving to position the Fund in what we regard as the highest-quality companies across frontier and emerging small countries, we believe we provide the Fund with the best chance of reaping the potential long-term rewards.

We believe that bottom-up analysis and travel to the regions in which we invest are critical, as economic growth, political structures and willingness to reform vary widely in developing-market countries. We continue to travel extensively and are excited about the future of frontier and emerging small countries and their expanding role in the global economy.

Thank you for the opportunity to manage your assets.

Sincerely,

Scott Thomas and Jared Whatcott

†*The MSCI Frontier Emerging Markets and MSCI Frontier Markets indexes are free float-adjusted market capitalization indexes designed to measure equity market performance in the global frontier and emerging markets. You cannot invest in these or any indexes.*

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The Wasatch Frontier Emerging Small Countries Fund's investment objective is long-term growth of capital.

A Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. The goods are weighted according to their importance.

Frontier Emerging Small Countries Fund Top 10 Holdings as of December 31, 2018 **Security Name**	Percent of Net Assets
Aramex PJSC (United Arab Emirates)	5.9%
Clicks Group Ltd. (South Africa)	5.0%
Philippine Seven Corp. (Philippines)	4.8%
PT Bank Central Asia Tbk (Indonesia)	4.6%
Globant S.A. (Argentina)	4.5%
ASA International Group plc (United Kingdom)	4.4%
Raia Drogasil S.A. (Brazil)	4.1%
Central Pattana Public Co. Ltd. (Thailand)	4.1%
Naspers Ltd., Class N (South Africa)	4.0%
Grupo Aeroportuario del Sureste S.A.B. de C.V., Class B (Mexico)	3.6%
Total	44.9%

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.

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