



Wasatch International Growth Fund (WAIGX)

Quarterly Comments from Lead Portfolio Manager Roger Edgley, CFA,
Associate Portfolio Manager Linda Lasater, CFA and
Associate Portfolio Manager Kabir Goyal, CFA

Open to existing shareholders.

Open to new shareholders investing directly with Wasatch Funds.

Average Annual Total Returns For Periods Ended September 30, 2015

	Quarter*	1 Year	3 Years	5 Years	10 Years
International Growth Fund	-6.29%	4.83%	8.78%	9.13%	8.06%
MSCI AC World Ex-U.S.A. Small Cap Index**	-10.02%	-6.42%	5.51%	3.85%	5.13%
MSCI World Ex-U.S.A. Small Cap Index†	-8.03%	-3.71%	7.48%	5.74%	4.23%

*Returns less than one year are not annualized.

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: 1.46%**

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 1.75% through at least 1/31/2016.** 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.

Investing in foreign securities, especially in 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.

This must be accompanied or preceded by a prospectus. Click [here](#) for a prospectus. Please read it carefully before investing.

Overview

During the quarter ended September 30, 2015, volatility in the market was high and generating performance was difficult. The Wasatch International Growth Fund did not dodge the storm, falling -6.29% for the quarter. However, the Fund did outperform its benchmark, the MSCI All Country World Ex-U.S.A. Small Cap Index, which lost -10.02%. The financial markets faced uncertainties over the past three months including central bank policy moves with those in the U.S. and China weighing heaviest on the markets, currency devaluations with China's surprise devaluation at the forefront, the Chinese economy slowing, and finally the Volkswagen emission scandal. Our core and largest weighted markets including Japan, the United Kingdom (U.K.) and Europe have been experiencing mixed macro developments, but we remain optimistic given the positive advances we have been seeing at a company level. We believe we have populated the Fund with high-quality long-duration growth companies that have the ability to grow over a full market cycle, despite any macroeconomic challenges they may face. Market weakness provided us with opportunities to strengthen positions in our highest conviction stocks and upgrade the quality of our portfolio with new investments.

Details of the Quarter

The extent of the economic recovery in Japan continues to be debatable, but the overall trend has been positive. We believe the fundamental changes across corporate Japan will improve returns on equity (ROEs)^{††} and create shareholder value and will continue to be rewarded in the market. These changes have resulted in an increased pool of interesting companies that fit our investment criteria. This quarter, we had two team members spend over a month in Japan meeting with companies, doing site visits and speaking to local business leaders. The tone from a bottom-up perspective is more positive than we have seen in a very long time. We believe our focus on companies with experienced, high caliber leadership, innovative or proprietary products or platforms, and outstanding business models has the potential to continue to drive outperformance relative to the benchmark. Despite detracting from the Fund's absolute performance this quarter, our Japanese stocks significantly outperformed those in the benchmark. Furthermore, the three top-contributing stocks for the Fund were Japanese companies—**Ai Holdings Corp.**, **SMS Co. Ltd.** and **Seria Co. Ltd.**

The distinctive industries in which these companies operate (electronic equipment, instruments and components, Internet software and services, and retail) illustrate how broad based the opportunity set for our investment style is in Japan. Ai Holdings is a market leader in niche

businesses that have steady and recurring revenues and strong cash flows including security and peripheral computer equipment. Management has a solid track record of reinvesting in leading cash generative businesses. SMS operates a job-posting site for nurses and other health care practitioners. While the core job listing business generates strong cash flows and has ample headroom to grow, we are most excited about the company's innovation and disruption of the market for enterprise resource planning (ERP) systems for nursing facilities. Finally, Seria is a discount retailer that sells single products at 100 Yen, akin to dollar stores in the U.S. We believe Seria is the highest quality player that is taking share in the market given its strong merchandising competence based on state-of-the-art systems and processes. Seria's industry has ample room to consolidate, and we believe the company will be a major beneficiary of this trend.

In the U.K., the economy looks to be on solid footing with all of the main sectors of the economy growing. Solid domestic demand has been supported by economic data including inflation, employment, and wage growth numbers. There is concern that the strengthening currency could dampen economic activity, particularly for exporters. While a broad based economic recovery is favorable for companies in general, we believe our holdings are market leaders in their respective categories and are capable of driving organic growth over the long term. For example, **Domino's Pizza Group plc**, another top contributor in the portfolio this quarter, continues to grow organically through innovation and strong execution. The company is leveraging the Internet and technology to drive the customer proposition and efficiencies throughout the organization. This is resulting in strong same-store-sales, margin expansion and cash generation.

Finally, in Europe, the economic recovery is becoming more entrenched. Growth across the eurozone is improving, corporate earnings are rising and government debt ratios appear to have stabilized. The recovery has been driven not only by Germany and France, but also by peripheral countries like Spain, Italy and Portugal. Furthermore, with improving consumer sentiment and lower oil prices, household spending and retail sales have started to trend positively, which should further support the economic trajectory. Our discussions with executives of **Salvatore Ferragamo Italia S.p.A.** highlighted that in addition to a domestic consumer recovery, they are also seeing growth across the eurozone from strong tourism sales given the weakened currency.

This quarter, Germany was our top contributing country on an absolute basis followed by Denmark, Sweden and Switzerland. These four countries contributed nearly 1% to the Fund's absolute performance and they outperformed their benchmark counterparts.

Patrizia Immobilien AG (Germany), **Chr. Hansen Holding A/S** (Denmark) and **Tecan Trading AG** (Switzerland) were among the Fund's top 10 contributors. Patrizia continues to transform itself from a pure residential property owner in Germany to a pan European full service real estate asset manager. Chr. Hansen is the leading global player in natural-based cultures and enzymes, particularly for dairy. The company stands to benefit from the secular trend of increased global dairy consumption. Finally, Tecan designs, develops and manufactures laboratory automation equipment. The company has gone through a long period of product investment and we believe it is now entering a period of strong growth and margin expansion as these investments pay off.

Detractors from the Fund's performance were also broad-based across geographies and sectors. In our opinion, these are high quality companies and leaders in their respective industries. We remain constructive on their prospects over the long-term.

Medy-Tox, Inc. (Korea) was a strong performer in the first half of 2015 and we believe the stock is simply taking a breather. Medy-Tox has developed the next generation of Botox and has a strong partner in Actavis plc (formerly Allergan, Inc.)[‡] to distribute the product globally. The company is also the first producer and market leader of botulinum-based toxin in Korea. We believe the company will continue to innovate and introduce new products.

Pigeon Corp. manufactures baby bottles and has over 80% market share in Japan. The company has been aggressively growing their sales overseas, particularly in China. This quarter, the company reorganized its sales structure in China, which resulted in lower guidance for the remainder of the year. While we believe the fundamental long-term opportunity for Pigeon remains intact, we are cautious of the short-term fundamental trends.

Hermes Microvision, Inc. (Taiwan) produces devices for the electronic beam inspection market, primarily used by semiconductor manufacturers to inspect wafers. The company's technological advantages, methodology and continual reinvestment in research and development have allowed it to increase market share as semiconductors get smaller and smaller. Recent trends in semiconductor demand have trickled through to the equipment industry and have started to impact visibility on new orders for Hermes. Despite the weak near-term sales momentum, we believe that over the long term the company will continue to take share as its technology directly addresses the industry's challenges with yield rate improvements. *(Current and future holdings are subject to risk.)*

Outlook

We are excited about the quality of the companies in the Fund and the opportunities we see for them. Many of our companies offer services that are in high demand that allow them to execute their strategy throughout any economic environment. Furthermore, we believe that the improving economic conditions in Japan, Europe and the U.K. are providing a broader pool of investment candidates. There have been a number of new initial public offerings (IPOs)^{††} and companies that have improved their market positions that are now starting to benefit from a better economic backdrop.

In Japan, we believe the fundamental corporate changes from governance and management perspectives will help drive long-term growth for our companies and increase shareholder value. In Europe, we are seeing a more cyclical recovery, but because the environment has been difficult for such a long period of time, particularly in the peripheral countries, the competitive landscape has improved and the high-quality companies we target are reaping the benefits of their discipline and strong execution. Finally in the U.K., the recovery is further along than in other developed regions. We are starting to see compelling opportunities in sectors, particularly industrials, which have been impacted by currency and exposure to emerging markets.

Thank you for the opportunity to manage your assets.

Sincerely,

Roger Edgley, Linda Lasater and Kabir Goyal

***The MSCI AC World Ex-U.S.A. 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-U.S.A. 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.

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The Wasatch International Growth Fund’s investment objective is long-term growth of capital.

††Return on equity (ROE) measures a company’s efficiency at generating profits from shareholders’ equity.

‡As of September 30, 2015, the Wasatch International Growth Fund was not invested in Actavis plc.

‡‡An initial public offering (IPO) is a company’s first sale of stock to the public.

International Growth Fund Top 10 Holdings as of June 30, 2015[§]	Percent of Net Assets
Patrizia Immobilien AG (Germany)	2.8%
Pigeon Corp. (Japan)	2.7%
Medy-Tox, Inc. (Korea)	2.5%
Nihon M&A Center, Inc. (Japan)	2.5%
Domino’s Pizza Enterprises Ltd. (Australia)	2.4%
Rightmove plc (United Kingdom)	2.3%
Domino’s Pizza Group plc (United Kingdom)	2.3%
Vitasoy International Holdings Ltd. (Hong Kong)	2.0%
Rotork plc (United Kingdom)	2.0%
MISUMI Group, Inc. (Japan)	1.9%
Total	23.2%

[§]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.

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