Buffalo Discovery Fund

QUARTERLY
COMMENTARY

March 31, 2020

Capital Market Overview

Global equity markets fell sharply in the 1st quarter of 2020 in reaction to the global spread of COVID-19. As the case count increased exponentially, the only effective response was for countries to go into lockdown. The economic impact of these actions became clear as the quarter progressed and virtually all asset classes suffered as a result. From February 19 through March 23, the U.S. stock market, as measured by the S&P 500 Index, declined around 34%, which was the fastest meltdown in history. Central banks and governments responded quickly to this event, with the U.S. Federal Reserve (the "Fed") cutting interest rates twice in March and announcing unlimited quantitative easing. The U.S. Senate passed a $2 trillion stimulus package, providing assistance to individuals and businesses in distress. Optimism around these efforts helped the market rally into quarter end, leaving the S&P 500 Index down 19.60% from the start of the year.

The broad market Russell 3000 Index declined 20.90% in the 1st quarter. Growth outperformed value, with the Russell 3000 Growth Index declining 14.85% compared to the Russell 3000 Value Index decline of 27.32%. By capitalization size, large cap stocks held up best, with a -20.22% return in the quarter, represented by the Russell 1000 Index. The Russell Mid Cap Index fell -27.07%, followed by the smaller cap Russell 2000 Index which declined -30.61%. Best performing sectors were the Technology, Health Care, and Consumer Staples sectors. The Energy sector was hit hardest as falling demand and rising supply from Saudi Arabia caused oil prices to crater. The economically-sensitive Financial and Industrial sectors were also among the worst performing sectors in the quarter.

Performance Commentary

The Buffalo Discovery Fund (BUFTX) fell 17.95% during the quarter versus the Morningstar U.S. Mid Growth Index's decline of 17.00% and the Morningstar Mid Cap Growth Peer Group decline of 20.64%. The Fund outperformed the benchmark in the Energy, Industrials, Financials, Real Estate, Telecom Services, and Materials sectors, while the Consumer Discretionary, Health Care, and Technology sectors weighed on relative returns. Cyclically-dependent and financially-leveraged stocks performed worst in the Fund and Index with energy, materials, travel, entertainment, and consumer retail stocks particularly hard hit. The Energy sector, where the Fund is underweight, was the worst-performing sector, suffering from a nasty combination of excess supply and diminished global energy demand. The Fund continues to invest in innovative growth companies with relatively-attractive valuations – a strategy we believe should be a key driver of above-index, risk-adjusted returns over the long term.

Average Annualized Performance (%)

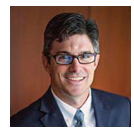
As of 3/31/20	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFTX*	-9.64	5.37	5.60	11.13	10.04	8.27
Institutional Class - *BUITX*[1]	-9.48	5.54	5.77	11.30	10.21	8.43
Morningstar U.S. Mid Growth Index	-6.73	8.52	6.22	11.10	9.02	7.19
Morningstar Mid-Cap Growth Category	-11.17	4.66	4.33	9.46	7.72	5.78

[1]For performance prior to 7/1/19 (Inception Date of Institutional Class), performance of the Investor Class shares is used and includes expenses not applicable and lower than those of Investor Class shares. Data represented reflects past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Current performance may be lower or higher than the performance quoted. Performance current to the most recent month end may be obtained by visiting the Funds' website at buffalofunds.com. Each Morningstar category average represents a universe of funds with similar objectives.

Fund Facts

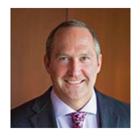
	Investor	*Institutional*
Ticker:	BUFTX	BUITX
Inception Date:	4/16/01	7/1/19
Expense Ratio:	1.02%	0.87%
Fund Assets:	$1.37 Billion	
Category:	Mid Cap Growth	
Benchmark:	Morningstar U.S. Mid Growth Index	

Management Team



Clay Brethour, CFA

Co-Manager since 2004
B.S. – Kansas State Univ.



Dave Carlsen, CFA

Co-Manager since 2004
B.B.A. – University of WI-Madison

BUFFALO FUNDS

Top Contributors

Dexcom Inc. is a leading manufacturer of continuous glucose monitoring devices for the management of diabetes. The company's differentiated products excel at accuracy, comfort, and ease of use, resulting in share gains and a favorable long-term outlook within the diabetes care industry. Its stock price was one of few that rose in the quarter, as investors flocked to Dexcom's durable growth, low elective procedure risk, and relatively recession-resistant business model.

MSCI Inc. is a leading Index and ETF provider. The company continues to benefit from the shift to low-cost passive investing, while, in the near term, investors cheered the resiliency of the subscription business, high switching costs inherent in the benchmark index business segment, and the exciting potential of the newer analytics and Environmental, Social, and Governance (ESG) focused business initiatives.

Top Detractors

Align Technology is a leading supplier of clear aligners for dental malocclusion. Its stock price fell on expectations that COVID-19 fears will lead to lower case volume growth in the near term, which could make it more challenging for the company to fend off new entrants in its market. We believe prosperous growth is sustainable over the intermediate-to-long-term, as the company has expanded its products to address nearly 70% of the orthodontic market, which continues to convert from metal braces to clear aligners.

IAC/Interactive is a diversified internet services company offering dating websites, a digital home services marketplace, and other emerging internet businesses. Social distancing and shelter at home initiatives have negatively impacted demand for home services and advertising on their branded internet sites.

Outlook

The fiscal and monetary response to the COVID-19 pandemic has been relatively swift and expansive, with indications that if conditions do not improve, world leaders and global central banks will do whatever is necessary to revive growth. Their efforts so far are encouraging, and markets have begun to stabilize and become more hopeful. In the near term, investors appear myopically focused on the state of new case volumes, resulting in high stock correlations. Upcoming earnings results seem far less important than an assessment of 2021-2022 earnings power. Over the intermediate term, the revival of global growth will depend on how soon the pandemic can be contained through a combination of social distancing, better testing, improved therapies, vaccine development, and perhaps seasonal curtailment. Time will tell.

In the meantime, global economic uncertainty and low business and consumer confidence is weighing on the market and near term corporate fundamentals. This is opening up attractive buying opportunities for some of our favorite secular growth beneficiaries on the wish list.

We are not blindly buying on lower stock prices, but instead we are mindful of the macroeconomic backdrop, the sensitivity of our companies to discretionary spending, and the negative effect unfavorable leverage can have on corporate profit cycles in bad-time scenarios. We keep a keen eye on the degree of contraction that current prices discount and the degree to which management teams can protect profits and shed risk, while still retaining the competitive advantages that position them to excel on the upturn. Our work is beginning to tell us growing reward and upside opportunity trumps downside risk in many instances. We are patiently waiting for these good-odds situations and strike when we get them.

Economic conditions may ebb and flow, but our focus is steady – to invest in attractively-priced, financially-strong, well-managed companies that can benefit from innovative strategies and disruptive megatrends.

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Interested in more info?

For questions or to speak with a relationship manager about adding any of the 10 Buffalo Funds to your portfolio, contact:

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The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The summary and statutory prospectuses contain this and other important information about the investment company and can be obtained by calling (800) 49-BUFFALO or visiting buffalofunds.com. Read carefully before investing.

Earnings growth is not representative of the Fund's future performance. Investing in both actively and passively managed mutual funds involves risk and principal loss is possible.

As of 12/31/19 the Buffalo Discovery Fund top 10 equity holdings were The Cooper Cos. 1.78%, Nasdaq 1.65%, IHS Markit 1.64%, Global Payments 1.54%, Align Technology 1.51%, Bio-Techne 1.50%, MSCI 1.50%, WEX 1.46%, Vail Resorts 1.44%, PRA Health Sciences 1.42%. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end.

The opinions expressed are those of the Portfolio Managers and are subject to change, are not guaranteed and should not be considered recommendations to buy or sell any security. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

The S&P 500 Index is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. The Russell 3000 Index measures the performance of the 3,000 largest publicly held companies incorporated in the U.S. based on market capitalization. The Russell 3000 Growth Index is a market-capitalization weighted index that measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth rates. The Russell 3000 Value Index is based on the Russell 3000 Index, of companies with lower price-to-book ratios and lower expected growth rates which measures how U.S. stocks in the equity value segment perform. The Russell 1000 Index is a subset of the Russell 3000 Index, which measures the performance of the 1,000 largest publicly-held companies incorporated in the U.S. based on market capitalization. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. The Russell 2000 Index is an unmanaged index that consists of the smallest 2,000 securities in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization. The Morningstar U.S. Mid Growth Index measures the performance of U.S. mid-cap stocks that are expected to grow at a faster pace than the rest of the market as measured by forward earnings, historical earnings, book value, cash flow and sales. One cannot invest directly in an index. Duration is a measure of the sensitivity of the price of a fixed income investment to a change in interest rates.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than large-cap companies. The Fund invests in foreign securities which involve greater volatility and political, economic, and currency risks as well as differences in accounting methods.

Kornitzer Capital Management is the advisor to the Buffalo Funds, which are distributed by Quasar Distributors, LLC.