

Capital Market Overview

Equity markets rebounded sharply to start 2019. The widely followed S&P 500 Index returned 13.65% in the 1st quarter, its best quarterly performance in 10 years. The market advance can be largely attributed to the Federal Reserve's decision to put quarterly short term interest rate hikes on hold and end its balance sheet runoff. Additionally, prospects for a trade agreement between the U.S. and China appeared to improve, and the U.S. Government reopened after its longest shut down in history.

The Russell 3000 Index advanced 14.04% in the 1st quarter. Growth outperformed value, with the Russell 3000 Growth Index returning 16.18% compared to a return of 11.93% for the Russell 3000 Value. By size, midcaps led the way this quarter with the Russell Midcap Index returning 16.54%, followed by a return of 14.58% for the small cap Russell 2000 Index and 14.00% for the large cap Russell 1000 Index. Technology, Real Estate, and Industrials were the best performing sectors, while Health Care and Financials were relative underperformers.

Performance Commentary

The Buffalo Dividend Focus Fund posted a return of 10.90%, underperforming the Morningstar U.S. Large-Mid Cap Index return of 13.99% and the S&P 500 Index return of 13.65%. Sector weightings and security selection hindered the Fund's relative performance. The Fund's highest weighted sectors (Financials, Health Care, and Information Technology) posted positive returns, however, they lagged returns relative to comparable index sectors. On the other hand, some of the Fund's least weighted sectors (Energy, Real Estate, and Utilities – comprising less than 14% of Fund assets) had returns greater than the comparable index sectors.

Average Annualized Performance (%)

As of 3/31/19	1 YR	3 YR	5 YR	Since Inception
Buffalo Dividend Focus Fund	7.48	11.34	10.21	12.36
Morningstar U.S. Large-Mid Cap Index	9.43	13.51	10.63	13.96
S&P 500 Index	9.50	13.51	10.91	14.03

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.

↑ Top Contributors

Specific securities that contributed most positively to performance included **Microsoft**, **Visa**, and **Apple**. Microsoft improved on growing momentum from its cloud services and enterprise products. Visa advanced on a favorable earnings release and healthy transaction volumes. Apple rose on positive earnings relative to expectations and prospects for continued growth in its services business.

Fund Quick Facts

Ticker:	BUFDX
Inception Date:	12/3/2012
Net Assets:	\$58.15 Million
Expense Ratio:	0.95%
Category:	Large-Cap Blend
Benchmark:	Morningstar U.S. Large-Mid Cap Index

Management Team



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Co-Manager since 2013
B.S. – University of Iowa



Jeff Sitzmann, CFA

Co-Manager since 2018
M.B.A. – Univ. of Chicago
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Jeff Deardorff, CFA

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B.S. – Kansas State Univ.

↓ Top Detractors

Specific securities that detracted from performance included **CVS Health Corp.**, **CME Group**, and **AbbVie Inc.** CVS fell on weak earnings forecast due to rising costs, poor results from its Omnicare unit, and integration with its recent purchase of Aetna. CME Group dropped primarily due to lower trading volumes and reduced volatility levels. AbbVie declined on weaker than expected results and concerns regarding generic completion for its top selling drug (Humira).

Outlook

After experiencing consecutive quarters of double-digit markets moves (one negative and one positive), we expect the market to encounter continued volatility in the coming quarters, as the Federal Reserve has paused rate increases and future actions are expected to be data dependent. Other market concerns include inflation expectations, potential strengthening of the U.S. dollar, vagaries regarding protectionism efforts from the Administration, evolving geopolitical risks, slowing economic growth and prospects for a recession to develop, rising energy prices, and the divided Congress. Valuation metrics, while off recent highs, are still above historical market averages, leading us to believe the stock market may have a difficult time achieving further multiple expansion. On the other hand, prospective tailwinds for the economy include further job growth, wage increases, lower tax rates, and robust business and consumer confidence, all of which could lead to higher Gross Domestic Product (GDP) growth.

Despite the expectation of continued volatility, we remain focused on wide moat, large capitalization companies that are competitively advantaged and trading at reasonable valuations, in our view. If stock market volatility spikes, we will look for opportunities to find companies that fit our investment criteria, as we continue to follow our process of finding new investment ideas and to be ready when market declines provide better entry points. ▀

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.

As of 12/31/18 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 4.22%, Visa 3.24%, Berkshire Hathaway 2.95%, Apple 2.73%, JPMorgan Chase 2.49%, American Electric Power 2.23%, Anthem 2.13%, Bank of America 2.06%, Twenty First Century Fox 2.05%, UnitedHealth Group 1.99%. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end.

Earnings growth is not representative of the Fund's future performance. 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 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 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 Morningstar U.S. Large-Mid Cap Index measures the performance of the U.S. equity market targeting the top 90% of stocks by market capitalization. One cannot invest directly in an index.

Mutual Fund investing involves risk. Principal loss is possible. The Fund invests in U.S. based companies with substantial interests outside of the U.S. which may involve additional risk such as greater volatility and political, economic and/or currency risks. This risk is greater in emerging markets. The Fund may invest in convertible securities which may be influenced by changing interest rates and the credit standing of the company. The Fund invests in smaller companies, which involves additional risks such as limited liquidity and greater volatility than larger companies.

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

