

Capital Market Overview

The S&P 500 Index posted its best 1st half of a calendar year since 1997, rising 18.54% from January 1 to June 30. During the most recent quarter, the index was in negative territory for the first two months (April and May) then rose 7.05% in the final month, marking the best June since 1955, and finished with a return of 4.30% for the quarter.

Central banks and trade policies continued to drive financial markets during the period. The threat of increasing tariffs against China and Mexico contributed to the sell-off early in the quarter, and the June rally was largely a result of dovish central bank commentary, leading investors to anticipate rate cuts in the coming months.

The Russell 3000 Index returned 4.10% in the quarter. By style, growth outpaced value, with the Russell 3000 Growth Index up 4.50% and the Russell 3000 Value Index up 3.68%. Large caps generally outperformed small caps in the quarter. The Russell 1000 Index returned 4.25%, just ahead of the Russell Mid Cap Index return of 4.13%. The Russell 2000 returned 2.10% during the quarter. Financials were the best performing sector, followed by Materials and Information Technology. Energy was the only sector to post a negative return, driven by a decline in oil prices. Health Care and Real Estate also underperformed relative to the broad market.

Performance Commentary

The Buffalo Dividend Focus Fund posted a return of 4.06% for the quarter, slightly underperforming the Morningstar U.S. Large-Mid Cap Index return of 4.34% and the S&P 500 Index return of 4.30%. Sector weightings and security selection hindered the Fund's relative performance. Portfolio sectors with highest weightings, Financials and Information Technology, posted positive returns and had favorable relative performance to comparable index sectors. While some of the Fund's least weighted sectors, Materials, Energy, and Industrials (sectors comprising less than 17% of the Fund's assets) had returns that lagged the comparable index sectors.

Average Annualized Performance (%)

As of 6/30/19	1 YR	3 YR	5 YR	Since Inception
Investor Class - BUFDX	8.40	11.86	9.34	12.55
Institutional Class - BUIDX ¹	8.56	12.03	9.50	12.71
Morningstar U.S. Large-Mid Cap Index	10.34	14.19	10.46	14.13
S&P 500 Index	10.43	14.19	10.71	14.19

¹For 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. 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 include **Microsoft** (MSFT), **Walt Disney** (DIS) and **Visa** (V). Microsoft improved on growing momentum from its cloud services and enterprise products, boosting quarterly results. Disney rose on enthusiasm for its upcoming Disney+ streaming service and continued box office performance. Visa advanced on a favorable earnings release and healthy transaction volumes.

Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.96%	0.81%
Fund Assets:	\$60.51 Million	
Category:	Large Cap Blend	
Benchmark:	Morningstar U.S. Large-Mid Cap Index	

Management Team



Paul Dlugosch, CFA
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
Co-Manager since 2018
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↓ Top Detractors

Specific securities that detracted from performance include **AMC Entertainment** (AMC), **Halliburton** (HAL), and **Alphabet** (GOOG). AMC fell on lagging box office results and concerns regarding its high debt leverage. Halliburton dropped due to year-over-year decline in quarterly results and a drop in oil price from its yearly high. Alphabet declined on quarterly results, which missed expectations on slowing growth in ad sales and reports the Department of Justice may open an antitrust probe.

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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Outlook

The strong gains in the stock market for the 1st half of the calendar year have been primarily driven by expansion in market valuation metrics, as earnings have been relatively flat. Aiding the valuation expansion has been The Federal Reserve's (the "Fed") dovish pivot on monetary policy indicating that the next interest rate action will be down. The Fed has become concerned with inflation running below their targeted levels and slowing economic growth. Vagaries regarding trade policy (tariffs and trade agreements), evolving geopolitical risks, and the divided congress further limit their forecasting abilities. A key driver for further stock market advancement is likely to be impacted by how aggressive the Fed cuts rates (0.25% or 0.50%) and how many cuts they decide to make this year.

Despite the uncertainty regarding the level of Fed action, we remain focused on wide-moat, large-capitalization companies trading at reasonable valuations, in our view. As always, the Fund will continue to emphasize on competitively-advantaged companies that can be purchased at a fair value, in our opinion. As 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. ▲

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 3/31/19 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 4.43%, Visa 3.47%, Apple 2.98%, 8x8 2.65%, The Walt Disney Co 2.29%, American Electric Power 2.26%, Anthem 2.11%, JPMorgan Chase 1.91%, Bank of America 1.90%, Berkshire Hathaway 1.87%. 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 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. 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.

