

Capital Market Overview

U.S. economic strength and solid corporate earnings growth drove healthy equity returns in the 3rd quarter. The widely-followed S&P 500 Index had a total return of 7.71%, its best quarterly gain since 2013. In September, initial jobless claims fell to the lowest level since 1969, wages grew at the fastest rate since 2009, consumer confidence reached the highest level since 2000, and the National Federation of Independent Business (NFIB) survey of small business optimism was at an all-time high (the survey dates back to 1974). Against this strong economic backdrop, the Federal Reserve raised the targeted federal funds rate by another 25 basis points to a range of 2.00% to 2.25%. Slowly rising interest rates led to flat bond returns.

The divergence between domestic and international equity market performance continued during the quarter, with the MSCI EAFE Index advancing just 1.35%. The Russell 3000 Index gained 7.12% in the 3rd quarter. By style, growth continued to outperform value, with the Russell 3000 Growth Index increasing 8.88% compared to the Russell 3000 Value Index's advance of 5.39%. Large caps did better than small caps as the Russell 1000 Index returned 7.42%, the Russell Midcap Index returned 5.00%, and the Russell 2000 Index returned 3.58% in the quarter. Every economic sector was positive this quarter, with Health Care and Industrials the top performers, while Materials and Energy lagged the indexes.

Performance Commentary

The Buffalo Dividend Focus Fund posted a return of 7.68%, which slightly outperformed the Morningstar U.S. Large-Mid Cap Index return of 7.48% and above the Lipper Equity Income Funds Index return of 5.55%. The Fund's performance was aided by sector weightings and security selection. Sectors with highest weightings in the Fund, including Financials, Health Care, and Information Technology, contributed to positive returns. The Fund's least-weighted sector, Materials, was the only sector to produce negative returns.

Average Annualized Performance (%)

As of 9/30/18	1 YR	3 YR	5 YR	Since Inception
Buffalo Dividend Focus Fund	15.88	15.21	13.66	14.14
Morningstar U.S. Large-Mid Cap Index	17.86	16.91	13.68	15.56
S&P 500 Index	17.91	17.31	13.95	15.66
Lipper Equity Income Funds Index	10.44	13.63	10.28	12.21

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 Quick Facts

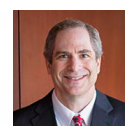
Ticker:	BUFDX
Inception Date:	12/3/2012
Net Assets:	\$61.34 Million
Expense Ratio:	0.95%
Category:	Large-Cap Blend
Benchmark:	Morningstar U.S. Large-Mid Cap Index

Management Team



Paul Dlugosch, CFA

Co-Manager since 2007
B.S. – University of Iowa



Jeff Sitzmann, CFA

Co-Manager since 2007
M.B.A. – Univ. of Chicago
B.B.A. – Univ. of Toledo



Jeff Deardorff, CFA

Co-Manager since 2007
B.S. – Kansas State Univ.

↑ Top Contributors

Specific securities that contributed most positively to performance include **AMC Entertainment Holdings** (AMC), **Microsoft** (MSFT), and **Apple** (AAPL). Shares of AMC improved on a strong earnings report, a robust summer box office, and healthy enrollment in its movie subscription service program (Stubs A-List). Microsoft advanced on a favorable earnings release led by its cloud services segment. Apple was up on a solid earnings result and anticipation of new product releases.

↓ Top Detractors

Specific securities that detracted most from performance include **Twenty-First Century Fox** (FOXA), **Kraft Heinz** (KHC), and **Cedar Fair** (FUN). FOXA stock had a strong run during the previous quarter as Disney and Comcast battled to acquire certain FOXA assets; however, the stock traded off in the 3rd quarter as Comcast dropped out of the bidding. Kraft Heinz declined due to fading merger and acquisition expectations and a large equity investor selling some of their holding. Cedar Fair declined on a weakened earnings outlook due to soft attendance levels.

Outlook

We expect the market to experience continued volatility in the coming quarters as the Federal Reserve continues to normalize interest rates. Other concerns include acceleration in inflation, potential strengthening of the U.S. dollar, geopolitical issues, increase protectionism efforts from the Administration, evolving geopolitical risks, and the mid-term elections.

Valuation metrics are also above historical market averages, leading us to believe that stocks, broadly speaking, 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, robust business, and consumer confidence, all of which could lead to higher Gross Domestic Product (GDP) growth.

Despite the expectation of continued volatility, we continue to focus on wide-moat, large-capitalization companies trading at reasonable valuations, in our view. As always, the Fund will continue to focus on competitively-advantaged companies that can be purchased at a fair value, in our opinion. As the stock market has continued to climb, it has become more difficult to find companies that fit our investment criteria, but we continue to follow our disciplined investment process and will be ready when market declines provide better opportunities. ▀

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 it carefully before investing.

Earnings growth is not representative of the Fund's future performance.

As of 6/30/18 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 4.21%, Visa 2.90%, Apple 2.86%, JPMorgan Chase 2.73%, Bank of America 2.42%, BB&T 1.99%, Twenty First Century Fox 1.89%, American Electric Power 1.84%, S&P Global 1.78%, Berkshire Hathaway 1.77%. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are for the previous quarter.

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 MSCI EAFE Index measures the equity market performance of developed markets outside of the U.S. & Canada; EAFE stands for Europe, Australasia and Far East. 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. The Lipper Equity Income Funds Index tracks funds seeking relatively high current income and growth of income by investing at least 65% of their portfolio in dividend-paying equity securities. One cannot invest directly in an index. A basis point is one hundredth of a percentage point (0.01%).

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.

