

Capital Market Overview

Equity markets sustained their momentum in the 3rd quarter, with the S&P 500 Index returning 8.93%. Macro data continued to improve, and companies broadly reported earnings that proved to be more resilient than expectations. While the U.S. experienced another spike in COVID-19 cases during the quarter and tragically surpassed 200,000 deaths, positive news on vaccines and therapy fronts continued to provide hope for investors.

The Russell 3000 Index increased 9.21% in the quarter. Growth continued to outperform value, as the Russell 3000 Growth Index advanced 12.86%, compared to the Russell 3000 Value Index return of 5.41%. Relative performance was correlated with market cap size in the quarter, with the large cap Russell 1000 Index delivering a return of 9.47%, compared to the Russell Mid Cap Index return of 7.46%, the smaller cap Russell 2000 Index return of 4.93%, and the Russell Micro Cap Index return of 3.69%. More cyclically-exposed Consumer Discretionary, Materials, and Industrial sectors performed best in the quarter. Energy was the sole declining sector, hurt by lingering weakness in oil demand.

Performance Commentary

The Buffalo Dividend Focus Fund (BUFDX) posted a return of 6.54%, underperforming the Morningstar U.S. Large-Mid Cap Index return of 9.56% and the S&P 500 Index return of 8.93%. With the exception of our Energy and Utilities holdings, all sectors in the Fund and benchmark posted positive returns. The Fund's sectors with the highest weightings had mixed performance relative to the benchmark index. Health Care and Financials posted favorable relative performance compared to the benchmark's sectors performance, while Information Technology experienced lagging relative returns. Our holdings in the Energy, Real Estate, and Telecommunication Service sectors delivered constructive performance relative to the benchmark. Sectors including Consumer Discretionary, Consumer Staples, Industrials, Materials, and Utilities detracted from the Fund's performance.

Average Annualized Performance (%)

As of 9/30/20	1 YR	3 YR	5 YR	Since Inception
Investor Class - BUFDX	9.80	9.51	11.63	12.12
Institutional Class - BUIDX ¹	9.91	9.68	11.79	12.29
Morningstar U.S. Large-Mid Cap Index	16.71	12.75	14.21	14.19
S&P 500 Index	15.15	12.28	14.15	14.07

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 Institutional 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.

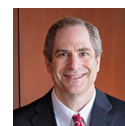
Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.96%	0.81%
Fund Assets:	\$79.76 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
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↑ Top Contributors

Specific securities that contributed most positively to performance include **Apple (AAPL)**, **Horizon Therapeutics (HZNP)**, and **Nuance Communications (NUAN)**. Apple advanced on solid quarterly results, anticipated growth from 5G iPhone sales, and announcement of a stock split. Horizon Therapeutics rose on strong quarterly results driven by the launch of Tepezza for thyroid eye disease and favorable study data on Krystexxa in combination with immunomodulation (methotrexate). Nuance Communications (speech recognition software and artificial intelligence) climbed on healthy quarterly results and favorable traction in new healthcare products.

↓ Top Detractors

Viper Energy Partners (VNO), **BioMarin Pharmaceutical (BMRN)**, and **Intel (INTC)** diminished the Fund's performance. Viper Energy, which holds mineral interests in the Permian Basin, declined on weak earnings due to falling energy prices and reduction in its dividend distribution. BioMarin Pharmaceutical fell after the U.S. Food & Drug Administration (FDA) failed to approve its hemophilia therapy. The regulator recommends two years of data from final-stage study. Intel, which develops and manufactures microprocessors and chipsets, dropped as the company issued a weak earnings outlook and delayed its next generation of computer chips.

Outlook

The stock market reached a record high during the quarter on the expectations that the economy can recover from the COVID-19 pandemic. The market fell from the peak as investors became concerned regarding a second wave of COVID-19 cases, the prospects for passage of a fiscal stimulus was bogged down by partisan politics, anxiety around the presidential election, lack of an agreement on Brexit, and rhetoric around new anti-trust regulation regarding the large technology companies. As the current quarter unfolds, the market will likely be impacted as some of these issues play out. Studies on vaccines and drug therapies to treat COVID-19 are likely to be released. In addition, the election will occur; nevertheless, the results may be delayed and contested. Additionally, Brexit deadlines will force decisions on an agreement or further delays. Resolution of these issues will likely influence the prospects, timing, and size of additional fiscal stimulus measures needed to support the economy over the intermediate term and sustainable growth over the longer term. Monetary policy continues to remain accommodative, as Central Banks reiterate their policies of not raising interest rates, continue debt-buying programs, and expand inflation tolerance levels.

Despite the uncertainty created by the pandemic, 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. ▴

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 6/30/20 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 5.63%, Apple 4.44%, Visa 3.29%, S&P Global 2.24%, Edison Intl 2.19%, UnitedHealth Group 2.18%, Amazon 2.00%, Horizon Pharma 1.92%, Cerence 1.91%, American Electric Power 1.65%. 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 and 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 Russell Micro Cap Index measures the performance of 2,000 small cap and micro cap companies. 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. Cash flow is a measure of the cash produced by the firm in a given period on behalf of equity holders. The true measure of the value of a firm's equity is considered to be the present value of all free cash flows.

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.

