

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 Emerging Opportunities Fund posted a return of 16.88% for the 1st quarter. This compares to the Morningstar U.S. Small Growth Index's gain of 19.43%, and the Fund's previous benchmark, the Russell 2000 Growth Index, which returned 17.14% in the quarter.

The strong start to the calendar year has erased most of the damage from the sell-off seen in the calendar 4th quarter of 2018. At the time of this writing in mid-April, the Russell 2000 Growth Index was within 9% of the all-time high reached in August of 2018. Additionally, the Russell 2000 Growth Index has rebounded 28% from its low watermark in December of 2018.

Every sector of the Morningstar U.S. Small Growth Index produced double-digit returns during the quarter except Consumer Staples. The largest index sectors by weight, Healthcare and Information Technology, saw gains of 19.42% and 22.52%, respectively.

Average Annualized Performance (%)

As of 3/31/19	1 YR	3 YR	5 YR	10 YR	Since Inception
Buffalo Emerging Opportunities Fund	9.39	17.91	6.59	19.73	8.62
Morningstar U.S. Small Growth Index	8.94	16.74	9.58	16.99	9.52
Russell 2000 Growth Index	3.85	14.87	8.41	16.52	9.33

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.

Fund Quick Facts

Ticker:	BUFOX
Inception Date:	5/21/2004
Net Assets:	\$84.02 Million
Expense Ratio:	1.50%
Category:	Small-Cap Growth
Benchmark:	Morningstar U.S. Small Growth Index

Management Team



Craig Richard, CFA

Co-Manager since 2013
M.B.A. – Univ. of Kansas
B.S. – Kansas State Univ.



Doug Cartwright, CFA

Co-Manager since 2015
M.B.A. – Univ. of Wisconsin
- Madison
B.S. – Baylor University

Within the Fund, two leading contributors to returns in the 1st quarter were **CyberArk** and **Mimecast**. Both companies are involved in the growing need for solutions to combat the continuing sophistication and growing financial pain caused by cyberattacks on corporate networks. CyberArk is the top supplier focused on privileged access management, which provides protection from malicious attacks from insiders within an organization. While much of security spending by corporations over the years was on developing perimeter security for their information technology systems, most don't have a solution in place to prevent insiders from accessing files that should be limited to certain users. This creates an attractive opportunity for CyberArk and first mover advantage as they typically do not have to unseat an incumbent solution provider when signing up new clients.

Mimecast is a leading email security provider that continued to take share from legacy email security providers through innovation and its cloud based solution. The company continued to release new add-on products to address phishing and archiving which has driven incremental revenue growth. Additionally, Mimecast has had success in serving small- and medium-size clients but continued to have success moving up market and signing larger corporate customers.

Outlook

The headlines that have driven the strong market bounce back this year continue to provide a supportive overall market backdrop. Resolution of some of the trade disputes could enable better global growth, and the Federal Reserve's accommodative positioning towards monetary policy has been a stock market catalyst for the past nearly 10 years. With that said, our focus remains on finding early stage growth companies with the potential to benefit from secular trends and sustain growth due to the innovation and disruption they are introducing to an industry, regardless of the market's overall backdrop and headlines.

The Buffalo Emerging Opportunities Fund is focused on identifying innovation among U.S. companies with North American revenue bases. We operate at the small end of the small capitalization spectrum and can uncover opportunities where we believe valuation dislocation is out of line with the actual results and outlook potential. As always, we pay close attention to the valuations of our holdings and will utilize market volatility to trim or add to our holdings as risk/reward profiles improve or degrade, in our view.

We continue to look for prudent ways to deploy cash, and we remain long-term focused, aiming to be shrewd when the market environment presents opportunity and more cautious when it does not. With an active share of greater than 95%, the Fund will continue to offer a distinct offering from the index and peers. ▴

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.

As of 12/31/18 the Buffalo Emerging Opportunities Fund top 10 equity holdings were Community Healthcare Trust 3.66%, 8x8 3.23%, Wildan Group 2.73%, Kornit Digital 2.65%, Air Transport Services Group 2.53%, i3 Verticals 2.41%, Mimecast 2.37%, Playa Hotels & Resorts 2.23%, Virtusa Corp 2.16%, Instructure 2.16%. 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 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. Small Growth Index measures the performance of U.S. small-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. The Russell 2000 Growth Index is an unmanaged index that measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. One cannot invest directly in an index. Active share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in smaller companies, which involves additional risks such as limited liquidity and greater volatility than larger companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. This risk is greater in emerging markets.

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

