

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 Emerging Opportunities Fund (the "Fund") posted a return of 6.80% for the quarter ending June 30, 2019. This compares to the Morningstar U.S. Small Growth Index's (the "Index") gain of 2.47%. During the past 12 months, the Fund changed its primary benchmark to the Morningstar U.S. Small Cap Growth Index from the Russell 2000 Growth Index, which returned 2.75% in the quarter. The strong start to the calendar year has resulted in the Fund returning 24.83% year-to-date compared to the index return of 22.38%. All benchmark sectors are showing positive returns led by those companies at the largest end of the market cap spectrum within the small cap growth universe. Those with the highest sales growth rates have produced the best absolute returns.

The Fund's outperformance in the quarter compared to the Index was primarily due to stock selection within the Industrials and Information Technology sectors. These two sectors remain the largest weightings of the Fund's assets. Industrials returned 19.29% on average for the portfolio in the quarter while the Fund's Technology holdings gained 7.38%. These results outpaced the benchmark's average returns of 11.21% and 1.19% in these two sectors, respectively.

Average Annualized Performance (%)

As of 6/30/19	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFOX	6.59	20.15	8.77	17.03	8.80	8.94
Institutional Class - BUIOX ¹	6.75	20.33	8.93	17.21	8.96	9.10
Morningstar U.S. Small Growth Index	3.47	15.78	9.50	14.84	9.09	9.54
Russell 2000 Growth Index	-0.49	14.69	8.63	14.41	8.90	9.37

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. 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 Facts

	Investor	Institutional
Ticker:	BUFOX	BUIOX
Inception Date:	5/21/04	7/1/19
Expense Ratio:	1.49%	1.34%
Fund Assets:	\$84.02 Million	
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

Two leading contributors to returns during the period were **Kratos Defense & Security Solutions** and **Amber Road**. Kratos is a government defense contractor, with a focus on delivering sophisticated technology at an affordable cost. The company is a leading provider of jet powered drones that can be used for targeting practice (training for missile defense and fighter pilot training) along with emerging production of tactical drones. The tactical drone opportunity is attractive for the U.S. government given the potential to augment or replace expensive fighter planes – typically costing \$100 million or more – with \$2-3 million unmanned aircraft with similar capabilities.

Shares of Amber Road rose in the quarter on news that it is an acquisition target of a larger peer. Amber Road is a software company aimed at helping importers and exporters deal with the complexity of global logistics including tariffs, duties, logistics, trade compliance, etc. While Amber Road offers a leading software solution for global trade management, the company has struggled to execute on the sales and marketing front over the past several years. We believed the inherent value of the company's technology was worth more than what was reflected in the share price and were pleased to realize the enhanced value that was unlocked through the buyout.

Outlook

The U.S. Federal Reserve remains at the ready to bolster the domestic economy and the stock market through potential interest rate cuts in the coming weeks and months. This has proven to be a supportive back drop for the stock market for the past 10 years. That said, we operate on the small end of the small cap growth spectrum and continue to seek companies that can sustain growth regardless of market headlines, as a result of secular growth trends or due to the innovation and disruption they are introducing to an industry. As always, we will be playing close attention to the valuations of the portfolio's holdings and will utilize market volatility to add to or trim investments as risk/reward profiles improve or degrade.

The Buffalo Emerging Opportunities Fund is primarily focused on identifying innovation among U.S.-based companies with North American revenue bases. 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 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 3/31/19 the Buffalo Emerging Opportunities Fund top 10 equity holdings were Mimecast 2.86%, 8x8 2.76%, Kornit Digital 2.62%, CyberArk Software 2.61%, Community Healthcare Trust 2.47%, Envestnet 2.37%, Hamilton Lane 2.36%, Air Transport Services Group 2.23%, Wildan Group 2.12%, Playa Hotels & Resorts 2.06%. 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 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. 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.

