

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 Emerging Opportunities Fund (the Fund) posted a return of 5.41% in the quarter. This compares to the Morningstar U.S. Small Growth Index return of 7.61%. During the quarter, the Fund changed its primary performance benchmark to the Morningstar U.S. Small Cap Growth Index from the Russell 2000 Growth Index, which gained 5.52% in the third quarter.

Returns were skewed higher at the higher end of the market capitalization spectrum within the growth universe during the 3rd quarter. The Russell 1000 Growth Index posted a 9.17% return compared to the Russell MicroCap Growth Index with a return of 3.16% during the quarter.

Average Annualized Performance (%)

As of 9/30/18	1 YR	3 YR	5 YR	10 YR	Since Inception
Buffalo Emerging Opportunities Fund	20.13	19.83	9.18	14.67	9.34
Morningstar U.S. Small Growth Index	26.30	19.32	12.34	13.15	10.36
Russell 2000 Growth Index	24.44	18.39	11.75	12.57	10.33

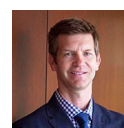
Data represented reflects past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Current performance may be lower or higher than the performance quoted. Performance current to the most recent month end may be obtained by visiting the Funds' website at buffalofunds.com.

The Fund had two holdings announce they were being acquired in the quarter. **Invuity**, a medical device company with solutions that help illuminate body cavities for surgery, is being acquired by Stryker. Additionally, **Nexo Solutions**, a specialty chemicals and plastics distributor, is being acquired by Univar. In both cases the acquisitions are being made by strategic buyers (larger peers). This marks four acquisitions of Fund holdings in the first nine months of calendar 2018, with the purchases of Financial Engines and CommerceHub by financial buyers earlier this year.

Fund Quick Facts

Ticker:	BUFOX
Inception Date:	5/21/2004
Net Assets:	\$96.03 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. – UWI-Madison
B.S. – Baylor University

We have noted previously the potential for a pick-up in mergers and acquisitions activity, given we are in the later stages of the bull market, and large companies with access to low cost capital have the desire to boost revenue and earnings growth through acquisitions.

The Fund added six new positions in the quarter and sold out of one, ending with 69 holdings.

↑ Top Contributors

Omnicell was the largest contributor to the Fund's 3rd quarter returns. The company generated accelerated bookings growth in the 1st half of 2018 along with several new product releases that could potentially position them well for continued strong growth in calendar 2019. Omnicell is a leading provider of hardware and software for medication management and adherence (medication cabinets, pill blister packs, etc.) that enables the oversight of prescription drug flows in an acute care setting. The company is in the midst of a major upgrade cycle and continues to consistently take market share from their major competitor.

The Fund also benefited from the performance of **i3 Verticals**, a payment processing company that recently came public in June 2018 and focuses on providing services to small and medium size businesses in the education and public sector verticals. The management team at i3 Verticals has had success at building previous businesses in this space through organic growth and acquisitions, and the pipeline for deals at attractive valuations remains solid.

↓ Top Detractors

The largest detractor in the quarter was **Optinose**. Optinose has an approved drug delivery device to treat nasal polyps (growths in lining of nasal sinuses). The device delivers the drug through the patient exhaling into it and results in much better absorption of the drug in the nasal passageway. The commercial launch since March 2018 has been disappointing as doctors have shown some hesitancy to prescribe given concern over commercial payer coverage ("Are my patients going to have larger out of pocket expense?"). Optinose is doing the work to increase doctor and patient awareness of the benefits of the device/drug combination and cost neutrality to patients, and we expect the commercial launch to continue to improve.

Outlook

The domestic macroeconomic picture continues to remain positive for small cap stocks given near record levels for consumer sentiment and small business confidence. Additionally, the trade war dynamics should have less of an impact on our holdings, given a higher portion of their business-related activities are domestically-focused compared to larger cap stocks. That being said, sentiment and asset flows can have a forceful and immediate impact as seen in the first part of the 4th quarter, with small cap growth stocks pulling back more than 10% from recent highs. As always, we will be playing close attention to the valuations of our holdings, and we will utilize market volatility to trim or add to our holdings as risk/reward profiles improve or degrade.

The Buffalo Emerging Opportunities Fund is focused primarily on identifying innovation within U.S. companies with primarily 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 of greater than 95%, we believe 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:

Christopher Crawford
ccrawford@buffalofunds.com
(913) 647-2321

Scott Johnson
sjohnson@buffalofunds.com
(913) 754-1537

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 Emerging Opportunities Fund top 10 equity holdings were Community Healthcare Trust 3.00%, 8x8 2.93%, Kornit Digital 2.51%, Everbridge 2.31%, Mimecast 2.31%, LHC Group 2.29%, OrthoPediatrics 2.18%, Foundation Building Materials 2.17%, Ingevity 2.13%, Varonis Systems 2.13%. 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 1000 Growth Index measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. 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 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Microcap Index is an unmanaged capitalization weighted index of 2,000 small cap and micro cap companies. 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. It is not possible to invest directly in an index. A basis point is one hundredth of a percentage point (0.01%). Market capitalization is a company's total stock market value, calculated by multiplying the price of a single share by the total number of shares outstanding. 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.

