

Capital Market Overview

The U.S. stock market continued to advance in the 3rd quarter, as expectations for accommodative monetary policy appeared to outweigh concerns of slowing economic growth. The S&P 500 Index returned 1.70% in the period, bringing the year-to-date return to 20.55% through quarter-end. Weak economic data led the Federal Reserve to cut interest rates twice in the quarter, driving rates lower and bond prices higher. U.S. markets outperformed international markets on the strength of the U.S. dollar.

The Russell 3000 Index gained 1.16% in the quarter. Value narrowly outperformed growth, with the Russell 3000 Value Index up 1.23% and the Russell 3000 Growth Index advancing 1.10%. Large caps generally outperformed small caps in the quarter. The Russell 1000 Index returned 1.42%, the Russell Midcap Index returned 0.48%, and the Russell 2000 Index posted a loss of 2.40%. Defensive sectors led the way in the period, with Utilities up 9.34%, Real Estate up 7.69%, and Consumer Staples up 6.12%. Energy was the worst performing sector with a total return of -6.61%. Health Care was also weak, returning -2.25% on increasing political concerns.

Performance Commentary

The Buffalo Emerging Opportunities Fund posted a -4.65% return for the 3rd quarter. This compares to the Morningstar U.S. Small Growth Index's return of -4.45%.

Despite some giveback in the quarter, the Fund has returned 19.02% calendar year-to-date, higher than the Index return of 16.94%. In the quarter, we continued to see outperformance by the larger constituents (larger market caps) within the small cap growth universe, a trend that has prevailed all year. The choppiness seen in the quarter was due to many of the overall market sentiment drivers in the quarter (trade tensions, Federal Reserve policy, etc.) in addition to some push-back on valuation of high-growth, high-relative-valuation stocks.

The Fund experienced positive contributions from Health Care holdings, which was offset by underperformance from Information Technology holdings. Health Care holdings returned -0.49% on average versus the Index's return of -9.18%. Within Information Technology, the Fund's holdings returned -8.42%, compared to the Index's return of -3.08%. The Fund's two largest sector exposures remain Information Technology and Industrials while the portfolio remains underweight Health Care given our considerable underweight to the biotech industry. The Fund ended the quarter with 67 holdings.

Average Annualized Performance (%)

As of 9/30/19	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFOX	-3.58	13.69	9.98	14.26	8.93	8.45
Institutional Class - BUIOX ¹	-3.41	13.87	10.15	14.43	9.09	8.61
Morningstar U.S. Small Growth Index	-8.13	11.47	9.88	12.85	9.42	9.05

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.

Fund Facts

	Investor	Institutional
Ticker:	BUFOX	BUIOX
Inception Date:	5/21/04	7/1/19
Expense Ratio:	1.49%	1.34%
Fund Assets:	\$81.71 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

Outlook

The market seemed to struggle for direction in the 3rd quarter, with daily headlines involving trade tensions, monetary policy, political back and forth, amongst other headlines. We believe the Federal Reserve will continue to look for ways to bolster the economy as it has for 10 years now, and a resolution on China trade will likely happen before the 2020 election.

We operate on the small end of the small cap growth spectrum and continue to seek ideas that can sustain growth due to secular growth trends, or due to the innovation and disruption they are introducing to an industry. We believe less investor interest in our segment of the market creates opportunities for us to uncover value. As always, we will be paying close attention to the valuations of portfolio holdings, and we will utilize market volatility to trim or add to 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%, the Fund will continue to offer a distinct offering from the Index and category 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 carefully before investing.

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

As of 6/30/19 the Buffalo Emerging Opportunities Fund top 10 equity holdings were Kornit Digital 3.33%, 8x8 3.15%, Hamilton Lane 2.96%, Cardlytics 2.82%, Mimecast 2.70%, CyberArk Software 2.68%, Kinsale Capital Group 2.62%, Community Healthcare Trust 2.60%, Envestnet 2.37%, i3 Verticals 2.28%. 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. 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.

