

The Buffalo Emerging Opportunities Fund changed its name to the **Buffalo Early Stage Growth Fund** effective October 16, 2020. We believe this name better captures the spirit of the Fund, seeking holdings that are generally smaller than the median market capitalization of the benchmark index and are bringing innovation to their industries through new products and/or services.

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

During the quarter ended September 30, 2020, the Fund generated a positive return of 7.74%. This return represented modest upside compared to the Fund's primary benchmark, the Morningstar U.S. Small Growth Index, return of 7.35%. The Russell 2000 Growth Index produced a return 7.16%.

Third quarter gains were more modest compared to the historic 2nd quarter returns but continued the strong market recovery off the March 2020 lows, following the onset of the COVID-19 global pandemic. The Russell 2000 Growth Index troughed out at down 43% in late March 2020 from its 2020 high watermark but has since posted a rebound of 82%, at the time of this writing. Year-to-date the Russell 2000 Growth Index is sitting at a 10% return.

Average Annualized Performance (%)

As of 9/30/20	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFOX	27.41	13.85	16.15	15.71	9.24	9.52
Institutional Class - BUIOX ¹	27.59	14.03	16.33	15.89	9.40	9.69
Morningstar U.S. Small Growth Index	22.23	12.35	13.79	13.39	9.56	9.81

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:	1.51%	1.37%
Fund Assets:	\$92.08 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

The Fund's outperformance in the quarter was driven by solid returns versus the benchmark in the Financials and Information Technology sectors. Outsized gains were realized in several holdings including **Opening Lending** (LPRO) and **Laird Superfood** (LSF).

Open Lending is a financial technology player for the automotive finance market. Specifically, Open Lending provides a credit decision platform to credit unions, banks, and auto manufacturer's finance units that makes lending decisions for "near-prime" consumers purchasing both new and used automobiles. This platform allows the lender to maximize the yield on its auto loan portfolio while controlling risk. Near-prime lending is a large potential market that has largely been ignored historically, but is currently being addressed by Open Lending. Previously, lenders have not had sufficient data analytics to correctly price loans to consumers whose credit rating or history is insufficient to qualify for a prime loan, but not poor enough to qualify as sub-prime. We believe the company is in the early stages here with only processing 1-2% of all auto loan volumes for consumers in this near-prime category.

As discussed in previous commentary, the Fund can from time to time participate in initial public offerings (IPOs). During the quarter, the Fund was involved in the IPO of Laird Superfood, a plant-based food company. With new product introductions, expanding distribution into more grocery chains, and strong growth from their e-commerce platform, this early stage company has a strong growth outlook. However, the stock price appreciated significantly shortly after its debut and Fund management sold its position. While positive on the growth opportunity set, we believed several years of strong business execution were being priced into the shares already at these levels.

Much has been written recently on the strong IPO market in 2020, including the significant rise in the number of special purpose acquisition companies (SPACs) raising capital through the IPO process. SPACs, also referred to as blank check companies, raise capital for the purpose of acquiring an existing private company. The Fund has and will likely continue to look at SPACs. We typically will wait until after the SPAC has identified a target company to acquire which allows us the ability to do our proper due diligence. Our due diligence and standards we set for SPAC inclusion in the Fund will be in-line with other prospective holdings.

The Fund ended the quarter with 65 holdings, adding four positions and moving on from one holding in the quarter.

Outlook

While COVID-19 continues to linger, most industries (outside of travel, hospitality, and select retail among others) have staged a strong rebound. We believe it is likely that Congress, regardless of election results, will provide additional fiscal stimulus given the unbalanced economy, and we note that markets have responded resoundingly well to fiscal stimulus during these past several months. From a market perspective, there has not been a downside to the Federal Reserve balance sheet expanding by \$3 trillion, an astounding number in such a short time period. The transfer of funds into individual's hands has resulted in record personal incomes and record money supply in the U.S., which bodes well for the economy and stock market going forward. Longer term, we maintain some caution as the results of these record deficits is less clear.

The market seems to have digested the potential election outcomes fairly well to-date and expect this to continue outside of a prolonged, contested presidential election. While we would expect additional stimulus to have a positive impact on the market, we would also note that a significant change in capital gains tax rates could have a profound negative impact on the market.

On the COVID-19 front, the market has digested a second wave in July, the potential of a third wave, and optimism on treatments and vaccines in development. While hospitalizations have risen to approximately 37,000 in the U.S., this remains well below prior peaks of 60,000.

Regardless of all of these macro factors, our job remains to find attractive small cap companies that have not been fully appreciated by the market or are mispriced due to recent results or events. We believe less investor interest in our segment of the market creates opportunity for us to uncover value.

The Fund typically invests at the smaller end of the small cap growth spectrum, and the managers continue to seek companies with sustainable growth due to secular growth trends or innovative or disruptive products.

The Buffalo Emerging Opportunities Fund is focused primarily on identifying innovation within U.S. companies with primarily North American revenue bases. 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:

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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 6/30/20 the Buffalo Emerging Opportunities Fund top 10 equity holdings were 8x8 3.41%, Open Lending Corp 3.01%, Mimecast 2.65%, Air Transport Services Group 2.54%, Cerence 2.52%, Varonis Systems 2.41%, Community Healthcare Trust 2.30%, Lovesac 2.18%, Paysign 2.09%, Patrick Industries 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 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. 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 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. 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 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.

