

## Capital Market Overview

Global equity markets fell sharply in the 1st quarter of 2020 in reaction to the global spread of COVID-19. As the case count increased exponentially, the only effective response was for countries to go into lockdown. The economic impact of these actions became clear as the quarter progressed and virtually all asset classes suffered as a result. From February 19 through March 23, the U.S. stock market, as measured by the S&P 500 Index, declined around 34%, which was the fastest meltdown in history. Central banks and governments responded quickly to this event, with the U.S. Federal Reserve (the "Fed") cutting interest rates twice in March and announcing unlimited quantitative easing. The U.S. Senate passed a \$2 trillion stimulus package, providing assistance to individuals and businesses in distress. Optimism around these efforts helped the market rally into quarter end, leaving the S&P 500 Index down 19.60% from the start of the year.

The broad market Russell 3000 Index declined 20.90% in the 1st quarter. Growth outperformed value, with the Russell 3000 Growth Index declining 14.85% compared to the Russell 3000 Value Index decline of 27.32%. By capitalization size, large cap stocks held up best, with a -20.22% return in the quarter, represented by the Russell 1000 Index. The Russell Mid Cap Index fell -27.07%, followed by the smaller cap Russell 2000 Index which declined -30.61%. Best performing sectors were the Technology, Health Care, and Consumer Staples sectors. The Energy sector was hit hardest as falling demand and rising supply from Saudi Arabia caused oil prices to crater. The economically-sensitive Financial and Industrial sectors were also among the worst performing sectors in the quarter.

## Fund Facts

	Investor	Institutional
Ticker:	BUFBX	BUIBX
Inception Date:	8/12/94	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	\$412.32 Million	
Category:	Large Cap Value	
Benchmark:	Morningstar Moderately Aggressive Target Risk Index	

## Management Team



### John Kornitzer

Manager since Inception  
B.A. – St. Francis Univ. (PA)



### Paul Dlugosch, CFA

Co-Manager since 2011  
B.S. – University of Iowa

## Performance Commentary

The Buffalo Flexible Income Fund (BUFBX) declined 24.32% for the quarter compared to a decline of 18.59% for the Morningstar Moderately Aggressive Target Risk Index. The primary sector that led to the underperformance was Energy. The underperformance in Energy was primarily due to sector allocation and to a lesser degree security selection. The Fund was overweight in Energy, the worst performing sector in the S&P 500 Index during the quarter. The Industrials sector was also a detractor from performance primarily due to security selection, especially Boeing.

## Average Annualized Performance (%)

As of 3/31/20	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFBX	-19.63	-2.35	0.22	4.89	5.01	6.02
Institutional Class - BUIBX <sup>1</sup>	-19.51	-2.19	0.37	5.05	5.16	6.18
Morningstar Moderately Aggressive Target Risk Index	-9.60	1.76	3.23	6.43	5.95	–
Morningstar Combined Index	-5.60	4.10	5.61	8.72	7.18	8.09
Morningstar U.S. Large Cap Index (60%)	-4.37	6.47	7.57	10.86	7.82	8.92
ICE BofAML U.S. High Yield Index (40%)	-7.45	0.55	2.67	5.50	6.22	6.84
Lipper Mixed-Asset Target Allocation Moderate Funds Index	-5.43	1.88	2.74	5.55	4.80	6.33

<sup>1</sup>For 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](http://buffalofunds.com).

## Portfolio Performance

Overall, the top contributors to performance were **Digital Realty**, **Clorox**, and **Microsoft**, while the top detractors were **Boeing**, **Apache**, and **Schlumberger**. Boeing was negatively-impacted by both lingering manufacturing issues associated with the 737 Max airplane but more significantly was the impact of the global COVID-19 pandemic and various government initiatives to minimize or halt travel. Business for Apache, one of the largest independent exploration and production companies in the world, and the oil and gas services company Schlumberger suffered due to the large decline in energy prices during the quarter, as well as, COVID-19 driven operational slowdowns.

## Outlook

As we enter the 2nd quarter, the global spread of the COVID-19 pandemic has carved out significant uncertainty about the direction of the global economy and large cap stocks. Large portions of the U.S. and European economies are closed in an attempt to contain the spread of the virus, and the timing at which they will begin to reopen is unclear. The fiscal stimulus passed by Congress in March to help individuals and businesses impacted by virus shutdowns, and aggressive moves by the Fed to support liquidity in the financial system, are expected to soften the depth of the economic downturn the U.S. economy is facing. At the same time, the exact timing and process to reopen the economy remains uncertain. Because of this, we expect the market to stay on a path of elevated volatility influenced by the spread and recovery rates of COVID-19 and potential treatments or vaccines for the virus. Other factors such as data showing how consumers are impacted and behaving, and corporate earnings, which will show the extent of the damage they are seeing in their operations and balance sheets will also be monitored closely. ▀

## 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](http://buffalofunds.com). Read carefully before investing.*

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

As of 12/31/19 the Buffalo Flexible Income Fund top 10 holdings were Microsoft 4.81%, Boeing 3.86%, Chevron 3.06%, Intel 3.04%, Procter & Gamble 2.75%, Johnson & Johnson 2.72%, Coca Cola 2.58%, Verizon 2.50%, Costco Wholesale 2.49%, Truist Financial 2.48%. 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 Moderately Aggressive Target Risk Index represents a portfolio of global equities, bonds, and traditional inflation hedges, and seeks approximately 80% exposure to global equity markets. The Morningstar U.S. Large Cap Index measures the performance of the U.S. equity market targeting the top 70% of stocks by market capitalization. The ICE BofAML High Yield Index is an unmanaged index comprised of over 1,200 high yield bonds representative of high yield bond markets as a whole. It includes zero-coupon bonds and payment-in-kind (PIK) bonds. The Lipper Mixed-Asset Target Allocation Moderate Funds Index is an unmanaged index considered representative of mixed-asset target allocation moderate funds tracked by Lipper, which would combine the 30 biggest funds, based on asset size, that belong to this asset category. One cannot invest directly in an index.

**Mutual fund investing involves risk. Principal loss is possible. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in foreign securities include additional risk such as greater volatility, and political, economic, and currency risks, as well as difference in accounting methods.**

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

