

Capital Market Overview

Equity markets rebounded sharply in the 2nd quarter following steep losses in the previous period. The S&P 500 Index produced a return of 20.54%, marking the best quarterly performance results in 20 years. Stimulus efforts by the Federal Reserve (the "Fed") and the U.S. Treasury Department to limit COVID-related economic damage helped equity markets find a floor in late March. Declining COVID-19 case counts, optimism about treatment and potential vaccines, along with better-than-expected economic data also contributed to improved investor sentiment during the period. Although confirmed virus cases began spiking again in the final days of June, it was not enough to undo the best quarterly market results since the dot-com boom.

The broad market Russell 3000 Index advanced 22.03% in the quarter, and Growth outperformed Value as the Russell 3000 Growth Index moved up 27.99% during the period, compared to the Russell 3000 Value Index's advance of 14.55%. Relative performance was inversely-correlated by market cap as the Russell Micro Cap Index advanced 30.54%, well above the large cap Russell 1000 Index's return of 21.82%. Meanwhile the small cap Russell 2000 Index and the Russell Mid Cap Index were up 25.42% and 24.61%, respectively. The best performing sectors were Technology, Consumer Discretionary, and Energy while the less cyclically exposed, more defensive areas like Utilities, Telecommunication, and Consumer Staples lagged in the quarter.

Performance Commentary

The Buffalo Flexible Income Fund (BUF BX) produced a return of 17.00% for the quarter and outperformed the Morningstar Moderately Aggressive Target Risk Index return of 15.93%. The Fund's peer group index, the Lipper Mixed-Asset Target Allocation Moderate Funds Index, produced a return of 12.72% for the quarter. The relative outperformance was driven by the Fund's overweight allocation to equities and meaningful exposure to the Energy sector, a strong performing sector during the period.

Average Annualized Performance (%)

As of 6/30/20	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUF BX	-6.32	2.89	3.52	7.14	5.99	6.61
Institutional Class - BUI BX ¹	-6.23	3.03	3.66	7.30	6.14	6.76
Morningstar Moderately Aggressive Target Risk Index	1.46	5.77	6.29	8.97	6.85	-
Morningstar Combined Index	6.05	8.47	8.80	11.26	8.13	8.64
Morningstar U.S. Large Cap Index (60%)	10.82	12.16	11.62	14.44	9.09	9.63
ICE BofAML U.S. High Yield Index (40%)	-1.10	2.94	4.58	6.48	6.68	7.15
Lipper Mixed-Asset Target Allocation Moderate Funds Index	3.37	5.23	5.34	7.50	5.48	6.76

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:	BUF BX	BUI BX
Inception Date:	8/12/94	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	\$442.10 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

Portfolio Performance

The top three contributors to the Fund's performance during the quarter were **Microsoft**, **Apache**, and **Hess** while the top three detractors were **Royal Dutch Shell**, **BP**, and **Boeing**. In the current low interest rate environment, we are focused on dividend-paying equities and maintain an underweight allocation to traditional fixed income securities.

Outlook

The primary driver of the sharp rise in the stock market during the quarter was the expectations that the economy can recover from the COVID-19 pandemic. Central Banks have cut benchmark lending rates and expanded their balance sheets as they buy various assets of eligible securities. Investors have reacted by accumulating more risk assets, as they have been driven by the need to boost returns as well as the perception that Central Banks stand ready as a back stop to bail them out. The fiscal stimulus and financial aid programs passed by governments have begun to work their way into the economy. If the economy does not recover, politicians appear to be reluctantly willing to pass additional stimulus as needed. In addition, during the quarter, COVID-19 cases started to decline from peak levels, allowing domestic and international regions to reduce shelter in place orders and slowly get back to work. Nevertheless, as the restrictions relaxed, the COVID-19 case count has begun to accelerate from trough levels. However, policy makers appear reluctant to re-impose shelter in place orders. Several promising therapies appear to lessen the death rate of the virus, but, over the intermediate term, for the economy to recover and generate sustainable growth, the pandemic will need to be contained through vaccine development, which still appears several quarters out. ▲

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 3/31/20 the Buffalo Flexible Income Fund top 10 holdings were Microsoft 6.07%, Intel 3.72%, Procter & Gamble 3.51%, Clorox 3.49%, Johnson & Johnson 3.38%, Costco Wholesale 3.08%, Verizon 3.03%, Digital Realty Trust 2.91%, PepsiCo 2.80%, Chevron 2.67%. 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 Micro Cap Index measures the performance of 2,000 small cap and micro cap companies. 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 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 Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. 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.

