

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

The Buffalo Flexible Income Fund (BUFBX) produced a return of 0.16% for the quarter compared to 6.06% for the Morningstar Moderately Aggressive Target Risk Index. The top contributors to Fund performance were **Qualcomm**, **Nuance Communications** 1.5% convertible bonds, and **Procter & Gamble**. Qualcomm increased in value during the quarter due to the favorable settlement of a long-standing legal dispute with Huawei. Nuance benefited from positive earnings and guidance as it showed continued momentum with its cloud transition and incremental positive signs on the adoption of another one its software platforms, Dragon Ambient Experience (DAX). The top detractors from the Fund during the quarter were **Chevron**, **HollyFrontier**, and **Hess Corporation**. All three of these companies are in the Energy sector and have been negatively-impacted by depressed oil and gas prices.

Average Annualized Performance (%)

As of 9/30/20	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFBX	-7.20	1.10	4.93	6.39	5.69	6.55
Institutional Class - BUIBX ¹	-7.11	1.24	5.08	6.55	5.84	6.70
Morningstar Moderately Aggressive Target Risk Index	6.97	6.39	9.19	8.48	6.91	-
Morningstar Combined Index	12.78	9.94	11.81	11.10	8.50	8.87
Morningstar U.S. Large Cap Index (60%)	19.77	14.02	15.28	14.31	9.54	9.93
ICE BofAML U.S. High Yield Index (40%)	2.30	3.83	6.61	6.28	6.95	7.27
Lipper Mixed-Asset Target Allocation Moderate Funds Index	7.32	5.84	7.48	7.12	5.63	6.89

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:	BUFBX	BUIBX
Inception Date:	8/12/94	7/1/19
Expense Ratio:	1.02%	0.87%
Fund Assets:	\$409.09 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

Outlook

The stock market reached a record high during the quarter on the expectations that the economy can recover from the COVID-19 pandemic. The market fell from the peak as investors became concerned regarding a second wave of COVID-19 cases, the prospects for passage of a fiscal stimulus was bogged down by partisan politics, anxiety around the presidential election, lack of an agreement on Brexit, and rhetoric around new anti-trust regulation regarding the large technology companies. As the current quarter unfolds, the market will likely be impacted as some of these issues play out. Studies on vaccines and drug therapies to treat COVID-19 are likely to be released. In addition, the election will occur; nevertheless, the results may be delayed and contested. Additionally, Brexit deadlines will force decisions on an agreement or further delays. Resolution of these issues will likely influence the prospects, timing, and size of additional fiscal stimulus measures needed to support the economy over the intermediate term and sustainable growth over the longer term. Monetary policy continues to remain accommodative, as Central Banks reiterate their policies of not raising interest rates, continue debt-buying programs, and expand inflation tolerance levels. ▀

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 Flexible Income Fund top 10 holdings were Microsoft 7.23%, Intel 3.65%, Johnson & Johnson 3.31%, Procter & Gamble 3.25%, Chevron 3.03%, Eli Lilly 2.79%, Waste Management 2.75%, Costco Wholesale 2.74%, Digital Realty Trust 2.74%, Clorox 2.73%. 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 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.