Buffalo Growth Fund

QUARTERLY
COMMENTARY

March 31, 2020

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.

Performance Commentary

The Buffalo Growth Fund (BUFGX) declined 16.01% versus the Morningstar U.S. Growth Index's decline of 11.50% and the Morningstar Large Cap Growth Peer Group decline of 15.48%. The Consumer Discretionary, Technology, Financials, and Health Care sectors in the Fund accounted for most of the relative underperformance. Cyclically-dependent stocks performed worst in the Fund and Index. Consumer Discretionary and Information Technology stocks were particularly hard hit, as the coronavirus pandemic brought the world economy to a standstill.

Average Annualized Performance (%)

As of 3/31/20	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFGX*	-3.90	8.17	7.20	10.82	8.81	9.56
Institutional Class - *BUIGX*[1]	-3.79	8.32	7.35	10.98	8.97	9.72
Morningstar U.S. Growth Index	1.45	12.80	9.97	12.96	9.54	-
Lipper Large Cap Growth Fund Index	-0.55	11.21	9.26	11.57	8.57	7.95
Morningstar Large Growth Category	-3.72	8.65	7.64	10.99	8.40	7.95

[1]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 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:	BUFGX	BIIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.92%	0.77%
Fund Assets:	$148.50 Million	
Category:	Large Cap Growth	
Benchmark:	Morningstar U.S. Growth Index	

Management Team

Clay Brethour, CFA

Co-Manager since 2007
B.S. – Kansas State Univ.

Dave Carlsen, CFA

Co-Manager since 2007
B.B.A. – Univ. of Wisconsin - Madison

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↑ Top Contributors

Amazon continues to have significant runway for growth as it continues to find ways to evolve its business model.

Equinix is the largest provider of colocation data centers in the world. While the company reported a strong quarter in February, the increased reliance of remote connectivity for work and school played a strong role in company's stock price performance during the quarter. The company continues to be well position for secular growth going forward as more software services move to the cloud. Additionally, the company has developed network-dense locations in major cities that would be extremely difficult for competitors to replicate.

↓ Top Detractors

Disney has been negatively impacted by the global pandemic, which is keeping Disney's theme parks, resorts, retail stores, global theatrical exhibition, and live sports broadcasts largely closed or postponed through the end of June 2020. While it is unknown how long the COVID-19 pandemic will last, Disney's portfolio of offerings are unreplaceable brands. In early April, Disney reported 50 million subscribers to its Disney+ streaming products, as consumers sought entertainment content while sheltering at home. We believe that once the economy "normalizes", Disney's stock price will continue to recover from its recent lows.

Wells Fargo, one of the largest banks in the U.S., declined largely due to the impact of the COVID-19 pandemic on the global economy and lower interest rates, as the Fed cut its benchmark lending rate to zero during the quarter. Despite the difficult near-term environment, the company remains profitable and should maintain adequate capital levels, even after modeling for the Fed's severely adverse stress test in a worst case scenario. We are monitoring developments closely, but current valuation of the company's stock makes a relatively compelling risk-reward trade-off longer term.

Outlook

The fiscal and monetary response to the COVID-19 pandemic has been relatively swift and expansive, with indications that if conditions do not improve, world leaders and global central banks will do whatever is necessary to revive growth. Their efforts so far are encouraging and markets have begun to stabilize. In the near term, everyone seems focused on the pace and magnitude of the virus spread, resulting in high stock correlations. Upcoming earnings results seem far less important than an assessment of 2021-2022 earnings power. Over the intermediate term, the revival of global growth will depend on how soon the pandemic can be contained through a combination of better testing, improved therapies, vaccine development, and maybe seasonal curtailment. Time will tell.

In the meantime, global economic uncertainty and low investor confidence are weighing on the market and near-term corporate fundamentals. This is opening up attractive buying opportunities for some of our favorite secular growth beneficiaries on the wish list. We are not blindly buying on lower stock prices, but instead we are mindful of the macroeconomic backdrop, the sensitivity of our companies to discretionary spending and the negative effect unfavorable leverage can have on corporate profit cycles in bad-times scenarios. We keep a keen eye on the degree of contraction that current prices discount and the degree to which management teams can protect profits and shed risk. Our work is beginning to tell us that reward and growing upside opportunity trumps downside risk in many instances. We are patiently waiting for these good-odds situations and will strike when we get them.

Economic conditions may ebb and flow, but our focus is steady – to invest in attractively-priced, financially-strong, well-managed companies that can benefit from innovative strategies and disruptive megatrends.

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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 12/31/19 the Buffalo Growth Fund top 10 equity holdings were Microsoft 6.53%, Amazon 3.63%, Mastercard 2.95%, Alphabet (C) 2.94%, Abbott Labs 2.73%, Apple 2.73%, Alphabet (A) 2.63%, Linde 2.54%, Danaher 2.32%, Nike 2.26%. 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.

Investing in both actively and passively managed mutual funds involves risks and principal loss is possible.

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. Growth Index measures the performance of U.S. 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 Lipper Large Cap Growth Fund Index is an unmanaged, equally weighted performance index of the 30 largest qualifying mutual funds (based on net assets) in the Lipper Large-Cap classification. One cannot invest directly in an index.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than large-cap companies. The Fund invests in foreign securities which involve greater volatility and political, economic, and currency risks as well as differences in accounting methods.

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

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