

Capital Market Overview

The S&P 500 Index posted its best 1st half of a calendar year since 1997, rising 18.54% from January 1 to June 30. During the most recent quarter, the index was in negative territory for the first two months (April and May) then rose 7.05% in the final month, marking the best June since 1955, and finished with a return of 4.30% for the quarter.

Central banks and trade policies continued to drive financial markets during the period. The threat of increasing tariffs against China and Mexico contributed to the sell-off early in the quarter, and the June rally was largely a result of dovish central bank commentary, leading investors to anticipate rate cuts in the coming months.

The Russell 3000 Index returned 4.10% in the quarter. By style, growth outpaced value, with the Russell 3000 Growth Index up 4.50% and the Russell 3000 Value Index up 3.68%. Large caps generally outperformed small caps in the quarter. The Russell 1000 Index returned 4.25%, just ahead of the Russell Mid Cap Index return of 4.13%. The Russell 2000 returned 2.10% during the quarter. Financials were the best performing sector, followed by Materials and Information Technology. Energy was the only sector to post a negative return, driven by a decline in oil prices. Health Care and Real Estate also underperformed relative to the broad market.

Performance Commentary

The Buffalo Growth Fund gained 6.85% during the 1st quarter, beating the benchmark Morningstar U.S. Growth Index return of 5.16%. Stock selection within Information Technology, Consumer Staples, Health Care, and Consumer Discretionary contributed to the relative outperformance during the period. Within the Information Technology sector, owning non-benchmark constituents **Qualcomm** (QCOM) and **Shopify** (SHOP) and not owning benchmark constituent **NVIDIA Corporation** (NVDA) accounted for a significant portion of the positive stock selection during the quarter. Additionally, the Fund's benchmark underweight to the weak performing Energy sector had a positive relative impact on the return for the quarter.

Average Annualized Performance (%)

As of 6/30/19	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFGX	12.20	16.33	11.17	14.76	9.34	10.36
Institutional Class - BUIGX ¹	12.36	16.51	11.34	14.93	9.50	10.52
Morningstar U.S. Growth Index	11.32	18.95	13.20	16.33	9.64	-
Russell 1000 Growth Index	11.56	18.07	13.39	16.28	9.90	9.44

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:	BUFGX	BUIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.92%	0.77%
Fund Assets:	\$177.20 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



↑ Top Contributors

Top contributors during the 2nd quarter were **Microsoft (MSFT)**, **Disney (DIS)**, and **Idexx Laboratories (IDXX)**.

After being a top contributor in the 1st quarter, Microsoft repeated the distinction as it posted stellar results in April, driven by continued outperformance in commercial cloud sales, a rebound in Windows OEM sales, sustained growth in on-premises server licensing, and unexpected strength in Japan. We believe the company has a long runway of revenue growth opportunities with margin expansion for several years.

Disney hosted an Analyst Day in April that was well-received by investors as the company laid out its Direct to Consumer strategy via an online streaming offering to start in November. With the completion of Disney's 21st Century Fox acquisition, Disney will have a robust content offering to competitively position its digital streaming offering and provide an additional leg of growth for the company long-term.

Idexx Laboratories reported strong financial results in May and increased guidance for the year. With the political rhetoric being generated by aspiring Presidential candidates, we believe the animal healthcare industry remains a relative safe haven investment area for investors, with Idexx Labs being a market leader.

↓ Top Detractors

The biggest detractors in the period were **Alphabet (GOOG)**, **Boeing (BA)**, and **Intuitive Surgical (ISRG)**. After posting a strong 1st quarter, Alphabet reported weaker than anticipated revenues in April that adversely impacted the stock price. Additionally, later in the quarter, the U.S. Federal Trade Commission (FTC) and Department of Justice (DoJ) have initiated an antitrust investigation of Alphabet in the U.S. In 2013, the FTC closed a multi-year investigation of Alphabet's business practices while taking no action. Boeing continued to be negatively impacted with its 737 MAX woes, while Intuitive Surgical posted financial results that were below estimates.

Outlook

The market environment appears fertile for active growth stock investing. Interest rates, inflation, and unemployment remain relatively low by historical standards, providing a healthy backdrop for consumers and businesses. We don't see a recession on the horizon nor a significant collapse in corporate earnings, but valuations are at lofty levels, especially for big secular growers. Companies will have tougher earnings comparisons in the 2nd half of the year, which could increase the stock market's overall volatility during the summer months. Additionally, this volatility might be amplified going forward as companies provide financial guidance on the impact of the higher costs that tariffs are having on their businesses.

Nonetheless, given the more dovish Federal Reserve stance, and central banks throughout the world continuing to be accommodating with low interest rates, we believe that stocks will continue to have a runway for growth into 2020 and provide a tailwind for the Growth Fund's focus of finding secular trend stars – companies that are attractively-priced, financially-strong, well-managed across all market cap segments, which we believe are favorably positioned to harvest the lion's share of big secular growth trends. ▲



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 3/31/19 the Buffalo Growth Fund top 10 equity holdings were Microsoft 7.52%, Amazon 5.15%, Facebook 3.09%, Mastercard 2.57%, Abbott Labs 2.56%, Visa 2.55%, The Walt Disney Co 2.45%, Home Depot 2.45%, Alphabet (C) 2.34%, Alphabet (A) 2.32%. 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 Russell 1000 Growth Index measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. 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.

