Buffalo Growth Fund

QUARTERLY
COMMENTARY

June 30, 2020

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 Growth Fund (BUFGX) returned 24.48% during the quarter, trailing the Morningstar U.S. Growth Index's gain of 29.86%. Stock selection in the Consumer Discretionary sector and the drag from un-invested cash were the leading causes of relative underperformance. Within the Consumer Discretionary sector, most of the underperformance was driven by not owning Tesla, a relatively large benchmark position, which was up over 100% in the quarter. Across the entire portfolio, underexposure to companies with no earnings and stocks, with what we believe to be sky-high valuation multiples, hurt relative performance. With interest rates expected to be "lower for longer", sales growth was rewarded over profitability and valuation-sensitivity during the market rebound. Regarding our un-invested cash, while not a level we consider elevated, cash averaged 3.6% of Fund assets, and any allocation to cash holds back performance when the market is up almost 30%.

Average Annualized Performance (%)

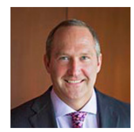
As of 6/30/20	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFGX*	11.95	14.99	11.94	14.52	10.21	10.42
Institutional Class - *BUIGX*[1]	12.13	15.16	12.11	14.70	10.38	10.58
Morningstar U.S. Growth Index	25.28	20.75	15.78	17.45	11.23	-
Lipper Large Cap Growth Fund Index	21.75	18.37	14.60	15.91	10.14	8.94
Morningstar Large Growth Category	17.34	15.95	12.84	15.12	9.96	8.90

[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. Each Morningstar category average represents a universe of funds with similar objectives.

Fund Facts

	Investor	*Institutional*
Ticker:	BUFGX	BIIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.92%	0.77%
Fund Assets:	$174.97 Million	
Category:	Large Cap Growth	
Benchmark:	Morningstar U.S. Growth Index	

Management Team



Dave Carlsen, CFA

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

Josh West, CFA

Co-Manager since 2020
M.B.A. – Univ. of MO-Columbia
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↑ Top Contributors

Microsoft was the top contributor for the Fund during the quarter, returning 29%. The company's business has been insulated from COVID-19 slowdowns, driven by an increase in remote work and learning. Growth in its cloud services and Office 365 products has remained strong, and we believe the company's growth outlook is solid, regardless of the trajectory of the pandemic.

Amazon was another top contributor, with shares up 41%. The ongoing shift to ecommerce accelerated during the quarter as consumers avoided brick-and-mortar stores during the pandemic. Furthermore, the company's web services division is also well positioned to benefit from the growing need for cloud computing in a world with more people working from home.

↓ Top Detractors

The Fund's biggest detractors were both victims of the low interest rate environment. Wells Fargo was down 9% in the quarter, and, without a sharp rebound in economic activity, with the potential to drive interest rates higher, the outlook for banks is uninspiring. As a result, we eliminated the position from the Fund to invest in more attractive near term opportunities, by our analysis. CME Group was also hurt by lower interest rates, as lower volatility in interest rates during the period led to lower volumes, as market participants did not feel a need to hedge interest rate exposures.

Outlook

After a turbulent start to the year, the focus remains on the trajectory of the pandemic and the associated economic fallout. Unfortunately, the gradual reopening of the economy has led to a surge in new virus cases. We expect state and local governments to resist shutting down economies again with strict shelter in place orders. However, as hospital utilization approaches capacity in some regions, stricter quarantines may be called for, dealing a setback to the economic recovery. On the positive side, several vaccines appear to show promise in immunizing people from the virus. The availability of a vaccine or cure would, obviously, be a welcome development and lead to more rapid and broader economic growth.

We are also paying attention to the upcoming elections, and, while Democrats are currently expected to have a good day on the first Tuesday in November, it is not clear to us that this outcome is being discounted in the share prices of some companies that could be affected by policy changes.

While the timing and trajectory are unclear, the pandemic will end someday and the economy will recover. When that happens, economic growth will broaden and the scarcity value of growth in equity markets will diminish. The recent outperformance of "growth at any price" cannot continue forever, and a reversal in market leadership is likely to be painful for investors that have ignored valuations. While we expect volatility to remain high, it will not change our investment philosophy. We will continue to invest in businesses with solid growth opportunities, durable competitive advantages, scalable business models, and good management teams, when they are trading at attractive valuations, in our opinion. Thank you for your continued support.

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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 3/31/20 the Buffalo Growth Fund top 10 equity holdings were Microsoft 8.28%, Amazon 4.85%, Alphabet (C) 3.23%, Abbott Labs 3.14%, Mastercard 3.02%, Alphabet (A) 2.89%, Danaher 2.65%, Baxter Intl 2.61%, Linde 2.54%, Apple 2.56%. 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 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 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.