

Capital Market Overview

The U.S. stock market continued to advance in the 3rd quarter, as expectations for accommodative monetary policy appeared to outweigh concerns of slowing economic growth. The S&P 500 Index returned 1.70% in the period, bringing the year-to-date return to 20.55% through quarter-end. Weak economic data led the Federal Reserve to cut interest rates twice in the quarter, driving rates lower and bond prices higher. U.S. markets outperformed international markets on the strength of the U.S. dollar.

The Russell 3000 Index gained 1.16% in the quarter. Value narrowly outperformed growth, with the Russell 3000 Value Index up 1.23% and the Russell 3000 Growth Index advancing 1.10%. Large caps generally outperformed small caps in the quarter. The Russell 1000 Index returned 1.42%, the Russell Midcap Index returned 0.48%, and the Russell 2000 Index posted a loss of 2.40%. Defensive sectors led the way in the period, with Utilities up 9.34%, Real Estate up 7.69%, and Consumer Staples up 6.12%. Energy was the worst performing sector with a total return of -6.61%. Health Care was also weak, returning -2.25% on increasing political concerns.

Performance Commentary

The Buffalo Growth Fund (the "Fund") returned -0.26% during the quarter, slightly outperforming the Morningstar U.S. Growth Index (the "Index") which returned -1.01%. The Index experienced significant volatility, bottoming in early August, followed by gains through the end of September, to finish slightly lower for the quarter.

Sector returns varied considerably, with investor uncertainty about U.S. trade policy and future economic growth leading to significant return dispersion across sectors. The Real Estate sector was up the most, returning nearly 9%. Telecom Services, Consumer Staples, and Materials also produced positive sectors returns. Energy declined the most, nearly -20%, while Consumer Discretionary and Health Care also produced negative sector returns. Industrials and Technology were relatively flat.

The top contributing sectors for the Fund relative to the benchmark were Consumer Discretionary, Financials, and Technology. Consumer Staples and Health Care were relative laggards. Health Care lagged due, in part, to growing uncertainty about the prospect for pricing legislation and health care reform.

Average Annualized Performance (%)

As of 9/30/19	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFGX	4.80	14.42	11.20	13.03	9.74	10.23
Institutional Class - BUIGX ¹	4.95	14.59	11.37	13.20	9.91	10.40
Morningstar U.S. Growth Index	2.42	16.88	12.75	14.67	10.07	-
Lipper Large Cap Growth Fund Index	2.76	15.96	12.04	13.37	9.27	8.33

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:	BUFGX	BIIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.92%	0.77%
Fund Assets:	\$172.57 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

Among the top contributors during the period were **Alphabet** and **Home Depot**. Alphabet's stock price rallied after the company reported 2nd quarter revenue growth reaccelerated to 20%+, thus reaffirming the growth thesis, after disappointing investor expectations in the previous quarter. Mobile advertising strength led the reacceleration and expense growth slowed to the delight of investors. Home Depot, one of the largest home improvement retailers in the U.S., experienced strong valuation multiple expansion after its 2nd quarter results proved better than feared. A growing investor appetite for U.S. revenue exposure and companies that can benefit from easing Federal Reserve interest rate policy and a strong jobs environment also propelled the stock.

↓ Top Detractors

Align Technology, a producer of clear dental aligners, was the largest detractor during the quarter. In July, the company reported better-than-expected 2nd quarter revenues with an increase of over 20%, but lowered their 3rd quarter revenue outlook to a high-teens growth rate, citing consumer softness in China and slower young adult case volume growth in the U.S.

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 corporate earnings growth. Meanwhile, global central bankers have recently pledged additional stimulus measures to keep the long-running economic expansion alive.

Countering this healthy backdrop are high valuations and deteriorating leading indicators on global trade. "Easy money" policies for much of the past 10 years, and rising expectations for more to come, have led to asset inflation and generally elevated growth stock valuations. Meanwhile, global trade tensions are weighing on consumer and business confidence, where recent surveys point to a slowdown amongst global purchasing managers.

We believe a volatile, more discerning market could materialize through the remainder of 2019. The volatility may favor judicious growth stock investors where a steady hand and active management with an eye toward quality, improving profit cycle dynamics, and relatively-attractive risk-adjusted returns could hold an advantage.

Economic conditions may ebb and flow, but our focus remains steadfast on investing in what we believe are attractively-priced, financially-strong, well-managed companies benefiting from secular growth opportunities. ▴

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 6/30/19 the Buffalo Growth Fund top 10 equity holdings were Microsoft 7.87%, Amazon 5.28%, Abbott Labs 2.76%, Visa 2.75%, Mastercard 2.73%, Linde 2.50%, Alphabet (C) 2.48%, Danaher 2.26%, Walt Disney Co 2.24%, Home Depot 2.23%. 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.

