Buffalo Growth Fund

QUARTERLY COMMENTARY

December 31, 2019

Capital Market Overview

The combination of a U.S. Federal Reserve (Fed) interest rate cut, an improving economic outlook, and easing trade tensions, sent equity markets sharply higher in the 4th quarter. The S&P 500 Index advanced 9.10% during the period, which brought the full-year (2019) gain to 31.49%. The Fed cut interest rates three times in 2019, erasing the brief yield curve inversion and assuaging fears of a recession. The economy continued to add new jobs at a strong pace and unemployment declined to 3.5%. Consumer spending remained healthy, and there is optimism for better business investment following the announced “phase one” trade deal with China.

Similar to the S&P 500 Index, the broad-based Russell 3000 Index returned 9.04% during the quarter. Growth outperformed value, as the Russell 3000 Growth Index returned 10.62% compared to a return of 7.41% for the Russell 3000 Value Index. Smaller companies outperformed larger companies, as one would expect in a “risk-on” period. The Russell Microcap Index surged 13.45% and the Russell 2000 Index advanced 9.94%. Large company benchmarks such as the Russell 1000 Index advanced 9.04% while the Russell Midcap Index produced a return of 7.06%. Technology and Health Care were the best performing sectors in the quarter, while more defensive areas of the market lagged such as Real Estate and Utilities. Higher long-term interest rates weighed on high-quality bond proxies – the safe haven 10-year U.S. Treasury Bond produced a return of -1.74% during the quarter.

Performance Commentary

The Buffalo Growth Fund (the “Fund”) returned 7.35% during the quarter, under-performing the Morningstar U.S. Growth Index (the “Index”) which returned 10.13%. Although absolute performance was strong during the period, the Fund’s relative underperformance was primarily due to stock selection within Health Care and holding some cash in a rising market. Additionally, the improved economic picture, alleviated trade tensions between the U.S. and China, and dovish monetary policy from the Fed helped cyclical stocks rebound in the quarter, an underweighted area for the Fund.

Sectors that had positive relative performance during the quarter were Consumer Staples, Materials, Real Estate, Information Technology, and Energy. Health Care produced a positive return for the quarter, but our underweight to the managed care industry led to relative underperformance, as that area rallied as "Medicare for All" discussions diminished. The Fund also underperformed within Financials and Industrials as banks and cyclical stocks rallied during the quarter on better economic data.

Average Annualized Performance (%)

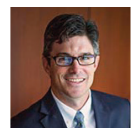
As of 12/31/19	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFGX*	31.91	17.65	11.88	13.54	9.77	10.44
Institutional Class - *BUIGX*[1]	32.11	17.82	12.04	13.71	9.94	10.61
Morningstar U.S. Growth Index	34.90	20.76	13.90	14.83	10.09	-
Lipper Large Cap Growth Fund Index	33.39	20.52	13.20	13.66	9.28	8.67

[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

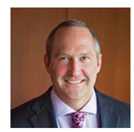
	Investor	Institutional
Ticker:	BUFGX	BIIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.92%	0.77%
Fund Assets:	$185.46 Million	
Category:	Large Cap Growth	
Benchmark:	Morningstar U.S. Growth Index	

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 period were Microsoft and Apple. Microsoft's stock rallied steadily throughout 2019 as the company has been successfully transitioning to the cloud to increase recurring subscription revenue from Azure and Office 365. We believe these two drivers of growth for Microsoft provide a tailwind to offset the declining PC market trend. Meanwhile, Apple, which had been relatively weak during early summer due to concerns about the iPhone cycle and slowing sales in China, rebounded during the second half of the year. We anticipate that revenue growth should re-accelerate given the product launches announced last fall, particularly the 5G iPhone that is expected to be available in 2020.

↓ Top Detractors

In terms of individual stock results, The Home Depot was the largest detractor from performance during the quarter. At the company's Investor Meeting in November, management guided 2020 revenue and margins lower due to an unfavorable product mix and shrink (theft), which disappointed investors. The company is implementing initiatives to address both issues, which we believe will set operating margin back on a rising trajectory in 2021.

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. Concerns included relatively 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 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.

Based on these factors, we believe a more discerning market could materialize throughout 2020 with an increase in volatility. An uptick in volatility may favor active management and judicious growth stock investors where a steady hand and an eye toward quality, improving profit cycle dynamics, and attractive risk-adjusted return potential could hold an advantage. Economic conditions may ebb and flow, but our focus remains steadfast on investing in attractively-priced, financially-strong, well-managed companies benefiting from long-term secular growth opportunities.

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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 9/30/19 the Buffalo Growth Fund top 10 equity holdings were Microsoft 6.19%, Amazon 3.66%, Mastercard 2.66%, Alphabet (C) 2.88%, Abbott Labs 2.82%, Alphabet (A) 2.58%, Home Depot 2.56%, Linde 2.48%, Baxter Intl 2.41%, Danaher 2.34%. 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 Microcap Index is an unmanaged capitalization weighted index of 2,000 small cap and micro cap companies. 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 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 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.