

Capital Market Overview

The 1st quarter of 2019 provided a wave of relief across global equity markets as capital markets rebounded from the steep losses of the prior quarter. The positive equity markets can largely be attributed to the Federal Reserve's dovish change in the direction of monetary policy as they put short-term interest rate hikes on hold and announced an end to its balance sheet runoff. Additionally, prospects for a trade agreement between the U.S. and China appeared to improve, and concerns over the likelihood of a hard exit for Britain leaving the European Union (Brexit) have mostly abated. The Morningstar Global Markets ex-U.S. Index advanced 10.14% during the quarter, virtually recouping the losses incurred in the prior quarter. Investors across the globe basically took the "glass half-full" point of view, as, aside from Fed dovishness, fundamentally not much changed in the global economy.

Performance Commentary

The Buffalo International Fund produced a return of 11.23% for the 1st quarter of 2019, outperforming the Morningstar Global Markets ex-U.S. Index return of 10.14%. Outperformance versus the benchmark was driven by stock selection as sector positioning had a negative impact overall, primarily due to our underweight in Energy and Real Estate, two of the stronger performing areas within the benchmark during the period. Cash was also a drag on relative results given the market's significant advance. The Fund's cash position was somewhat elevated throughout the quarter, despite our efforts to continually add to positions during the market weakness of the prior quarter. On the other hand, portfolio weights in Technology (overweight) and Financials (underweight) helped partially offset the negative allocation impact during the quarter.

Average Annualized Performance (%)

As of 3/31/19	1 YR	3 YR	5 YR	10 YR	Since Inception
Buffalo International Fund	0.18	10.38	5.72	11.57	4.18
Morningstar Global Markets ex-U.S. Index	-4.31	8.24	3.17	9.59	1.72
Lipper International Fund Index	-5.20	7.20	2.67	9.32	1.54

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.

Top contributors in the period included **Sartorius**, **Kering**, and **Tomra**. Suffice it to say, most stocks were blasting higher and most moves simply reflected reversals of prior quarter declines.

While we experienced positive stock selection overall, our position in **Wirecard** was the one major detractor to quarterly results. Wirecard, which we've discussed in previous updates, was once again beset by short-sellers as they found three new avenues to needle company. While none of the approaches outlined by the short community can be characterized as material to the company's operations in our view, management continues to have its credibility tested as they search for the appropriate informational response to these sorts of confrontations. Some would say the company's meteoric rise may have contributed to these attacks as we perceive detailed policies and procedures (bureaucracy) may not have expanded as fast as the company's revenue. The stock has made a strong contribution to performance for our portfolio since the initial investment, and we have recently reduced our weighting more in line with our view of its current risk profile.

Fund Quick Facts

Ticker:	BUFIX
Inception Date:	9/28/2007
Net Assets:	\$338.77 Million
Expense Ratio:	1.05%
Category:	Foreign Large Growth
Benchmark:	Morningstar Global Markets ex-U.S. Index

Management Team



Bill Kornitzer, CFA

Manager since Inception
M.B.A. – Drexel University
B.S. – Virginia Tech



Nicole Kornitzer, CFA

Co-Manager since 2009
M.B.A. – INSEAD (Paris)
M.A. – Columbia University
B.A. – University of Pennsylvania

Outlook

Despite the central bank-driven ebullient market performance, global economic growth has continued to languish. We see the potential for global growth to pick up as we move in to the 2nd half of the year as renewed China stimulus, reduced trade tension, and Brexit exhaustion drive sentiment and economic activity. Of course, politics seems to be at the root of much of the current tension, and as political dynamics change, so too may our view of future economic prospects. We will continue to monitor the effects on the industries and companies in which we invest, paying close attention to downside risks while taking advantage of short-term volatility to invest in those companies we believe have solid long-term prospects.

While not immune to a global economic slowdown, we believe our investment approach positions us to identify companies with the potential to grow throughout the economic cycle. Our view is that stocks outside the U.S. have become even less expensive relative to their domestic counterparts, and the heightened level of trade tension with the U.S. may actually increase the potential for internationally-based companies to increase market share. We hope to use any significant market dislocation caused by slowing economic growth or trade concerns to add to positions in companies whose long-term prospects remain unchanged, in our view.

Economic conditions may ebb and flow, but our focus remains steadfast on investing in attractively-priced, financially-strong, well-managed companies with innovative strategies fueled by secular growth trends. We believe this discipline should lead to superior risk-adjusted returns over the long term. ▀

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 12/31/18 the Buffalo International Fund top 10 equity holdings were Kering 2.90%, Wirecard 2.80%, SAP SE 2.21%, Carl Zeiss Meditec 2.20%, Taiwan Semiconductor Mfg. 2.11%, Linde 2.08%, Davide Campari-Milano 2.07%, Sartorius Stedim Biotech 2.07%, Aon 1.95%, Schneider Electric 1.90%. 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.

The Morningstar Global Markets ex-U.S. Index is designed to provide exposure to the top 97% of companies by market capitalization in each of two economic segments – developed markets (excluding the United States) and emerging markets. The Lipper International Fund Index measures the performance of the 30 largest mutual funds in the international equity fund objective, as determined by Lipper, Inc. One cannot invest directly in an index.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in foreign securities which will involve greater volatility and political, economic, and currency risks, as well as differences in accounting methods. Investments in emerging markets involve greater risks. The Fund may invest in smaller companies which involve additional risks such as limited liquidity and greater volatility than larger companies.

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

