

Capital Market Overview

Global equity markets fell sharply in the first quarter of 2020 in reaction to the global spread of COVID-19. As the case count increased exponentially, the only effective response was for countries to go into lockdown. The economic impact of these actions became clear as the quarter progressed and virtually all asset classes suffered as a result. Within developed international markets, the United Kingdom and Australia were among the biggest decliners while Switzerland held up relatively well. Counterintuitively, China was a relatively strong country performer, posting a relatively modest 10% decline, while Brazil was among the worst losing 50%.

From a sector perspective, Energy and Consumer Discretionary suffered the most as the Saudis and Russians engaged in an oil price war and consumers globally went into quarantine. The Health Care and Real Estate sectors were relative outperformers during the quarter, but still managed to decline in the double digits giving small cap investors very few places to hide.

Performance Commentary

The Buffalo International Fund (BUFIX) declined by 19.78% during the quarter, outperforming the Morningstar Global Markets ex-US Index's drop of 24.01%.

Average Annualized Performance (%)

As of 3/31/20	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - <i>BUFIX</i>	-7.67	3.05	3.57	5.27	3.18
Institutional Class - <i>BUIIX</i> ¹	-7.57	3.19	3.72	5.43	3.33
Morningstar Global Markets ex-U.S. Index	-16.12	-2.16	-0.19	2.52	0.16
Lipper International Fund Index	-14.49	-1.94	-0.54	2.85	0.15

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.

↑ Top Contributors

One of the contributors to our relative outperformance for the period was **Sartorius Stedim Biotech**, which supplies equipment and disposables for the biological pharmaceutical industry. As you can imagine, with the rush to find prophylactics and treatments for COVID-19, suppliers to this supply chain have been relative beneficiaries. So too with our investment in **Lonza Group**, which produces media and active ingredients and helps pharmaceutical companies produce their biologic drugs and drug candidates. **Interxion Holdings** was also among the group of top contributors, as the company provides cloud and internet gateway access and was acquired in the quarter.

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUIIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.06%	0.91%
Fund Assets:	\$361.63 Million	
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

↓ Top Detractors

Top detractors from portfolio performance included **ICICI Bank**, **CTS Eventim**, and **Ashtead Group**. ICICI Bank provides financial services throughout India, and, as the COVID-19 virus brought many businesses to a standstill, investors worried about deteriorating health in their loan book, as was the case with all financial institutions. CTS Eventim provides tickets for large gatherings like concerts and sporting events. With social distancing and stay-at-home orders, these large gatherings have been completely canceled until further notice. We exited the position during the period, as we try to assess how and when these gatherings might return. Ashtead Group provides rental equipment primarily for construction related activities. The company's stock was hit unduly due to fears of a complete economic shutdown. We feel Ashtead will come out of a recession better positioned than ever, and companies may increasingly be likely to rent equipment rather than purchase their own as they try to maintain larger cash balances.

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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Outlook

In Europe, in an eventual post-crisis economic recovery, fiscal deficits and populism may continue to weigh on sentiment, spending, and investment. Emerging signs of stabilizing growth in the continent earlier this year now seem like a distant memory. In Japan, structural reforms have had limited success, and the consumer tax hike in October 2019 contributed to a sharp economic contraction in the 4th quarter. This market period has obviously been extremely volatile and difficult to navigate. As we saw signs of the virus spreading rapidly, we began taking action by trimming positions where valuation was getting full and/or where an eventual recovery may take longer. We initiated new positions in a few stocks we have been watching and waiting for a more attractive entry point, provided the nature of their businesses would still thrive in such an odd economic period.

The markets will have to endure some very terrible economic data for at least several quarters, and most companies have very little visibility into forward business. While we do not want to underestimate the impact of the coronavirus outbreak, history shows that events like this tend to offer opportunities for investors that are long-term oriented. Despite the uptick in market volatility, we will continue to invest in businesses we believe have durable competitive advantages and superior growth profiles trading at attractive valuations. We believe a portfolio of these companies will continue to offer attractive risk-adjusted returns over the long haul. ▀

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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 12/31/19 the Buffalo International Fund top 10 equity holdings were Taiwan Semiconductor 2.28%, Kering 2.26%, Sartorius Stedim Biotech 2.24%, Aon 2.12%, ICICI Bank 2.02%, SAP SE 2.01%, Schneider Electric 2.00%, Linde 1.97%, Carl Zeiss Meditec 1.93%, LVMH Moët Hennessy 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.

