

Capital Market Overview

Equity markets outside the U.S. rose in the quarter, as the vaccine rollouts and more U.S. fiscal stimulus fueled hopes of global economic recovery. Compared to the S&P 500 Index return of 6.17%, the MSCI All-Country World ex-USA Index returned 2.95%, and the Morningstar Global Markets ex-U.S. Index returned 3.58%. However, the MSCI All-Country World ex-USA Growth Index posted a return of only -0.8%. The period was marked by outperformance of more cyclical and so-called value sectors globally, as the market rotation that began in the last quarter of 2020 became even more pronounced. Meanwhile, an increase in the 10-Year U.S. Treasury yield during the quarter weighed on sentiment towards growth stocks.

Geographically, developed markets performed a bit better than emerging markets in the quarter. The MSCI EAFE Index, a developed market index, rose 2.83%, while the MSCI Emerging Markets Index gained 1.95%. European equities advanced, with the Energy and Financial sectors performing especially strongly, as well as the Consumer Discretionary sector, driven by automakers. United Kingdom (U.K.) equities performed especially well, driven by more domestically focused companies and improved forward-looking economic data. Vaccination rates in the U.K. have been strong, as in the U.S., whereas on continental Europe they have been lagging. In Asia, Japanese equities were also positive, as corporate earnings reports were strong, but the yen weakened versus the dollar. Emerging markets rose, but sentiment weakened later in the quarter, as vaccination rates are lagging the developed markets, virus cases are rising in a number of countries, and the stronger U.S. dollar was a headwind. Brazil and China posted negative returns.

Performance Commentary

The Buffalo International Fund (BUFIX) produced a return of 2.24% for the quarter, underperforming the Morningstar Global Markets ex-U.S. Index's return of 3.58%. Sector allocation contributed to the underperformance versus the Morningstar index, as the Fund was underweight some of the strongest performing sectors in the quarter like Energy, Financials, and Telecom. The Fund was also overweight Healthcare, an underperforming sector in the quarter. Stock selection in Consumer Discretionary was also a negative factor, as the Fund was underweight automotive stocks, which outperformed.

Average Annualized Performance (%)

As of 3/31/21	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFIX	51.79	11.97	13.51	8.42	6.17
Institutional Class - BUPIX ¹	52.12	12.15	13.69	8.58	6.33
Morningstar Global Markets ex-U.S. Index	51.53	6.74	10.02	5.43	3.28
Lipper International Fund Index	54.06	7.69	10.17	6.13	3.40

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.

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUPIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.05%	0.90%
Fund Assets:	\$545.64 Million	
Category:	Foreign Large Growth	
Benchmark:	Morningstar Global Markets ex-U.S. Index	

Management Team



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

↑ Top Contributors

Top contributors in the period included **ASML Holding NV**, **Ashtead Group Plc**, and **Sartorius Stedim Biotech SA**. ASML, a Dutch company, is facing strong demand for its photolithography systems that are used in the manufacturing of leading-edge semiconductors. ASML is the sole provider of this equipment for semiconductor manufacturing, an industry benefiting from growth due to some longer-term trends, such as digitalization, electric vehicles, and artificial intelligence. Ashtead, an equipment rental company headquartered in the U.K., generates the majority of its revenue in the U.S. The stock benefited from momentum in more cyclically-driven stocks in the quarter, though the longer-term outlook is underpinned by a secular trend toward outsourcing among construction companies, Ashtead's largest customer base, and the expansion of the equipment rental market into other areas such as entertainment/media and sports. Sartorius Stedim Biotech, headquartered in France, is a global provider of equipment used in manufacturing biologic drugs. Such therapies include vaccines, among many other types of therapy, thus the company has benefited recently from the ramp-up in vaccine production.

↓ Top Detractors

Top detractors in the quarter were **Lonza Group AG**, **Tomra Systems ASA**, and **Omron Corporation**. All three stocks were victims of the investor shift out of secular growth companies with higher valuations, toward more cyclical companies and perceived value sectors. Lonza, the world's largest contract development and manufacturing organization, underperformed the market, along with healthcare and other COVID-related businesses. Longer term, the company appears poised to benefit from exposure to high-growth segments of drug development, margin expansion from operating leverage, and its attractive cash position post the recent divestment of its specialty ingredients business. Tomra, a leading global manufacturer of machines used for recycling and sorting based in Norway, saw its stock price pull back from all-time highs on a lack of near-term catalysts. We continue to believe the longer term outlook is bright, however, as increased regulation and the need to resolve waste recycling problems compels more and more governments to purchase Tomra's machines. Omron, a manufacturer of electronic components and equipment used for factory automation, reported good quarterly results, but after the year-end rally at the end of 2020, the stock traded off its peak. Worries over supply chain issues may have also added some pressure. We believe the outlook for trends in factory automation, as well as the recovery in industrial capital spending, is positive for Omron.

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:

Christopher Crawford
ccrawford@buffalofunds.com
(913) 647-2321

Scott Johnson
sjohnson@buffalofunds.com
(913) 754-1537

Outlook

Now that vaccinations are ramping up in the U.S. and the ensuing economic momentum is apparent, there is much enthusiasm for the same to be seen around the world. Despite Europe's hiccups and slower rollout of vaccines, there is optimism that a similar economic recovery could happen come summertime. Meanwhile, many emerging markets, Brazil and India among them, are seeing a strong resurgence in virus cases and are on a potential path for more negative economic impact. In reality, the exact timeline is not yet known for a widespread global economic recovery, but, despite continued potential setbacks from vaccine supply hiccups and variants, there is good reason to believe the worst is now behind us in terms of global economic paralysis. Much of the recent debate revolves around inflation, which we are seeing mostly in the U.S. and in some global commodity prices. The possibility of a more persistent upswing in global inflation, however, is not yet fully clear. For now, it seems that vaccine and virus news could continue to cause volatility in international markets, as well as signs of inflation.

Throughout the continued volatility, our strategy remains the same, as we will seek opportunities to invest in high quality companies with sound business models whose secular growth opportunities can generate growth for years to come. Our focus remains steadfast on investing in attractively-priced, financially-stable, well-managed companies with innovative strategies fueled by secular growth attributes. 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:

Christopher Crawford
ccrawford@buffalofunds.com
(913) 647-2321

Scott Johnson
sjohnson@buffalofunds.com
(913) 754-1537

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 12/31/20 the Buffalo International Fund top 10 equity holdings were Lonza Group 2.92%, Taiwan Semiconductor 2.39%, Sartorius Stedim Biotech 2.35%, Schneider Electric 2.33%, Linde 2.29%, Eurofins Scientific 2.18%, Hexagon 2.16%, SAP SE 2.02%, Aon 1.89%, Tomra Systems 1.87%. 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 S&P 500 Index is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. The MSCI All Country World ex-USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries. 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 MSCI All-Country World ex-USA Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 22 Developed Markets (DM) countries and 26 Emerging Markets (EM) countries. The MSCI EAFE Index measures the equity market performance of developed markets outside of the U.S. & Canada; EAFE stands for Europe, Australasia and Far East. The MSCI Emerging Markets Index captures large and mid cap representation across 26 Emerging Markets (EM) countries. 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.

