Buffalo International Fund

QUARTERLY
COMMENTARY

March 31, 2022

Capital Market Overview

Global capital markets pulled back in the quarter, shocked by Russia's unexpected invasion of Ukraine that generated devastating consequences, above all, human loss and suffering. As the war unfolded throughout the quarter, it became clear that the affects would multiply. With both countries being substantial commodity exporters, inflation and supply chain concerns, that were already present before the war, intensified.

Among developed markets, Eurozone market performance was sharply negative. The Eurozone has high dependence on Russian oil, gas, and coal exports, and the invasion caused a spike in energy prices and fears over the continuity of supply. It is perceived that the effects would slow growth in the region and delay the post-pandemic economic recovery. At the same time, the European Central Bank outlined plans to end bond purchases and indicated that interest rate increases could come this year to combat rising inflation.

In Asia, the Japanese market declined, and more extensively in U.S. dollar terms due to the weakening yen. Japan is not yet raising interest rates; thus the attraction of the yen carry trade has returned. Meanwhile, Hong Kong's market performance was also negative, as the city faced a full-blown wave of the omicron strain of coronavirus, and was forced to implement social distancing restrictions to control it.

Emerging markets, as a whole, were also in the red. Not only were Chinese markets weak in the face of rising COVID-19 cases and ensuing mobility restrictions, but commodity-importing countries, particularly those dependent on energy and wheat imports, saw their stock markets decline with rising commodity prices. However, with inflation abound, Latin American markets and other commodity-exporting countries like Brazil were strong-performing markets in the quarter.

While the S&P 500 Index declined -4.60% during the quarter, the MSCI ACWI ex USA Index was down -5.44% (in USD terms) and the developed country MSCI EAFE Index declined -5.91% (in USD terms).

Performance Commentary

The Buffalo International Fund (BUFIX) produced a return of -11.83% for the quarter, a result that underperformed the MSCI ACWI ex USA Growth Index return of -10.71%, and underperformed the more broad Morningstar Global Markets ex-US Index return of -5.49%.

Average Annualized Performance (%)

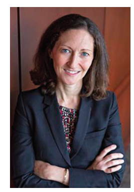
As of 3/31/22	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - *BUFIX*	1.94	12.63	11.11	8.87	5.88
Institutional Class - *BUIIX*[1]	2.08	12.80	11.28	9.03	6.04
FTSE All-World ex US Index	-8.79	9.25	7.42	6.26	3.02
Morningstar Global Markets ex-US Index	-1.08	7.93	7.02	–	–
MSCI ACWI ex USA Growth Index	-5.91	9.46	8.96	7.07	–
Lipper International Fund Index	-2.47	8.71	7.22	6.61	2.98

[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:	BUFIX	BUIIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.04%	0.89%
Fund Assets:	$579.76 Million	
Category:	Foreign Large Growth	
Benchmark:	FTSE All World Ex-US Index	

Management Team



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BUFFALO FUNDS

Value stocks outperformed growth stocks by a significant amount in the period. Compared to the Morningstar Global Markets ex-US Index, the Buffalo International Fund's focus on growth stocks was a hindrance to performance. The Fund's overweight position in the Technology sector detracted from relative results as Technology underperformed in the quarter. On the other hand, Energy, Financials, and Materials outperformed in the quarter, but the Fund is generally underweight these sectors. The portfolio's overweight to European markets also weighed on relative performance, as well as the underweight position to the strongly performing Brazilian market.

↑ Top Contributors

Top contributors in the period included Thales SA, Aon Plc, and Astrazeneca Plc.

Thales is a French company that engages in the manufacture, marketing, and sale of electronic equipment and systems for aeronautics, naval, and defense sectors. The company is a beneficiary of trends in security and cyber defense, and is a potential post-pandemic recovery story supplying electronic systems to the commercial aviation industry. Following the Russian invasion of Ukraine, the stock price soared as investors piled into defense-related stocks. We believe Thales will now also benefit from increased defense spending in the Eurozone.

Aon is a global provider of risk and insurance brokerage consulting. This business should continue to thrive, as the company has a strong market position in several growth areas, and a small part of its business can benefit from rising interest rates.

Astrazeneca, one of the largest multinational pharmaceutical companies, saw its stock perform especially well post the Ukraine invasion, as the industry was viewed as somewhat of a safe haven. We like the company's stable revenue growth outlook post the acquisition of Alexion, and are optimistic about the pipeline of new therapies.

↓ Top Detractors

Top detractors in the quarter were Ashtead Group Plc, Omron Corporation, and Sartorius Stedim Biotech SA.

Ashtead, an equipment rental company that operates in the U.S. and the U.K., declined on fears of a weakening economy. In spite of the pullback, we continue to like the company's long-term growth prospects through increased rental penetration and market share gains from smaller peers. Ashtead has scale in a fragmented market, affording them advantages such as the ability to spend more on IT and logistics that help make their offerings more attractive. The increasing cost of owning, operating, and complying with laws surrounding new equipment makes rental a preferable alternative in our view. Strong demand and tight supply of equipment should keep rental rates strong.

Omron, an automation stock headquartered in Japan, experienced weak stock performance due to chip shortages and logistics disruptions that caused them to report lower than expected profits and announce lower forward guidance due to a slower recovery. We expect the chip shortage to gradually resolve which should help boost near-term results.

Sartorius Stedim Biotech, a provider of equipment for the production of biopharmaceuticals, saw its share price decline partially on concerns around biotech funding. We believe these fears are overblown. Sartorius profits from increasing penetration of single-use products, a trend that is set to continue and a specialty of Sartorius Stedim. Biopharmaceuticals now comprise roughly one-third of the global pharmaceutical market, and 40% of the industry's pipeline. We still like this business area with its high recurring revenues and pricing power.

Outlook

In the wake of Russia's invasion of Ukraine, and continued COVID-related restrictions in China, the outlook for global growth in 2022 has weakened. Following war-related disruptions to supply chains, inflationary pressures for energy, food, and materials have intensified around the globe. Energy has been the strongest contributor in Europe, and annual inflation in the Eurozone has now risen to 7.5%, 4% of which is coming from higher energy costs. Raw materials and food prices are also on the rise, and many regions of the world will feel the effects. Furthermore, ongoing efforts to control the pandemic in China will put continued pressure on supply chains, and may cause even more meaningful disruption should the pandemic spread further. With inflationary forces and the ensuing rate increases by central banks to curb them, there is the risk that demand destruction will eventually ensue. A global recession is becoming a more likely event, and stagflation, the dreaded occurrence of inflation coupled with lack of growth, has many investors concerned.

Despite the dark clouds overhead, we keep in mind some positive points. Outside of China, the resolution of the pandemic and the increasing movement of people can be a force for economic growth. Consumers in developed markets within Europe and Asia have pent up savings and the means to spend. Though costs are rising, the strong desire to return to a more active life may offset hesitations about spending related to an uncertain future. In the Eurozone, while inflation is stoked by high energy costs, the pressures on the labor market are not as intense as seen in the U.S. Thus labor cost inflation has so far not been of great concern. We believe supply shortages that have contributed to inflation should eventually ease. It may be that inflation peaks near or mid-term and then begins to settle into a more acceptable level. And while energy costs may remain high through the "energy transition" in Europe, European officials seek to help lower-income consumers manage those costs. European companies will need to focus ever more on energy efficiency measures, and the green energy revolution that was already underway in Europe will most likely be accelerated. This will bring some added costs for companies, but is not entirely unexpected. It should also herald some new business and investment opportunities.

In times of slowing growth, as in boom times, we press on with our time-tested investment approach. While it is difficult to predict the future macroeconomic or geopolitical environment, we try to understand the existing conditions and plan for the associated risks within our existing framework. Our investment process is centered on bottoms-up investing. We seek out high-quality companies that have sound, sustainable business models, competitive advantages, and can benefit from secular growth drivers throughout the business cycle. We prefer businesses that have strong balance sheets and generate strong free cash flow. In an inflationary environment, we also favor companies that have the means to pass along cost pressures, such as companies with high recurring revenues or companies whose products make up a small cost of a larger product. We also pay close attention to the valuation multiples of the companies in our portfolio and seek out opportunities during periods of market weakness or volatility to buy high quality growth companies at attractive valuations, that should provide us opportunity to post 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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As of 12/31/21 the Buffalo International Fund top 10 equity holdings were Schneider Electric 2.65%, ASML Holding 2.62%, Ashtead Group 2.59%, Merck 2.47%, Linde 2.46%, Taiwan Semiconductor 2.36%, Sartorius Stedim Biotech 2.33%, Hexagon 2.32%, Aon 2.18%, Siemens 2.05%. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end.

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 (ACWI) 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 Financial Times Stock Exchange (FTSE) All-World ex US Index is a market-capitalization weighted index representing the performance of around 2200 large cap and mid cap companies in 46 developed and emerging markets worldwide, excluding the US. 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 (ACWI) 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 Lipper International Fund Index measures the performance of the 30 largest mutual funds in the international equity fund objective, as determined by Lipper, Inc. 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. One cannot invest directly in an index.