

Capital Market Overview

The S&P 500 Index posted its best first half return since 1997, rising over 18% for the first 6 months of the year. Not to be outdone, equity markets across the globe also moved higher, despite a perceived slowdown in global economic activity and a renewed increase in trade tensions during the quarter. Central Banks have all taken a dovish turn, and investors continue to take the view that with Central Banks in their corner little can go wrong. It wasn't all smooth sailing during the period as rising trade tensions and a slow-down in industrial activity pushed markets lower in May. June saw a reversal higher as Mario Draghi, President at the European Central Bank (ECB), and our own Federal Reserve all but promised looser rather than tighter monetary policy for the future.

Performance Commentary

For the quarter ending June 30, 2019, the Buffalo International Fund produced a return of 6.84%, outperforming the Morningstar Global Markets ex-U.S. Index's return of 2.74%. Stock selection and a positive country allocation impact were the primary drivers of performance during the period. Our overweight to Germany and France, two of the better performing markets during the period, as well as a portfolio underweight to a weaker performing Japanese capital market contributed to relative results.

Overall, the sector allocation impact was fairly neutral during the period as the benefit of a portfolio underweight to the poorly performing Energy and Real Estate sectors was essentially offset by an underweight to Financials – a relative winner during the period – and a portfolio overweight to the lagging Health Care sector. The portfolio's allocation to cash also detracted from relative results during the market's advance, but, in spite of this, the Fund was able to outperform based on individual stock selection.

Average Annualized Performance (%)

As of 6/30/19	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - <i>BUFIX</i>	5.35	13.21	6.52	9.26	4.68
Institutional Class - <i>BUIIX</i> ¹	5.51	13.37	6.68	9.43	4.84
Morningstar Global Markets ex-U.S. Index	0.77	9.25	2.73	7.16	1.92
Lipper International Fund Index	0.08	8.81	2.63	7.22	1.81

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 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.

↑ Top Contributors

Top contributors in the period included **Sartorius Stedim Biotech**, **Wirecard**, and **Carl Zeiss Meditec**, all of which were helped by the secular nature of their revenue growth. Sartorius Stedim, which develops and manufactures laboratory equipment for the manufacturing of biological drugs, continued to benefit from the long-term opportunity of providing "picks and shovels" to the burgeoning biotechnology field, as supply chains continued to normalize. Wirecard, one of the fastest-growing online payment companies, continued to see strong organic volume growth. The stock bounced back from last quarter's attack from short-sellers and their ongoing attempt to pester the company management team's credibility. Meanwhile, Carl Zeiss Meditec, a leading provider of ophthalmic equipment and solutions, benefited from demographic trends and the ongoing roll out of their intraocular lenses.

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUIIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.06%	0.91%
Fund Assets:	\$377.63 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

Positions partially offsetting the contributions from those above during the period included **Merck KGaA**, **Dalata Hotel Group**, and **Whitbread**. One of Germany-based Merck's business segments was hampered by continued pressure in its liquid crystal display business as an oversupply of panels reduced manufacturing demand and pressured margins. Dalata, an Ireland-based, city-center hotel group, sold off due to RevPar (revenue per available room) concerns, highlighted by competitors in the United Kingdom (UK), which we believe has little bearing on Dalata's capacity utilization or revenue per room. Meanwhile, Whitbread experienced very sluggish RevPar numbers in their UK business, which put pressure on the stock. Nonetheless, Whitbread is poised to return excess cash of over \$2 billion to shareholders this year, which we believe will help the supply and demand balance for shares.

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

As Central Banks are poised to add more liquidity to capital markets and concerns surrounding growth and trade tension appear to be waning, markets will increasingly look to the upcoming earnings season to gauge company fundamentals as the tells of future performance. Despite the emphasis on looser monetary policies as a means to stimulate the economy, we view the economic benefits to be relatively modest outside of acting as impetus to push financial asset prices ever higher. While we expect economic activity in the 3rd quarter to continue to be unexciting, any reduction in trade or political tensions could markedly improve investor sentiment. We will continue to monitor the potential impact of this dynamic on the industries and companies in which we invest.

While not immune to a global economic slowdown, we believe our approach to investing positions us to identify companies that can grow throughout the economic cycle. Our view is that stocks outside the U.S. have become even less expensive relative to their domestic counterparts over the last few years. 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-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. ▲

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 3/31/19 the Buffalo International Fund top 10 equity holdings were Kering 2.38%, SAP SE 2.32%, Sartorius Stedim Biotech 2.20%, Carl Zeiss Meditec 2.17%, Taiwan Semiconductor Mfg. 2.06%, Aon 2.00%, Linde 1.99%, Schneider Electric 1.98%, Davide Campari-Milano 1.93%, LVMH Moët Hennessy 1.92%. 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 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.

