

## Capital Market Overview

Following the calamitous 1st quarter, global equities rebounded sharply in the 2nd quarter, as central banks and governments around the world announced measures to support economies in the midst of the COVID-19 lockdowns. As countries reopened, optimism for the possibility of a V-shaped recovery drove markets higher. All industry sectors and all geographies rose strongly during the period. While the rise was not quite as dramatic as in the U.S. markets, the MSCI ACWI ex-US Index rose a strong 16.12%, while the MSCI EAFE Index rose 14.88%. Emerging markets, which had suffered the worst decline in the 1st quarter, rebounded 18.08% as measured by the MSCI Emerging Markets Index.

## Performance Commentary

The Buffalo International Fund (BUFIX) produced a return of 18.82% for the quarter, outperforming the Morningstar Global Markets ex-US Index's return of 16.96%. Stock selection was the main driver of performance during the period. The sector allocation impact was fairly neutral during the period, while the Fund's allocation to cash detracted from relative results during the markets' strong advance.

## Average Annualized Performance (%)

As of 6/30/20	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFIX	2.68	6.21	7.19	8.14	4.52
Institutional Class - BUIIX <sup>1</sup>	2.82	6.37	7.34	8.30	4.68
Morningstar Global Markets ex-U.S. Index	-4.51	1.18	2.79	5.47	1.40
Lipper International Fund Index	-1.87	1.66	2.72	6.05	1.51

<sup>1</sup>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 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](http://buffalofunds.com).

## ↑ Top Contributors

Top contributors in the period included **Ashtead Group**, **ASML Holding NV**, and **Lonza Group AG**, which all saw their stocks recover from steep drops in the prior quarter.

Ashtead Group, which provides rental equipment primarily for construction-related activities, has been propelled even higher by expectations for a U.S. infrastructure bill. Whatever the government decides, we feel Ashtead will come out of any economic 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.

ASML, one of the world's largest producers of semiconductor manufacturing equipment, rebounded and climbed even higher, as management expressed confidence in its ability to recoup lost sales and grow for the full year in spite of the pandemic. ASML is the sole provider of certain equipment for semiconductor manufacturing and could be a key beneficiary of some longer-term trends such as spending on elevated logic and memory equipment for artificial intelligence (AI).

Finally, Lonza Group, which produces media and active ingredients that help pharmaceutical companies produce biologic drugs and drug candidates, has had minimal disruption to its business throughout the pandemic. Growth, strategic investments, and portfolio adjustments were all on track, while announced manufacturing agreements with vaccine developers may have given the stock a bit of additional momentum.

## Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUIIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.06%	0.91%
Fund Assets:	\$437.73 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

Partially offsetting the contributions from above included lagging results from **Grifols S.A.**, **Jardine Matheson Holdings Limited**, and **BAE Systems PLC** during the period.

Grifols, a pharma company focused on the plasma derivatives business, had a weak stock performance due to concerns around the collection of plasma from human donors in the face of the circulating virus, as well as recent positive data from a potential future competitor in one business area. While we think the pandemic presents some challenges and will add to costs, the long-term growth of the business continues to be attractive in our view, for a company operating in an industry with high barriers to entry.

Jardine Matheson, a conglomerate of consumer-driven businesses in the Asia-Pacific region, reported results that were pressured by pandemic-related declines in consumption while BAE Systems also reported greater impacts from COVID-19 disruptions than had been expected.

## 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

As we have seen over the past month, the prospects of a quick and complete bounce back from the economic pain induced by the lockdowns is proving too optimistic. The pandemic continues to sweep its way across the world, flaring up here and there, and frankly, it is unknown what further measures will be taken to control its spread or how consumers will react to its presence. We expect to see continued market volatility over the next few quarters, as we continue to be in a period of economic uncertainty, and most companies have limited visibility into the near-term future of their businesses.

While the economic impact of the past lockdowns is becoming clearer, we do not yet know exactly in what enduring ways this pandemic might weigh on global economies, nor how behaviors might change for the longer term. Social unrest has risen over the past quarter, and the continued pandemic and ensuing economic stress could cause further unrest. Given the damage to trade that the pandemic has caused, the rising trade tensions between the U.S. and China will also be a factor to monitor. Finally, medical advances or failures with respect to a treatment or a vaccine for coronavirus will have an impact on the outlook for markets. All of these factors create uncertainty and may contribute to market choppiness.

As always, we believe volatility offers opportunity for those investors who take a longer-term view. We will seek out those companies who can survive during this exceptional time and grow throughout the economic cycle beyond. As usual, 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. ▀

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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](http://buffalofunds.com). Read carefully before investing.*

### **Earnings growth is not representative of the Fund's future performance.**

As of 3/31/20 the Buffalo International Fund top 10 equity holdings were Sartorius Stedim Biotech 3.00%, Lonza Group 2.34%, Linde 2.25%, Taiwan Semiconductor 2.24%, Aon 2.19%, Schneider Electric 2.08%, SAP SE 1.98%, Medtronic 1.93%, Eurofins Scientific 1.88%, ASML Holding 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 MSCI ACWI ex US 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 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 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.

