

Capital Market Overview

Global equity markets were mixed in the 3rd quarter of 2019. Developed markets made minor gains while emerging markets were in decline. The trade dispute continued, and economic data pointed to an ongoing slowdown, while central banks remained accommodative. In the Eurozone, stock indices advanced on the new stimulus measures announced by the European Central Bank, while stocks in the United Kingdom rose, despite uncertainty regarding Britain's exit from the European Union (Brexit). Japanese shares also gained with election results in the House that were favorable toward Prime Minister Abe's party. Emerging markets, on the other hand, were negatively affected by the continuing U.S.-China trade dispute and global growth concerns. In the end, the Morningstar Global Markets ex-U.S. Index declined -1.50% versus the S&P 500 Index's positive return of 1.70% during the period.

Performance Commentary

The Buffalo International Fund produced a return of -1.67% for the quarter and slightly underperformed the Morningstar Global Markets ex-U.S. Index. The Fund's relative underperformance was primarily related to stock selection. Overall, both sector and country allocation decisions were fairly neutral to our portfolio, while the portfolio's allocation to cash was a benefit to relative results given declining international markets.

Average Annualized Performance (%)

As of 9/30/19	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - <i>BUFIX</i>	1.24	9.75	7.23	7.62	4.43
Institutional Class - <i>BUIIX</i> ¹	1.42	9.93	7.39	7.78	4.58
Morningstar Global Markets ex-U.S. Index	-1.54	6.26	3.55	5.06	1.74
Lipper International Fund Index	-1.80	6.05	3.53	5.17	1.66

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 quarter were **Taiwan Semiconductor Manufacturing Company**, **ASML Holding NV**, and **Carl Zeiss Meditec AG**. Taiwan Semiconductor, widely believed to be the most efficient and technologically-advanced semiconductor manufacturer, saw its stock recover in July after reporting good results and a positive outlook. The shares had declined in May due to trade war related worries. ASML, a supplier of semiconductor manufacturing equipment to Taiwan Semiconductor and others, also saw its stock recover after reporting better-than-expected results in the 2nd quarter despite trade war concerns. Demand for extreme ultraviolet lithography tools is growing as Taiwan Semiconductor is shifting to 7 and 5 nanometer technology. Meanwhile, in the Health Care sector, Carl Zeiss Meditec, a leading global provider of ophthalmic equipment and solutions based in Germany, continued to benefit from demographic trends and strong growth, especially in Asia.

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUIIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.06%	0.91%
Fund Assets:	\$377.09 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 during the period included **Tomra**, **SAP**, and **Kering**.

Tomra, a Norwegian manufacturer of systems for the collection and sorting of waste, had disappointing 2nd quarter results, as order intake and backlog declined related to weak demand in the food segment in the U.S., because of the U.S.-China trade conflict. Near term results could be volatile, but we continue to believe that the company's products will be in increasing demand over the mid-to-long term as the world must invest more in the collecting and recycling of the growing amount of global trash, particularly plastic.

SAP, a German multinational software company and a global leader in enterprise management software, declined after reporting 2nd quarter results in July that missed analyst estimates, with weak sales growth in China and a lack of margin expansion. We continue to believe that SAP is on track to meet its full year guidance and that the long-term trends of moving more and more into the cloud will benefit the company, while a recent stronger focus on profitability will keep management focused on improving margins.

Kering, a French luxury brand conglomerate, saw pressure on its stock price due to investor concerns around slowing growth of the Gucci brand and the potential short-term impact on sales from the political unrest in Hong Kong.

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

We are in a period of uncertainty with respect to global growth. With the trade war still unresolved, and Brexit uncertainty still weighing, industries such as autos are in decline and businesses are holding back investments, while in emerging markets there are some signs that the consumer is beginning to tighten its purse strings. Global growth has been slowing and some economists are warning that a worsening of the tariff conflict could tip the world into a recession. The million-dollar question has now become what will happen in 2020, but the answer is not yet given.

On the other hand, there also are reasons to be optimistic. Global employment is strong, wages have been increasing, and consumer confidence in much of the world has remained resilient. While global trade has been weakening and manufacturing has been in decline, the services sector has remained strong. Finally, global central banks remain accommodative, and China is willing to inject more fiscal stimulus into its economy. Though, as we have written before, we view further loose monetary policies as more a means of pushing up financial asset prices than as major economic stimulus.

Whatever the economic outcome in the next quarter or the next year, we continue to have confidence in our investment process, and it remains steadfast. It is designed to identify companies that can grow throughout the economic cycle, and we believe that stocks outside the U.S. have become even less expensive relative to their domestic counterparts over the last few years. We hope to take advantage of any significant market movements caused by slowing economic growth or trade concerns by adding to our positions in those companies whose long-term prospects remain unchanged, in our view. Ups and downs in the global economy are inevitable. Yet, we believe that by remaining focused on investing in well-managed and innovative companies, which are benefiting from secular growth trends and are trading at attractive valuations, can 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. Read carefully before investing.

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

As of 6/30/19 the Buffalo International Fund top 10 equity holdings were Sartorius Stedim Biotech 2.44%, SAP SE 2.35%, Kering 2.27%, Aon 2.15%, Linde 2.12%, Carl Zeiss Meditec 2.08%, Schneider Electric 2.01%, Tomra Systems 1.99%, LVMH Moet Hennessy 1.98%, ICICI Bank 1.84%. 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.

