

Capital Market Overview

Equity markets outside the U.S. were weak in the quarter in U.S. Dollar terms, as COVID Delta variant infections rose, supply chain bottlenecks worsened, and an energy price spike weighed on the global recovery. While developed markets were flat-to-slightly down, emerging markets were down considerably, driven by a sell-off in China. Concerns surrounding Chinese property developer Evergrande's ability to service its massive debts ballooned into broader growth concerns within China, and later led to fears of contagion and the potential effects on global growth. As reports of rising costs multiplied, inflation fears also weighed on the markets. While the S&P 500 Index was nearly flat, producing a return of 0.58% during the quarter, the MSCI ACWI ex-US Index was down -2.99%, and the MSCI ACWI ex USA Growth Index was down -3.58%.

Performance Commentary

The Buffalo International Fund (BUFIX) produced a return of 1.12% for the quarter, outperforming the MSCI All-Country World Ex USA Growth Index, which posted a negative return of -3.58%, and also the more broad Morningstar Global Markets ex-US Index, which posted a negative return of -2.38%. Compared to the Morningstar indices, outperformance was due mostly to stock selection. Sector allocation was a bit of a drag, as our lack of Energy weighed on relative performance. Geographically, however, our lower allocation to China was a contributing factor to the better relative performance.

Average Annualized Performance (%)

As of 9/30/21

	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFIX	27.39	14.21	14.24	11.84	6.68
Institutional Class - BUIIX ¹	27.57	14.38	14.38	12.00	6.84
Morningstar Global Markets ex-US Index	25.11	8.43	9.21	8.05	3.38
MSCI ACWI ex USA Growth Index	17.27	12.30	11.59	9.69	-
Lipper International Fund Index	26.32	9.30	9.66	8.95	3.51

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.

↑ Top Contributors

Top contributors in the period included Sartorius Stedim Biotech SA, IMCD N.V., and Aon Plc. Sartorius Stedim, a global provider of equipment used in manufacturing biologic drugs, reported better results than expected and raised its guidance for the year on a record 80% increase in orders. Biologic drugs are in ever higher demand due to increases in biosimilars, new treatment modalities and emerging markets. IMCD, a global distributor of specialty chemicals, continues to benefit from the growing market for outsourcing by chemical companies. While chemical companies rationalize the number of distributors for efficiency gains, large players like IMCD are able to gain market share. Aon, a risk and insurance brokerage consulting company, saw its stock rise after mutual cancellation of a merger with Willis Towers Watson, a deal that had been weighing on the share price due a potential lengthy legal fight and surrounding uncertainty.

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUIIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.04%	0.89%
Fund Assets:	\$619.49 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



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M.B.A. – Univ. of Chicago
M.S. – Univ. of Texas-Dallas
B.S. – Karnatak Univ. (India)

↓ Top Detractors

Top detractors in the quarter were **Kering**, **Tencent Holdings**, and **Anheuser-Busch**. Kering, like other global luxury goods stocks, declined on fears surrounding China's Common Prosperity policy goals. We continue to own and have slightly increased our position on weakness, as we believe the large aspirational middle class will still be the most significant driving force for consumption of luxury goods within China, while consumption of luxury goods in the United States is trending further upward. Tencent, a social networking payment and mobile games company in China, saw continued pressure on its stock price, as China announced policy intentions surrounding restricting video games for minors, breaking down "walled gardens", state ownership of data, and a need for internet companies to no longer focus solely on profitability. For now we have decided to step to the sidelines and have sold our position until there is clearer visibility on the outlook and future prospects for the internet giant. Finally, Anheuser-Busch, the multinational beer giant, saw a declining stock price, as concerns over slowing hard seltzer sales and loss of share to craft beers and spirits weighed on the stock. We are currently reevaluating our position.

Outlook

Going forward, market volatility will most likely continue. On the one hand, global economies continue to recover, as vaccination rates rise and mobility and overall economic activity improves. On the other hand, however, uncertainty around future growth and inflation will most likely continue to weigh on the market. Supply chain bottlenecks continue around the globe, with shortages of semiconductors affecting the automotive and technology industries, while factory closures due to COVID and delays at ports wreak havoc on retailers. Companies in nearly every industry are now reporting cost inflation, whether it be from labor costs, raw materials, transportation, or energy. Recent worries related to China's slowing economic growth and the secondary effects have become a global concern, as the country is dealing with regulatory measures that have now affected most industries.

Despite the clouds appearing on the horizon, we will continue to stick to our strategy of seeking high quality companies that have sound business models, competitive advantages, and secular growth drivers with the potential to lead to growth for the long term. Targeted companies are attractively-priced, financially-stable, and well-managed with innovative strategies. 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:

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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 6/30/21 the Buffalo International Fund top 10 equity holdings were ASML Holding 3.00%, Ashtead Group 2.65%, Sartorius Stedim Biotech 2.63%, Taiwan Semiconductor 2.62%, Hexagon 2.41%, Schneider Electric 2.36%, Eurofins Scientific 2.29%, Linde 2.28%, Lonza Group 2.15%, Carl Zeiss Meditec 2.13%. 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 (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 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. 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.

