Buffalo International Fund

QUARTERLY
COMMENTARY

September 30, 2022

Capital Market Overview

Global equity markets extended year-to-date losses during the 3rd quarter, as continuing high inflation, interest-rate hikes, and signs of a global downturn weighed on the markets. Despite a decline in many commodity prices, the data releases showed continuing increases in inflation, and the Federal Reserve, the European Central Bank, and the Bank of England all raised interest rates in the quarter.

European market performance was negatively impacted by the energy crisis in Europe, rising inflation, and fears about the economic outlook. Negative returns were seen in every sector, and the euro currency fell to below parity with the U.S. dollar for the first time in 20 years. Energy continues to be the largest contributor to inflation in Europe, and concerns about adequate supply for the coming winter became a major concern after the main gas pipeline from Russia was closed down in July and then again in September. Europe has been scrambling to purchase natural gas from other sources to fill reserves and prevent future shortages, but this has come at a higher cost, putting even more upward pressure on prices. In the U.K., markets were weak for the same reasons, then in September the markets reacted poorly to the new fiscal package announced by the new prime minister, leading to the pound sterling to drop to an all-time low versus the U.S. dollar.

In Japan, markets were slightly negative in local currency terms, but were down around -5% in U.S. dollar terms due to the continuing slide of the Japanese Yen. The Japanese economy grew modestly in the quarter and inflation rose, though it has been running at a much lower rate than in other developed economies. The Bank of Japan left rates unchanged, thus the interest rate differential with the U.S. weighed on the currency.

Emerging markets as a whole were also negative in the quarter in U.S. dollar terms. China was the weakest market, as the continuing policy of zero-COVID and its measures continued to weigh on the economy. The Brazilian and Indian markets were notable outperformers.

While the S&P 500 declined -4.88% during the quarter from July 1st to September 30th, the MSCI ACWI ex-USA Index in USD terms was down -9.80% and the developed country MSCI EAFE index in USD terms was down -9.36%.

Performance Commentary

The Buffalo International Fund (BUFIX) produced a return of -8.01% for the quarter, outperforming the growth index MSCI ACWI ex USA Growth Index, which posted a negative return of -9.30%, and outperforming the FTSE All-World ex US Index, which posted a negative return of -9.65%. Compared to the FTSE index, the Fund's outperformance was due to stock selection, while the Fund's cash position helped to cushion the decline.

Average Annualized Performance (%)

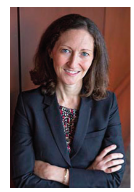
As of 9/30/22	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - *BUFIX*	-29.04	1.45	2.63	6.20	3.82
Institutional Class - *BUIIX*[1]	-28.90	1.61	2.79	6.26	3.98
FTSE All-World ex US Index	-24.52	-0.67	-0.08	3.71	1.28
Morningstar Global Markets ex-US Index	-25.34	-1.12	-0.55	–	–
MSCI ACWI ex USA Growth Index	-30.00	-1.08	0.51	4.31	–
Lipper International Fund Index	-26.34	-0.69	-0.45	4.02	1.19

[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:	1.03%	0.88%
Fund Assets:	$452.41 Million	
Category:	Foreign Large Growth	
Benchmark:	FTSE All World Ex-US Index	

Management Team



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↑ Top Contributors

Top contributors in the period included ICICI Bank, Mercadolibre, and Ashtead Group. ICICI Bank, India's second-largest private bank, continued to benefit from the trend of private banks taking share from public banks. Management's efforts to restructure and digitize are paying off as business normalizes post the pandemic. Mercadolibre, the largest e-commerce company in Latin America, continues to benefit from increasing ecommerce penetration and growth in the region. Finally, Ashtead Group, an equipment rental company that operates in the U.S. and the U.K., rebounded from its poor performance in the prior quarter, which had been overdone. We continue to like the company's growth prospects from increased rental penetration and market share gains from smaller peers. The increasing cost of owning, operating, and complying with laws surrounding new equipment makes rental ever more preferable, thus growth in outsourcing equipment rentals should be an ongoing trend.

↓ Top Detractors

Top detractors in the quarter were Taiwan Semiconductor Manufacturing Co. (TSM), Sanofi, and Astrazeneca PLC. TSM, the largest contract semiconductor manufacturer in the world, saw its stock decline in the quarter around signs of slowing end-market demand in certain sectors, as well as geopolitical tensions between the U.S. and China. The company continues to benefit, however, from its technology leadership and dominant market share with higher growth and improving margins. Sanofi, a global pharmaceutical company, headquartered in France, saw its stock decline dramatically around investor concern surrounding pending litigation about its product, Zantac. We believe the stock reaction is most likely overdone and that the settlement liability should be manageable. We await further data regarding the plaintiffs' claims, as well as dispute resolution with the product's prior owner. Astrazeneca, another global pharmaceutical company, also declined in the quarter related to product litigation around Nexium. While there is a risk that case numbers could grow, we also believe that the liability should be manageable.

Outlook

It is clear that the world economy is weakening, and many countries, particularly in Europe and the U.K., are facing the probability of recession. China's economic indicators continue to disappoint and meeting growth targets becomes ever more out of reach. It's clear that with the continuation of the zero-COVID policy it would be difficult to imagine that China could be an engine of global growth. Meanwhile, in the U.S., with interest rates rising and inflation continuing unabated, it is equally difficult to imagine that the U.S. will not also see some sort of a downturn. So looking around the globe it seems that we are facing a difficult global backdrop heading toward 2023.

We continue to be overweight in Europe. Regarding the energy crisis, we have more comfort around the potential for the region to make it through the winter without energy rationing. Regardless, we see an economic slowdown as likely and have therefore been mindful of deploying our cash at valuations that we believe price in the potential downside.

In China, we continue to see an economic backdrop that is difficult and uncertain. The Chinese government remains determined to maintain its zero-COVID policy on the mainland, which will most likely continue to weigh on economic growth. We will monitor the changes that may arise from the upcoming Communist Party Congress.

Despite the dour economic outlook, we also look for the positives, and there are still short term positives that will continue to benefit many of our companies, such as the easing of prior pressures on supply chains and the drop in the price of many commodities. As inflation pressures continue to ease, businesses and investors will be more focused on the making adjustments to manage through any downturn and looking beyond. It is impossible to know where the bottom in this bear market may be, but we continue our long-term focused investment strategy.

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We seek out high quality companies that have sound, sustainable business models, competitive advantages, and benefit from secular growth drivers that will continue beyond any short-term economic downturn. We prefer businesses that have strong balance sheets and generate strong free cash flow.

In this inflationary environment we also favor the companies that have the means of passing off cost pressures, such as companies with high recurring revenues or companies whose products make up a small cost of a larger product. And faced with a potential recession, we seek out and focus on companies that can preserve margins even in a weaker environment. This may include businesses that are asset light, have low fixed costs, or have the means to drive efficiency improvements through a downturn. We pay close attention to the valuation 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. We believe that by continuing our disciplined strategy we should be able 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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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 6/30/22 the Buffalo International Fund top 10 equity holdings were Linde 2.78%, Aon 2.23%, Merck 2.23%, Schneider Electric 2.19%, Taiwan Semiconductor 2.19%, Hexagon 2.09%, Thales 2.03%, AstraZeneca 1.97%, Ashtead Group 1.85%, Novo Nordisk 1.75%. 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 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. Free cash flow is a measure of the cash produced by the firm in a given period on behalf of equity holders. The true measure of the value of a firm's equity is considered to be the present value of all free cash flows.

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.