

Capital Market Overview

There was an abundance of investor exuberance during the quarter, and global equity markets rallied strongly, the opposite of what transpired a year ago (the 4th quarter 2018). Corporate earnings were not terribly stellar, and the imposition of significant tariffs and the resulting increase in trade tensions surely didn't help company fundamentals over the course of the past year. So perhaps this dichotomy market tone that occurred year-over-year (2018 to 2019) was more a reflection of the reversal from the Central Bank, as their monetary policies shifted from a higher interest rate bias in 2018 to a lower, more accommodative stance throughout 2019.

Performance Commentary

The Buffalo International Fund produced a return of 9.67% for the quarter, beating the Morningstar Global Markets ex-U.S. Index's return of 9.19%. The Fund's outperformance versus the benchmark was primarily led by stock selection although our sector allocation weights also had a small positive impact on relative performance, despite a slight drag from un-invested cash. For the full year, the Fund produced a return of 28.02%, compared to the benchmark return of 21.57%. Outperformance for the year was also due to strong stock selection and industry positioning within the portfolio.

Average Annualized Performance (%)

As of 12/31/19	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - <i>BUFIX</i>	28.02	14.70	9.17	7.77	5.12
Institutional Class - <i>BUIIX</i> ¹	28.20	14.87	9.33	7.93	5.28
Morningstar Global Markets ex-U.S. Index	21.57	9.94	6.19	5.59	2.44
Lipper International Fund Index	23.41	9.97	5.94	5.82	2.35

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

Among the Fund's top contributors for the quarter and the year were stocks such as **Taiwan Semiconductor**, **ICICI Bank**, and **Kering**. ICICI Bank Limited, India's #2 bank and its largest private bank, continued to benefit from improving retail loan growth and normalization in their ratio of loan charge-offs. Taiwan Semiconductor, the largest independent and most efficient semiconductor foundry, continued to benefit from Moore's law (the perception that the number of transistors on a microchip doubles every two years, though the cost of computers is halved) and the proliferation of increasingly sophisticated electronic devices. Kering, a luxury goods conglomerate based in France, continued to benefit from strong demand from its stable of brands – most notably Gucci.

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUIIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.06%	0.91%
Fund Assets:	\$432.04 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

Major detractors for the quarter and year included **Wirecard**, **Publicis**, and **AB InBev**.

Regular readers of our commentaries will be familiar with Wirecard, as its recent history has been rife with volatility. The company has been included in both the top contributors and top detractors sections of our portfolio updates with some regularity. Unfortunately, this quarter was no different as short-sellers focused again on the stock. To be fair, there are different interpretations available for some of the questions raised, and, as a result, we have reduced our position size accordingly as we await the scope and outcome of an independent outside audit.

Publicis is a global advertising company that has been shifting their focus from traditional media outlets to the digital realm. This transformation has lessened our clarity on its long-term business model and we have therefore reduced our position size in this stock as well.

The share price of AB InBev, the global brewing company with well-known brands such as Budweiser, Stella, and Corona, has been held back after the successful offering of shares in their Asia Pacific business. The explosion in demand for ready-to-drink alcohol infused beverages as well as continued pressure from craft brewers has weighed on the stock.

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

The shift in Central Bank direction for monetary policy and the lessening in trade tariff rhetoric satisfied market participants to close out the year. While global growth has not picked up materially, we expect the reduction in trade tension, the finalization of Brexit (Britain's exit from the European Union), and a bottoming in the auto manufacturing cycle (as companies shift production to electric platforms) all to contribute to improved visibility and a more favorable environment for future corporate earnings. The Chinese economy also seems to have stabilized (using official data), though the shift to a more consumption driven economy will take time. While Europe's economy hasn't boomed, increasing stability and visibility should allow companies to once again focus on driving their operations toward the future.

Uncertainties still exist, including a contentious and unpredictable U.S. presidential election later this year, simmering trade tensions with China, and of course the seemingly always-volatile Middle East region. We also think it is worth monitoring the ongoing trade discussions between the European Union and the U.S., though we do not believe either party wishes dramatic change. We will continue to watch the potential ramifications on the industries and companies in which we invest to mitigate downside risks, while taking advantage of short-term volatility to invest in those companies that we believe have solid long-term prospects.

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. are less expensive relative to their domestic counterparts, providing a potential platform for relative outperformance.

Economic conditions may ebb and flow, but our focus remains steadfast on investing in attractively-priced, financially-strong, well-managed, non-U.S. companies with innovative strategies fueled by secular growth trends. We believe this approach to international investing has the potential to 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 9/30/19 the Buffalo International Fund top 10 equity holdings were Carl Zeiss Meditec 2.40%, Sartorius Stedim Biotech 2.16%, Aon 2.16%, Taiwan Semiconductor 2.09%, Linde 2.05%, SAP SE 2.03%, Kering 1.96%, Schneider Electric 1.95%, InterXion Holding 1.89%, Smith & Nephew 1.88%. 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 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.

