

Capital Market Overview

Global equity markets soared in the 4th quarter with the MSCI ACWI Index returning 14.35%, outperforming the S&P 500 Index, which returned 12.15%. Excitement and hope for a return to economic normality after the approval of COVID-19 vaccines, followed by resolution of the uncertainty surrounding the U.S. elections, fueled global market euphoria. All sectors rose during the period, led by Energy and Financials, followed by Technology and Materials, while the Healthcare and Consumer Staples sector performance were not as robust. Value performed better than Growth, and smaller companies had strong performance. The global stock markets were particularly boosted by the performance of emerging markets, which posted their strongest quarter in over a decade, helped by the decline in the value of the U.S. dollar. The MSCI Emerging Markets Index rose 19.70% in the quarter, boosting the returns of the MSCI ACWI ex-US Index, which rose 16.67%. The MSCI EAFE Index, a developed market index, rose 15.75%.

Performance Commentary

The Buffalo International Fund (BUFIX) produced a return of 13.08% for the quarter, trailing the Morningstar Global Markets ex-U.S. Index's return of 17.28%. Sector allocation was the main driver of underperformance during the period, as an overweight in Healthcare, which lagged on a relative basis, coupled with underweight positions in Energy and Financials (stronger performing sectors) were all considerable drags on performance versus our benchmark. The Fund's allocation to cash also detracted from relative results during the markets' strong advance. Geographically, the Fund is underweight in emerging markets, a strongly outperforming region, which was also a drag on relative results.

Average Annualized Performance (%)

As of 12/31/20	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFIX	19.10	11.60	13.15	8.27	6.12
Institutional Class - BUPIX ¹	19.24	11.75	13.31	8.43	6.27
Morningstar Global Markets ex-U.S. Index	11.17	5.07	9.27	5.40	3.07
Lipper International Fund Index	12.70	5.76	8.80	5.98	3.10

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 period included Taiwan Semiconductor Manufacturing Company, Ltd. (TSM), ASML Holding NV, and ICICI Bank. TSM, the largest contract semiconductor manufacturer in the world, continues to benefit from its technology leadership and dominant market share with higher growth and improving margins. ASML, a Dutch company, is facing strong demand for its photolithography systems that are used in the manufacturing of leading-edge semiconductors -- ASML is the largest supplier in the world for these systems. Along with TSM, ASML could be a beneficiary of some longer-term trends affecting the semiconductor industry, such as spend on elevated logic and memory equipment for artificial intelligence. ICICI Bank, India's second largest private bank, benefited from the trend of private banks taking share from public banks. Its prior restructuring and digitalization efforts appear to be paying off, leaving it well-positioned to potentially benefit from normalizing business volume when the pandemic recedes.

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUPIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.05%	0.90%
Fund Assets:	\$536.07 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

↓ Top Detractors

Top detractors in the quarter were **SAP SE**, **Alibaba**, and **Symrise AG**. SAP, a developer of global business software for enterprise management, lowered its financial targets because of a push toward faster movement of their customers into cloud-based software, which puts near-term pressure on growth and margins. We continue to have faith in the longer-term outlook for the company, but acknowledge the next year or two could be less interesting in terms of growth. For now, we maintain the stock at a reduced weight in the portfolio. Alibaba, the largest ecommerce company in China, saw a dramatic reduction in its stock price after it confronted some issues in the quarter with the Chinese central government. The government is increasing regulation of the ecommerce and fintech industries in China, and put a stop to the initial offering (IPO) of one of Alibaba's equity holdings until such regulations are clear. While the IPO valuation has been significantly affected, we do not see the future earnings power of Alibaba as having been materially reduced, thus we hold our modest position and monitor new regulations to assess the company's long term potential. Finally, Symrise, a global player in the flavor and fragrance market, with a focus on natural products, posted slightly disappointing results in the 3rd quarter and suffered from a cyber-attack to production. The forward outlook for continued above-market organic sales growth and further margin expansion, however, looks intact. The company stands to benefit from increased product reformulations, driven by consumer trends toward natural, plant-based or health and wellness products.

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 saw in November after the initial approval of vaccines, there is considerable potential for strong market movement when cash is redeployed into markets from the sidelines, and we could see further market strength from enthusiasm linked to the pandemic recovery. The initial euphoria, however, has been tempered by the continued difficulty in moving past the pandemic, given new virus mutations and high rates of transmission. The first half of 2021 seems to be poised for a tug of war between the speed and efficacy of vaccination efforts and the rate of transmission of the virus. It will be difficult to get to a strong full economic recovery until we can attain some level of herd immunity, so we would not be surprised to see continued market volatility over the next quarter or two, especially if corporate earnings get pushed more and more toward the back half of the year.

While there are still some unknowns in terms of the recovery, and indeed the question of potential inflation is another one we will monitor closely, we remain optimistic that the back half of the year could yield more optimism about a return to global growth. We continue to note that stocks outside the U.S. are generally less expensive relative to their domestic counterparts, providing a potential platform for relative outperformance.

As always, our focus remains steadfast on seeking out the opportunities available in non-U.S. companies that are attractively-priced, financially-strong, and fueled by secular growth trends, in our opinion. 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. Read carefully before investing.

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

As of 9/30/20 the Buffalo International Fund top 10 equity holdings were Lonza Group 2.62%, Taiwan Semiconductor 2.42%, Sartorius Stedim Biotech 2.36%, Schneider Electric 2.29%, Linde 2.29%, Eurofins Scientific 2.28%, Hexagon 2.16%, SAP SE 2.09%, Aon 2.05%, Tomra Systems 2.05%. 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 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 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.

