

# International Fund

PM Commentary as of June 30, 2018



## CAPITAL MARKET OVERVIEW

The increased volatility experienced in the 1st quarter of 2018 continued on into the 2nd quarter for international markets, driven by a slowdown in economic growth outside the U.S. and elevated global trade tensions. Concerns of increasing trade protectionism along with the U.S. dollar's strength, led to the relative outperformance of domestically-focused industries and smaller capitalization companies, which generally do less international business, while larger capitalization and international stocks lagged. Crude oil prices continued to rise, despite the strong dollar, driven by lower stockpiles in the U.S. and President Trump's decision to withdraw from the Iran nuclear accord. Given the time lag in economic growth, central banks around the world still favor a more stimulative monetary policy framework relative to the U.S., but we expect the direction to become less accommodative over time.

## PORTFOLIO MANAGEMENT TEAM



### Bill Kornitzer, CFA

Co-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

## PERFORMANCE COMMENTARY

For the 2nd quarter of 2018, the Buffalo International Fund produced a return of +1.59%, outperforming the Russell Global ex-U.S. Index's return of -2.62%. The Fund's outperformance versus the benchmark was primarily driven by stock selection; however, our sector allocations had a slight positive impact on relative returns as well.

### TOP CONTRIBUTORS

Top contributors in the period included **Linde**, **Sartorius**, and **Kering**. Linde, a provider of industrial gases, benefited from the increasing likely approval of their merger with Praxair, allowing the potential deal synergies to begin to be priced in the stock. Sartorius, a leading equipment supplier to the biopharmaceutical industry, continued to benefit from the long-term opportunity of providing "picks and shovels" to the burgeoning biotechnology field, as supply chains continued to normalize. Kering benefited from continued robust improvement in their Gucci division along with a cleaning up of their operations with the distribution of their ownership stake in Puma to shareholders.

### TOP DETRACTORS

Detractors in the period included **Taiwan Semiconductor**, **Omron**, and **Ambev**. Omron, a manufacturer of electronic components, and Taiwan Semi, a chip manufacturer, were both impacted by a slowdown in demand for electronic components and concerns of building inventory levels. Meanwhile Ambev, a producer and distributor of beer, soft drinks, and other non-alcoholic beverages, which is based in Brazil, was primarily impacted on concerns that emerging markets would be severely impacted by higher U.S. interest rates and a rising U.S. dollar.

### Average Annualized Performance (%)

As of 6/30/18	1 YR	3 YR	5 YR	10 YR	Since Inception
<b>Buffalo International Fund</b>	10.77	9.36	8.91	5.51	4.62
<b>Russell Global ex-US Index</b>	7.72	5.53	6.56	3.08	1.73

*Expense ratio 1.05%. Inception Date 9/28/2007. 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](http://buffalofunds.com).*

## OUTLOOK

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While global growth has slowed recently, we expect the pick-up in growth that the U.S. experienced in the 2nd quarter will begin to be seen around the world. Equity markets have been increasingly concerned over rising protectionism and fears of escalating trade wars; however, we remain somewhat sanguine over the range of potential outcomes.

Our process naturally leads us away from commodity-oriented, heavily-cyclical industries which are typically the easy target of trade rhetoric, and toward secularly-growing companies with strong intellectual property and high barriers to entry. While not immune from a potential economic slowdown caused by an all-out trade war, we believe our approach to investing positions us to identify companies than can grow throughout the economic cycle.

Our view is that stocks outside the U.S. have become even less expensive relative to their domestic counterparts, and the heightened level of U.S. trade tension may actually increase the potential for internationally-based companies to increase market share. We hope to use any significant market dislocation caused by these trade concerns to add to positions in companies whose long-term prospects remain unchanged, in our view.

Economic conditions may ebb and flow, but our focus remains steadfast on investing in attractively-priced, financially strong, well-managed companies with innovative strategies, fueled by secular growth trends from our own internal analysis. 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 prospectus contains this and other important information about the investment company, and can be obtained by calling (800) 49-BUFFALO or visiting buffalofunds.com. Read it carefully before investing.*

As of 3/31/18 the Buffalo International Fund's top ten equity holdings were Kering 2.93%, Taiwan Semiconductor 2.54%, Wirecard 2.30%, SAP SE 2.25%, Fresenius SE 2.23%, Interxion 1.96%, Dassault Systemes 1.96%, Sartorius Stedim Biotech 1.90%, Davide Campari-Milano 1.88%, Broadcom 1.85%. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are for the previous quarter.

The opinions expressed are those of the Portfolio Manager(s) 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 Russell Global ex-U.S. Index measures the performance of the global equity market based on all investable equity securities, excluding companies assigned to the United States. 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 and 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.