

International Fund

PM Commentary as of September 30, 2017



Average Annualized Performance (%)

As of 9/30/17	1 YR	3 YR	5 YR	10 YR	Since Inception
Buffalo International Fund	21.23	9.13	9.89	4.43	4.42
Russell Global ex-U.S. Index	19.44	5.24	7.49	1.71	1.71

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.

CAPITAL MARKET OVERVIEW

Global equity markets continued their positive momentum into the 3rd quarter of 2017, supported by the most synchronized global expansion in years. With global economic growth coupled with low inflation, recession risk is low, and the normalization of monetary policy should keep inflation in check.

In the Eurozone, both the core and periphery are enjoying a period of expansion, despite a more worrisome situation in the United Kingdom. In Asia, China has benefited from the weaker U.S. dollar, and emerging markets have benefited from rebounding global trade and China's rising imports. Amidst the steady backdrop, international markets continued to perform well relative to the U.S. market, with the Russell Global ex-U.S. Index advancing 6.23% versus the Russell 3000 Index's return of 4.57%.

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

The Buffalo International Fund produced a return of 5.11% for the quarter and slightly underperformed the Russell Global ex-U.S. return of 6.15%. Fund performance lagged the index slightly primarily due to our lack of exposure to energy companies, the best performing benchmark sector during the period.

Overall, performance in the period was mostly driven by stock selection, and the top contributors in the quarter were **Wirecard**, a provider of internet payment and processing services, **Kering SA**, a Paris-based luxury group with a brand portfolio that includes Gucci Group, among others, and **ASML Holding NV**, a producer of semiconductor manufacturing equipment. Wirecard and Kering both reported 2nd quarter 2017 financial results that exceeded expectations. At Kering this was mostly due to the continued success of the Gucci brand and overall better management and use of direct-to-consumer and online commerce across all brands. Meanwhile Wirecard, one of the fastest-growing online payment companies, continued to see strong organic volume growth and has begun to benefit from prior acquisitions. Finally, ASML benefited from semiconductor manufacturers' increased spending on new production lines. The company is making progress at the 7nm node, and its EUV throughput issues appear to be improving.

Top detractors during the period included **Trivago** and **Allergan Plc**. Trivago, an online travel search platform, was negatively impacted by a decision from one of their customers to reduce spending on performance advertising through several online travel platforms, including Trivago's, which reduced the company's potential revenue growth in the near term. We continue to believe that the company's business model is the right place to be over the long term; however, we will be monitoring the relationships with its advertising customers closely. Meanwhile Allergan, the specialty pharmaceutical company, has been negatively impacted on concerns with pending litigation on the patent of one of its drugs.

OUTLOOK

The outlook for global growth continues to be positive. For the first time since 2007 all 45 countries tracked by the Organization for Economic Cooperation and Development (OECD) are on pace to growth this year, with growth rates expected to accelerate in 33 of those countries. While we appreciate the positive trend, we will continue to anticipate potential changes and the impact of fiscal tightening by central banks around the world. In Europe, we will continue to watch the United Kingdom, where there is rising inflation and lack of real income growth. In Asia, with the next Chinese National Congress pending, we will be monitoring the government's focus and the rebalancing of the Chinese economy, where economic expansion could be losing some momentum in the wake of tighter fiscal policy.

Whatever the economic changes are to come, our investment process remains the same. It is designed to favor a long-term secular growth perspective, within the context of our valuation and country-specific macro analyses. As usual, we are taking incremental risks where it makes sense, yet continuing to pursue our strategy of hedging capital from potential downside risks. We always look for opportunities to buy or add to companies that are exposed to secular growth, improving balance sheets, and sustainable business models that possess valuations that could provide appropriate potential returns for our investors. ◀

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 6/30/17 the Buffalo International Fund's top ten equity holdings were: Fresenius SE & Co. 2.78%, SAP SE 2.76%, Kering 2.57%, Taiwan Semiconductor Ltd. 2.50%, Davide Campari-Milano 2.32%, Broadcom Ltd. 2.25%, Linde AG 2.02%, Henkel AG & Co. 1.93%, Aon Plc. 1.89%, & Siemens AG 1.81%.

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. The Russell 3000 Index measures the performance of the 3,000 largest publicly held companies incorporated in the U.S. based on market capitalization. You 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.