

International Fund

PM Commentary as of December 31, 2017



CAPITAL MARKET OVERVIEW

Global equity markets ended 2017 on a strong note. The 4th quarter saw a continuation of trends that have influenced the market all year. Investor optimism about improving global economic growth and strong corporate earnings led to another quarter of higher stock prices and low volatility.

In the U.S. strong holiday sales and the passage of tax reform legislation boosted equity markets. Outside the U.S., performance was also strong. Japanese equities gained on higher corporate earnings, and emerging market equities outperformed developed markets. Equities in the Eurozone, however, declined slightly on profit-taking amidst a strengthening euro.

While the U.S. markets returned 6.34% in the 4th quarter, the Russell Global ex-U.S. Index lagged a bit behind with a return of 5.28%. Energy, materials, and technology were the best performing sectors in the 4th quarter globally, while health care, utilities, and telecom were the worst performing sectors.

PORTFOLIO MANAGEMENT TEAM



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Co-Manager since Inception
M.B.A. – Drexel University
B.S. – Virginia Tech



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M.B.A. – INSEAD (Paris)
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PERFORMANCE COMMENTARY

The Buffalo International Fund produced a return of 2.49% for the quarter, underperforming the Russell Global ex-U.S. return of 5.28%. Fund performance lagged the index due to our underweight position in financials and lack of exposure to energy, as well as stock selection.

The top contributors in the quarter were **Kering SA** (a Paris-based luxury group with a brand portfolio that includes Gucci Group), **Wirecard** (a provider of internet payment and processing services), and **Carl Zeiss Meditec AG** (a medical technology and ophthalmology company).

Kering and Wirecard both reported 3rd quarter financial results that exceeded expectations. At Kering this was mostly due to the continued success of the Gucci brand. Meanwhile Wirecard, one of the fastest-growing online payment companies, continued to see strong organic volume growth and is benefiting from prior acquisitions. Finally, Carl Zeiss reported full-year financial results that surpassed expectations on strong sales of refractive lasers, as well as intra-ocular lenses and diagnostics.

Top detractors during the period included **Adidas AG**, **Fabrinet**, and **Aon plc**. Adidas, the second-largest sports-wear manufacturer after Nike, reported 3rd quarter sales that were slightly below expectations and a sales growth rate that slowed from 19% in the prior quarter to 12%. Fabrinet, a contract manufacturer of optical communications, automotive, industrial, and imaging components, reported a slower and delayed increase in Chinese orders for optical networking equipment. Aon, a top global insurance and reinsurance broker, reported organic growth that was a little light of expectations, as well as the intention to invest some of their profitability to further their growth ambitions.

Average Annualized Performance (%)

As of 12/31/17	1 YR	3 YR	5 YR	10 YR	Since Inception
Buffalo International Fund	29.33	9.93	9.20	4.61	4.56
Russell Global ex-US Index	27.83	8.45	7.41	2.29	2.18

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.

OUTLOOK

The outlook for global growth in 2018 continues to be positive, as the synchronized expansion has spread over much of the globe. More volatility is possible this year, however, as the Fed raises rates. We will be monitoring corporate earnings, the impact of fiscal tightening by central banks around the world, 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 9/30/17 the Buffalo International Fund's top ten equity holdings were: Kering 2.76%, SAP SE 2.65%, Taiwan Semiconductor 2.46%, Fresenius SE 2.40%, Davide Campari-Milano 2.19%, Broadcom 2.15%, Linde AG 2.04%, Wirecard 2.01%, Aon 1.90%, Interxion 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. 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.