Buffalo Small Cap Fund

QUARTERLY
COMMENTARY

June 30, 2020

Capital Market Overview

Equity markets rebounded sharply in the 2nd quarter following steep losses in the previous period. The S&P 500 Index produced a return of 20.54%, marking the best quarterly performance results in 20 years. Stimulus efforts by the Federal Reserve (the "Fed") and the U.S. Treasury Department to limit COVID-related economic damage helped equity markets find a floor in late March. Declining COVID-19 case counts, optimism about treatment and potential vaccines, along with better-than-expected economic data also contributed to improved investor sentiment during the period. Although confirmed virus cases began spiking again in the final days of June, it was not enough to undo the best quarterly market results since the dot-com boom.

The broad market Russell 3000 Index advanced 22.03% in the quarter, and Growth outperformed Value as the Russell 3000 Growth Index moved up 27.99% during the period, compared to the Russell 3000 Value Index's advance of 14.55%. Relative performance was inversely-correlated by market cap as the Russell Micro Cap Index advanced 30.54%, well above the large cap Russell 1000 Index's return of 21.82%. Meanwhile the small cap Russell 2000 Index and the Russell Mid Cap Index were up 25.42% and 24.61%, respectively. The best performing sectors were Technology, Consumer Discretionary, and Energy while the less cyclically exposed, more defensive areas like Utilities, Telecommunication, and Consumer Staples lagged in the quarter.

Performance Commentary

The Buffalo Small Cap Fund produced a return of 43.88% during the quarter, outperforming the Morningstar U.S. Small Growth Index's advance of 32.84%. Strong stock selection in Information Technology, Health Care, and Consumer Discretionary were the biggest drivers of outperformance relative to the Index. During the broad market selloff of the 1st quarter, small cap growth stocks declined by about 9% more than large cap growth. This reversed itself in the 2nd quarter, when small caps rebounded more strongly and outperformed large cap growth.

Average Annualized Performance (%)

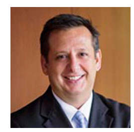
As of 6/30/20	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFSX*	25.26	18.61	13.69	13.71	9.75	12.34
Institutional Class - *BUISX*[1]	25.49	18.80	13.87	13.89	9.92	12.51
Morningstar U.S. Small Growth Index	8.79	11.67	9.51	14.09	9.47	6.34
Lipper Small Cap Growth Fund Index	6.40	12.86	9.67	13.49	8.75	7.20

[1]For 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.

Fund Facts

	Investor	*Institutional*
Ticker:	BUFSX	BUISX
Inception Date:	4/14/98	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	$614.13 Million	
Category:	Small Cap Growth	
Benchmark:	Morningstar U.S. Small Growth Index	

Management Team



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BUFFALO FUNDS

↑ Top Contributors

Livongo Health was the best performing stock for the Fund during the quarter, returning 164%. The company is a leading provider of technology solutions for remote monitoring of patients with chronic medical conditions. In the current environment of COVID-19 quarantines, demand for the company's solutions has accelerated. Strong operating performance along with increased investor willingness to pay higher multiples for companies with solutions that benefit from the pandemic, helped drive the stock to all-time highs in the quarter.

Lovesac, a maker of comfortable modular sofas and seats, was another strong performing position during the quarter, and the stock climbed 350%. Shares sold off sharply in the 1st quarter due to investor fears that its business would suffer if its retail showrooms could not operate during business closures. However, the company pivoted towards e-commerce during the pandemic and subsequently reported very strong growth in its online channel. The company has also benefited as many consumers increased spending on home-related items during the quarantine.

↓ Top Detractors

After several consecutive quarters of very strong performance, eHealth was the biggest detractor from Fund performance during the quarter. The company is a market leader in helping seniors select the best Medicare Advantage, Supplemental Medicare, and/or Part D health care insurance options. The company's share price took a step back during the quarter due, in part, to investor concerns about increased churn as the company pushed more consumers to their online channels. However, we believe the long-term outlook for the company and its business model remains strong.

Outlook

The first two quarters of 2020 were turbulent for investors, and we expect the trend of elevated volatility to continue into the 2nd half of the year. We believe the trajectory of the COVID-19 pandemic will be a key driver of market direction. The gradual reopening of the U.S. economy has coincided with a surge of virus cases in Sunbelt states and California. Investors will closely watch evolving data on infection rates, hospitalization rates, and deaths, and, while we believe that state and federal governments will resist shutting down economies again, any signs that the U.S. is returning to broad-based quarantines would likely lead the stock market downward.

We are also closely watching for news on treatments, as well as indications of a promising vaccine, and expect to see more data within the next several months. Any sign that an effective vaccine could be rolled out in the near term would be a binary event, and we would expect the market, especially the value stocks that have lagged growth in the 1st half of 2020, to rerate and trade sharply upward.

The trajectory of the U.S. economy and potential recovery in the job market remains another question mark. While jobless claims in June have pointed to a sharp recovery in the U.S. job market, employment remains far below pre-pandemic levels, and any efforts to reinstate quarantines could derail the recovery.

We are also paying close attention to the upcoming elections in November. Recent signs suggest larger Democratic Party gains than what we would have predicted at the start of 2020. Large Democratic gains could lead to factors such as higher corporate taxes, an increased focus on prescription drug prices, and regulatory pressure on the business models of the mega-cap technology companies that have been market leaders in recent years.

Other factors that could drive market volatility in coming months include: (i) the extension or expiration of various government stimulus efforts this Summer and Fall; (ii) expansion of the protest movements that swept across numerous large cities in June; and (iii) the upcoming earnings season. Earnings announcements will give us a better sense of the declines and balance sheet stress experienced by corporate America due to the pandemic-related shutdowns. Within this framework, we are cautiously optimistic about the prospects for an economic recovery in the U.S., but expect significant volatility in small cap growth stocks in coming months.

We finished the June quarter with 75 investment positions, and the Fund was close to fully-invested with less than 1% weighting in cash. We are continuing to allocate capital to ideas that we believe have the best risk/reward tradeoffs. As always, we will look to reduce or sell positions that trade above a market cap that we believe is no longer reflective of a small cap company or are considered to be fully-valued, and replace them with small cap stocks with a better risk/reward opportunity. We also continue to invest in companies whose organic growth is pressured in the near-term by pandemic-driven slowdown, but whose business models and balance sheets are strong. We believe many of these businesses can use the downturn as an opportunity to operate more efficiently, gain market share, and find new opportunities for growth. We expect many of these holdings to emerge from the downturn with stronger, higher-margin businesses after the U.S. economy returns to more normalized levels. Our time-tested strategy of investing in premier smaller market cap companies, which could benefit from long-term trends, and that trade at attractive valuations, remains the cornerstone of our work. We appreciate your continued confidence in our efforts.

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 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 3/31/20 Buffalo Small Cap Fund top 10 equity holdings were eHealth 3.05%, Bandwidth 2.72%, Quidel 2.46%, Natera 2.42%, CyrusOne 2.42%, ICF Intl 2.40%, CareDx 2.29%, Ligand Pharmaceuticals 2.28%, Air Transport Services Group 2.25%, Livongo Health 2.18%. 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 S&P 500 Index is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. The Russell 3000 Index measures the performance of the 3,000 largest publicly held companies incorporated in the U.S. based on market capitalization. The Russell 3000 Growth Index is a market-capitalization weighted index that measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth rates. The Russell 3000 Value Index is based on the Russell 3000 Index, of companies with lower price-to-book ratios and lower expected growth rates which measures how U.S. stocks in the equity value segment perform. The Russell Micro Cap Index measures the performance of 2,000 small cap and micro cap companies. The Russell 1000 Index is a subset of the Russell 3000 Index and measures the performance of the 1,000 largest publicly-held companies incorporated in the U.S. based on market capitalization. The Russell 2000 Index is an unmanaged index that consists of the smallest 2,000 securities in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. The Morningstar U.S. Small Growth Index measures the performance of U.S. small-cap stocks that are expected to grow at a faster pace than the rest of the market as measured by forward earnings, historical earnings, book value, cash flow and sales. The Lipper Small Cap Growth Fund Index is an unmanaged, equally weighted performance index of the 30 largest qualifying mutual funds (based on net assets) in the Lipper Small-Cap classification. One cannot invest directly in an index.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in smaller companies, which involves additional risks such as limited liquidity and greater volatility than larger companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. This risk is greater in emerging markets.

Kornitzer Capital Management is the advisor to the Buffalo Funds, which are distributed by Quasar Distributors, LLC.