Buffalo Growth Fund

QUARTERLY COMMENTARY

December 31, 2023

Capital Market Review

2023 concluded with capital markets moving higher in the final quarter of the year. The S&P 500 Index gained 11.69% and the Bloomberg Aggregate Bond Index advanced 6.82%. A big pivot in expectations for the Federal Reserve's monetary policy drove the market advance during the period, as investors now anticipate a decline in interest rates for 2024. The yield of the U.S. Treasury 10-year note finished the quarter at 3.88%, a significant drop from its peak of nearly 5% in mid-October.

Recapping broad-based index results, the Russell 3000 Index gained 12.07% during the period. Growth stocks outperformed value stocks as the Russell 3000 Growth Index advanced 14.09% compared to a gain of 9.83% for the Russell 3000 Value Index. In typical "risk-on" fashion, relative performance improved going down in market capitalization (size) during the quarter as small caps advanced more than large caps. Larger cap stocks produced a return of 11.96%, as measured by the Russell 1000 Index, compared to the smaller cap Russell 2000 Index return of 14.03%. The even smaller market cap Russell Microcap Index rallied 16.06% in the quarter.

The stock market recorded impressive gains for 2023 with the S&P 500 Index advancing 26.29%. However, it was a "narrow" market as the "magnificent seven" technology and artificial intelligence (AI) stocks accounted for approximate 80% of the S&P 500's gains in 2023, versus a broad market advance where hundreds of stocks propel the index higher. In terms of economic sectors, technology, communication services, and consumer discretionary stocks were the brightest spots while the utilities and energy sectors declined in 2023.

Performance Commentary

The Buffalo Growth Fund gained 13.12% in the fourth quarter compared to the Russell 3000 Growth Index return of 14.09%. Strong stock selection in the Consumer and Technology sectors largely offset poor stock selection in the Health Care sector. Within the Consumer sector, overweight positions in Amazon, Uber, and not owning Tesla drove relative performance. Our performance in the tech sector was driven by several software companies (Microsoft, Adobe, DoubleVerify, Intuit, Palo Alto Networks, Salesforce, ServiceNow). Within Healthcare, life sciences and medical device companies continued to underperform, but most of the underperformance was driven by Establishment Labs (discussed on the following page).

Average Annualized Performance (%)

As of 12/31/23	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFGX*	42.64	6.13	15.13	11.34	14.15	10.56
Institutional Class - *BUIGX*[1]	42.79	6.27	15.29	11.50	14.32	10.72
Russell 3000 Growth Index	41.21	8.08	18.85	14.33	16.37	10.35

[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.

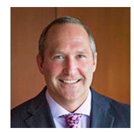
↑ Top Contributors

Shares of **Microsoft** advanced over 19% in the quarter. The company reported sales and earnings ahead of street expectations, driven by strength across all business lines, particularly Azure and personal computing. Microsoft has been investing heavily in the development of AI-powered solutions across its various business segments, such as using AI to enhance productivity and efficiency in its Azure cloud infrastructure, Search and Office software suite. Microsoft should continue to grow their leading share in cloud computing, gaming, and MS Office productivity applications.

Fund Facts

	Investor	*Institutional*
Ticker:	BUFGX	BIIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.92%	0.77%
Fund Assets:	$163.23 Million	
Category:	Large Cap Growth	
Benchmark:	Russell 3000 Growth Index	

Management Team



Dave Carlsen, CFA

Co-Manager since 2007
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Top 10 Holdings*

Microsoft Corporation	12.87%
Alphabet Inc.	10.12%
Apple Inc.	9.58%
Amazon.com, Inc.	6.26%
Mastercard Inc. Class A	3.30%
Adobe Incorporated	2.79%
Visa Inc. Class A	2.70%
NVIDIA Corporation	2.68%
Meta Platforms Inc. Class A	2.42%
UnitedHealth Group Inc.	2.12%
Top 10 Holdings Total	**54.84%**

Amazon.com shares rallied in the quarter, after the company reported a margin driven earnings beat. The company continued to gain market share in North American ecommerce and digital advertising markets. AWS growth stabilized with artificial intelligence products growing rapidly. Looking forward, we expect Amazon to continue to dominate ecommerce, benefit from growth in the public cloud, and continue to rapidly grow advertising revenues.

↓ Top Detractors

Within the Healthcare sector, **Establishment Labs (ESTA)** is bringing innovation to the breast implant space that has not had material change for close to 20 years. Their products offer a superior safety profile to that of legacy breast implant manufacturers, and they are rolling out a less invasive procedure that could drive volume growth. The incremental pressure on the shares in the calendar fourth quarter was due to significant slowing of demand for breast augmentation procedures in foreign geographies. Over half of the company's revenue comes from distributors who serve plastic surgeon practices. As the consumer showed some signs of weakness and economic conditions tightened, distributors put the brakes on orders and started to draw down existing inventories versus continuing to replenish. The shares have rallied in early 2024 on the news of approval to enter the Chinese market and indications that distributor inventory destocking is behind them. Additionally, investors are refocused on the pending approval to enter the U.S. market which represents over half the global opportunity.

Schlumberger, an oilfield services company that provides technology for reservoir characterization, drilling, production, and processing was another detractor in the quarter. Shares followed the price of oil lower during the quarter. Looking forward, we expect Schlumberger to continue to benefit from years of underinvestment in global energy production.

Outlook

In the first quarter of this year, investors were concerned that the Federal Reserve would push the economy into recession with their rapid interest rate increases. In the second quarter, investors became convinced that the Federal Reserve would be able to tame inflation without killing economic expansion, also known as a "soft landing". In the third quarter, investors returned to fretting over a possible or probable recession again. In the fourth quarter, the Federal Reserve signaled a more dovish position and a likely peak in interest rates for this cycle. Investors cheered that outlook, and the prevailing view is again for the economy to have a soft landing. We highlight this mainly to point out how fickle the financial markets are and how quickly the prevailing view can change.

We do not know if there will be a recession this year, next year, or the year after, but we remain focused on investing in businesses that will be larger and more profitable many years from now and have the financial strength to weather a recession whenever one occurs. Regardless of what happens with the economy or broader equity markets, we will strive to maximize risk-adjusted returns in the portfolio by investing in attractively valued businesses with solid growth opportunities, durable competitive advantages, scalable business models, and exceptional management teams.

Thank you for your continued support.

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. Investing in both actively and passively managed mutual funds involves risks and principal loss is possible.

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 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 Conference Board of Leading Economic Index provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term. 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 1000 Index is an unmanaged capitalization-weighted index of approximately 1,000 of the largest companies in the U.S. equity markets. 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 Microcap Index is an unmanaged capitalization weighted index of 2,000 small cap and micro cap companies. The Bloomberg US Aggregate Bond Index is a broad base, market capitalization weighted bond market index representing intermediate term investment grade bonds traded in the United States. The Russell 3000 Value Index is an unmanaged index with a market-capitalization weighted equity based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform. The Magnificent Seven is a term used to describe the technology oriented, highly influential companies of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. It is not possible to invest directly in an index. A basis point is one hundredth of a percentage point (0.01%).

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than large-cap companies. The Fund invests in foreign securities which involve greater volatility and political, economic, and currency risks as well as differences in accounting methods.

*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 9/30/23. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

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

BUFFALO FUNDS