BUFFALO HIGH YIELD FUND

MANAGER COMMENTARY

March 31, 2024

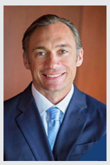
Tickers: **BUFHX | BUIHX**

MORNINGSTAR RATING

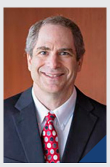
★★★★★

Overall Morningstar Rating™ of BUFHX based on risk-adjusted returns among 606 High Yield Bond funds as of 3/31/2024.

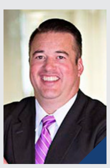
FUND MANAGEMENT



Paul Dlugosch, CFA
Co-Manager since 2007
26 Years Investment Experience
B.S. - University of Iowa



Jeff Sitzmann, CFA
Co-Manager since 2007
36 Years Investment Experience
MBA - University of Chicago
B.B.A. - University of Toledo



Jeff Deardorff, CFA
Co-Manager since 2015
26 Years Investment Experience
B.A. - Kansas State University

ABOUT US

The Buffalo Funds are a family of 10 actively-managed, no-load mutual funds, which provide a variety of long-term investment options for investors. We believe that patient investing, backed by solid, intelligent research, can be the best way to achieve long-term financial returns.

CONTACT US

800.49.BUFFALO
buffalofunds.com

1 Would you please comment on the Fund's performance during the first quarter of 2024 and for longer periods?

We are pleased the Fund's 2.72% return outperformed the Morningstar High Yield Bond category's average return of 1.67%, an outperformance of over 100 basis points, for the three months ended March 31, 2024. The Fund's 1-year return of 12.07% also outperformed the category's average 10.40% return as of March 31, 2024.

Part of our recent outperformance stems from our focus on single-B issuers and higher-quality non-investment grade bank loans. We do not typically invest in distressed debt issuers, which are often poorly capitalized, more volatile, and less liquid. We also attribute our outperformance over time to our credit-intensive investment process that focuses on experienced management teams, consistent positive cash flow and disciplined balance sheet management.

As a result, the Fund has outperformed our Morningstar category peers over multiple time periods. In fact, the Fund is the only fund (out of 432 funds in the category) that has Morningstar's Overall 5-Star Rating; top 10% or better performance for the 3-, 5-, and 10-year periods; and Morningstar's "Low" or "Below Average" Risk Rating over the 3-, 5-, and 10-year periods as of March 31, 2024.

2 Would you please discuss the Fund's current allocation to high-yield bonds vs bank loans?

We have had a very high conviction in the bank loan market for the past several quarters. As of March 31, 2024, the Fund was allocated 29% to leveraged loans,

Continued

PERFORMANCE (%) AS OF 3/31/2024

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFHX	**2.72**	**12.07**	**3.98**	**5.92**	**4.76**	**6.75**
Institutional Class - BUIHX[1]	**2.76**	**12.24**	**4.13**	**6.06**	**4.90**	**6.91**
ICE BofA U.S. High Yield Index	1.52	11.12	2.25	4.06	4.38	6.63
Morningstar High Yield Bond Cat. Avg.	1.67	10.40	2.07	3.76	3.60	–
Percentile Rank in Morningstar Cat. – BUFHX		**13**	**6**	**3**	**8**	
# of Funds in Category		666	606	575	432	
Morningstar Risk Rating			Low	Below Avg.	Below Avg.	

Expense Ratio: Investor Class 1.03%, Institutional Class 0.87%

Inception dates: BUFHX 5/19/1995, BUIHX 7/1/2019. Average annual total return represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate and redemption value may be more or less than original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by visiting buffalofunds.com. [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.

which is the highest percentage it has ever been. When the Fed changed its stance last December to a dovish tone, several rate cuts were expected in 2024 with the reductions beginning early in the year. Our view at the time was that it would take longer for the rate cuts to occur given the resiliency of the consumer and somewhat "stickier" inflation than consensus. Fortunately, our thesis played out and the trajectory for rate cuts now has somewhat dampened. As such, our floating rate loans have benefited as the Fed Funds rate remained elevated.

We also view non-investment grade bank loans currently as very attractive on a relative basis to high yield bonds. Bank loans offer a more defensive position relative to high yield issues as they provide senior positioning in the capital structure and less interest rate sensitivity due to their floating rate structures.

3 How does the Fund's investment approach impact its risk profile?

We believe that investment returns and risk mitigation go hand-in-hand. Accordingly, we take a long-term view when investing, and generally prefer to hold issues until maturity or early redemption. As a result, the Fund's 33% turnover ratio is significantly lower than the Morningstar High Yield Bond category's average turnover ratio of 57% as of March 31, 2024. In addition, we believe our investment approach has contributed to the Fund's low relative downside capture ratio. For example, as shown in the table, the Fund has a lower downside capture ratio over multiple time frames relative to our Morningstar peer group.

Downside Capture	3 Yr	5 Yr	10 Yr
Buffalo High Yield Fund	**12**	**23**	**15**
Morningstar High Yield Bond Category Avg.	48	61	53

Sharpe Ratio	3 Yr	5 Yr	10 Yr
Buffalo High Yield Fund	**0.22**	**0.51**	**0.56**
Morningstar High Yield Bond Category Avg.	-0.06	0.23	0.34

Source: Morningstar as of 3/31/2024

We favor companies that have more predictable or contractual cash flows. We are risk-focused investors, and our credit-intensive investment approach focuses on risk-adjusted returns. Compared to the Morningstar High Yield Bond category average, the Fund had better risk-adjusted returns for the 3-, 5-, and 10-year periods as measured by Sharpe ratio.

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 may be obtained by calling (800) 49-BUFFALO or visiting buffalofunds.com. Read them carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in foreign securities include additional risk such as greater volatility, and political, economic, and currency risks, as well as difference in accounting methods.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a 3-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all 3 rating periods. The Buffalo High Yield Fund (BUFHX) received 5 stars among 606 for the 3-year, 5 stars among 575 for the 5-year, and 5 stars among 432 High Yield Bond funds for the 10-year period ending 3/31/2024 based on risk-adjusted returns. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

Morningstar Risk scores for a given time period (three, five, or 10 years) reflect the Fund's Morningstar risk score plotted on a bell curve: Monthly calculations are based on whether the Fund scores in the top 10% of its category, its risk score is considered High; if it falls in the next 22.5% Above Average; a place in the middle 35% is Average; those lower still, in the next 22.5%, are Below Average and the bottom Low. Overall Morningstar risk score is a weighted average of the available three, five, and 10 year Morningstar risk scores. Investments with less than three years of performance history are not rated.

Morningstar rankings are based on a fund's average annual total return relative to all funds in the same Morningstar category. Fund performance used within the rankings, reflects certain fee waivers, without which, returns and Morningstar rankings would have been lower. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100.

The ICE BofA U.S. High Yield Index is an unmanaged index that tracks the performance of U.S. dollar denominated, below investment-grade rated corporate debt publically issued in the U.S. domestic market. One cannot invest directly in an index.

A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO), such as Moody's or Standard & Poor's. The firm evaluates the of credit worthiness of an issuer with respect to debt obligations, including specific securities, money market instruments, or other bonds. Ratings are measured on a scale that generally ranges from Aaa (highest grade) to C (lowest grade); ratings are subject to change without notice.

Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. Free cash flow is a measure of the cash produced by the firm in a given period on behalf of equity holders. The true measure of the value of a firm's equity is considered to be the present value of all free cash flows. Downside capture ratio is used to evaluate how well or poorly an investment manager performed relative to an index during periods when that index has dropped. An investment manager who has a downside capture less than 100 has outperformed the index during the down-market. For example, a manager with downside capture of 80 indicates the manager's portfolio declined only 80% as much as the index during the period in question. Turnover ratio is a measure of the fund's trading activity computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets. A turnover ratio of 100% or more does not necessarily suggest that all securities in the portfolio have been traded. In practical terms, the resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past year. Benefits: A low turnover figure (20% to 30%) would indicate a buy-and-hold strategy.

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