

Tickers: **BUFHX** | **BUIHX**

MORNINGSTAR RATING



Overall Morningstar Rating™ of BUFHX based on risk-adjusted returns among 618 High Yield Bond funds as of 12/31/2023.

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 share your perspective on the markets in 4Q23?

The most significant event for the markets in 4Q23 was the Federal Reserve's decision in December to leave interest rates unchanged for the third consecutive session. Importantly, the Fed announced their intention to cut borrowing costs three times in the coming year as inflation continues to cool and joblessness rises only slightly.

Both the equity and high yield markets rallied on this news. The ICE BofA U.S. High Yield Index posted 13.46% for all of 2023 and 7.06% of that return came in the fourth quarter alone.

These actions signal a shift toward the Fed's next phase in quelling heightened inflation as they aim for a "soft landing" by reducing inflation to target levels without causing an economic slowdown.

At the same time, the consumer market remains resilient despite higher inflation and higher interest rates. In fact, the National Retail Federation is expecting record holiday spending and projects retail sales to increase 3-4% over 2022. That combination has come as a surprise to economists.

2 Would you please comment on the Fund's risk/reward profile?

As risk-conscious investors, we favor companies with reasonable credit statistics which typically operate in less cyclical industries and avoid investments in distressed securities or CCC-rated bonds. In addition, the Fund maintains a shorter duration than the Morningstar High Yield Category average. As a result, the portfolio has lower risk than our Morningstar peers as evidenced by lower standard deviation and more attractive downside capture ratios.

LOWER RISK PROFILE – STANDARD DEVIATION

	3 Yr	5 Yr	10 Yr
Buffalo High Yield Fund	5.33	7.89	6.01

Morningstar High Yield Bond Funds Category Avg. 7.66 9.19 7.29

Source: Morningstar as of 12/31/2023

DOWNSIDE PROTECTION – DOWNSIDE CAPTURE RATIO

	3 Yr	5 Yr	10 Yr
Buffalo High Yield Fund	10.16	23.87	18.14

Morningstar High Yield Bond Funds Category Avg. 44.11 61.64 55.58

Source: Morningstar as of 12/31/2023

3 Would you please discuss the Fund's long-term performance relative to the Morningstar High Yield Bonds category?

The Fund has outperformed our Morningstar category peers over multiple longer time periods. In fact, the Fund is one of just four funds (out of 126 unique funds) in the Morningstar High Yield category that has **top quintile (20% or better) performance for the 3-, 5- and 10-year periods, along with Morningstar's "Below Average" or "Low" Risk Rating for the 3-, 5- and 10-year periods.**

Continued

We believe the Fund's relative outperformance during these periods can be primarily attributed to our risk-focused investment approach. Because of our credit-intensive research and fundamental selection process, we favor publicly owned, small- and mid-sized companies that have experienced and disciplined management teams, positive free cash flow, strong balance sheets, and attractive asset coverage ratios. As a result, the Fund's risk-adjusted return, as measured by Sharpe ratio, compares favorably to our Morningstar peer group.

COMPELLING RISK-ADJUSTED RETURNS – SHARPE RATIO

	3 Yr	5 Yr	10 Yr
Buffalo High Yield Fund	0.24	0.58	0.56

Morningstar High Yield Bond Funds Category Avg. -0.02 0.34 0.37

Source: Morningstar as of 12/31/2023

PERFORMANCE (%) AS OF 12/31/2023

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFHX	11.68	11.68	3.64	6.44	4.59	6.72
Institutional Class - BUIHX¹	11.85	11.85	3.80	6.59	4.74	6.87
ICE BofA U.S. High Yield Index	13.54	13.54	2.05	5.24	4.53	6.64
Morningstar High Yield Bond Cat. Avg.	12.08	12.08	1.88	4.70	3.68	–
Percentile Rank in Morningstar Cat. – BUFHX		66	10	5	11	
# of Funds in Category		670	618	586	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. ¹For 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.

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 618 for the 3-year, 5 stars among 586 for the 5-year, and 5 stars among 432 High Yield Bond funds for the 10-year period ending 12/31/23 based on risk-adjusted returns. © 2024 Morningstar, Inc. All Rights Reserved. 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 publicly issued in the U.S. domestic market. One cannot invest directly in an index.

A CCC-rated bond demonstrates very low credit quality. 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 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.

December 31, 2023

BUFFALO HIGH YIELD FUND



Duration is a measure of the sensitivity of the price of a fixed income investment to a change in interest rates. Standard Deviation measures the distance from the mean in a set of data points, giving analysts an idea of the variance that could occur; used to illustrate volatility in a portfolio. 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. 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.

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