

Tickers: **BUFSX** | **BUISX**

MORNINGSTAR RATING



Overall Morningstar Rating™ of BUFSX based on risk-adjusted returns among 563 Small Growth funds as of 12/31/2023.

FUND MANAGEMENT

**Bob Male, CFA**

Manager since Inception
37 Years Investment Experience

MBA - Southern Methodist
B.S. - University of Kansas

**Craig Richard, CFA**

Manager since 2023
21 Years Investment Experience

MBA - University of Kansas
B.S. - 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 stock market in 2023 and factors that influence the Fund's portfolio selection?

In 2023, we found the overall economy to be surprisingly resilient as demonstrated by the strong labor market and robust consumer spending. This occurred despite the Federal Reserve's efforts to control inflation through a series of interest rate increases that began in March 2022. With respect to the stock market, two themes that captured outsized interest and boosted returns included the proliferation of the use of artificial intelligence, and the development of GLP-1 drugs targeting diabetes and obesity.

During the year, these drivers, among others, pushed growth-oriented companies upward. Companies across the range of market caps benefited, with larger companies benefiting the most, partly driven by the outperformance of the "Magnificent Seven." For example, the Russell 1000 Growth Index of large-cap companies, the Russell Midcap Growth Index, and the Russell 2000 Growth Index of small-cap companies, returned approximately 43%, 26%, and 19%, respectively, in 2023.

As an actively managed strategy, our long-standing, bottom-up investment approach features extensive company research. We continue to seek high-quality companies that meet our criteria including strong management teams, consistent free cash flow generation, scalable business models, and sustainable competitive advantages. We believe this approach allows the portfolio to perform well over full market cycles while being mindful of risk.

2 As a small-cap growth manager, would you please comment on your approach to non-earning companies in the Fund's portfolio?

The Fund is a true small-cap fund, with a weighted average market cap of \$3.8 billion as of December 31, 2023. Small-cap companies, in general, are early in their business life cycle but there is wide range of operational maturity in the small-cap universe. Our emphasis is primarily on companies that are profitable, with a smaller portion of the portfolio in companies that do not yet have earnings. Currently, non-earning companies represent approximately 9% of the portfolio vs approximately 15% in the Russell 2000 Growth Index. When considering non-earning companies for investment, we are focused on selecting those that stand out from their peers with solid fundamentals and high-quality business models that are poised for growth and are on the path to profitability.

3 Would you please provide some examples of portfolio companies that illustrate secular trends driving company-specific growth?

The Fund invests in companies that are poised to benefit from one or more secular trends that we believe have the potential to drive long-term growth. A few examples of portfolio holdings include the following:

- ▶ **PGT Innovations Inc. (PGTI)** is a beneficiary of the Demographic Shifts secular trend. The company manufactures impact-resistant windows and doors that are designed to withstand major storms especially in coastal areas. PGTI's products are sold primarily in Florida, the Caribbean, Canada, and South and Central America.

- ▶ **Wingstop Inc.** (WING) is a restaurant operator that benefits from the Shift to Digital secular trend. The restaurant, which specializes in chicken wings, recently expanded its menu to include chicken sandwiches. The company is leveraging mobile-ordering technology through its new app that allows customers to order ahead and pick up in store. With the emphasis on mobile-app ordering and pickup, many of Wingstop's new stores are being built with smaller square footage, reducing its real estate and overhead costs.
- ▶ A recent addition to the portfolio is **Vertex Inc.** (VERX), which provides tax compliance software. Vertex delivers comprehensive tax solutions that enable businesses to comply with complex requirements. For example, companies can utilize Vertex software for calculating and reporting sales tax in multiple countries and a wide range of state and local governments. We believe this company stands to benefit from trends including Globalization and Outsourcing.

PERFORMANCE (%) AS OF 12/31/2023

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFSX	5.45	5.45	-8.19	12.66	7.50	11.05
Institutional Class - BUISX¹	5.57	5.57	-8.06	12.82	7.65	11.22
Russell 2000 Growth Index	18.66	18.66	-3.50	9.22	7.16	6.12
Morningstar Small Growth Cat. Avg.	16.68	16.68	-2.29	10.99	8.09	-

Expense Ratio: BUFSX 0.99%, BUISX 0.87%

Inception dates: BUFSX 4/14/1998, BUISX 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. 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.

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 Small Cap Fund (BUFSX) received 2 stars among 563 for the 3-year, 3 stars among 528 for the 5-year, and 2 stars among 405 Small Growth 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.**

The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Growth Index is an unmanaged index that measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. One cannot invest directly in an index. 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. Weighted average market cap is the average market capitalization of all companies in a fund, with each company weighted according to its percent held in the fund.

Holdings in the Fund as a percentage of net assets as of 9/30/2023: PGT Innovations Inc. 2.14%, Wingstop Inc. 1.48%, and Vertex Inc. 0.00%. Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security. Holdings for the quarter are not disclosed until 60 days after quarter end.

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