

Capital Market Overview

Equity markets advanced in the first quarter of 2024, as the S&P 500 Index gained 10.56% and closed at an all-time high. Markets outside of the U.S. also gained, although currency conversion had a negative effect for U.S. investors as the U.S. dollar strengthened against foreign currencies on expectations that interest rate cuts in the U.S. would be pushed out into the future. The MSCI ACWI ex-USA Index gained a more modest 3.89%.

Japan's stock market was the strongest performing global market in the quarter and the Nikkei 225 Index gained 20.03% in local currency. However, the yen weakened substantially against the U.S. dollar reducing the index return to 11.43% in USD terms. The Japanese Central Bank decided to end negative rates in March, though did not signal significant further increases going forward.

Elsewhere in Asia, performance was weak after adjusting for currency. The Korean and Australian markets were both modestly negative and the Hong Kong Hang Seng Index declined -3.16% in U.S. dollar terms. In China, weak business and consumer sentiment along with price deflation continued to drag down the Chinese economy.

European market performance was positive during the quarter as the STXE 600 Index, a broad European Index, advanced 4.44% in U.S. dollar terms (6.40% in local currency). The German DAX was again the strongest performing market in Europe while United Kingdom's FTSE 100 Index gained only modestly. Both U.K. and Eurozone economic data continued to be weak in the quarter, but as inflation continued to recede, optimism increased around potential interest rate cuts in Europe on the horizon.

Finally, emerging market performance was mixed in the quarter. The Brazilian IBOVESPA Index fell -7.42% in U.S. dollar terms (-4.53% in local) while India gained 2.56%.

Performance Commentary

The Buffalo International Fund posted a return of 5.43% for the quarter, outperforming the FTSE All-World ex-US Index return of 4.54%. The Buffalo International Fund's outperformance was mostly due to stock selection.

Average Annualized Performance (%)

As of 3/31/24

	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFIX	10.89	4.10	9.59	7.64	5.79
Institutional Class - BUPIX ¹	11.08	4.24	9.76	7.80	5.95
FTSE All-World ex US Index	13.99	2.55	6.70	4.95	3.20

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 Institutional 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

Top contributors in the period included **Lonza Group AG**, **Taiwan Semiconductor Manufacturing Company (TSMC)**, and **Disco Corporation**. Lonza, a contract manufacturer for the pharmaceutical, biotech and nutrition industries, saw its shares jump after posting sales and earnings that exceeded expectations. Management shared positive comments on the industry outlook, despite the more subdued period for biotech funding. Lonza's stock had another move upward later in the quarter when the company announced the acquisition of a large-scale biologics production site from Roche and raised its medium-term sales guidance from 11-13% growth to a 12-15% compound annual growth rate (CAGR). The outsourcing trend in manufacturing continues, and capacity should remain tight over the coming years. Secondly, TSMC, the leading global contract semiconductor manufacturer, rose in the quarter after seeing increased demand for its leading-edge foundry services due to growth in artificial intelligence (AI)-related data center computation

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUPIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.04%	0.89%
Fund Assets:	\$1.08 Billion	
Category:	Foreign Large Growth	
Benchmark:	FTSE All World Ex-US Index	

Management Team



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Top 10 Holdings*

Linde plc	2.07%
Schneider Electric SE	2.02%
Renesas Electronics Corporation	1.93%
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	1.76%
Novo Nordisk A/S Sponsored ADR Class B	1.70%
BayCurrent Consulting, Inc.	1.65%
MercadoLibre, Inc.	1.64%
Siemens Aktiengesellschaft	1.64%
Ashtead Group plc	1.59%
GFL Environmental	1.59%
Top 10 Holdings Total	17.59%

and stabilization in smartphone and personal computer shipments. Management forecasts AI-related data center needs to continue at around 50% CAGR over the next five years. Finally, Disco, a manufacturer of machinery for cutting and grinding silicon, rose more than 60% in the quarter after projecting a strong fourth quarter driven by demand for its AI packaging equipment. TSMC is their top customer, accounting for around 9% of Disco's revenue. Following TSMC's commentary on advanced packaging, we expect strong growth for both Disco's equipment and consumables over the next 3-5 years.

↓ Top Detractors

Top detractors in the quarter were **BayCurrent**, **Puma AG**, and **STMicroelectronics (STM)**. BayCurrent, a Japanese consulting company, reported below-estimate revenue and earnings due to the loss of a major client and lower consultant utilization resulting from over hiring. Additionally, a shift into IT services alongside their consulting business has raised investor concerns about growth, margins, and the new strategy overall. Despite short-term results, we believe this shift toward a less cyclical, higher-volume business model will ultimately improve free cash flow, and we remain confident in the mid to long term story. Next, Puma, a global sportswear brand, issued a disappointing outlook for 2024, one of many data points pointing to a weak sporting goods industry in the first part of this year, both in the U.S. and China. Investors also have specific concerns about the health of the Puma brand and its ability to maintain shelf space in a more competitive environment. Puma management addressed these concerns at an investor day in March and has put in place several initiatives to strengthen brand positioning. We are cautiously watching the company's progress. Third, STMicroelectronics, a semiconductor company and a leader in silicon carbide, experienced excess inventory in its automotive and industrial sectors (~71% of total revenue), impacting its fourth quarter performance and resulting in weak first quarter guidance. Management expects the industrial inventory correction to last through early summer with a recovery in the second half of the year. We remain positive on the medium to long term prospects for STM in silicon carbide, a material needed not only in automotive, but also in industrials and in AI data centers.

Outlook

Entering the second quarter of 2024, we continue to be cautiously optimistic about the prospects for global equity markets. It has become clearer that anticipated interest rate cuts in the United States will come later than previously hoped. In the European Union, interest rate cuts are becoming more imminent as inflation recedes and the economy remains sluggish. Barring any change in the data, it seems the European Central Bank will most likely cut rates before the U.S. Federal Reserve. The European labor market remains strong, and consumer and business confidence has stabilized, helped by positive real wage growth for the consumer, however, there has not been any pickup in economic growth to date. The continued strength of the U.S. economy, however, has been a positive for many of our European multinational companies that do a portion of their business in America. In Japan, the central bank exiting negative rates signals the end of deflation and we are hopeful that this could be a potential new regime for the country where inflation takes hold and positive economic growth continues.

The stock markets have been buoyed by positive sentiment related to generative AI, and we imagine this could continue, but there are also risks that could weigh on the equity markets. Worsening geopolitical tension is clearly top of mind and could present further risk going forward. China remains a negative factor as the country continues to be burdened by a very weak housing market and a discouraged and cautious consumer. ▀

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

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 MSCI ACWI ex-USA Index is a free float-adjusted market capitalization weighted index designed to measure the combined equity market performance of developed and emerging markets countries. The Index includes large- and mid-capitalization companies and may change over time. The Financial Times Stock Exchange (FTSE) All-World ex US Index is a market-capitalization weighted index representing the performance of around 2200 large cap and mid cap companies in 46 developed and emerging markets worldwide, excluding the US. The STOXX Europe 600 index measures the performance of large mid and small-cap companies across 17 countries in Europe. The FTSE 100 Index is an index of the largest 100 companies listed on the London Stock Exchange by market capitalization. The FTSE 250 Index is a market capitalization-weighted index consisting of the 101st to the 350th largest companies listed on the London Stock Exchange, mostly covering the mid cap sector between large and small companies. The Nikkei Index is a price-weighted index comprised of the top 225 blue chip companies traded on the Tokyo Stock Exchange. Hang Seng Index is a market capitalization index that reflects the market performance of the Hong Kong stock exchange. The DAX measures the performance of the Prime Standard's 30 largest German companies in terms of order book volume and market capitalization. The Korea Composite Stock Price Index (KOSPI) is an index of all companies traded on the Korea Stock Exchange. The Brazilian Ibovespa is a market capitalization weighted index of about 86 of the largest stocks traded on the B3 (Brazil Bolsa Balcão Exchange), accounting for the majority of trading and market capitalization in the Brazilian stock market. The Australian S&P/ASX 200 index is a market-capitalization weighted and float-adjusted stock market index of stocks listed on the Australian Securities Exchange. The index is maintained by Standard & Poor's and is considered the benchmark for Australian equity performance. The China Shenzhen SE (CSI 300) Index is a market cap weighted stock market index designed to map the performance of the 300 most liquid A shares traded in the Shanghai and Shenzhen stock exchanges. The BSE SENSEX is a basket of 30 large, liquid and representative stocks traded in India. Companies are selected based on listed history, trading frequency, final rank, market capitalization weightage, industry representation and track record. 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. A basis point is one hundredth of a percentage point (0.01%).

*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 12/31/23. 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.

