Buffalo Discovery Fund

QUARTERLY COMMENTARY

September 30, 2021

Capital Market Overview

Equity market returns were somewhat mixed in the 3rd quarter, but the S&P 500 Index etched out a modestly positive return of 0.58%. The global recovery hit a speed bump during the period as the world dealt with rising COVID-19 Delta variant infections, an energy price spike, and supply chain issues that continued to constrain economic growth. After trading lower earlier in the quarter, interest rates increased later in the period in response to higher-than-expected inflation data and an admission from the Federal Reserve (the "Fed") that they would need to begin removing monetary stimulus from the economy sometime soon.

The Russell 3000 Index declined -0.10% in the quarter. Growth stocks outperformed Value stocks as the Russell 3000 Growth Index returned 0.69% versus a drop of -0.93% for the Russell 3000 Value Index. Relative performance was correlated with market cap size as large caps outperformed small caps in the quarter. The large cap Russell 1000 Index returned 0.21% compared to the Russell Midcap Index return of -0.93%. Smaller market cap indices were even more negative, with the Russell 2000 Index returning -4.36% and the Russell Microcap Index returning -4.98%. Financials were the top performing sector for the quarter, while Industrials and Materials were lagging sectors.

Performance Commentary

The Buffalo Discovery Fund (BUFTX) returned -0.62% during the quarter versus the Morningstar U.S. Mid Growth Index's return of 0.20%. The Fund's modest underperformance was driven by stock selection in the Information Technology and Telecommunications Services. Our relative underweight to the benchmark index's highest valuation software constituents continued to act as a headwind. Outside of Technology and Telecom, strong stock selection in Consumer, Industrials, and Health Care acted as positive contributors relative to the index. The Fund continues to invest in disruptive and innovative growth companies with relatively attractive valuations, a strategy we believe should be a key driver of above-index risk-adjusted returns over the long term.

Average Annualized Performance (%)

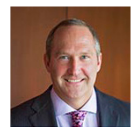
As of 9/30/21	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFTX*	28.76	16.90	17.23	17.38	12.54	10.64
Institutional Class - *BUITX*[1]	28.93	17.08	17.40	17.56	12.70	10.81
Morningstar U.S. Mid Growth Index	31.01	21.76	21.55	17.91	12.47	10.14
Morningstar Mid-Cap Growth Category	33.09	18.19	18.82	16.49	11.38	8.72

[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. Each Morningstar category average represents a universe of funds with similar objectives.

Fund Facts

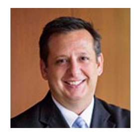
	Investor	*Institutional*
Ticker:	BUFTX	BUITX
Inception Date:	4/16/01	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	$1.78 Billion	
Category:	Mid Cap Growth	
Benchmark:	Morningstar U.S. Mid Growth Index	

Management Team



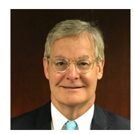
Dave Carlsen, CFA

Co-Manager since 2004
B.B.A. – Univ. of Wisconsin-Madison



Jamie Cuellar, CFA

Co-Manager since 2020
M.B.A. – Southern Methodist
B.B.A. – Univ. of San Diego



Ken Laudan

Co-Manager since 2020
B.S. – Kansas State Univ.

BUFFALO FUNDS

↑ Top Contributors

Icon Plc (ICON) was a top contributor during the quarter. The company is a leading clinical research organization (CRO) whose services help pharma, biotech, and medical device companies develop and commercialize products. In our view, the company is well positioned to benefit from the secular outsourcing trend in the health care industry. During the quarter, investors warmed to the prospect of higher-than-expected revenue and cost synergies following the recently completed acquisition of competitor PRA Health Services. This merger provides global scale and services breadth, as pharma and biotech customers continue to pursue more outsourcing arrangements and move from trial-by-trial engagements to longer-term strategic customer relationships.

Palo Alto Networks, Inc. (PANW), a leading network security solutions provider, was another strong contributor in the quarter. Investors cheered better-than-expected billing guidance for fiscal year 2022, driven by a robust spending environment and strong adoption of next generation products. Security spending remains strong following numerous high profile cyber-attacks in recent years, while at the same time the work from home trend has expanded the threat landscape beyond the corporation.

↓ Top Detractors

Bandwidth (BAND) was the largest detractor from performance results during the quarter. The stock was weak for a couple of reasons, namely consolidation and vertical integration within the Communications Platform as a Service (CPaaS) group that brought fears of Bandwidth having a competitive disadvantage. The company also continued tough comparisons throughout the rest of 2021, especially in the 4th quarter where Bandwidth benefited from additional political traffic in 2021. We believe the latter is a short term phenomenon that will anniversary in this upcoming quarter, and Wall Street is failing to give credit for Bandwidth's own acquisition activity, namely the acquisition of Voxbone, which accelerates Bandwidth's entry into Europe.

Universal Display (OLED) was also a meaningful detractor from performance for the quarter. The stock languished due to concerns over supply chain disruption and logistics issues evident in most consumer electronics, especially in televisions and handsets, which constitute the bulk of Universal Display's end markets. We believe OLED TVs continue to gain market share in the premium segment, and additional OLED TV capacity and potential new products could provide a positive backdrop for OLED shares, when supply chains improve post COVID lockdowns in its key manufacturing areas.

Outlook

The market environment remains constructive for equity investing. Corporate earnings are recovering and interest rates remain relatively low by historical standards, providing a healthy backdrop for investors' allocation to equities. Vaccination rates are increasing worldwide, contributing to increased mobility, improved business and consumer confidence, and rapidly improving economic activity. Supply constraints, labor shortages, shipping bottlenecks, and a slow return to work are causing transitory inflation and holding back the economy in the near term, but, as these things ease, robust corporate earnings growth is poised to follow suit, in our opinion.

As we get deeper into recovery, concerns about high debt levels, rising tax rates, decelerating growth, virus mutations, and a more hawkish Federal Reserve could begin to affect equity valuations. Inflation and the Fed response to it will be of vigorous interest throughout the remainder of the year. In its latest public messaging, we think the Fed has already passed the threshold from Dovish to Hawkish regarding its messaging on inflation. As the drum-beat for Fed tapering grows louder, we think the market could transition incrementally away from speculative and early cycle stocks and rotate increasingly to growth and quality, as tapering begins to reduce liquidity, while peaking growth rates cause investors to be more discerning about cyclically-oriented equities.

We seek those opportunities where thoughtful management teams are in a favorable position to use innovation for market advantage, durable growth, and sustained shareholder value creation. We remain ever mindful of valuations as there are still signs of excess in areas like high growth software. We continue to focus on attractive risk/reward equity opportunities in companies that are financially-strong, well-managed, have innovative strategies, and which could benefit from disruptive megatrends. 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 risk and principal loss is possible.

As of 6/30/21 the Buffalo Discovery Fund top 10 equity holdings were Generac Holdings 2.48%, IHS Markit 2.22%, MSCI 1.96%, Darden Restaurants 1.90%, Natera 1.81%, Bandwidth 1.78%, Expedia 1.78%, EPAM Systems 1.72%, AMETEK 1.69%, Avantor 1.69%. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end.

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. A basis point is one hundredth of a percentage point (0.01%). 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 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 Russell 3000 Value Index is based on the Russell 3000 Index, of companies with lower price-to-book ratios and lower expected growth rates which measures how U.S. stocks in the equity value segment perform. The Russell 1000 Index is a subset of the Russell 3000 Index and measures the performance of the 1,000 largest publicly-held companies incorporated in the U.S. based on market capitalization. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. 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 measures the performance of 2,000 small cap and micro cap companies. The Morningstar U.S. Mid Growth Index measures the performance of U.S. mid-cap stocks that are expected to grow at a faster pace than the rest of the market as measured by forward earnings, historical earnings, book value, cash flow and sales. One cannot invest directly in an index. 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.

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.

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