

Capital Market Overview

The equity market, as measured by the S&P 500 Index, suffered its second quarterly decline since the onset of the COVID-19 pandemic, over two years ago, producing a return of -4.60% during the January-March period. Weak capital market performance can be largely attributed to the Federal Reserve's decision to raise interest rates and reduce the size of its balance sheet, also known as quantitative tightening. Other headwinds, including the war in Ukraine, significant inflation, and persistent supply chain bottlenecks, only added to the backdrop of uncertainty for domestic and global markets.

The broad-based Russell 3000 Index fell -5.28% in the quarter. Value stocks outperformed growth stocks by a large amount, as the Russell 3000 Value Index returned -0.85% compared to a decline of -9.25% for the Russell 3000 Growth Index. Large cap stocks fell less than smaller cap stocks during the quarter, as the Russell 1000 Index declined -5.13%, followed by a return of -5.68% for the Russell Midcap Index, and -7.53% for the small cap Russell 2000 Index. Energy stocks surged during the period on rising oil prices while the more defensive Utilities and Telecommunication Services sectors were also modestly positive. The Consumer Discretionary and Technology areas of the market were the largest underperformers due to inflation and rising rates.

Performance Commentary

The Buffalo Flexible Income Fund (BUFBX) produced a return of 3.92% for the quarter, outperforming the Morningstar Moderately Aggressive Target Risk Index return of -5.07% and the Russell 3000 Index return of -5.61%.

Average Annualized Performance (%)

| As of 3/31/22 | 1 YR | 3 YR | 5 YR | 10 YR | 15 YR | Since Inception |
|---|-------|-------|-------|-------|-------|-----------------|
| Investor Class - BUFBX | 23.81 | 11.94 | 10.20 | 8.47 | 7.41 | 7.72 |
| Institutional Class - BUIBX ¹ | 24.00 | 12.10 | 10.37 | 8.64 | 7.57 | 7.88 |
| Russell 3000 Index | 10.45 | 16.35 | 13.43 | 12.18 | 8.00 | 8.67 |
| Morningstar Moderately Aggressive Target Risk Index | 4.01 | 10.92 | 9.73 | 8.96 | - | - |

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. 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

The top three contributors to the Fund's performance during the period were **Chevron**, **APA Corporation**, and **ConocoPhillips**. The three companies are involved in the oil and gas industries and benefited from rising commodities prices following increased demand and supply constraints, which was exacerbated by the Russia/Ukraine conflict.

↓ Top Detractors

Partially offsetting the gains above were **Microsoft**, **Digital Realty**, and **Qualcomm**, which were the top three detractors from the Fund's results. Although all three companies reported good earnings during the quarter, their share prices moved lower as rising interest rates have tempered overall valuations for technology companies.

Fund Facts

| | Investor | Institutional |
|-----------------|--------------------|---------------|
| Ticker: | BUFBX | BUIBX |
| Inception Date: | 8/12/94 | 7/1/19 |
| Expense Ratio: | 1.01% | 0.86% |
| Fund Assets: | \$490.02 Million | |
| Category: | Large Cap Value | |
| Benchmark: | Russell 3000 Index | |

Management Team



John Kornitzer

Manager since Inception
B.A. – St. Francis Univ. (PA)



Paul Dlugosch, CFA

Co-Manager since 2011
B.S. – University of Iowa

Outlook

Measures of inflation have reached levels not seen in decades, as demand has bounced back, while supply chain issues (bottlenecks, chip shortages, lack of workers, etc.) have restrained supplies. Businesses also lost productivity as COVID-19 continued to lead to employee absenteeism. Additionally, inflation and supply chain issues have been impacted by sanctions against Russia following their invasion of Ukraine. As a result, the Federal Reserve (the "Fed") has adopted a more hawkish approach toward interest rates and a reduction in their balance sheet. As the Fed implements these programs, it will attempt to strike a delicate balance of curbing inflation without causing a recession. Stock market performance is likely to reflect the view of how well the Fed is managing the situation.

Despite the uncertainty, we remain focused on identifying competitively-advantaged, wide-moat companies trading at reasonable valuations. We will be ready to take advantage of opportunities created by stock market volatility using market declines as attractive entry points for long-term investors. ▲

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:

Christopher Crawford
ccrawford@buffalofunds.com
(913) 647-2321

Scott Johnson
sjohnson@buffalofunds.com
(913) 754-1537

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.

As of 12/31/21 the Buffalo Flexible Income Fund top 10 holdings were Microsoft 9.73%, Costco Wholesale 3.65%, Chevron 3.65%, Qualcomm 3.53%, Pfizer 3.42%, ConocoPhillips 3.33%, Digital Realty Trust 3.23%, Eli Lilly & Co 3.08%, PepsiCo 2.98%, Johnson & Johnson 2.75%. 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.

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 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 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 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 Morningstar Moderately Aggressive Target Risk Index represents a portfolio of global equities, bonds, and traditional inflation hedges, and seeks approximately 80% exposure to global equity markets. One cannot invest directly in an index.

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.

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

