

Capital Market Overview

Capital markets moved higher in the first quarter of 2023 as the S&P 500 Index gained 7.50% and the Bloomberg Aggregate Bond Index advanced 3.0%. Big swings in expectations for the Federal Reserve's monetary policy drove market volatility during the period. Initially investors were concerned with data showing stubbornly high inflation and the prospect of additional interest rate hikes. However, during the final days of the quarter bank failures from Silicon Valley Bank, Signature Bank, and Credit Suisse, dramatically changed market expectations towards monetary policy and the impact that a banking crisis could have on the broader economy. As a result, shorter term Treasury yields fell, and large cap growth stocks rallied in a flight to quality. The view was that growth companies would be the biggest beneficiaries of lower rates, a reversal of the headwinds faced throughout 2022. Technology stocks were by far the leading contributors to broad market performance during the quarter while value stocks and dividend payers lagged. Excluding the technology sector, the S&P 500 Index return would have only been 2.70% during the period.

Recapping quarterly results, the broad-based Russell 3000 Index advanced 7.18%. Growth stocks significantly outperformed value stocks to start out the year, as the Russell 3000 Value Index returned just 0.91% versus a return of 13.85% for the Russell 3000 Growth Index. Relative performance improved going up in market capitalization (size) as large caps advanced more than small caps in the quarter. Larger cap stocks returned 7.46%, as measured by the Russell 1000 Index, compared to the smaller cap Russell 2000 Index return of 2.74%, while the Russell Microcap Index returned -2.83% in the quarter.

Performance Commentary

The Buffalo Flexible Income Fund declined -0.97% for the quarter compared to a gain of 7.18% for the Russell 3000 Index. The energy sector declined during the period while technology stocks rallied significantly. The fund is overweight energy and underweight technology relative to the benchmark, primary headwinds to performance results during the quarter.

Average Annualized Performance (%)

As of 3/31/23	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFBX	-0.87	20.04	8.41	7.07	7.12	7.41
Institutional Class - BUIBX ¹	-0.78	20.20	8.57	7.22	7.28	7.57
Russell 3000 Index	-8.58	18.48	10.45	11.73	9.90	9.93
Morningstar Moderately Aggressive Target Risk Index	-6.62	12.12	5.82	7.11	6.52	-

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.

The top three contributors to the fund's performance were Microsoft Corporation, Lionsgate and Qualcomm. Shares of Microsoft advanced during the quarter driven by better than expected earnings and positive views surrounding the release of its AI product. Lionsgate reported strong earnings which was mainly driven by the film and TV-studio businesses and partly helped by the library revenue. The Starz business continues to lose subscribers and management is moving forward with a plan to split the company into two separate stand alone businesses, which should be completed in 2023. Management reiterated its full year guidance. Qualcomm reported earnings that were roughly in-line with estimates during the quarter and revised down its second quarter earnings. The share appreciation reflects investor expectations that the

Fund Facts

	Investor	Institutional
Ticker:	BUFBX	BUIBX
Inception Date:	8/12/94	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	\$469.98 Billion	
Category:	Large 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

semiconductor inventory correction should be resolved by the back half of calendar 2023 as well as improved growth associated with China reopening.

The top three detractors were APA, ConocoPhillips and Pfizer. APA and Conoco were negatively impacted by the declines in energy prices as both crude oil and natural gas declined during the quarter. Crude oil declines reflect potentially lower demand associated with an anticipated recession later in the year, while natural gas prices declined due to mild weather and expected demand declines in the back half of the year due to an economic slowdown. Pfizer's top and bottom-line guidance for 2023 was significantly reduced below expectations during the quarter due to declines in its COVID franchise. Additionally, management announced it was acquiring Seagen, which some investors viewed negatively.

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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Outlook

Looking ahead global economies continue to slow. While many companies have already lowered financial guidance for the year, we could be bracing for an earnings season where companies' lower guidance for 2023. Despite the uncertainty, we remain focused on wide moat, large capitalization dividend-paying companies trading at reasonable valuations, in our view. As always, the fund will continue to emphasize competitively advantaged companies that can be purchased at a fair value. 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. ▲

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 12/31/22 the Buffalo Flexible Income Fund top 10 holdings were Microsoft 6.53%, Chevron 4.53%, Hess Corp 4.15%, ConocoPhillips 3.93%, APA Corp 3.77%, ExxonMobil 3.67%, Eli Lilly & Co 3.32%, PepsiCo 2.91%, Arthur J Gallagher & Co 2.85% Pfizer 2.79%. 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 Nasdaq Composite Index is a market capitalization-weighted index of more than 3,700 stocks listed on the Nasdaq stock exchange. 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 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 Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. 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. A basis point (BPS) is one hundredth of a percentage point (0.01%). A drawdown is a peak-to-trough decline during a specific period for an investment, trading account, or fund. The Bloomberg US Aggregate Bond Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market.

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.

