

Capital Market Overview

The stock market extended year-to-date losses during the 2nd quarter. Inflation, rising interest rates, and economic uncertainty continued to be major headwinds for investors as recession talks gained traction. The S&P 500 Index fell -16.10% during the quarter, bringing the total return for the first half of the year to -19.96%. News headlines, which included energy shortages, the war in Ukraine, China's COVID lockdowns, and the potential for softer corporate earnings next quarter, added to the pessimistic market sentiment. However, the Federal Reserve's hawkish stance on inflation, expectations for additional interest rate increases, and a reduction in the size of its balance sheet, continued to signal confidence in the U.S. economy moving forward.

The broad-based Russell 3000 Index declined -16.70% in the quarter. Value stocks fell less than growth stocks as the Russell 3000 Value Index returned -12.41%, versus a return of -20.83% for the Russell 3000 Growth Index. Relative performance slightly favored market cap size as large caps outperformed small caps in the quarter. Larger cap stocks, as measured by the Russell 1000 Index, returned -16.67% compared to the smaller cap Russell 2000 Index return of -17.20% and the Russell Microcap Index return of -18.96%. There were no advancing economic sectors for the quarter, but Consumer Staples, Energy, Utilities, and Healthcare held up better on a relative basis. Consumer Discretionary, Information Technology and Communication Services areas lagged.

Performance Commentary

The Buffalo Flexible Income Fund (BUFBX) declined 6.34% for the quarter compared to a loss of 16.70% for the Russell 3000 Index.

Average Annualized Performance (%)

As of 6/30/22	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFBX	7.52	9.38	8.76	7.69	6.54	7.40
Institutional Class - BUIBX ¹	7.68	9.52	8.91	7.84	6.69	7.56
Russell 3000 Index	-13.87	9.77	10.60	12.57	8.36	9.84
Morningstar Moderately Aggressive Target Risk Index	-14.89	4.61	5.95	7.82	-	-

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 quarter were **Eli Lilly**, **AT&T**, and **General Mills**. All three companies operate within defensive industries which typically outperform when the broad market declines significantly, as it has this year. Additionally, Eli Lilly, a manufacturer and marketer of pharmaceutical products, reported good 1st quarter earnings as well as positive data from its phase III drug Tirzepatide, which is being developed as a treatment for diabetes and obesity. Shares of General Mills advanced in the quarter as management reported strong earnings and provided a good outlook for its fiscal 2023.

Fund Facts

	Investor	Institutional
Ticker:	BUFBX	BUIBX
Inception Date:	8/12/94	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	\$460.41 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

↓ Top Detractors

The top three detractors were **Microsoft**, **APA**, and **Costco**. All of these companies operate in more cyclical industries which tend to underperform when markets decline. Microsoft reported decent financial results during the quarter, but rising interest rates resulted in a lower valuation multiple, and currency headwinds led to a reduction of management's financial guidance moving forward. APA, which operates in the oil and gas industries, benefited earlier this year from rising commodities prices, but shares pulled back this quarter, as oil declined from very elevated levels. The retailer Costco declined primarily due to investor concerns around softer consumer spending and higher costs associated with inflation when two of the leading retailers, Walmart and Target, mentioned both of these concerns on their earnings calls during the period.

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

Outlook

Investors are increasingly concerned about the economy, as inflation continues to rise and Federal Reserve (the "Fed") policy remains hawkish. The Fed implemented two rate increases during the quarter to curb demand and slow the pace of rising prices. Stocks declined as the Fed has indicated that inflation is its top priority and will raise rates even if it causes an economic slowdown. Stock market performance is likely to reflect how well the Fed can manage a soft-landing. Although layoff announcements have ticked up, healthy employment reports and elevated job openings indicate the economy remains resilient. Investors also may start to look beyond the current round of increases and start to price in expectations for when the Fed will shift its policy. 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 3/31/22 the Buffalo Flexible Income Fund top 10 holdings were Microsoft 8.49%, Chevron 4.15%, Hess Corp 3.60%, ConocoPhillips 3.57%, Costco Wholesale 3.53%, APA Corp 3.37%, Eli Lilly & Co 3.04%, Pfizer 2.85%, Qualcomm 2.81%, ExxonMobil 2.78%. 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 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 is a n unmanaged capitalization weighted index of 2,000 small cap and micro cap companies. 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.