

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 Flexible Income Fund (BUFBX) returned -0.63% for the 3rd quarter, compared to a return of -0.94% for the Morningstar Moderately Aggressive Target Risk Index.

Average Annualized Performance (%)

As of 9/30/21	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFBX	28.89	6.21	8.32	8.35	6.80	7.30
Institutional Class - BUIBX ¹	29.15	6.37	8.48	8.52	6.96	7.46
Morningstar Moderately Aggressive Target Risk Index	23.81	11.23	11.36	10.89	7.70	-
Lipper Mixed-Asset Target Allocation Moderate Funds Index	18.12	9.82	9.16	8.96	6.29	7.28

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

The top three contributors to the Fund's performance during the quarter were **Costco**, **ConocoPhillips**, and **Microsoft**. Costco's advance reflected good 2nd quarter earnings, which reflected market share gains as well as strong ancillary sales from areas like gas, food court, and optical department. ConocoPhillips share price appreciation reflects improved commodity prices, its acquisition of Shell's Permian acreage, and higher cash returns to shareholders. Meanwhile, Microsoft reported strong 2nd quarter earnings results, with all segments reporting above the higher end of the prior guidance range.

Fund Facts

	Investor	Institutional
Ticker:	BUFBX	BUIBX
Inception Date:	8/12/94	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	\$428.57 Million	
Category:	Large Cap Value	
Benchmark:	Morningstar Moderately Aggressive Target Risk 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 **Hess Corporation**, **Lions Gate Entertainment**, and **Qualcomm**. While Hess reported good 2nd quarter earnings, the company's stock declined in the period on concerns around a global growth slowdown due to the Delta variant of COVID-19 (and its potential negative impact on oil prices) and uncertainty around OPEC desire to increase production. Lions Gate Entertainment's decline primarily reflects a slower start to the year for Starz, which reported larger subscriber losses versus expectations on its earnings call. Qualcomm's decline in the quarter primarily reflects concerns about the company's content on Apple's iPhones.

Outlook

The stock market continued to advance in June and July reaching record highs, however September traded off and gave up most of the market's early quarter gains. The rise in the first months of the quarter was due to expectations that the economy would continue to recover from the pandemic. At the time, new COVID-19 infections, hospitalizations, and deaths were declining. However, a late summer surge in cases coincided with severe weather events (hurricanes, flooding, fires, etc.), supply chain delays, key parts shortages, and inflation pressures, all of which led to reduced estimates for economic growth. Investors are also watching politics in Washington as Congress works on the budget, an infrastructure plan, and the debt ceiling. The Federal Reserve continued to indicate that it views elevated levels of inflation as transitory, and not likely to trigger interest rates increases in the near term. However, they did forecast a taper in their bond buying activity, with a modest monthly decline in purchases.

As always, we remain focused on wide moat, large capitalization dividend-paying companies trading at reasonable valuations, in our view. As stock market volatility spikes, we will look for opportunities to find companies that fit our investment criteria, as we continue to follow our process of finding new investment ideas and to be ready when market declines provide better entry points. ▲

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.

As of 6/30/21 the Buffalo Flexible Income Fund top 10 holdings were Microsoft 8.23%, Nuance Comm. (1.500%, 11/1/35) 4.58%, Chevron 3.42%, Hess Corp 3.24%, Costco Wholesale 3.12%, ConocoPhillips 3.00%, Qualcomm 2.89%, Digital Realty Trust 2.89%, Eli Lilly & Co 2.84%, Allstate 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 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 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. The Morningstar U.S. Large Cap Index measures the performance of the U.S. equity market targeting the top 70% of stocks by market capitalization. The ICE BofAML High Yield Index is an unmanaged index comprised of over 1,200 high yield bonds representative of high yield bond markets as a whole. It includes zero-coupon bonds and payment-in-kind (PIK) bonds. The Lipper Mixed-Asset Target Allocation Moderate Funds Index is an unmanaged index considered representative of mixed-asset target allocation moderate funds tracked by Lipper, which would combine the 30 biggest funds, based on asset size, that belong to this asset category. 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.

