Buffalo Large Cap 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 Large Cap Fund (BUFEX) produced a return of 1.17% in the quarter, a result that outperformed the returns of the S&P 500 Index and the Morningstar Large Growth Category average of 0.58% and -0.07% respectively, but underperformed the prospectus benchmark Morningstar U.S. Large Growth Index, which generated a return of 2.35% in the period.

Average Annualized Performance (%)

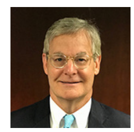
As of 9/30/21	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFEX*	27.28	19.11	19.00	17.99	11.61	10.94
Institutional Class - *BUIEX*[1]	27.45	19.29	19.18	18.17	11.78	11.11
Morningstar U.S. Large Growth Index	27.69	23.05	24.01	20.29	13.38	-
S&P 500 Index	30.00	15.99	16.90	16.63	10.37	10.38
Lipper Large Cap Growth Index	26.86	21.45	22.14	18.70	12.21	9.97
Morningstar Large Growth Category	26.60	19.75	20.68	17.93	11.93	9.90

[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:	BUFEX	BUIEX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.95%	0.80%
Fund Assets:	$122.30 Million	
Category:	Large Cap Growth	
Benchmark:	Morningstar U.S. Large Growth Index	

Management Team



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Manager since 2021
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Top Contributors

Icon Labs (ICON) – ICON is the second largest contract research organization (CRO) in the world specializing in the management and analysis of drug development programs for biopharmaceutical clients.

Our recent timely purchase and holding of ICON shares remains predicated on continued out-sized revenue and earnings per share (EPS) growth owing to the recent PRA Health Sciences acquisition as well as on-going strength of research and development from biopharmaceutical firms around the globe. We believe ICON is aiming to sustain high single digit organic revenue growth with low double-digit EPS growth over the next several years.

ICON shares advanced 27% for the portfolio in the quarter on a better appreciation of the growth opportunity, mostly stemming from the recently completed merger with PRA Health Sciences (closed on July 1st). ICON also reported a healthy revenue and EPS beat with their June quarter financial performance, that was buoyed by strong net new business wins (up over 21%) resulting in increased full-year 2021 financial guidance.

Alphabet (GOOG) – Alphabet is the parent company of Google and several former Google subsidiaries. We continue to have a large position in Alphabet based on our expectation the company may continue to drive strong growth from its leading franchises in online search and digital video advertising, while also gaining share in the large and fast growing public cloud computing sector on the strength of its highly-differentiated machine learning tool-kit.

GOOG Class A shares appreciated 9.5% during the quarter on the back of a strong, across the board 2nd quarter financial performance with both Search and YouTube expanding a robust 62% and 84%, respectively year-over-year. Cloud accelerated nicely in the quarter as well, lifting 54% from the 2nd quarter of 2020.

We will continue to watch the rollout of the iPhone 13 that launched in the 2nd quarter that has a feature allowing users to opt out of app tracking of personal data such as age, location, spending habits, etc. These new privacy options could potentially hamper efforts by advertisers on search and social media (Google, Facebook, and others) that target users with bespoke ads and promotions.

Thermo Fisher (TMO) – Thermo Fisher is the global leader in providing life science tools, such as scientific instruments for labs, reagents used in both diagnostics (including COVID-19), and biopharma production. Via its recent acquisition of PPD, Inc., Thermo now provides clinical research services as a top five global player.

Thermo has been a highly predictable revenue and EPS compounder that could deliver double-digit total shareholder returns within virtually any macro environment.

TMO's share price increased 13% in the quarter owing to a very positive investor day where the company increased their '23-25 long-term organic revenue growth rate to 7% to 9%, which had previously been 5% to 7%. The company also provided a somewhat better '22 initial outlook, which resulted in analysts increasing both near and long-term financial estimates.

The new guidance was a welcome surprise given some growing concerns over China's economic slowdown, which could negatively affect TMO's revenues in China (about 8% of total revenue) and is something we will continue to watch closely.

↓ Top Detractors

FedEx (FDX) – FDX is a leading multinational transportation and package delivery company, highly leveraged to the growth of e-commerce and business services such as overnight delivery.

We own a moderately-weighted position in FDX shares, as the company could continue to benefit from the acceleration of e-commerce globally, owing to its broad, global network of linked aircraft and ground transportation. We also see a 3-4 year margin recovery theme, as certain aircraft are retired, coupled with TNT Express acquisition synergies and increased pricing power.

FedEx shares declined 26% in the quarter, stemming from revenues and expenses being negatively impacted from a material labor shortage in package handlers at facilities around the U.S. The corollary has been late deliveries and extra overtime pay for current workers. We expect some modest relief with stronger-than-normal seasonal shipping rate increases and some improvement on the labor front, as we exit past supplemental unemployment benefits.

While there were no other materially underperforming holdings relative to our benchmark, we would point out that not owning shares in several strong performing benchmark holdings of Tesla, Moderna, and Snowflake negatively impacted our relative performance.

From a sector perspective, Healthcare and Financials remain slight relative over-weights due to our conviction in growth cyclicals/defensives heading into 2022. However, we would stress that Information Technology and Consumer Discretionary remain, by a large margin, the largest weightings in our Fund.

Outlook

There are a myriad of possible outcomes for the remaining weeks of 2021 with no real certainty from several different outcomes. We've mentioned to colleagues over the last several months that we don't recall ever having so many low probability events all occurring at the same time. From COVID-19, climate change, and debates around the durability of the most significant increase in material, shelter, and wage prices we have seen in 40+ years, resulting mostly from supply chains and product shortages. Add to this array of uncertainties is the increasingly tenuous relations between the U.S. and China and China's own overt intentions around reunification with Taiwan.

We attempt to risk mitigate from an overall portfolio level but acknowledge in an imperfect world there are multiple possible outcomes from a macro level.

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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 Large Cap Fund top 10 equity holdings were Microsoft 8.34%, Amazon 7.07%, Apple 5.89%, Alphabet (A) 5.75%, Facebook 4.32%, Visa 2.34%, PayPal 2.09%, S&P Global 1.83%, ASML Holding 1.56%, Texas Instruments 1.55%. 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 U.S. Large Growth Index measures the performance of U.S. large-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. The Lipper Large Cap Growth Index is an unmanaged, equally weighted performance index of the 30 largest qualifying mutual funds (based on net assets) in the Lipper Large-Cap classification. One cannot invest directly in an index. A basis point (bps) is one hundredth of a percentage point (0.01%). A yield curve is a curve showing several yields to maturity or interest rates across different contract lengths for a similar debt contract. The curve shows the relation between the interest rate and the time to maturity. Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in U.S. based companies with substantial interests outside of the U.S. which may involve additional risk such as greater volatility and political, economic and/or currency risks. This risk is greater in emerging markets.

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

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