

Capital Market Overview

The stock market extended year-to-date losses during the 3rd quarter and has now fallen for three consecutive quarters. The S&P 500 Index retreated by -4.88% from July 1st to September 30th bringing the YTD total return to -23.87%, which is bear market territory. Stubbornly-high inflation, aggressive interest rate increases, rising fear of a recession, and expectations for softer corporate earnings in the upcoming reporting period were the main headwinds. The Federal Reserve's hawkish stance on inflation resulted in two more oversized federal funds rate hikes during the quarter, bringing the target rate to 3.00%-3.25%. Federal Reserve officials also signaled for additional rate hikes moving forward and holding higher rates for as long as necessary to curb inflation, even if it leads to economic pain. Short-term Treasury yields (two-year notes) are higher than long-term yields (10-year notes) and the yield curve is now inverted by the most since 2000, an indication of a potential recession.

The broad-based Russell 3000 Index declined -4.46% in the quarter and has fallen -24.62% year-to-date. Value stocks fell more than growth stocks during the quarter as the Russell 3000 Value Index returned -5.56% versus a return of -3.37% for the Russell 3000 Growth Index. Relative performance improved going down in market cap size as small caps declined less than large caps in the quarter. Larger cap stocks, as measured by the Russell 1000 Index, returned -4.61% compared to the smaller cap Russell 2000 Index return of -2.19% and the Russell Microcap Index return of -0.48%.

Performance Commentary

The Buffalo Mid Cap Fund (BUFMX) declined 3.31% in the quarter and trailed the Russell Midcap Growth Index's decline of 0.65%. Disappointing stock picking in Health Care and Consumer Discretionary was partially offset by stronger stock selection in Information Technology. Overall, the sector allocation impact was a minor drag on results as most of the relative shortfall was due to weak stock selection.

Fund Facts

	Investor	Institutional
Ticker:	BUFMX	BUIMX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	1.02%	0.87%
Fund Assets:	\$128.08 Million	
Category:	Mid Cap Growth	
Benchmark:	Russell Midcap Growth Index	

Management Team



Josh West, CFA

Co-Manager since 2017
M.B.A. – Univ. of MO-Columbia
B.S. – Univ. of MO-Columbia



Craig Richard, CFA

Co-Manager since 2013
M.B.A. – Univ. of Kansas
B.S. – Kansas State Univ.



Doug Cartwright, CFA

Co-Manager since 2015
M.B.A. – Univ. of WI-Madison
B.S. – Baylor University

Average Annualized Performance (%)

As of 9/30/22	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFMX	-28.32	3.49	6.82	8.69	6.32	7.58
Institutional Class - BUIMX ¹	-28.25	3.62	6.97	8.84	6.47	7.74
Russell Midcap Growth Index	-29.50	4.26	7.62	10.85	8.01	8.46
Morningstar U.S. Mid Growth Index	-32.42	5.50	8.76	10.93	7.78	-
Lipper Mid Cap Growth Index	-31.45	3.13	6.85	9.99	7.02	7.62

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

Top contributors for the quarter included longtime holdings **Aspen Technology** and **CoStar Group**, which have been held in the portfolio since June 2015 and March 2016, respectively. Investors have taken note of Aspen as its merger with Emerson is off to a good start, with the potential for accelerating growth due to synergies in industrials and oil and gas. The combination of Aspen's process simulation and manufacturing software with Emerson's industrial automation controls and salesforce looks promising for the industrials division. Emerson's geological simulation supporting Aspen's oil and gas franchise with new business opportunities has also benefited the oil and gas unit.

Meanwhile shares of CoStar advanced more than 15% in the period as CoStar reported a strong 2nd quarter with revenue, profitability, and margins all ahead of expectations. CoStar Suite delivered healthy growth on price and volume increases while Apartments.com stabilized as apartment vacancies rose, supply increased, and rents rose.

Other top contributors were newer portfolio purchases **Pinterest** and **Gartner**, which were added to the portfolio in January of 2022 and 2021, respectively. Pinterest rallied in early August on news that activist investor Elliott Management had accumulated a 9% stake in the company. Management also reported better than feared revenue and mobile app users and unveiled a new product, the Shuffles app, which garnered quite a bit of excitement amongst invited users.

Gartner, which provides research and consulting services to enterprises, reported earnings well above expectations, especially on the EBITDA and earnings lines, which also significantly increased forward guidance.

↓ Top Detractors

The Fund's top detractors during the quarter included **WellTower**, **CarMax**, and **Clarivate**. WellTower, a healthcare infrastructure REIT sensitive to rising interest rates and shares, declined as the yield on the 10-Year Treasury rose by 83 basis points in the quarter from 2.97% to 3.80%.

CarMax reported light revenue and poor profitability as used car sales declined across the industry. An overall shortage of used vehicle inventory, lessees extending lease terms, and many borrowers in negative equity positions have all contributed to volume weakness in recent quarters. Declining used vehicle prices from elevated levels is making business comps even tougher. For its part, CarMax needs to properly evaluate its cost structure for the current environment.

Lastly, Clarivate, a global information, analytics, and workflow solutions company, lowered its organic growth forecast, reflecting the suspension of operations in Russia, a softening demand environment for trademark and brand registrations, a slowdown in consulting, and lower conversions on new subscriptions and transactional revenue. Further contributing to uncertainty, the company's CEO announced his intention to retire during the quarter thereby requiring the company to endure a management transition.

Outlook

Financial conditions have continued to tighten substantially throughout the year. The Federal Funds rate has risen from 0.0-0.25% to 3.00-3.25% with additional increases expected. 10-year Treasury yields have increased from 1.5% to nearly 4.0%, but the curve has recently begun inverting, signaling expectations for declining economic growth. As a result, equity valuations generally remain under pressure.

While these are undoubtedly challenging economic times, we will continue to look for attractively-valued businesses with solid growth opportunities, durable competitive advantages, scalable business models, and exceptional management teams.

Thank you for your continued support. ▲

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 6/30/22 Buffalo Mid Cap Fund top 10 equity holdings were MSCI 3.43%, Gartner 3.07%, Verisk Analytics 3.06%, CBRE Group 3.02%, Bio-Techne Corp 2.89%, Palo Alto Networks 2.88%, AMETEK 2.81%, CoStar Group 2.70%, Global Payments 2.46%, Veeva Systems 2.38%. 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 an unmanaged capitalization weighted index of 2,000 small cap and micro cap companies. The Russell Midcap Index is an unmanaged index that measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 26% of the total market capitalization of the Russell 1000 Index. The Morningstar U.S. Mid Growth Index measures the performance of U.S. mid-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 Mid Cap Growth Index is an unmanaged, equally weighted performance index of the 30 largest qualifying mutual funds (based on net assets) in the Lipper Mid-Cap classification. One cannot invest directly in an index. A basis point one hundredth of a percentage point (0.01%). EBITDA stands for earnings before interest, taxes, depreciation and amortization. EBITDA is one indicator of a company's financial performance and is used as a proxy for a company's current operating profitability.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than large-cap companies. The Fund invests in foreign securities which involve greater volatility and political, economic, and currency risks as well as differences in accounting methods.

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

