

Buffalo Blue Chip Growth Fund

QUARTERLY
COMMENTARY

March 31, 2025

Capital Market Review

It was a volatile quarter for capital markets as a flurry of headlines around potential policy changes from the Trump Administration fueled widespread uncertainty, weighing down sentiment and concerns about economic growth. The stock market, as measured by the S&P 500 Index, declined 4.27% and volatility spiked as investors reacted to aggressive policy rollouts. Policy shifts have limited the ability for corporations to make capital investment decisions and appear to be impacting consumer confidence, which has led to downward revisions of Wall Street analyst corporate earnings estimates for 2025.

The Federal Open Market Committee (FOMC) met in January and held interest rates steady. The market continues to anticipate one or two rate cuts in 2025. However, even though the Federal Reserve held the line on short-term rates, broad-based fixed income markets experienced gains for the quarter as the Bloomberg Aggregate Bond Index advanced 2.8%. The 10-year Treasury yield peaked at 4.79% in mid-January but declined 36 basis points from December 2024, ending the quarter at 4.21%.

Value equities outperformed growth stocks during the period. The Russell 3000 Growth Index declined 10.00% significantly underperforming the Russell 3000 Value Index return of +1.64%. The small cap Russell 2000 Index returned -9.48%, the Russell Midcap Index fell 7.12% while the large cap Russell 1000 Index produced a return of -4.49%.

Average Annualized Performance (%)

| As of 3/31/25 | 1 YR | 3 YR | 5 YR | 10 YR | 15 YR | Since Inception |
|--|------|-------|-------|-------|-------|-----------------|
| Investor Class - BUFEX | 5.05 | 9.51 | 17.81 | 12.81 | 13.10 | 10.54 |
| Institutional Class - BUIEX¹ | 5.20 | 9.65 | 17.98 | 12.98 | 13.26 | 10.70 |
| Russell 1000 Growth Index | 7.72 | 10.09 | 20.08 | 15.12 | 15.29 | 10.76 |
| S&P 500 Index | 8.25 | 9.06 | 18.59 | 12.50 | 13.15 | - |
| Morningstar Large Growth Category | 5.01 | 7.76 | 16.99 | 12.61 | 13.13 | - |

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. Each Morningstar category average represents a universe of funds with similar objectives.

Performance Commentary

The Buffalo Blue Chip Growth Fund declined 8.24% during the quarter compared to the Russell 1000 Large Cap Growth Index decline of 10.00%. Large cap growth stocks were negatively impacted by elevated valuations, concerns around growing trade restrictions (tariffs) and the corollary of higher prices within a slowing U.S. growth outlook. Investors favored energy +9.9% and healthcare +6.5% in the quarter while the consumer discretionary (-11.7%) and technology (-11.0%) sectors lagged creating large headwinds for the investment category given the latter represent over 60% of the index, by weight.

We also experienced a global divergence of performance as international equities outpaced U.S. markets driven by dollar weakness and European defense spending. Outperformance by international equity markets continued into April.

Stock selection and favorable sector positioning drove the fund's relative outperformance during the period. Large underweights in Tesla, which declined 36%, and The Mag 7 benefited performance as did overweight positions to A.J. Gallagher +21.9% and Abbott Labs +18%. Both A.J. Gallagher and Abbott are relatively immune to the trade and tariff situation, additionally, both companies reported better than expected revenue and earnings during the quarter.

Fund Facts

| | Investor | Institutional |
|------------------------|---------------------------|---------------|
| Ticker: | BUFEX | BUIEX |
| Inception Date: | 5/19/95 | 7/1/19 |
| Expense Ratio: | 0.89% | 0.79% |
| Fund Assets: | \$137.51 Million | |
| Category: | Large Cap Growth | |
| Benchmark: | Russell 1000 Growth Index | |

Management Team



Ken Laudan

Manager since 2021
B.S. – Kansas State Univ.

Top 10 Holdings*

| | |
|------------------------------|---------------|
| Apple, Inc. | 10.46% |
| NVIDIA Corporation | 9.72% |
| Microsoft Corporation | 9.26% |
| Amazon.com, Inc. | 6.62% |
| Alphabet, Inc. | 6.16% |
| Meta Platforms, Inc. | 4.34% |
| Broadcom, Inc. | 2.91% |
| Visa, Inc. | 2.06% |
| Eli Lilly and Company | 1.96% |
| Costco Wholesale Corporation | 1.56% |
| Top 10 Holdings Total | 55.05% |



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On the other hand, Marvell Technologies -48.6% and Trade Desk -53.3% detracted from performance, despite being relatively small investments for the fund. While we exited Trade Desk, we continued to hold shares of Marvell. We believe investor concern regarding Marvell losing traction with Amazon, their large hyperscaler customer, to be greatly exaggerated and misunderstood and we see no material change in the underlying structural growth outlook for the company.

Looking ahead we fully expect limited visibility regarding full year '25 financial guidance from companies. Broad tariffs coupled with the on-again ,off-again nature of them greatly detracts from conviction for both businesses and consumers to continue spending. Moreover, with supply chains now materially impacted, along with the likelihood of rising prices and growing unemployment, corporate management teams are likely to be reluctant to provide any concrete revenue and earnings guidance for 2025. Given the lack of predictable financial results and large global enterprises' inability to model reasonable base-case guidance scenarios, we expect there to be larger than normal earnings volatility until the global trade and consumer demand situation stabilizes.

We believe the thrust to artificial intelligence remains a key and important long-term secular growth trend. The U.S. currently leads in providing AI technology infrastructure and despite unavoidable air pockets, there remains a myriad of AI investment beneficiaries within the large cap growth universe. We will continue to keep a sharp eye on those companies while also being mindful of competitive advantages, above average pricing leverage and the ability of management teams to execute through cycles of volatility and uncertainty. The fund is holding more cash than usual and remains overweight healthcare and underweight to technology. Characteristics that should buffer the fund from what we expect will be elevated near-term volatility. ▲

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.

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.

Effective 7/29/24, the Buffalo Large Cap Fund is the Buffalo Blue Chip Growth Fund.

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 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 1000 Growth Index is an unmanaged index that measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. 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 Micro Cap Index is an unmanaged capitalization weighted index of 2,000 small cap and micro cap companies. 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 3000 Value Index is an unmanaged index with a market-capitalization weighted equity based on the Russell 3000 Index, 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 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. One cannot invest directly in an index. A basis point (bps) is one hundredth of a percentage point (0.01%). Cash flow is a measure of the cash produced by the firm in a given period on behalf of equity holders. The true measure of the value of a firm's equity is considered to be the present value of all free cash flows. 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. The yield curve is a graph which depicts how the yields on debt instruments such as bonds vary as a function of their years remaining to maturity. 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. The Magnificent Seven is a term used to describe the technology oriented, highly influential companies of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. The Fab 4 refers to four technology stocks including Nvidia, Amazon, Meta Platforms and Microsoft. Free cash flow is a measure of the cash produced by the firm in a given period on behalf of equity holders. The true measure of the value of a firm's equity is considered to be the present value of all free cash flows. Revenue growth is the increase (or decrease) in a company's sales from one period to the next. Capital expenditure (cap-ex) are funds used to acquire or upgrade assets such as buildings or equipment. Price-Earnings (P/E) Ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings. Capital expenditure or cap-ex is the money an organization or corporate entity spends to buy, maintain, or improve its fixed assets, such as buildings, vehicles, equipment, or land.

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.

*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 12/31/24. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

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

