

Tickers: **BUFTX** | **BUITX**

MORNINGSTAR RATING



Overall Morningstar Rating™ of BUFTX based on risk-adjusted returns among 523 Mid-Cap Growth funds as of 12/31/2023.

FUND MANAGEMENT



Dave Carlsen, CFA

Manager since 2004
 31 Years Investment Experience

B.B.A. - University Wisconsin

ABOUT US

The Buffalo Funds are a family of 10 actively-managed, no-load mutual funds, which provide a variety of long-term investment options for investors. We believe that patient investing, backed by solid, intelligent research, can be the best way to achieve long-term financial returns.

CONTACT US

800.49.BUFFALO
 buffalofunds.com

1 Would you please comment on the stock market in 2023, and how are you positioning the Fund's portfolio as a result?

In 2023, the stock market responded positively to strength in the U.S. economy, with fiscal stimulus in the pipeline, and a labor market with more job openings than seekers. With inflation slowing, the Fed may be finished with raising rates this cycle. In addition, some dominant stories drove stock prices upward, including the enthusiasm surrounding technologies supporting the development of generative artificial intelligence, and interest in the GLP-1 class of weight-loss drugs. Through all these developments, the Fund's portfolio holdings also responded positively.

Over the course of this year, we have maintained our high-quality investment approach and focus on durable growth stocks – companies that can drive top-line growth in any macro environment, manage expenses under inflationary pressures, and experience expansion of their valuation multiples as the Fed approaches the end of this interest rate hiking cycle.

2 How did the Fund perform compared to the Morningstar Mid-Cap Growth Category in 2023 and over longer periods?

We are pleased the Fund outperformed the Morningstar Mid-Cap Growth Category average for the one-year period ended December 31, 2023, with a return of 24.30% compared to the category's 21.37%. Over longer-term periods, the Fund also outperformed the category for the three-year and 10-year periods ended December 31, 2023.

We believe the Fund's long-term relative outperformance is primarily due to our investment process which favors high-quality companies with attractive growth profiles. Also, in our view, owning companies that possess reasonable valuations contributes to attractive risk-adjusted returns.

PERFORMANCE (%) AS OF 12/31/2023

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFTX	24.30	24.30	-0.26	11.81	9.72	9.14
Institutional Class - BUITX¹	24.50	24.50	-0.11	11.98	9.89	9.31
Russell Midcap Growth Index	25.87	25.87	1.31	13.81	10.57	9.22
Morningstar Mid-Cap Growth Cat. Avg.	21.37	21.37	-0.86	12.46	9.23	-
Percentile Rank in Morningstar Cat. - BUFTX		26	52	66	43	
# of Funds in Category		553	523	492	395	

Expense Ratio: Investor Class 1.01%, Institutional Class 0.86%

Ranking based on total return.

Inception dates: BUFTX 4/16/2001, BUITX 7/1/2019. Average annual total return represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate and redemption value may be more or less than original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by visiting buffalofunds.com. 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.

3 Would you please comment on the Fund's growth profile compared to the Russell Midcap Growth Index, and provide some examples?

The Fund's growth profile is higher as compared to the Russell Midcap Growth Index. Over the next year, the Fund's revenue and earnings growth rates are projected to be 8.77% and 13.09%, respectively. These growth rates are 11% and 17% higher than the Russell Midcap Growth Index, respectively. In addition, on a next 12-month weighted average basis, the Fund's price-to-earnings ratio is 35 versus the benchmark's ratio of 37.

	Buffalo Discovery Fund	Russell Midcap Growth Index	Result
Revenue Growth % (1 Year Forward Estimates - median)	8.77	7.91	11% Higher Growth Rate
EPS Growth % (1Year Forward Estimates - median)	13.09	11.20	17% Higher Growth Rate

Source: Factset and KCM as of 12/31/2023

Some examples of the Fund's holdings that demonstrate attractive growth profiles include:

- ▶ CrowdStrike Holdings, Inc. is a cybersecurity company that provides threat detection and cyberattack response services to corporate and government clients. CrowdStrike operates on a cloud-based platform and uses machine learning and artificial intelligence in its analytics tool.
- ▶ DexCom, Inc. is the leading manufacturer of continuous glucose monitors used by individuals with diabetes. With 34 million individuals that have diabetes in the U.S. and another 96 million that are characterized as pre-diabetic, DexCom has a large and growing addressable market. The company also has the opportunity for increased demand as insurance companies have begun providing reimbursement for these monitors.

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 may be obtained by calling (800) 49-BUFFALO or visiting buffalofunds.com. Read them carefully before investing.

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.

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a 3-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all 3 rating periods. The Buffalo Discovery Fund (BUFTX) received 3 stars among 523 for the 3-year, 3 stars among 492 for the 5-year, and 3 stars among 395 Mid-Cap Growth funds for the 10-year period ending 12/31/23 based on risk-adjusted returns. Morningstar rankings are based on a fund's average annual total return relative to all funds in the same Morningstar category. Fund performance used within the rankings, reflects certain fee waivers, without which, returns and Morningstar rankings would have been lower. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. © 2024 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. One cannot invest directly in an index.

Revenue growth is the increase (or decrease) in a company's sales from one period to the next. EPS growth (earnings per share growth) illustrates the growth of earnings per share over time. Revenue Growth and EPS Growth are not measures of the fund's future performance. 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. Price-to-Earnings Ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Holdings in the Fund as a percentage of net assets as of 9/30/2023: CrowdStrike Holdings Inc. 1.33%, DexCom Inc. 0.00%. Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security. Holdings for the quarter are not disclosed until 60 days after quarter end.

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