

Performance Commentary

The Buffalo Early Stage Growth Fund generated a return of 6.25% for the quarter compared to the Russell 2000 Growth Index return of 7.05%. Small cap growth stocks rebounded in the second quarter from selling pressure in March related to concerns around the banking sector and its impact on the overall economy. Year-to-date, the fund has produced a return of 13.89% compared to the Index return of 13.55%.

Average Annualized Performance (%)

As of 6/30/23	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFOX	13.11	6.13	7.52	9.51	11.89	8.69
Institutional Class - BUIOX ¹	13.31	6.30	7.68	9.68	12.06	8.85
Russell 2000 Growth Index	18.53	6.10	4.22	8.83	8.85	8.53
Morningstar U.S. Small Growth Index	17.36	2.41	3.87	8.65	8.80	8.35

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.

Stock selection within the Financial and Industrial sectors contributed positively to relative performance in the quarter while stock selection in the Healthcare sector was a deterrent to relative performance. Overall the fund trailed the benchmark return by 0.80% during the quarter.

↑ Top Contributors

The top contributor to performance results in the quarter was **Absolute Software**. Absolute Software is a security software vendor that is unique in that its product is installed at the time of production by the OEM and can be activated later to allow organizations to see, control and protect the computer hardware in their organization. In May, the company announced an agreement to be acquired by a private equity firm in an all-cash transaction at a 34% premium to the prevailing share price. We would note this marks the third holding in the fund that has been acquired this calendar year. Over the past five years, the fund has ranged between two to seven holdings that have been acquired on a calendar year basis. Given the fund's presence at the smaller end of the small cap growth universe, we would continue to expect it to be a beneficiary of this activity if we are successful in finding companies that could become attractive to both financial and strategic buyers.

↓ Top Detractors

Shutterstock was the largest detractor from portfolio results in the quarter. Shutterstock provides a marketplace/platform of digital imagery in which advertisers pay to license the content and contributors of the content are able to capture royalty payments. A leading force in the advances in the domestic equity markets year to date has been the potential for artificial intelligence (AI) applications. Sentiment around Shutterstock turned negative during the quarter as potential competitive disruption brought on by AI-related digital image creators became the focal point. We will continue to monitor the risk but believe that Shutterstock protecting companies/advertisers from potential plagiarism and copyright infringement is a key differentiator for Shutterstock moving forward.

Fund Facts

	Investor	Institutional
Ticker:	BUFOX	BUIOX
Inception Date:	5/21/04	7/1/19
Expense Ratio:	1.46%	1.33%
Fund Assets:	\$88.60 Million	
Category:	Small Cap Growth	
Benchmark:	Russell 2000 Growth Index	

Management Team



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

Outlook

The fund ended the quarter with 57 holdings.

The market has become more settled on the storyline of the Federal Reserve navigating a soft economic landing as disinflation continues to take hold while economic and labor metrics remain steady. We note that the labor market remains in great shape, excess cash on personal balance sheets has begun to decline but overall remains in good standing. Corporate profits have also proven resilient in the face of historically high inflation over the past year. Overall, the economic foundation remains solid, in our opinion.

We have seen signs of excess return in the market with AI-related companies, retail investor dominated stocks, and other speculative assets seeing unwarranted advances. We stick to investing in companies based on strong fundamentals, competitive positioning, and realistic expectations for valuation parameters for our holdings.

Our job remains to find and hold attractive small cap companies that have not been fully appreciated by the market or are mispriced due to recent results or events. The fund typically invests at the smaller end of the small cap growth spectrum and the managers continue to seek companies with sustainable growth due to secular growth trends or innovative, disruptive products. We believe less investor interest in the smaller market cap segment of the stock market creates opportunity for us to uncover value over the long-term.

The Buffalo Early Stage Growth Fund is focused primarily on identifying innovation within U.S. companies with primarily North American revenue bases. With an active share of greater than 90%, a lower turnover strategy with 50-70 holdings, the fund aims to continue to offer a distinct offering from the Index and category peers. ▲

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 3/31/23 the Buffalo Early Stage Growth Fund top 10 equity holdings were Transcat 3.20%, Federal Signal Corp 3.13%, Kinsale Capital Group 3.09%, Playa Hotels & Resorts 2.78%, Compass Diversified 2.54%, Bowman Consulting 2.40%, Univar Solutions 2.36%, Establishment Labs Holdings 2.35%, Calix 2.34%, Community Healthcare Trust 2.29%. 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 Nasdaq Composite Index is a market capitalization-weighted index of more than 3,700 stocks listed on the Nasdaq stock exchange. 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 Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. The Morningstar U.S. Small Growth Index measures the performance of U.S. small-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. One cannot invest directly in an index. Active share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark index. 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. A drawdown is a peak-to-trough decline during a specific period for an investment, trading account, or fund. Alpha is a risk-adjusted measure of the so-called active return on an investment. It is the return in excess of the compensation for the risk. An alpha of 1 means the investment's return on investment over a selected period of time was 1% better than the market during that same period; an alpha of -1 means the investment underperformed the market. 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 Microcap Index measures the performance of the microcap segment of the U.S. equity market.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in smaller companies, which involves additional risks such as limited liquidity and greater volatility than larger companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. This risk is greater in emerging markets.

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

