

Capital Market Overview

Equity markets continued to move higher in the first quarter of the year as the S&P 500 Index gained 10.56% and closed at an all-time high. The stock market has been quite strong despite dramatic changes in expectations about the timing and size of interest rate cuts since the start of the year. Back in January the market was expecting an interest rate cut in March and perhaps six cuts in total for 2024. However, because of continuing economic strength and stickier inflation, that outlook has now shifted to a June or July rate cut start and maybe only two or three 0.25% cuts for the year. The yield of the 10-year U.S. Treasury note rose to 4.20% at quarter-end, an increase from 3.88% to start the year. The shift in interest rate expectations weighed on bonds during the period and the Bloomberg Aggregate Bond Index declined 0.80%.

Recapping broad-based index results, the Russell 3000 Index gained 10.02% during the period. Growth stocks outperformed value stocks as the Russell 3000 Growth Index advanced 11.23% compared to a gain of 8.62% for the Russell 3000 Value Index. Relative performance improved going up in market capitalization (size) during the quarter as large caps advanced more than small caps. Larger cap stocks produced a return of 10.30%, as measured by the Russell 1000 Index, compared to the smaller cap Russell 2000 Index return of 5.18%. The smaller market cap Russell Microcap Index followed with an advance of 4.68% in the quarter.

Performance Commentary

The Buffalo Flexible Income Fund returned 10.05% during the quarter compared to a return of 10.02% for the Russell 3000 Index. The healthcare sector contributed most to performance results, primarily driven by security selection. Specific investments within healthcare that contributed to the outperformance included Eli Lilly and Abbvie. Partially offsetting outperformance from healthcare was our result in the energy sector. Energy was the biggest detractor from benchmark relative performance during the quarter primarily due to security selection.

Average Annualized Performance (%)

As of 3/31/24	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - <i>BUFBX</i>	19.37	13.58	10.66	7.99	10.77	7.79
Institutional Class - <i>BUIBX</i> ¹	19.61	13.74	10.83	8.15	10.94	7.95
Russell 3000 Index	29.29	9.78	14.34	12.33	15.44	10.53

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

Overall, the top three contributors for the fund during the quarter were **Eli Lilly**, **Microsoft** and **Marathon Petroleum**. Lilly reported fourth quarter 2023 revenues and earnings that beat guidance primarily driven by weight loss drugs. The company also provided 2024 top line and margin guidance that was above expectations and reported positive Phase II results in one of NASH clinical trials. Next, Microsoft reported better than expected results during the quarter with revenues and earnings beating expectations. Revenue growth was strong across all of its segments and margins also improved during the quarter. Marathon Petroleum reported very strong earnings during the quarter as refining margins exceeded expectations across its regions, with the Gulf Coast and mid-Continent regions the strongest). Additionally, the company generated significant free cash flow, which it has been returning to shareholders via dividends and share repurchases.

Fund Facts

	Investor	Institutional
Ticker:	BUFBX	BUIBX
Inception Date:	8/12/94	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	\$489.40 Billion	
Category:	Large Value	
Benchmark:	Russell 3000 Index	

Management Team



John Kornitzer

Manager since Inception
B.A. – St. Francis Univ. (PA)



Paul Dlugosch, CFA

Co-Manager since 2011
B.S. – University of Iowa

Top 10 Holdings*

Microsoft Corporation	9.39%
Eli Lilly and Company	5.06%
Hess Corporation	4.54%
Costco Wholesale Corporation	4.30%
ConocoPhillips	4.16%
Chevron Corporation	4.05%
Exxon Mobil Corporation	3.58%
Arthur J. Gallagher & Co.	3.42%
APA Corporation	3.12%
PepsiCo, Inc.	2.95%
Top 10 Holdings Total	44.56%

↓ Top Detractors

The biggest detractors from performance during the quarter were **Gilead, APA** and **Rio Tinto**. Gilead was negatively impacted by unfavorable results in its Phase III drug for lung cancer. Shares of APA were down slightly during the quarter due to several factors including mixed earnings, a large acquisition (Callon), and a decline in oil prices. Although Rio Tinto's earnings generally met expectations, the company's stock was negatively impacted by lower commodity prices and copper production.

Outlook

The economy is slowing to a more sustainable level of growth as consumers have spent much of the excess savings accumulated during the pandemic. Higher capital costs are also helping to moderate demand giving supply lines time to mend. With demand moderating and the job market beginning to loosen, we believe inflationary pressures will continue to moderate. The Fed's aggressive tightening cycle appears to be getting the job done on inflation, and a disaster scenario of stubbornly high inflation coupled with a consumer-led recession appears to be off the table. Moreover, the Fed now has firepower to stimulate when needed which provides an important backstop to investor psychology. As always, we remain focused on wide moat, large capitalization dividend-paying companies trading at reasonable valuations, according to our analysis. ▴

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. The Russell 3000 Index measures the performance of the 3,000 largest publicly held companies incorporated in the U.S. based on market capitalization. A basis point (BPS) is one hundredth of a percentage point (0.01%). 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.

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 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 1000 Index is an unmanaged capitalization-weighted index of approximately 1,000 of the largest companies in the U.S. equity markets. 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 Magnificent Seven is a term used to describe the technology-oriented, highly influential companies of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. The Conference Board Leading Economic Index, Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indices. 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. It is not possible to invest directly in an index.

Mutual fund investing involves risk. Principal loss is possible. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in foreign securities include additional risk such as greater volatility, and political, economic, and currency risks, as well as difference in accounting methods.

*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 12/31/23. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

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