Buffalo Flexible Income Fund

QUARTERLY COMMENTARY

June 30, 2023

Performance Commentary

The Buffalo Flexible Income Fund produced a return of 2.72% for the quarter compared to a return of 8.39% for the Russell 3000 Index. The market acquired an increased appetite for risk during the period and the growth component of the benchmark drove performance while the dividend payer component lagged, which resulted in a strong headwind for our strategy. For the first time in more than a year, equity markets moved higher despite a meaningful rise in long-term interest rates. The 10-year Treasury yield jumped 30 basis points during the second quarter, yet the most expensive and cyclical parts of the market also moved higher.

Traditional defensive sectors of the market like Consumer Staples, Health Care, and Utilities meaningfully underperformed during the quarter. The portfolio's underweight to Information Technology, the strongest performing benchmark sector during the period, was a drag on relative results. Not owning several of the benchmark's largest weighted technology stocks like Apple, NVIDIA, Meta Platforms (Facebook), Alphabet (Google) cost the fund relative performance during the quarter. The fund's significant overweight to Energy, a negative performing benchmark sector during the period, also contributed to the relative lag.

Average Annualized Performance (%)

As of 6/30/23	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFBX*	8.72	14.95	8.11	7.28	7.13	7.44
Institutional Class - *BUIBX*[1]	8.89	15.12	8.26	7.44	7.28	7.60
Russell 3000 Index	18.95	13.89	11.39	12.34	10.61	10.14
Morningstar Moderately Aggressive Target Risk Index	11.58	7.97	6.38	7.48	6.83	–

[1]For 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.

↑ Top Contributors

The top three contributors to the fund's performance during the quarter were Microsoft, Eli Lilly and AJ Gallagher.

Microsoft delivered better than anticipated quarterly results driven by Office365 and Azure. Additionally, operating expenses didn't grow as much as some analysts projected, resulting in better operating margins. The Company's generative artificial intelligence (AI) services also saw impressive growth during the quarter.

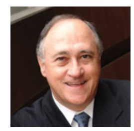
Eli Lilly reported good first quarter earnings and delivered an upbeat outlook for the full year. The company continues to execute as it relates to its diabetes franchise and reported positive data on its new weight loss drug, Mounjaro. Additionally, the company has upcoming data readouts on its Alzheimer drug candidate.

AJ Gallagher reported better than expected earnings in the quarter driven by improved brokerage margins which benefitted from higher property and casualty (P&C) pricing and remains constructive on the environment for the full year as well.

Fund Facts

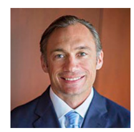
	Investor	*Institutional*
Ticker:	BUFBX	BUIBX
Inception Date:	8/12/94	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	$456.39 Billion	
Category:	Large Value	
Benchmark:	Russell 3000 Index	

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

BUFFALO FUNDS

Buffalo Flexible Income Fund

QUARTERLY COMMENTARY

June 30, 2023

↓ Top Detractors

The top three detractors were General Mills, Marathon Petroleum, and Lions Gate Entertainment.

General Mills decline primarily reflects slower organic top line growth and a decline in its premium valuation multiple.

Marathon Petroleum share price decline is primarily due to weaker crack spreads, which resulted in lower refining margins.

Lions Gate Entertainment's decline reflects higher content costs at Starz and investor focus on the timing of the separation of its film and TV studio assets from the Starz business.

Outlook

In our view, valuations are more expensive now given the market's recent run. Inflation is peaking, but the combination of a tight labor market and the Fed's "quantitative tightening" will likely keep interest rates elevated for several quarters. We also expect cautious guidance from many companies this earnings season. Consumers are dealing with high interest rates, elevated inflation, decelerating wage gains, and will soon have to begin repaying student loan payments. In short, we are expecting a choppy environment.

Despite the uncertainty, we remain focused on wide moat, large capitalization dividend-paying companies trading at reasonable valuations, in our view. As always, the fund will continue to emphasize competitively advantaged companies that can be purchased at a fair value. We will be ready to take advantage of opportunities created by stock market volatility using market declines as attractive entry points for long-term investors.

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:

Christopher Crawford
ccrawford@buffalofunds.com
(913) 647-2321

Scott Johnson
sjohnson@buffalofunds.com
(913) 754-1537