

## Capital Market Review

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 Growth Fund gained 9.88% in the first quarter compared to the Russell 3000 Growth Index return of 11.23%. Strong stock selection in the Consumer and Health Care sectors largely offset poor stock selection in the Technology and Financials sector. Within the Consumer sector, an overweight position in Uber combined with an underweight position in Tesla drove relative outperformance. Our performance in the Health Care sector was driven by relative outperformance in Establishment Labs, Edwards Lifesciences and Veeva Systems. Within Financials, fintech companies Shift4 Payments and Open Lending experienced near-term performance headwinds. In Technology, Calix underperformed due to a delay in service provider order patterns. And lastly, we did not own enough NVIDIA. It was a strong contributor to fund performance given the stock advanced over 82% in the period, but we held an average portfolio weight of 5.20% during the quarter vs. the benchmark's average weight of 6.45%.

## Average Annualized Performance (%)

As of 3/31/24	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFGX	36.01	9.22	14.03	12.20	15.44	10.82
Institutional Class - BIIGX <sup>1</sup>	36.16	9.37	14.19	12.36	15.61	10.99
Russell 3000 Growth Index	37.95	11.54	17.82	15.43	17.56	10.66

<sup>1</sup>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 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](http://buffalofunds.com).

## ↑ Top Contributors

Shares of **NVIDIA** advanced over 82% in the quarter. The company reported sales and earnings ahead of street expectations and guided for greater than expected growth driven by strength in AI. The company has obtained a wide moat around the AI ecosystem and is very well positioned to capture the lion's share of AI infrastructure buildouts.

## Fund Facts

	Investor	Institutional
Ticker:	BUFGX	BIIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.92%	0.77%
Fund Assets:	\$178.94 Million	
Category:	Large Cap Growth	
Benchmark:	Russell 3000 Growth Index	

## Management Team



### Dave Carlsen, CFA

Co-Manager since 2007  
B.B.A. – Univ. of WI-Madison



### Josh West, CFA

Co-Manager since 2020  
M.B.A. – Univ. of MO-Columbia  
B.S. – Univ. of MO-Columbia

## Top 10 Holdings\*

Microsoft Corporation	12.16%
Alphabet Inc. Class A	9.78%
Apple Inc.	9.75%
Amazon.com, Inc.	6.77%
NVIDIA Corporation	3.79%
Meta Platforms Inc Class A	3.43%
Mastercard Inc. Class A	3.22%
Adobe Inc.	2.79%
Visa Inc. Class A	2.77%
Salesforce, Inc.	2.23%
<b>Top 10 Holdings Total</b>	<b>56.67%</b>

**Microsoft** was also a strong contributor to overall results. It gained over 12% in the period and is the fund's largest position. The company has been investing heavily in the development of AI-powered solutions across its various business segments, such as using AI to enhance productivity and efficiency in its Azure cloud infrastructure, Search, and Office software suite. Microsoft should also continue to grow their leading share in cloud computing, gaming, and MS Office productivity applications.

## ↓ Top Detractors

**Apple (AAPL)**, a manufacturer and marketer of consumer electronics, software and services, was the largest detractor in the quarter. Shares fell on concerns about softening demand for iPhones and the impact of China's plan to ban government-backed agencies and state companies from using iPhones. We like Apple for its opportunity to grow services revenue by monetizing the massive installed base of over 2 billion devices. AI on the iPhone should be on the horizon and is a significant opportunity to monetize the installed base via a replacement cycle and / or services opportunity.

**Calix Inc. (CALX)** was also a detractor for the quarter. The company is a leading supplier of cloud services and software solutions to telecom networks and broadband service providers. Growth has stalled temporarily as customers work through complex federal government procedures related to broadband stimulus awards. Investors have also become more cautious on the spending environment for telecom equipment given recent demand weakness at industry bellwethers AT&T and Verizon. We reduced our position in late-2022 and early 2023 when the stock was approaching all-time highs but continue to believe this is a well-run business with meaningful growth opportunities in broadband cloud services especially as we approach 2025 when we expect more rural broadband stimulus grants are doled out.

## 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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## Outlook

The outlook for growth stocks is encouraging. 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. In our opinion, the market environment favors growing, high quality, self-funded companies with durable moats.

Our process is to invest in high quality, well-funded businesses that benefit from secular trends. Regardless of what happens with the economy or broader equity markets, we will strive to maximize risk-adjusted returns in the portfolio by investing in attractively valued businesses with solid growth opportunities, durable competitive advantages, scalable business models, and exceptional management teams.

Thank you for your continued support. ▲

*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](http://buffalofunds.com). Read carefully before investing.*

**Earnings growth is not representative of the Fund's future performance. Investing in both actively and passively managed mutual funds involves risks and principal loss is possible.**

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. 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 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 Conference Board of Leading Economic Index provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term. 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 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 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 Magnificent Seven is a term used to describe the technology oriented, highly influential companies of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. It is not possible to invest directly in an index. A basis point is one hundredth of a percentage point (0.01%).

**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.**

\*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.

