

Performance Commentary

The Buffalo Growth Fund delivered a return of 13.84% in the second quarter, outpacing the Russell 3000 Growth Index return of 12.47%. Strong stock selection in industrials and information technology as well as a lack of exposure to the underperforming consumer staples sector drove the relative outperformance.

Average Annualized Performance (%)

As of 6/30/23	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFGX	26.04	10.50	11.12	12.53	11.10	10.43
Institutional Class - BUIGX ¹	26.19	10.65	11.28	12.69	11.26	10.59
Russell 3000 Growth Index	26.60	13.24	14.39	15.26	12.64	10.16
Morningstar U.S. Growth Index	23.41	8.41	12.19	14.42	11.57	-

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

Microsoft gained over 18% in the quarter and was the top contributor to fund returns. The company surprised investors with revenue and earnings ahead of expectations. They specifically called out artificial intelligence as a contributor to Azure growth, alleviating some concerns about a deceleration in cloud computing growth. Microsoft 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 continue to grow their leading share in cloud computing, gaming, and MS Office productivity applications.

Apple also gained nearly 18% in the quarter after beating expectations on the strength of iPhone sales. They also reported strong growth in emerging markets and announced another \$90 billion share repurchase authorization. We continue to like Apple for their opportunity to grow services revenue by monetizing their massive installed base of over 2 billion active devices.

Google parent, **Alphabet Inc.** shares were up over 15% in the quarter. Quarterly results were good, and they announced a \$70 billion share repurchase program. Initially, shares didn't react to the earnings report, due to concerns that Microsoft's Bing search engine would leverage Chat GPT to take share from Google. As the quarter progressed, market share in search held up, and the company highlighted their own artificial intelligence efforts, causing shares to rally. We believe Alphabet is well positioned to benefit from the continuing migration of advertising dollars to online and mobile as well as growth in cloud computing.

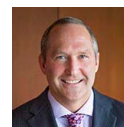
↓ Top Detractors

Bio-Rad Laboratories makes specialty chemicals and tools used in biochemical, pharmaceutical, and life science industries. Bio-Rad's stock fell 20% in the quarter, after they reported disappointing results driven by weakness in small biotech funding, a slower than expected ramp at their new Singapore factory, and costs increasing faster than price escalators. We believe that the company's high growth end markets will allow them to grow revenues at a high-single-digit rate and expand margins for years to come. Furthermore, we believe that the current share price does not give them credit for the company's 38% stake in Sartorius, a European biopharmaceutical research company.

Fund Facts

	Investor	Institutional
Ticker:	BUFGX	BUIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.92%	0.77%
Fund Assets:	\$160.15 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
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Illumina is the market leader in DNA sequencing tools and consumables. They reported a relatively uneventful first quarter, highlighted by strong systems placements offset by weaker margins. Then they went through a proxy fight with Carl Icahn that resulted in a new outside board member and the resignation of their CEO. While competition is increasing, we think Illumina is in a good position to benefit from continued growth in genomic sequencing.

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

Last quarter, investors were convinced that the Federal Reserve would push the economy into recession with their rapid interest rate increases. As of this writing, the consensus view seems to be that the Fed will be able to tame inflation without killing economic expansion, what is often referred to as the “soft landing” scenario. To us, this highlights how quickly the prevailing view can change in economics and financial markets.

Conflicting economic data points are easy to find. Headline inflation is clearly decelerating, but some measures of core inflation are stickier. Economic surprises have been positive, but The Conference Board’s Leading Economic Index (LEI) and the inverted yield curve are at levels that signal a recession.

We do not know if there will be a recession this year, next year, or the year after. We remain focused on investing in businesses that we believe will be larger and more profitable five years from now and have the financial strength to weather a recession whenever one eventually occurs. 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. 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.

As of 3/31/23 the Buffalo Growth Fund top 10 equity holdings were Microsoft 12.01%, Apple 10.06%, Amazon 5.20%, Alphabet (A) 4.58%, Alphabet (C) 4.03%, Mastercard 3.67%, Visa 2.71%, Booking Holdings 2.62%, Salesforce 2.31%, Meta Platforms 2.11%. 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 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 Morningstar U.S. Growth Index measures the performance of U.S. 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. 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.

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.

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

