

## Capital Market Review

The broad-based equity market advanced in the second quarter (measured by the S&P 500 Index) as the economy continued to grow moderately while inflation and labor market measures eased enough throughout the period that investors became more confident of interest rate cuts. There have been big changes in expectations about the timing and size of interest rate cuts since the start of the year. In January the market was expecting perhaps as many as six rate cuts for 2024, however, that has now shifted to maybe only one or two cuts for the year, starting in September. As has been the case for some time now, however, there was a size bias in performance results during the quarter, which has particularly benefited a few mega-cap companies associated with artificial intelligence (AI). Large cap stocks continued to outperform small cap stocks and growth companies continued to outperform value companies by a wide margin.

Recapping index results, the Russell 3000 Index gained 3.22% during the period. The Russell 3000 Growth Index advanced 7.80% compared to a decline of -2.25% for the Russell 3000 Value Index. Larger cap stocks produced a return of 3.57%, as measured by the Russell 1000 Index, compared to the smaller cap Russell 2000 Index decline of -3.28%. In terms of sector leadership, Technology and Communication Services were the top performers for the quarter while a larger group of companies in the Industrials, Financials, Health Care, Consumer Discretionary, Energy, Materials and Real Estate sectors declined.

## Performance Commentary

The Buffalo Growth Fund produced a return of 5.07% in the second quarter, a result that trailed the Russell 3000 Growth Index's return of 7.80%. In general, underexposure to megacaps, underexposure to the momentum factor and higher exposure to small and mid-cap companies, compared to the index, drove the relative underperformance. Although the fund holds large positions in NVIDIA and Apple, the index weights are even larger, which created a drag on relative performance given their strong performance results for the period. Elsewhere, disappointing earnings from DoubleVerify and Progyny were a drag on the fund's returns in the quarter.

## Average Annualized Performance (%)

As of 6/30/24	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFGX	25.53	7.19	13.65	12.40	14.39	10.91
Institutional Class - BIIGX <sup>1</sup>	25.66	7.32	13.80	12.56	14.55	11.08
Russell 3000 Growth Index	32.22	10.33	18.55	15.75	16.93	10.85

<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

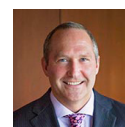
**NVIDIA Corporation (NVDA)** was the top contributor to portfolio results for the second consecutive quarter. The company's shares gained more than 36% in the period on continued artificial intelligence driven momentum in their datacenter business. The company reported another beat and raise quarter. In addition, they announced a 10 for 1 stock split and an increase in the dividend. 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.

**Alphabet Inc. (GOOGL and GOOG)** shares were up over 20% in the quarter driven by strong results in Search, YouTube, and Google Cloud. In addition, margins came in ahead

## Fund Facts

	Investor	Institutional
Ticker:	BUFGX	BIIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.92%	0.77%
Fund Assets:	\$177.85 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	12.44%
Alphabet Inc.	9.67%
Apple Inc.	7.94%
Amazon.com Inc.	7.36%
NVIDIA Corporation	6.33%
Meta Platforms Inc.	4.30%
Mastercard Incorporated	3.32%
Visa Inc.	2.71%
Uber Technologies Inc.	2.47%
Salesforce Inc.	2.33%
<b>Top 10 Holdings Total</b>	<b>58.88%</b>

of analyst expectations and the company initiated a dividend. We continue to 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

**DoubleVerify Holdings (DV)** was the top detractor from portfolio results during the quarter. DoubleVerify is a leading software platform for digital media measurement and analytics. The shares moved sharply lower after management lowered forward financial guidance on its first-quarter earnings call due to slower ad spending from some of its largest retail and consumer products customers. The company also noted some ad budgets are shifting towards connected TV and social media platforms where it currently earns less revenue compared to ads on the open web. Earlier this year, the company deployed its audience measurement and brand safety tools within Meta's Feed and Reels products, however this growth opportunity will take time to fully realize. While we underestimated the cyclical headwinds associated with DoubleVerify, the company continues to grow rapidly and has substantial opportunity in nascent digital media verticals such as social, streaming video, and retail. As advertising dollars continue to shift from traditional media outlets to these online platforms, marketers are increasingly demanding independent analysis of advertising return on investment (ROI) and brand safety. We continue to hold shares of DoubleVerify and are continuing to monitor the operating environment closely.

**Progyny (PGNY)** was another large detractor from results in the period. The fertility benefits provider reported disappointing results driven by lower than expected utilization as fewer covered employees sought out fertility treatments in the quarter. Meanwhile, infertility continues to become more prevalent, women continue to delay having children until later in life, and employers continue to add fertility benefits to attract talent and manage health care costs. All of these factors give us confidence in Progyny's long-term outlook.

## Outlook

Inflation is continuing to cool, fueling hopes that the Federal Reserve will cut rates later this year. With the current Federal Funds Rate at 5.5%, we believe there is plenty of room for the Fed to stimulate the economy if it begins to show signs of weakness. As we start the third quarter, the market appears to be broadening out, with smaller companies outperforming large technology companies. If this trend continues, we believe it should provide a backdrop for our all-cap strategy to produce attractive relative returns.

As always, our investment approach is to invest in high quality, well-funded businesses that benefit from secular growth 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. ▀

## 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](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 3/31/24. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

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

