Buffalo Growth Fund

QUARTERLY
COMMENTARY

September 30, 2024

Capital Market Review

Equity markets advanced in the third quarter as the economy continued to grow moderately while inflation pressures and labor markets cooled enough to trigger an interest rate cut. The Federal Reserve reduced the fed fund's rate by half a percentage point in September bringing the target to 4.75%-5.00%. This much anticipated pivot on interest rates also propelled the bond market during the quarter. Bond prices rose and yields fell in June and July as the outlook for rate cuts became clearer. The yield on the 10-year Treasury note fell from 4.48% at the beginning of July to 3.75% by the end of the quarter. The slope of the yield curve normalized as short term bond yields fell the most. There have been big changes in expectations about the timing and size of interest rate cuts throughout the year. In January the market was expecting as many as six rate cuts for 2024, however, that has now shifted to maybe just three.

The third quarter witnessed a rotation out of large technology stocks. Microsoft, Nvidia, Alphabet, and Amazon underperformed while value stocks and small cap companies advanced sharply during the period. The Russell 3000 Value Index gained 9.47% and significantly outperformed the Russell 3000 Growth Index return of 3.42% in the quarter. The small cap Russell 2000 Index produced a return of 9.27% compared to the large cap Russell 1000 Index return of 6.08%. Dividend-paying stocks also outperformed the broader market for the quarter.

In terms of sector leadership, Utilities and Real Estate were the top performers for the quarter, followed by Financials, Industrials and Materials. Technology, Communication Services lagged, and Energy was the lone negative returning sector for the period.

Performance Commentary

The Buffalo Growth Fund produced a return of 3.24% during the third quarter versus the Russell 3000 Growth Index return of 3.42%. The fund's underweight in Tesla was the primary reason for the modest shortfall compared to the benchmark. At the sector level, the fund outperformed in the Real Estate and Financials sectors, while it lagged in Consumer Discretionary. Credit and Interest rate sensitive industries such as real estate investment trusts (REITs), financials, and housing outperformed defensive sectors like Consumer Staples and Healthcare.

Overall, it was a strong quarter for stocks as the Federal Reserve sent strong smoke-signals that interest rates would begin to moderate. Through much of the quarter investors correctly anticipated the eventual 50 basis point cut to the Fed Funds rate and the beginning of a new easing cycle. Yields on 10-year Treasuries declined 60 basis points during the quarter, while the two- versus ten-year Treasury spread moved from -30 basis points (i.e., inverted yield curve signaling recession) to +15 basis points (a rising curve signaling stability). Fed Chairman Powell commented that inflation is on a sustainable path towards its 2% target, and investor sentiment shifted toward the "Goldilocks" scenario of stable economic growth with acceptable levels of inflation. Core inflation currently stands at +3.2%. That includes goods inflation running below the Fed's 2% target and services inflation that is back to pre-pandemic levels excluding housing. Inflation has proven stickier than anticipated throughout the post-pandemic recovery,

Average Annualized Performance (%)

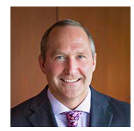
As of 9/30/24	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - ***BUFGX***	34.83	8.06	14.44	12.81	13.50	10.94
Institutional Class - ***BIIGX***[1]	34.99	8.19	14.59	12.97	13.66	11.10
Russell 3000 Growth Index	41.47	11.31	19.09	16.04	16.17	10.88

[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.

Fund Facts

	Investor	*Institutional*
Ticker:	BUFGX	BIIGX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.87%	0.77%
Fund Assets:	$178.41 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	12.62%
Alphabet, Inc.	9.90%
Apple, Inc.	9.19%
NVIDIA Corporation	8.67%
Amazon.com, Inc.	7.90%
Meta Platforms, Inc.	4.48%
Mastercard, Inc.	2.60%
Adobe, Inc.	2.38%
Uber Technologies, Inc.	2.34%
Visa, Inc.	2.17%
Top 10 Holdings Total	**62.25%**

but the recent slowdown in job creation has given the Fed confidence to, at a minimum, begin removing its restrictive policy stance. We expect the Fed to remain highly sensitive to any potential reacceleration in inflation, so future rate cuts will need to be justified by economic data.

↑ Top Contributors

TransUnion (TRU) was the largest contributor to performance this quarter, rising more than 40%. The company is a leading global information services provider of credit risk assessment and fraud prevention solutions. In addition to reporting better than expected earnings, its shares benefited throughout the quarter as investors began to anticipate lower rates would lead to improvement in borrowing and lending activity. TransUnion reported seeing positive trends in consumer credit continuing into the third quarter and early signs of an uptick in loan originations and refinancing activity. As interest rates normalize, TransUnion should continue to benefit from increased demand for credit products like mortgages, auto loans and credit cards.

CBRE Group (CBRE), the leading global provider of commercial real estate (CRE) services was another top contributor in the quarter, rising more than 39%. In addition to reporting better than expected earnings, its shares benefited from the pullback in interest rates seen in the quarter as higher interest rates have been a headwind to commercial real estate transactions. CBRE reported seeing positive trends in leasing and mortgage originations continuing into the third quarter and early signs of an uptick in U.S. sales activity. Looking through the cycles, CBRE should continue to benefit from firms outsourcing CRE functions, consolidation of CRE spend with fewer global providers, and increasing institutional ownership in the CRE asset class.

↓ Top Detractors

Progeny (PGNY) was the top detractor during the quarter. The fertility benefits provider reported disappointing results driven by lower-than-expected utilization as fewer covered employees sought out fertility treatments. More concerning was the announcement that their largest customer would cancel service at the end of the year. Despite this substantial headwind, management expects to grow covered lives next year, with new clients more than offsetting the loss. 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. This gives us confidence in Progyny's long-term outlook.

Edwards Lifesciences Corporation (EW) was another detractor for the quarter. Edwards is a medical technology company focused on innovations for structural heart disease. It is a global leader in transcatheter heart valve replacement (TAVR) and the emerging transcatheter mitral and tricuspid therapies (TMTT). Both are less invasive heart valve replacement therapies using catheters instead of surgery, shortening recovery time while achieving desired outcomes. The company cut its full-year revenue growth guidance, citing slower-than-anticipated TAVR procedures in the near term, as the market begins to implement more of the emerging TMTT procedures. Workflow is not yet optimized for TMTT and cardiac teams are not as experienced and efficient with the procedure. As hospitals invest in developing TMTT programs it is diverting some resources and attention away from TAVR, limiting growth in the near term. Edwards is investing to help cardiac teams streamline workflow and improve throughput, but the investments will take time to bear fruit. We continue to see this as an attractive franchise with high single digit to low double-digit growth and thus added to the position.

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

Outlook

It isn't surprising the Fed is beginning to unwind its restrictive policy stance, which we discussed in last quarter's outlook. Economic growth is slowing and labor markets are beginning to loosen, making it reasonable for the Fed to shift to a neutral policy stance. Getting to neutral would imply one or two additional cuts of 25 basis points, after which we expect the Fed to become data dependent regarding future actions. Interestingly, 10-year Treasury yields have jumped 30 basis points since the Fed announced the cuts on September 30. There is clearly some concern the Fed is cutting too quickly against a backdrop of historically tight labor markets and two Presidential candidates offering up policies that would further increase Federal deficits. Inflation and economic growth have both been more persistent than experts had predicted a year ago, so we expect the Fed to move prudently as it aims to balance its dual mandate of maximum employment and stable prices.

The market rotated into low-P/E (Price/Earnings) cyclicals this past quarter, but we don't plan on chasing growth-challenged businesses on the premise that we are somehow entering a new economic cycle. Consumers have piled on substantial debt since the pandemic, and debt service as a share of disposable income is back to pre-pandemic levels. Consumer confidence registered its sharpest decline in almost three years during the month of September, as survey participants cite concerns about job availability and income prospects. We have yet to experience a recession, which is typically the base from which new economic cycles are built. We still expect secular growth franchises to outperform in a late-cycle economy. Lower interest rates will help to broaden market leadership, with higher equity valuations benefiting reasonably priced growth stocks. Secularly growing businesses with strong balance sheets, scalable business models, wide competitive moats, and reasonable valuations should continue to compound value over time. Thank you for your continued trust and 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.

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%). A yield curve is a line that plots the yields, or interest rates, of bonds that have equal credit quality but different maturity dates. Price-Earnings (P/E) Ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

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 6/30/24. 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.