

Capital Market Review

In the final quarter of 2024 investors processed hawkish comments from the Federal Reserve signaling fewer interest rate cuts in 2025. Bond prices fell and yields rose as the outlook for sustained inflation increased, making rate cuts less certain. The yield on the 10-year Treasury note increased from 3.75% at the beginning of October to 4.57% by the end of the quarter. The Treasury yield curve steepened (normalized) and ten-year Treasury notes have a higher yield than three-month Treasury bills for the first time since October 2022.

The broad equity market, as measured by the S&P 500, managed to advance 2.41% in the period, and there was a rotation back into mega cap growth stocks. Tesla, Nvidia, Amazon, Alphabet, and Apple outperformed while value stocks, as a group, declined. The Russell 3000 Growth Index gained 7.07% significantly outperforming the Russell 3000 Value Index return of -1.94%. In general, performance improved moving up in market capitalization (company size) during the period. The small cap Russell 2000 Index returned 0.33%, the Russell Midcap Index advanced 0.62% while the large cap Russell 1000 Index produced a return of 2.75%.

Performance Commentary

The Buffalo Growth Fund advanced 5.04% in the fourth quarter, trailing the Russell 3000 Growth Index's return of 6.82%. Relative underperformance was driven by stock selection in the Consumer Discretionary and Industrial sectors. The fund's underweight position in Tesla was the largest drag on relative performance. Tesla gained over 50%, largely due to optimism about Elon Musk's relationship with the incoming administration. Furthermore, rising interest rates had a negative effect on rate sensitive businesses in the portfolio like TransUnion.

Average Annualized Performance (%)

As of 12/31/24	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFGX	25.19	7.14	13.94	12.90	13.67	11.02
Institutional Class - BIIGX ¹	25.33	7.27	14.08	13.06	13.84	11.19
Russell 3000 Growth Index	32.46	9.93	18.25	16.22	16.11	11.03

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

Amazon.com was the top contributor during the period. The company reported a strong quarter with top and bottom-line results well ahead of expectations. Strength in advertising and retail drove the upside. Management also highlighted that demand for AI features was driving strong growth for Amazon Web Services (AWS). Looking forward, we expect Amazon to continue to dominate ecommerce, benefit from growth in the public cloud, and continue to rapidly grow advertising revenues.

NVIDIA shares were up over 10% despite what could be described as a relatively uneventful quarter, by NVIDIA's standards. The company reported another "beat and raise" quarter, but with less upside than investors have become accustomed to. Demand remains strong for their graphics processing units (GPUs), and the company is expected to grow revenues by more than 50% in the next fiscal year. NVIDIA has obtained a wide moat around the AI ecosystem and is 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:	0.87%	0.77%
Fund Assets:	\$182.28 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	12.12%
Apple, Inc.	9.75%
NVIDIA Corporation	8.50%
Alphabet, Inc.	8.11%
Amazon.com, Inc.	7.60%
Meta Platforms Inc.	5.07%
TransUnion	2.42%
Uber Technologies, Inc.	2.41%
Mastercard, Inc.	2.35%
Visa, Inc.	2.27%
Top 10 Holdings Total	60.61%

↓ Top Detractors

Uber Technologies was the largest detractor from portfolio results in the quarter. Gross bookings were slightly short of expectations, although revenue and EBITDA were ahead. Concerns about competition from robotaxis/autonomous vehicles weighed on shares after Waymo reported strong growth in Phoenix and plans to enter Miami in 2026. We believe Uber's strong brand and large customer base will make it an attractive partner for autonomous vehicle companies in the future.

Adobe's shares fell after the company issued disappointing 2025 guidance. Investors are increasingly concerned about delayed AI monetization and increasing competition for the company. We will continue to monitor these concerns, but believe Adobe is well positioned with creative and marketing professionals and will ultimately benefit from incorporating generative AI in its existing workflows.

Outlook

We expect interest rates to remain higher for longer with the new administration pushing pro-growth policies that could stoke inflation and increase the Federal budget deficit. Against the backdrop of a tight labor market and rising wages, President Trump is advocating for an extension of individual tax cuts, regulatory reform, corporate tax cuts, mass deportations, and tariffs. It remains to be seen what will be enacted, but expectations for more Fed rate cuts have been pushed out. We believe we are late in the economic cycle and the Federal government will struggle to make meaningful strides on deficit reduction. With that in mind, we are focused on high-quality, secular growth stocks with resilient demand. We believe our focus on 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. ▲

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. 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 Russell Midcap Index is an unmanaged index that measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 26% of the total market capitalization of the Russell 1000 Index. 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. EBITDA stands for earnings before interest, taxes, depreciation and amortization. EBITDA is one indicator of a company's financial performance and is used as a proxy for a company's current operating profitability.

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 9/30/24. 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.

