Buffalo High Yield Fund

QUARTERLY
COMMENTARY

March 31, 2024

Performance Commentary

The Buffalo High Yield Fund increased 2.72% for the quarter outperforming the ICE BofA US High Yield Index gain of 1.52% and the Lipper High Yield Bond Funds Index gain of 1.83%.

Average Annualized Performance (%)

As of 3/31/24	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFHX*	12.07	3.98	5.92	4.76	7.75	6.75
Institutional Class - *BUIHX*[1]	12.24	4.13	6.06	4.90	7.91	6.91
ICE BofA US High Yield Index	11.12	2.25	4.06	4.38	8.79	6.63
Lipper High Yield Bond Funds Index	10.69	2.30	3.99	3.93	8.08	5.56
Morningstar High Yield Bond Category	10.40	2.07	3.76	3.60	7.43	5.46

[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. Each Morningstar category average represents a universe of funds with similar objectives.

The U.S. high yield bond sector posted its sixth consecutive positive quarter as economic data signaled resiliency, and the Federal Reserve softened its hawkish rhetoric prompting speculation that interest rate cuts may come sooner than expected. High yield bonds gained momentum throughout the quarter, posting gains of 0.02%, 0.30%, and 1.19% across January, February, and March respectively, despite an increase in U.S. Treasury yields. The increase in treasury yields pushed the spread to worst for high yield down to a five year low of 339 basis points (bps) in March as the yield to worst remained essentially unchanged at 7.83%. This compares to the record low of 4.22% in July 2021. Leveraged loans generated a gain of 2.65% for the quarter and ended with a yield of 8.81%, which was 20bps higher than the previous quarter.

According to JP Morgan, high yield funds saw quarterly cash inflows of $2.6 billion in the quarter which compares to roughly $5.3 billion of inflows in the preceding and final quarter of 2023. Notably, March was the first monthly outflow (-$815 million) in the last five months.

There were 119 high yield bonds issued during the quarter valued at roughly $88 billion driven by $31.6 billion in January, which was the highest monthly total since November 2021. The Financial sector accounted for more than 20% of the total new issuance, followed by Energy and Industrials with each accounting for about 15% and 12% of the volume, respectively.

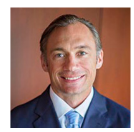
According to JPMorgan, the return on CCC-rated bonds more than doubled the single-B rated and more than tripled the BB-rated issues during the quarter (CCC = 3.97%, B = 1.55%, BB = 1.15%) as investors searched for wider spreads in anticipation of more aggressive Fed rate cuts. According to data from JP Morgan, the Automotive, Retail, and Metals/Mining sectors were the three best performing sectors with returns of 3.97%, 3.79% and 3.33%, respectively. Cable/Satellite, Telecom, and Broadcasting were the three worst performing sectors in the quarter, delivering negative returns of -2.64%, -1.95%, and -1.39%, respectively.

The U.S. high yield bond market's spread to worst for the period was 343bps, 34bps tighter than the preceding quarter and 219bps tighter than the 20-year historical average of 562bps. The yield to worst for the high yield market was 7.83% at quarter end, unchanged from the previous quarter, and essentially matching the 20-year average of 7.82%. Leveraged loans continued a spread tightening path as well, dropping from 500bps to 491bps and the yield ended at 9.12% for the quarter. Yields on term loans continue to be 129bps wider than high yield bonds despite being senior in the capital structure.

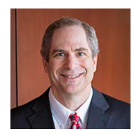
Fund Facts

	Investor	*Institutional*
Ticker:	BUFHX	BUIHX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	1.03%	0.87%
Fund Assets:	$447.54 Million	
Category:	High Yield Bond	
Benchmark:	ICE BofA U.S. High Yield Index	

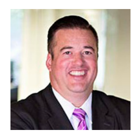
Management Team



Paul Dlugosch, CFA
Co-Manager since 2007
B.S. – University of Iowa



Jeff Sitzmann, CFA
Co-Manager since 2007
M.B.A. – Univ. of Chicago
B.B.A. – Univ. of Toledo



Jeff Deardorff, CFA
Co-Manager since 2015
B.S. – Kansas State Univ.

Top 10 Holdings*

Uniti Group Lp (10.5%, 2/15/28)	2.85%
Northern Oil And Gas, Inc. (8.125%, 3/1/28)	2.35%
Geo Group Inc. (Term Loan, 3/23/27)	2.29%
Directv Financing (Term Loan, 8/2/27)	2.25%
Consensus Cloud Solutions, Inc. (6.0%, 10/15/26)	1.82%
KDC/One Development Corp., Inc. (Term Loan, 8/3/28)	1.77%
Amenal Pharmaceuticals (Term Loan, 5/4/28)	1.76%
Energy Transfer, L.p. (7.125%, Perpetual)	1.73%
Genesis Enery (8.875%, 4/15/30)	1.71%
Vista Outdoor (4.500%, 3/15/29	1.69%
Top 10 Holdings Total	**20.22%**

The Fund's composition by asset class at quarter end was as follows:

Fund Composition by Asset Class

	3/31/23	6/30/23	9/30/23	12/31/23	3/31/24
Straight Corporates	67.6%	68.6%	64.4%	63.1%	59.9%
Convertibles	3.6%	4.7%	3.4%	4.4%	3.9%
Bank Loans	21.5%	20.8%	27.3%	27.0%	28.8%
Preferred Stocks	2.7%	2.8%	2.6%	2.4%	1.8%
Convertible Preferreds	0.0%	0.0%	0.0%	0.0%	0.0%
Common Stocks	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	4.7%	3.1%	2.4%	3.2%	5.6%

The approximate rate and contribution of return from the various asset classes in the Fund during the quarter is as follows:

Approximate Rate & Contribution of Return in 1Q24

	Contribution to Return
Straight Corporates	1.95%
Convertibles	0.02%
Bank Loans	0.83%
Preferred Stocks	0.07%
Convertible Preferreds	N/A
Common Stocks	N/A
TOTAL	**2.72%**

↑ Top Contributors

During the quarter, the top three contributors were **Uniti** 10.5% corporate bonds, **Energy Transfer** 7.125% corporate bonds, and **GEO Group** term loan. The 10.5% coupon and annuity-like cash flows continued to attract investors to the Uniti bonds. The Energy Transfer bonds rallied over five points during the quarter as investors were drawn to its near investment grade quality and longer duration which should benefit the bonds in a declining interest rate environment. GEO Group's term loan performed well after the US Supreme Court ruled in March that Texas was allowed to start arresting and deporting illegal immigrants which benefited GEO's ICE contracts.

↓ Top Detractors

The **E.W. Scripps** 5.375% corporate bonds, the **Mirum Pharmaceuticals** 4% convertible bonds, and the **BioMarin** 1.25% convertible bond were the worst performers during the quarter. Scripps bonds were negatively impacted by the disappointing earnings results reported in February, and management's decision to halt preferred dividends. Mirum convertible bonds underperformed as the underlying common stock struggled to gain any traction during the quarter. The BioMarin convertible bonds suffered from its common stock declining as well.

Buffalo High Yield Fund

QUARTERLY
COMMENTARY

March 31, 2024

Outlook

We are focused first and foremost on the Federal Reserve's balancing act between taming inflation while avoiding a recession, lingering supply chain disruptions, and geopolitical uncertainty. We are managing the fund cautiously yet actively, focusing on high-quality issuers with defensive business models and manageable credit metrics. We will continue to deploy cash in opportunities that we believe offer the most appealing risk/reward tradeoff with a bias toward shorter durations and less levered credits. Additionally, we believe bank loans offer a more defensive position as they provide senior positioning in the capital structure and less interest rate sensitivity due to their floating rate structures. Finally, we continue to look for opportunities in convertible bonds and preferred stocks. The fund ended the quarter with 142 positions, up from the previous quarter's level of 135 (excluding cash).

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

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.

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 10-year Treasury bond is a debt obligation issued by the United States government that matures in 10 years. A basis point (bps) is one hundredth of one percent (0.01%). Yield is the income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Yield to worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. Spread to worst measures the difference from the worst performing security to the best, and can be seen as a measure of dispersion of returns within a given market or between markets. Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. A coupon or coupon payment is the annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity. 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 ICE BofA US High Yield Index is an unmanaged index comprised of over 1,200 high yield bonds representative of high yield bond markets as a whole. The Lipper High Yield Bond Funds Index is a widely recognized index of the 30 largest mutual funds that invest primarily in high yield bonds. One cannot invest directly in an index. A Standard & Poor's Rating of B means an obligor is more vulnerable the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. A Standard and Poor's Rating of BB means an obligor is less vulnerable in the near term than other lower-rated obligors. A Standard and Poor's Rating of CCC means an obligor is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. The highest rating is AAA and the lowest rating is D. A Standard & Poor's Rating of BBB– or higher represents investment grade securities. In limited situations when the rating agency has not issued a formal rating, the Advisor will classify the security as nonrated. 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. Free cash flow is a measure of the cash produced by the firm in a given period on behalf of equity holders. The true measure of the value of a firm's equity is considered to be the present value of all free cash flows.

Mutual fund investing involves risk. Principal loss is possible. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in foreign securities include additional risk such as greater volatility, and political, economic, and currency risks, as well as difference 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.