Buffalo High Yield Fund

QUARTERLY
COMMENTARY

March 31, 2025

Performance Commentary

The Buffalo High Yield Fund produced a total return of 0.45% for the quarter, a result that underperformed the ICE BofA US High Yield Index's gain of 0.96% for the period.

Average Annualized Performance (%)

As of 3/31/25	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFHX*	7.29	5.76	8.91	5.13	5.81	6.77
Institutional Class - *BUIHX*[1]	7.45	5.91	9.08	5.27	5.96	6.93
ICE BofA US High Yield Index	7.68	4.91	7.26	4.94	6.08	6.67
Lipper High Yield Bond Funds Index	6.88	4.49	7.26	4.43	5.61	5.61
Morningstar High Yield Bond Category	6.72	4.41	6.80	4.20	5.21	–

[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 asset class posted its tenth consecutive quarter of positive results but the advanced whipsawed from month-to-month. High yield gained 1.38% in January driven by positive macroeconomic data and the return of retail inflows. The advance continued in February producing a return of 0.65% despite spread widening as US Treasuries rallied following weaker economic data and tariff threats from the Trump administration. High yield reversed course in March and delivered a loss of 1.07%.

Treasury yields were also volatile during the quarter. The yield on the 10-year Treasury bond started the year at 4.57%, peaked at 4.79% in January, and then tumbled to 4.21% by the end of the three-month period. In the end yields fell 36 basis points (bps) from start to finish.

The spread to worst for high yield bonds widened from 59bps (near all-time lows) to 384bps (a six-month high) but remained well below the 20-year average of 562bps. The yield to worst for JP Morgan High Yield Index increased 22bps to 7.81% during the quarter, in-line with the 20-year average of 7.82%. Leveraged loans finally ended a 16-month winning streak recording a loss of 38bps in March. Despite the monthly loss, leveraged loans produced a return of 0.48% for the quarter and ended with a yield of 8.30% (unchanged from the previous quarter). On average, the yields for term loans were 48bps greater than high yield bonds despite being senior in the capital structure and was the primary reason the fund maintained its allocation to bank debt.

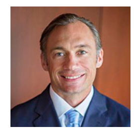
According to JP Morgan, high yield funds saw quarterly cash inflows of $7.6 billion in the quarter compared to roughly $1.0 billion of inflows in the previous quarter. High yield funds have reported net inflows in ten out of the last twelve months. There were 90 high yield bonds issued during the quarter totaling $68.3 billion, compared to $49.1 billion for the prior quarter. The energy sector accounted for more than 12% of the total issuance, followed by gaming/lodging and healthcare sectors, each accounting for about 10.5% of the total volume, respectively.

According to JPMorgan, higher credit quality outperformed during the quarter with the return on BB-rated bonds beating both single B-rated and CCC-rated bonds (BB = 1.55%, B = 0.52%, CCC = -0.47%). Food & beverage, financials, and cable satellite were the best performing industries with gains of 2.06%, 1.89%, and 1.77%, respectively. Diversified media, paper/packaging, and automotives were the three worst performing sectors in the quarter, delivering returns of -0.90%, -0.69%, and +0.03%, respectively.

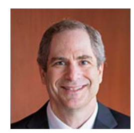
Fund Facts

	Investor	*Institutional*
Ticker:	BUFHX	BUIHX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	1.03%	0.87%
Fund Assets:	$665.74 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*

Amenal Pharmaceuticals (Term Loan, 5/4/28)	4.68%
Uniti Group Lp (10.5%, 2/15/28)	2.68%
Endo Finance Holdings, Inc. (Term Loan, 4/23/31)	1.69%
Nexus Buyer (Term Loan, 7/31/31)	1.68%
Ardonagh Group Finance Ltd. (8.875%, 2/15/32)	1.57%
Saturn Oil & Gas, Inc. (9.625%, 6/5/29)	1.57%
Northern Oil And Gas, Inc. (8.125%, 3/1/28)	1.55%
Geo Group Inc. (10.25%, 4/15/31)	1.46%
Kronos Acquisition Holdings, Inc. (10.750%, 6/30/32)	1.39%
Burford Capital Global Finance (9.25%, 7/1/31)	1.34%
Top 10 Holdings Total	**19.61%**

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

Fund Composition by Asset Class

	3/31/24	6/30/24	9/30/24	12/31/24	3/31/25
Straight Corporates	59.9%	60.8%	63.2%	62.4%	58.1%
Convertibles	3.9%	3.3%	1.7%	1.4%	1.3%
Bank Loans	28.8%	30.7%	31.0%	30.6%	35.6%
Preferred Stocks	1.8%	0.6%	0.5%	0.5%	0.4%
Convertible Preferreds	0.0%	0.0%	0.0%	1.5%	1.5%
Common Stocks	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	5.6%	4.6%	3.6%	3.6%	2.9%

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 1Q25

	Contribution to Return
Straight Corporates	0.57%
Convertible Bonds	0.28%
Bank Loans	0.01%
Preferred Stocks	-0.06%
Convertible Preferreds	-0.12%
Common Stocks	N/A
TOTAL	**0.45%**

↑ Top Contributors

The top three contributors were **Stride** 1.125% convertible bonds, **Uniti Group** 10.500% corporate bonds, and **Genesis Energy** 8.875% corporate bonds during the quarter. Stride is a technology-based education company that reported surprisingly strong earnings in January, accompanied by multiple analyst upgrades that drove the underlying common stock higher throughout the quarter. Uniti provides wireless infrastructure solutions to the communications industry with most of its revenue generated from long-term leases. The 10.500% notes are secured by network assets and the high coupon insulated it from the market sell-off. Finally, Genesis Energy announced in early March that the company was selling its soda ash business and using the proceeds to pay down debt which helped the entire capital structure.

↓ Top Detractors

Kronos Acquisition Holdings 10.75% corporate bonds, the **OT Midco** (Teads) 10.00% corporate bonds, and the **Alta Equipment Group** 9.00% corporates bonds were the worst performers during the quarter. Kronos was negatively impacted after one of its storage facilities caught fire during Hurricane Helene. The uncertainty of when the plant may reopen combined with potential fines and lawsuits stemming from the fire put downward pressure on the entire capital structure. OT Midco (Teads) is a technology platform that predicts moments of engagement to drive measurable outcomes for advertisers and publishers. The company issued the bonds in early February and the fund participated in the initial offering. The bonds declined due to concerns of a slowing economy that might negatively impact advertising spending. The Alta Equipment Group sells/rents industrial and construction equipment such as forklifts, and material handling equipment. The bonds moved lower on lackluster results, followed by economic data that signaled that the US economy might be slowing down.

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Outlook

At present, we are focused on the Federal Reserve's balancing act between taming inflation while avoiding a recession, and geopolitical uncertainty created by the Trump tariff initiative. We are managing the fund cautiously yet actively, focusing on higher-quality, non-investment grade 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 defensive positioning as they are senior in the capital structure with 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 168 positions, up from the previous quarter's level of 157 (excluding cash) although we own multiple issues of some companies. On that basis, the fund held 131 issuers at the end of the quarter.

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.

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. The J.P. Morgan Domestic High Yield Index is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market. 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 12/31/24. 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.