

Tickers: **BUFHX** | **BUIHX**

MORNINGSTAR RATING



Overall Morningstar Rating™ of BUFHX based on risk-adjusted returns among 586 High Yield Bond funds as of 3/31/2025.

FUND MANAGEMENT



Paul Dlugosch, CFA

Co-Manager since 2007
26 Years Investment Experience
B.S. - University of Iowa



Jeff Sitzmann, CFA

Co-Manager since 2007
36 Years Investment Experience
MBA - University of Chicago
B.B.A. - University of Toledo



Jeff Deardorff, CFA

Co-Manager since 2015
26 Years Investment Experience
B.A. - Kansas State University

ABOUT US

The Buffalo Funds are a family of 10 actively-managed, no-load mutual funds, which provide a variety of long-term investment options for investors. We believe that patient investing, backed by solid, intelligent research, can be the best way to achieve long-term financial returns.

CONTACT US

800.49.BUFFALO
buffalofunds.com

1 Would you please comment on the Fund's performance during the first quarter of 2025 and for longer periods?

In the first quarter, the Fund slightly underperformed the Morningstar High Yield Bond category average by 37 basis points (bps) with a return of 0.45% vs 0.82% for the category. The lower performance for the quarter was in large part due to the underperformance of our leveraged loan holdings. Leveraged loans underperformed high yield bonds due to the new administration's policies which investors feared could slow growth and increase inflation. As a result, investors gravitated towards the higher quality BB high yield credits, which we were underweight in the quarter. Our slight underperformance was helped by our underexposure to CCC-rated bonds, an area of the bond market which we don't typically invest in. We consider CCC-rated bonds to be more speculative, with a higher degree of credit and default risk. In addition, they are more sensitive to economic downturns, are often less liquid, and were the worst-performing credit rating category during the quarter.

Importantly, for longer periods of time, the Fund has outperformed its Morningstar category peers over multiple periods, including the 1-, 3-, 5- and 10-year periods ended March 31, 2025, and has done so with less risk. In fact, the Fund is the only fund (out of 497 funds in the category) that has **top 10% or better performance and Morningstar's "Low" or "Below Average" Risk Rating over the 3-, 5-, and 10-year periods** as of March 31, 2025.

2 Would you please discuss the Fund's investment approach regarding convertible bonds and convertible preferred stocks?

The Fund can own convertible bonds and convertible preferred stock in addition to high yield bonds and leveraged loans. Both convertible bonds and

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PERFORMANCE (%) AS OF 3/31/2025

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFHX	0.45	7.29	5.76	8.91	5.13	6.77
Institutional Class - BUIHX¹	0.48	7.45	5.91	9.08	5.27	6.93
ICE BofA U.S. High Yield Index	0.96	7.68	4.91	7.26	4.94	6.67
Morningstar High Yield Bond Cat. Avg.	0.82	6.72	4.41	6.80	4.20	-
Percentile Rank in Morningstar Cat. - BUFHX		29	8	9	10	
# of Funds in Category		618	586	537	423	
Morningstar Risk Rating			Low	Below Avg.	Below Avg.	

Expense Ratio: Investor Class 1.03%, Institutional Class 0.87%

Inception dates: BUFHX 5/19/1995, BUIHX 7/1/2019. Average annual total return represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate and redemption value may be more or less than original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by visiting buffalofunds.com. 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 Investor Class shares.

convertible preferred stocks offer a blend of fixed income and equity characteristics and can help diversify portfolios. In addition, the conversion features have capital appreciation potential through the conversion into common stock.

One portfolio example of a convertible bond is Stride, Inc.'s 1.125% convertible bond. Stride, formerly known as K12, is a leading tech-enabled education company. Stride has consistently posted strong financial results. For the quarter ended December 31, 2024, the company reported revenue of \$587.2 million, a 16.3% increase from the previous year. Net income also rose significantly to \$96.4 million, up 44.2% from the previous year. In addition, multiple analyst upgrades helped to drive the underlying common stock price higher throughout the quarter. In fact, Stride was a top performer for the Fund in the last two quarters.

We continue to look for opportunities in the convertible markets, particularly in the current environment, where market volatility can create attractive opportunities for convertible bonds and convertible preferred stocks.

3 Would you please highlight a recent new Fund holding?

During the quarter we purchased EZCORP. The company offers a variety of services including buying and selling pre-owned items, providing pawn loans, and offering other financial services. EZCORP's mission is to contribute to the circular economy by extending the useful life of millions of items.

The company has shown resilience in a challenging macroeconomic environment, with strong consumer demand for immediate cash solutions and high-quality, cost-effective second-hand goods. EZCORP has shown impressive revenue and earnings growth, which were 9% and 13%, respectively, for the quarter, with earnings per share (EPS) expected to grow significantly this year.

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 may be obtained by calling (800) 49-BUFFALO or visiting buffalofunds.com. Read them carefully before investing.

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.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a 3-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all 3 rating periods. The Buffalo High Yield Fund (BUFHX) received 5 stars among 586 for the 3-year, 5 stars among 537 for the 5-year, and 5 stars among 423 High Yield Bond funds for the 10-year period ending 3/31/2025 based on risk-adjusted returns. © 2025 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

Morningstar Risk scores for a given time period (three, five, or 10 years) reflect the Fund's Morningstar risk score plotted on a bell curve: Monthly calculations are based on whether the Fund scores in the top 10% of its category, its risk score is considered High; if it falls in the next 22.5% Above Average; a place in the middle 35% is Average; those lower still, in the next 22.5%, are Below Average and the bottom 10%. Overall Morningstar risk score is a weighted average of the available three, five, and 10 year Morningstar risk scores. Investments with less than three years of performance history are not rated.

Morningstar rankings are based on a fund's average annual total return relative to all funds in the same Morningstar category. Fund performance used within the rankings, reflects certain fee waivers, without which, returns and Morningstar rankings would have been lower. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100.

The ICE BofA U.S. High Yield Index is an unmanaged index that tracks the performance of U.S. dollar denominated, below investment-grade rated corporate debt publicly issued in the U.S. domestic market. One cannot invest directly in an index.

A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO), such as Moody's or Standard & Poor's. The firm evaluates the of credit worthiness of an issuer with respect to debt obligations, including specific securities, money market instruments, or other bonds. Ratings are measured on a scale that generally ranges from Aaa (highest grade) to C (lowest grade); ratings are subject to change without notice.

A basis point is one hundredth of a percentage point (0.01%). Revenue growth is the percentage increase in a company's sales from one period to the next. Earnings growth is the annual rate of growth of earnings from investments.

Holdings in the Fund as a percentage of net assets as of 12/31/2024: Stride Inc. 0.61% and EZCORP 0.00%. Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security. Holdings for the quarter are not disclosed until 60 days after quarter end.

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