

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

MORNINGSTAR RATING



Overall Morningstar Rating™ of BUFHX based on risk-adjusted returns among 580 High Yield Bond funds as of 12/31/2024.

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 fourth quarter of 2024 and for longer periods?

We are pleased the Fund's 1.86% return during the fourth quarter of 2024 outperformed the Morningstar High Yield Bond Category's average return of 0.25%, an outperformance of over 150 basis points. In addition, for the 1-year period ended December 31, 2024, the Fund's 1-year return of 9.72% outperformed the category's average 7.63% return by over 200 basis points.

One important reason for the Fund's recent relative outperformance stems from our increased allocation to higher-quality, non-investment grade bank loans. The loan portion of the portfolio comprised over 30% of the Fund's assets at quarter's end and was higher than the Fund's historical average. In the fourth quarter, the leveraged loan market, represented by the Morningstar LSTA US Leveraged Loan Index, outperformed the ICE BofA U.S. High Yield Index with returns of 2.27% and 0.17%, respectively. In addition, by rotating into a larger allocation of bank loans, we have shortened the Fund's average duration to 2.7 years vs. 3.2 years for the Morningstar High Yield Bond Category's average, which aids performance and potentially reduces volatility. We also attribute the Fund's outperformance to individual security selection and our credit-intensive investment process that focuses on experienced management teams, consistent positive cash flow and disciplined balance sheet management.

As a result, the Fund has outperformed our Morningstar category peers over multiple time periods. **In fact, the Fund is the only fund (out of 421 funds in the category) that has top 10% or better performance for the 1-, 3-, 5-, and 10-year periods and Morningstar's "Low" or "Below Average" Risk Rating over the 3-, 5-, and 10-year periods as of December 31, 2024.**

PERFORMANCE (%) AS OF 12/31/2024

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFHX	9.72	9.72	5.00	5.95	5.36	6.81
Institutional Class - BUIHX¹	9.89	9.89	5.15	6.10	5.51	6.97
ICE BofA U.S. High Yield Index	8.27	8.27	2.98	4.08	5.10	6.69
Morningstar High Yield Bond Cat. Avg.	7.63	7.63	2.78	3.72	4.33	-
Percentile Rank in Morningstar Cat. - BUFHX		8	4	4	10	
# of Funds in Category		626	580	539	421	
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.

2 How has new high yield bond issuance been in the marketplace during the quarter and for the year ended December 31, 2024?

In the fourth quarter of 2024, the U.S. high yield bond market experienced an uptick in issuance, at \$49 billion compared to \$42 in in the fourth quarter of 2023, an increase of over 16%. In 2024, the total issuance for high yield bonds in the U.S. reached approximately \$289 billion during the year, marking a 64% year-over-year increase. The increases were driven by several factors, including favorable market conditions and strategic refinancing activities. Many of the bond issues were oversubscribed, as demand exceeded supply due to robust investor demand seeking higher yields in a relatively low-interest-rate environment.

3 Would you please highlight a recent new Fund holding?

We opportunistically purchased Aeroméxico during the fourth quarter of 2024. Aeroméxico is the flag carrier airline of Mexico, based in Mexico City. It operates scheduled services to over 90 destinations in Mexico; North, Central, and South America; the Caribbean; Europe; and Asia.

Aeroméxico filed for Chapter 11 bankruptcy in June 2020, primarily due to the severe impact of the COVID-19 pandemic on the airline industry. The bankruptcy allowed the company to restructure its debt, negotiate with creditors, and secure new financing.

The company emerged from bankruptcy in 2022 and implemented several significant changes to strengthen its operations and financial stability. For example, the airline focused on reducing costs by implementing new technologies and optimizing operations. Also, it has been modernizing its fleet and acquiring new, more fuel-efficient aircraft, including the Boeing 737 MAX, which are expected to reduce operating expenses by approximately 20%. Aeroméxico has a partnership with Delta Air Lines and SkyTeam Alliance that gives the company extensive connectivity, sharable flights and other benefits to its passengers.

4 How does the Fund's credit quality breakdown compare to its peers?

We believe the Fund's longer-term outperformance stems in part from our emphasis on single-B rated securities and higher-quality non-investment grade bank loans. The Fund focuses on small- to medium-size single-B issuances, which may not be as widely followed by the sell side or purchased by larger funds. As a result, there can be pricing anomalies which can result in higher current yields compared to what the underlying credit metrics may suggest.

CREDIT QUALITY BREAKDOWN

Grades	Fund %	High Yield Bond Cat. %
AAA	0.00	1.63
AA	0.00	0.66
A	0.00	0.43
BBB	1.79	6.44
BB	14.49	33.37
B	73.92	31.89
Below B	7.62	22.49
Not Rated	2.18	3.09

Source: Fund and Morningstar as of 12/31/2024. Credit Quality Data is based on the long position of the holdings.

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

December 31, 2024

BUFFALO HIGH YIELD FUND



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 580 for the 3-year, 5 stars among 539 for the 5-year, and 5 stars among 421 High Yield Bond funds for the 10-year period ending 12/31/2024 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 Low. 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 publically issued in the U.S. domestic market. The Morningstar LSTA US Leveraged Loan Index is a market-value weighted index designed to measure the performance of the US leveraged loan 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%). Duration is a measure of the sensitivity of the price of a fixed income investment to a change in interest rates.

Holdings in the Fund as a percentage of net assets as of 9/30/2024: Aeroméxico 0.00% and Delta Air Lines 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.