

Capital Market Overview

Equity markets rose in the second quarter of 2024. The S&P 500 Index gained 4.28% while international markets were less buoyant due to the strength in the US dollar and the negative currency conversion effect. The MSCI ACWI ex-USA Index advanced just 0.30%.

Europe's market performance was slightly negative, as the STXE 600 Index, a broad European index, declined -0.98% during the quarter. The French CAC 40 Index was the worst performing market in Europe as the President of France surprised investors by calling a snap election, bringing attention to the rise of extreme political parties and the high levels of debt in the country. Meanwhile, the United Kingdom's FTSE 100 Index advanced modestly. Economic data in the United Kingdom and on the European continent remained lackluster while inflation continued to recede during the quarter. The European Central bank announced its first interest rate cut in June, while the Bank of England held rates steady in the UK.

Asian markets were mixed in the quarter. The Korean and Australian markets were flat, while the Hong Kong Hang Seng Index rose 7.36% in dollar terms. Hong Kong's market advanced despite the weak housing market in China which continues to weigh on business and consumer sentiment causing price deflation. Japan's Nikkei Index declined -1.46% in local currency but declined -7.25% in US dollar terms due to significant weakness in the Japanese Yen. The Bank of Japan exited negative rates in March but has been reluctant to increase rates any further due to weak economic and inflation data.

Elsewhere in Emerging Markets the Brazilian IBOVESPA lost -13.03% in dollar terms (-3.27% in local) while India's Nifty 50 Index gained 7.54% in USD terms.

Performance Commentary

The Buffalo International Fund delivered a return of -2.56% for the quarter, underperforming the FTSE All-World ex-US Index return of 1.13%. Underperformance was mostly due to stock selection, however investment style played a role as the fund's growth profile contributed to the shortfall, as value sectors such as Energy, Utilities and Financials were strong contributors to performance for the index. Finally, the portfolio's overweight position in France was also a negative factor.

Average Annualized Performance (%)

As of 6/30/24	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFIX	4.79	0.29	7.59	7.06	5.54
Institutional Class - BUPIX¹	4.97	0.44	7.76	7.22	5.70
FTSE All-World ex US Index	12.20	1.08	6.29	4.52	3.22

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. 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

Top contributors in the period included **Taiwan Semiconductor Manufacturing Company (TSMC), SK Hynix Inc., and ABB Ltd.** TSMC and SK Hynix benefited from favorable trends in the growth of artificial intelligence (AI) related semiconductors. TSMC is currently the only foundry that is capable of end-to-end manufacturing and packaging of graphics processing units (GPUs) for AI hardware vendors like Nvidia and Advanced Micro Devices (AMD). Management has forecasted that AI-related data center demand will continue at a ~50% compound annual growth rate (CAGR) over the next four years. SK Hynix, the South Korean semiconductor manufacturer, continues to be the leader in high bandwidth memory (HBM), needed for AI GPUs, and has a manufacturing edge over Samsung and Micron. Meanwhile, ABB, the Swiss supplier of electrical equipment and automation products, reported quarterly results that beat consensus expectations with margins that were top among peers due to strong results in its Electrification business. The company has benefited as electricity demand expands from both AI and the drive to decarbonize.

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUPIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.04%	0.89%
Fund Assets:	\$1.05 Billion	
Category:	Foreign Large Growth	
Benchmark:	FTSE All World Ex-US Index	

Management Team



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Top 10 Holdings*

Novo Nordisk	2.29%
Linde	2.02%
Taiwan Semiconductor Manufacturing Co.	1.99%
Schneider Electric SE	1.95%
ICON	1.87%
Lonza Group AG	1.83%
MercadoLibre, Inc.	1.79%
Renesas Electronics Corporation	1.66%
Astrazeneca	1.61%
SAP SE	1.58%
Top 10 Holdings Total	18.59%

↓ Top Detractors

Top detractors in the quarter were **Adyen NV, Sartorius Stedim Biotech SA, and IMCD NV**. First, Adyen, a global digital payments company, saw its shares decline dramatically after reporting first quarter revenue that missed expectations due to a decline in take rate. This decline was due to a greater share of revenue coming from large merchants, for whom Adyen awards lower take rates as a tradeoff for higher volumes. The value of the take rate can fluctuate considerably from quarter to quarter; however, we believe it is not as indicative as volumes when assessing growth potential. The company stands by its mid-term guidance, and we believe the business model is still one of the most attractive in digital payments due to its global reach and strong reputation. Next, Sartorius Stedim is a bioprocessing company that sells equipment and consumables related to the production of biologic drugs. Shares have been volatile as customer order patterns continue to normalize post the COVID surge. While the near-term demand outlook remains murky at best, we remain confident that key secular trends (including an aging global population, a record number of biologic drug approvals, and increasing share of single-use bioreactor technology) should translate to at least low-double-digit revenue growth for Sartorius with margin expansion potential over time. Finally, IMCD, a global distributor of specialty chemicals, reported disappointing profitability for the first quarter, as customers have been destocking inventory and not filling new orders. Despite the tough quarter, company management remains cautiously optimistic and continues to be active in acquiring smaller distributors, which is an integral part of its strategy. We believe that the trend toward outsourcing and the value add that specialty distributors can bring to the chemicals industry through data, knowledge and digitalization will continue, and that the near-term challenges are temporary.

Outlook

For the second half of 2024, we continue to be guarded about the prospects for global equity markets. The market now expects the US Federal Reserve to cut interest rates in September, and some other central banks are expected to do the same. The European Central Bank could potentially cut rates again in September, and the Bank of England could potentially cut in August. The European labor market remains strong, and consumer and business confidence has stabilized, helped by positive real wage growth for the consumer, but there has not yet been any pickup in economic growth. The continued strength of the US economy has been a positive for many of our multinational companies that do a portion of their business in the US, while the continued weakness in China has been a negative. We expect this to continue in the second half of the year, as China continues to be burdened by a very weak housing market and a discouraged, cautious consumer. While US growth could moderate in 2025, we expect it to be one of the stronger global economies.

In Japan, the Bank of Japan could potentially raise rates as the US Fed cuts. The Yen currency has continued to weaken as the rates remain incredibly low in Japan, causing the carry trade to continue. Unfortunately, Japan's recent economic data has not been as strong as hoped, inflation is not up to the desired target, and Japanese corporations continue to invest abroad. With that, the task of boosting the Yen is not an easy one.

Whatever the future brings, we will continue to look for opportunities in the short term to invest with a long-term view. With a focus on businesses benefitting from long-term secular growth trends we seek quality companies that have sound, sustainable business models, competitive advantages, generating consistent free cash flow with good returns on their invested capital. We especially like proven management teams that are focused on creating value for shareholders. Valuation is always top of mind, and we will seek out opportunities during periods of market weakness or volatility to buy high quality growth companies at attractive valuations. Using this time-tested, disciplined investment strategy we believe the fund should be able to post attractive risk-adjusted returns over the long term. ▲

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. Mutual fund investing involves risk. Principal loss is possible. The Fund invests in foreign securities which will involve greater volatility and political, economic, and currency risks, as well as differences in accounting methods. Investments in emerging markets involve greater risks. The Fund may invest in smaller companies which involve additional risks such as limited liquidity and greater volatility than larger companies.

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 S&P 500 Index is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. The MSCI ACWI ex-USA Index is a free float-adjusted market capitalization weighted index designed to measure the combined equity market performance of developed and emerging markets countries. The Index includes large- and mid-capitalization companies and may change over time. The Financial Times Stock Exchange (FTSE) All-World ex US Index is a market-capitalization weighted index representing the performance of around 2200 large cap and mid cap companies in 46 developed and emerging markets worldwide, excluding the US. The STOXX Europe 600 index measures the performance of large mid and small-cap companies across 17 countries in Europe. The FTSE 100 Index is an index of the largest 100 companies listed on the London Stock Exchange by market capitalization. The FTSE 250 Index is a market capitalization-weighted index consisting of the 101st to the 350th largest companies listed on the London Stock Exchange, mostly covering the mid cap sector between large and small companies. The Nikkei Index is a price-weighted index comprised of the top 225 blue chip companies traded on the Tokyo Stock Exchange. Hang Seng Index is a market capitalization index that reflects the market performance of the Hong Kong stock exchange. The DAX measures the performance of the Prime Standard's 30 largest German companies in terms of order book volume and market capitalization. The Korea Composite Stock Price Index (KOSPI) is an index of all companies traded on the Korea Stock Exchange. The Brazilian Ibovespa is a market capitalization weighted index of about 86 of the largest stocks traded on the B3 (Brazil Bolsa Balcão Exchange), accounting for the majority of trading and market capitalization in the Brazilian stock market. The Australian S&P/ASX 200 index is a market-capitalization weighted and float-adjusted stock market index of stocks listed on the Australian Securities Exchange. The index is maintained by Standard & Poor's and is considered the benchmark for Australian equity performance. The China Shenzhen SE (CSI 300) Index is a market cap weighted stock market index designed to map the performance of the 300 most liquid A shares traded in the Shanghai and Shenzhen stock exchanges. The BSE SENSEX is a basket of 30 large, liquid and representative stocks traded in India. Companies are selected based on listed history, trading frequency, final rank, market capitalization weightage, industry representation and track record. The CAC 40 index is the main benchmark for Euronext Paris and contains 40 stocks selected among the top 100 in market capitalization. The Nifty 50 Index holds a concentrated portfolio of 50 blue-chip companies trading on India's National Stock Exchange which covers approximately 66% of the Indian companies by market capitalization. One cannot invest directly in an index. 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. A basis point is one hundredth of a percentage point (0.01%).

*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 3/31/24. 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.

