

Capital Market Overview

Equity markets rose in the third quarter of 2024. The S&P 500 Index gained 5.89% while markets outside the U.S. were a bit stronger, mostly due to positive currency conversion into a weaker US dollar during the quarter. The FTSE All-World ex-US Index produced a total return of 8.47% for the period. The STOXX Europe 600 Index, a broad European Index that includes the United Kingdom, advanced 6.36%. The US dollar weakened against the Euro as the US Federal Reserve cut interest rates by half 0.50% in September, a more aggressive cut than anticipated. In the UK, the Bank of England started to lower interest rates for the first time in August, followed by a pause in September, while the European Central bank cut rates by 0.25% in September, following a pause in July. Across the continent, inflation continued to trend down, but political changes, high debt levels, and weakening economic indicators weighed on performance somewhat.

Asian markets were volatile in the quarter, especially Japan. Japan's Nikkei Index, which declined -4.2% in local currency, rose 7.66% in USD terms. The Yen moved up strongly in the wake of the Bank of Japan's interest rate hike, initially the Japanese stock market reacted negatively to the currency move, but then recovered. The Korean market declined modestly in the quarter, while the Australia advanced by double-digits. Surprisingly, one of the strongest performing international markets was Hong Kong's Hang Seng Index, which surged 19.88% in the quarter. The Chinese government announced a series of stimulus measures to try to counteract the slowing economy.

Emerging Market performance was strong in the quarter. Like the gains from the Hong Kong Hang Seng Index, China's mainland market advanced nearly 20% in USD terms. Meanwhile the Brazilian IBOVESPA Index and India's Nifty Index moved up 8.87% and 6.97%, respectively during the quarter

Performance Commentary

The Buffalo International Fund posted a return of 6.21% for the quarter, underperforming the FTSE All-World ex-US Index return of 8.47%. The Buffalo International Fund's underperformance was due to both sector allocation impact and specific stock selection. Due to fund's focus on growth companies, it is more concentrated in sectors like Information Technology, that underperformed in the period, while being underweight sectors that outperformed like Financials, Real Estate and Utilities. Within technology, the fund's overweight allocation to semiconductor stocks was a drag.

Average Annualized Performance (%)

As of 9/30/24	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFIX	21.30	1.95	9.29	8.25	5.83
Institutional Class - BUPIX¹	21.42	2.09	9.44	8.41	5.99
FTSE All-World ex US Index	25.89	4.78	8.36	5.92	3.67

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 BayCurrent, MercadoLibre and Adyen. BayCurrent, a Japanese consulting services company that benefits from the digitalization trend, underperformed in the prior two quarters due to aggressive hiring. In the third quarter, however, BayCurrent reported better employee utilization rates that led to revenue stabilization. We anticipate further improvements in utilization rates over the next several quarters, leading to higher margins and free cash flow (FCF) generation that should outpace revenue growth. MercadoLibre, an ecommerce leader in Latin America, was also an underperformer earlier this year primarily due to one-off expenses that weakened margins. In recent quarters, however, margins have rebounded strongly. The company has gained market

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUPIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.05%	0.90%
Fund Assets:	\$1.08 Billion	
Category:	Foreign Large Growth	
Benchmark:	FTSE All World Ex-US Index	

Management Team



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Top 10 Holdings*

Novo Nordisk	2.61%
Taiwan Semiconductor Manufacturing Co., Ltd.	2.60%
Schneider Electric SE	2.12%
ICON	2.00%
MercadoLibre Inc.	1.99%
Linde	1.95%
Renesas Electronics Corporation	1.92%
Astrazeneca	1.90%
SK hynix	1.80%
ABB Ltd.	1.78%
Top 10 Holdings Total	20.67%



share in both ecommerce and fintech, and we expect it to continue to do so. Finally, Adyen, another fintech company that provides payment solutions for merchants, rebounded in the quarter after prior underperformance. Competitive pressures, that had previously weighed on the stock, eased, while hiring growth was tempered and margins started to recover. Management maintains medium term guidance for earnings margins to recover to 50% by 2026 and projects a low-to-high 20% revenue compound annual growth rate (CAGR).

↓ Top Detractors

Top detractors in the quarter were Renesas Electronics Corporation, Disco Corporation and SK Hynix, Inc. Renesas, a Japan-based semiconductor company, underperformed after guiding to a weaker-than-expected third quarter on the back of continued weakness in its industrial business. The Industrial segment was affected by weak demand in industrial applications and infrastructure, particularly in factory automation. Furthermore, the outlook for the automotive segment has been affected by excess channel inventory and weak end-market demand. As the recovery in end-market demand for both the automotive and industrial semiconductors has been pushed out, we are currently not adding to our position. Disco, another Japanese corporation, was also among the top detractors to performance in the quarter. Disco has been a direct beneficiary of the AI trend over the past two years, as its tools are crucial in manufacturing graphics processing units (GPUs) and high bandwidth memory (HBM). Disco's equipment holds a monopoly in advanced nodes and the company is exposed to structural growth drivers in advanced packaging. This quarter Disco's revenues slightly underperformed (53% YoY vs. 55% YoY), and second quarter guidance was conservative. In addition to their financial results, both Renesas and Disco's performance were also affected by the volatility in the Japanese stock market. Early August saw a rapid unwinding of the 18-month-long leveraged Yen carry trade, impacting the market and high-growth names disproportionately. Like Disco, SK Hynix benefits from AI trends as a leading supplier of HBM for GPUs. SK Hynix was another detractor in the quarter after NVIDIA's weakness post second quarter results. SK Hynix also manufactures traditional memory, for which the main consumers are the PC/Smartphone market, an end market that remains weak. There are also growing concerns about earlier-than-expected competition from China in traditional memory. SK Hynix continues to be the leader in HBM memory needed for AI GPUs, and the company has a manufacturing leadership over Samsung and Micron. As a result, we continue to hold Disco and SK Hynix in the portfolio.

Outlook

We continue to be cautiously optimistic about the prospects for global equity markets as we look out to the end of the year. Clearly there are several uncertainties weighing on the ex-US macro backdrop and corporate investment environment. Among the concerns are recent political changes in France, the ever-weakening Chinese economy, as well as the uncertainty for the US election. Once some of these uncertainties are clarified, there could be more impetus for corporate management teams to make concrete investment decisions. Recently, coordinated stimulus measures in China have provided some hope for stabilization of the Chinese economy. Central Banks across the globe are easing interest rates, which could lend some incremental support to business and consumer confidence. In Europe the labor market remains fairly strong, and consumer confidence has stabilized. European consumption has been resilient, helped by positive real wage growth and a high level of savings. In Japan, the Bank of Japan has backed off additional interest rate increases as they wait for wage growth, inflation to take hold, and the consumer economy to strengthen.

In this environment, and as always, we invest with a long-term view and look for opportunities over the short term to add to our positions or find new ideas at attractive valuations. Our strategy overall remains to seek out companies that benefit from long-term secular growth trends, with sound, sustainable business models, and competitive advantages that generate consistent free cash flow and good returns on their invested capital. We value proven management teams that are focused on creating shareholder value for shareholders. We believe that by continuing our focused and disciplined strategy we 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%). Revenue growth is the increase or decrease in revenue from one period to the next.

*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 6/30/24. 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.

