

Capital Market Overview

While the S&P 500 Index advanced 2.41% in the final quarter of 2024, equity markets abroad declined. The MSCI ACWI ex-USA Index fell -7.84%, and the strengthening U.S. dollar versus foreign currencies exacerbated declines for international markets. The outlook for sustained inflation in the U.S. increased during the period which made anticipated rate cuts less certain. Following the outcome of the U.S. Presidential election, the prospect of tariffs on imports into the country also weighed on economic sentiment outside the U.S.

European market performance was particularly weak during the quarter with the STXE 600 Index, a broad European Index that includes the United Kingdom, declining -9.88% in U.S. dollar terms (-2.92% in local currency). Germany's DAX Index was a relative outperformer in Europe having advanced 3.0% locally but managed to decline by nearly -4.0% after converting into U.S. dollars. Japan was one of the best performing foreign markets in the quarter as the Nikkei Index rose +5.0% locally but declined -4.0% for U.S. investors due and the dollar's strength and currency conversion impact. The Hang Sang Index in Hong Kong was also one of the stronger performing markets but still declined 5.0% in U.S. dollar terms.

Emerging Markets were also quite weak in the quarter. The Chinese onshore market was down mid-single-digits (USD), and India's Nifty Index declined -10.32% (USD). Two of the worst-performing emerging market countries included Brazil's Bovespa Index and Korea's KOSPI Index, which declined -19.63% and -17.40%, respectively. Political uncertainty in both countries weighed on capital market performance in the period.

Performance Commentary

The Buffalo International Fund posted a return of -10.08% for the quarter, underperforming the FTSE All-World ex-US Index return of -7.46%. The Buffalo International Fund's underperformance was due to the sector allocation impact and stock selection decisions. Due to the fund's focus on "growthier" areas of the economy, the portfolio is more concentrated in healthcare, a sector that underperformed in the quarter. Meanwhile the fund has an underweight position to the more value- and dividend-oriented financial companies, which was a better performing sector for the benchmark in the quarter.

Average Annualized Performance (%)

As of 12/31/24	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFIX	-1.88	-3.16	5.04	7.08	5.10
Institutional Class - BUPIX ¹	-1.75	-3.03	5.19	7.24	5.25
FTSE All-World ex US Index	6.13	1.50	4.85	5.49	3.15

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 Institutional 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 (TSM)**, **GFL Environmental**, and **InterContinental Hotels Group**. Taiwan Semiconductor rose strongly as AI demand continued to surprise to the upside. The company is the only foundry that can manufacture end-to-end GPUs (the chips plus packaging) needed for AI, therefore they are the sole manufacturer of NVIDIA's GPUs. AI processor revenue is expected to more than triple this year. The company is also using AI internally to improve profitability. Gross margins expanded well ahead of analyst estimates driven by increased utilization and productivity gains from using AI in the fabrication process and for research and development. Taiwan Semiconductor continued to take semiconductor foundry market share and ended the period with an estimated 66% share.

Fund Facts

	Investor	Institutional
Ticker:	BUFIX	BUPIX
Inception Date:	9/28/07	7/1/19
Expense Ratio:	1.05%	0.90%
Fund Assets:	\$888.35 Million	
Category:	Foreign Large Growth	
Benchmark:	FTSE All World Ex-US Index	

Management Team



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Top 10 Holdings*

Taiwan Semiconductor Manufacturing Co., Ltd.	2.53%
MercadoLibre, Inc.	2.42%
Schneider Electric SE	2.27%
Novo Nordisk	2.12%
BayCurrent Consulting, Inc.	2.12%
Linde PLC	2.07%
Lonza Group AG	1.94%
SAP SE	1.86%
Astrazeneca	1.85%
Adyen NV	1.85%
Top 10 Holdings Total	21.03%



GFL, a waste management company operating in the U.S. and Canada, also outperformed in the quarter after announcing the spin off their Environmental Services division. The proceeds from this spin-off will permit the company to reduce debt, improve free cash flow conversion, and pursue strategic acquisitions. The company maintained a strong outlook with anticipated double-digit percentage growth in earnings before interest, taxes, depreciation, and amortization (EBITDA). GFL has historically traded at a valuation below industry peers due to the company's higher debt levels, and the proposed sale could help close that gap.

InterContinental Hotels, one of the largest global operators of hotels, also outperformed following the U.S. election result due to its large footprint in the United States. European equity investors flocked to companies with high U.S. market exposure during the quarter. In 2023 almost 80% of InterContinental's operating income came from its U.S. hotel franchises. Management expressed confidence in its target of a mid-teens earnings per share (EPS) growth rate, confirmed the potential for sustained growth of revenue per available room (RevPAR) for 2025, and forecasted continued robust net unit growth of 4%. Additionally, an announced credit card deal is expected to boost EBIT forecasts by 3% for 2025.

↓ Top Detractors

Top detractors in the quarter included Novo Nordisk, ICON Plc, and Mercadolibre. First, Novo Nordisk, the global pharmaceutical company with the well-known diabetes and weight-loss drug semaglutide, declined at the end of the quarter after results for its pipeline compound, cagrisema, disappointed. The company set expectations too high by communicating cagrisema's weight loss expectations of at least 25%, which would have been superior to the nearest rival Lilly's tirzepatide. The average weight loss result of 22% was taken as a significant disappointment and suggests cagrisema's efficacy is just on par with that of Lilly's tirzepatide. Management also did not properly communicate the different risks of this trial's design. Incomplete data from the study did not show enough detail to discern what other advantages or disadvantages the drug may have in comparison to tirzepatide, and investors must wait until June for more clarity. In the meantime, we believe cagrisema looks to be a significant improvement over Novo's currently marketed weight loss drugs, and having another option on the market with 20%+ weight loss potential should be welcomed by doctors. We remain invested in Novo Nordisk and believe the stock's current valuation more than discounts the lowered expectations regarding cagrisema.

Secondly, ICON, a global contract research organization (CRO) that provides services to the pharmaceutical industry, saw its stock decline by more than 25% after reporting weak third quarter results, due in part to slower spending from its top two customers who are rationalizing their development pipelines. Management maintains this is a temporary issue rather than a structural industry weakness, however they reduced full year guidance and indicated growth would start 2025 at low single digits before gradually improving throughout the year. We continue to have conviction in ICON's longer term potential and believe it will continue to benefit from increased outsourcing of clinical trial research.

Finally, Mercadolibre, the largest ecommerce company in Latin America, saw its shares decline in early October after reporting results that showed pressure on margins due to the ramp up of the credit card business. The stock was pressured again later in the quarter on concerns about the Brazilian economy, as debt levels and inflation rose. Brazil's government announced fiscal spending cuts that were considered inadequate by investors and the central bank raised interest rates. We will keep a watchful eye on Brazil's economy, but we remain encouraged by Mercadolibre's continued market share expansion in its three main countries, particularly the revival of growth in Argentina. Mercadolibre earned 52% of its 2023 revenue in Brazil, 22% in Argentina, while Mexico made up around 21%.

Outlook

Entering the first quarter of 2025, we acknowledge that the sentiment toward ex-US equity markets has not been very enthusiastic. U.S. exceptionalism has been boosted by the incoming administration and its policy intentions. Indeed, there are several uncertainties weighing on the ex-US macro backdrop including political uncertainty in France and Germany, a tepid Chinese economy, and the possibility of U.S. tariffs. However, there are reasons to be positive and there could be upside surprises to expectations for foreign markets. In Europe, once political uncertainty becomes clearer, there could be impetus for corporations to make more concrete investment decisions. Inflation is declining in Europe, and lower interest rates could help support the economy. An end to the wars in Ukraine and the Middle East and additional economic stimulus in China could also be positives.

In this new year, as always, we invest with a longer-term view and look for windows of opportunity to add to existing investment positions or to find new quality growth companies trading at attractive valuations. Our strategy seeks out companies that benefit from long-term secular growth trends, with sound business models, and competitive advantages. We emphasize companies that generate consistent and strong free cash flow, as well as good returns on their invested capital. We prefer proven management teams that are focused on creating shareholder value and believe that by continuing our focused and disciplined investment 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. Earnings before interest and taxes (EBIT) measures a company's net income before income tax and interest expenses are deducted. 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. EPS growth measures the rate at which a company's earnings per share (EPS) is increasing or decreasing.

*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 9/30/24. 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.

