

Tickers: **BUFTX** | **BUITX**

MORNINGSTAR RATING



Overall Morningstar Rating™ of BUFTX based on risk-adjusted returns among 511 Mid-Cap Growth funds as of 9/30/2024.

FUND MANAGEMENT



Dave Carlsen, CFA

Manager since 2004
 31 Years Investment Experience

B.B.A. - University of Wisconsin



Josh West, CFA

Manager since 2024
 18 Years Investment Experience

B.S. - University of Missouri
 M.B.A. - University of Missouri



Doug Cartwright, CFA

Manager since 2024
 17 Years Investment Experience

B.A. - Baylor University
 M.B.A. - University of Wisconsin

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
 buffalo.com

1 Would you please comment on the stock market in Q3, and how are you positioning the Fund's portfolio as a result?

Overall market sentiment favored value stocks over growth stocks in Q3 2024, as investors sought lower volatility amid economic uncertainties. This shift in sentiment led to underperformance in mid-cap growth companies compared to mid-cap value and small-cap stocks. Large growth stocks underperformed the most, which was a large shift from the prior quarters of 2024, when the large growth category was the top performing style of the domestic equity categories.

There was a notable rotation out of growth sectors, such as technology, into more defensive sectors including utilities and consumer staples. In addition, after significant gains in the first half of the year, many investors, including ourselves, decided to lock in profits, leading to a sell-off in growth stocks.

Regardless of the market's direction or short-term performance leadership in market capitalization, we maintained our disciplined approach of investing in high-quality companies that generate healthy EBITDA margins, have low debt, and healthy operating margins.

For example, companies with high EBITDA margins suggest that they exhibit strong business models and competitive advantages, making them more resilient to economic downturns. It also reflects the companies' efficiency to managing its operating costs and maximizing revenue.

We seek to identify companies that have strong management teams that are good stewards of capital, scalable business models, and competitive advantages. In addition, we tend to invest in companies that are reasonably priced in terms of price-to-earnings ratios. We believe this approach positions the portfolio well for the pursuit of long-term growth regardless of the economic environment.

	Buffalo Mid Cap Discovery Fund	Russell Midcap Growth Index
EBITDA Weighted Avg. Margins	22%	19%
P/E Ratio (Next 12 Mos) Weighted Avg.	36x	37x

Source: Factset as of 9/30/2024

2 Would you please discuss any sectors or portfolio companies that should benefit from the Fed's 50 basis point rate cut in September and possible future rate cuts?

We believe that companies leveraged to growth in credit markets should benefit from the rate cut in several ways. With reduced interest rates, small and medium businesses can borrow money at lower costs which can help finance expansions, invest in new projects, or manage existing debt more efficiently. Small and medium businesses (SMBs) are generally more dependent on short-term financing, particularly on the short end of the yield

Continued

curve, than larger companies and should benefit to a greater extent. In addition, lower interest rates will benefit consumers, which can result in increased mortgage and auto loan activity along with improved spending on goods and services, which could stimulate the economy.

Within the Industrials sector, we own TransUnion, which is a global information and insights company, primarily known as a consumer credit reporting agency. The company provides consumer reports, risk scores, and analytical services to businesses. In addition, TransUnion offers services directly to consumers, such as credit monitoring, identity protection, and educational resources to help individuals manage their credit health. Lower interest rates often lead to more borrowing by consumers and businesses. This could result in higher demand for credit reports and risk assessment services provided by TransUnion.

Another company we own in the Technology sector is HubSpot, a comprehensive customer relationship management platform designed to help businesses grow and manage their customer interactions effectively. The company offers customer relationship management and demand creation tools primarily to SMBs. Lower interest rates can help stimulate SMB economic activity, leading to increased confidence to spend on marketing and sales tools like those offered by HubSpot.

3 Would you please comment on the Fund's risk profile?

We prioritize risk management while employing a conservative investment strategy. Our investment approach features high-quality companies, which results in a less volatile, lower-risk mid-cap solution. For example, the Fund has a lower Standard Deviation for the 3-, 5- and 10-year periods compared to our Morningstar category peers and has maintained Morningstar's "Average" or "Below Average" Risk Rating for those time periods.

	3 Yr	5 Yr	10 Yr
Fund Standard Deviation	21.96	21.18	17.36
Morningstar Mid-Cap Growth Standard Deviation	22.14	22.60	18.61
Morningstar Risk Rating	Avg.	Below Avg.	Below Avg.

Source: Morningstar as of 9/30/2024

PERFORMANCE (%) AS OF 9/30/2024

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFTX	6.13	21.93	-0.74	8.01	9.87	9.11
Institutional Class - BUITX¹	6.20	22.04	-0.60	8.17	10.03	9.28
Russell Midcap Growth Index	12.91	29.33	2.32	11.48	11.30	9.48
Morningstar Mid-Cap Growth Cat. Avg.	12.68	26.45	-0.04	10.48	10.35	-

Expense Ratio: Investor Class 1.01%, Institutional Class 0.87%

Ranking based on total return.

Inception dates: BUFTX 4/16/2001, BUITX 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.

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. The Fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than large-cap companies. The Fund invests in foreign securities which involve greater volatility and political, economic, and currency risks as well as differences in accounting methods.

Effective 7/29/24, the Buffalo Discovery Fund is the Buffalo Mid Cap Discovery Fund.

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 Mid Cap Discovery Fund (BUFTX) received 3 stars among 511 for the 3-year, 2 stars among 476 for the 5-year, and 3 stars among 378 Mid-Cap Growth funds for the 10-year period ending 9/30/2024 based on risk-adjusted returns. 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. © 2024 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

The Russell Midcap Index is an unmanaged index that measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 26% of the total market capitalization of the Russell 1000 Index. The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. One cannot invest directly in an index.

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. Price-Earnings Ratio or P/E Ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings. A basis point is one hundredth of a percentage point (0.01%). Standard deviation measures the distance from the mean in a set of data points, giving analysts an idea of the variance that could occur; used to illustrate volatility in a portfolio.

Holdings in the Fund as a percentage of net assets as of 6/30/2024: TransUnion 2.38% and HubSpot 0.82%. 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.