

Performance Commentary

The Buffalo Mid Cap Fund produced a return of 8.36% in the second quarter, outpacing the Russell Midcap Growth Index's return of 6.23%. Strong stock selection in industrials, consumer discretionary, and health care contributed to relative outperformance, more than offsetting weakness in the fund's financial holdings.

Average Annualized Performance (%)

| As of 6/30/23 | 1 YR | 3 YR | 5 YR | 10 YR | 15 YR | Since Inception |
|---|-------|------|-------|-------|-------|-----------------|
| Investor Class - <i>BUFMX</i> | 20.93 | 8.05 | 9.51 | 9.49 | 9.45 | 8.43 |
| Institutional Class - <i>BUIMX</i> ¹ | 21.11 | 8.22 | 9.67 | 9.65 | 9.62 | 8.59 |
| Russell Midcap Growth Index | 23.13 | 7.63 | 9.71 | 11.53 | 10.21 | 9.24 |
| Morningstar U.S. Mid Growth Index | 19.57 | 5.91 | 10.01 | 11.70 | 9.62 | 8.93 |
| Lipper Mid Cap Growth Index | 16.66 | 4.97 | 7.79 | 10.36 | 8.92 | 8.22 |

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

CoStar Group, the leading provider of data and analytics to the commercial real estate (CRE) industry, was the top contributor to performance in the quarter. After a disappointing first quarter that led investors to focus on near-term profitability concerns, the company beat expectations on all metrics and increased guidance for the year. We like the long-term growth opportunity for CoStar's core suite of CRE products and its apartments.com platform. The management team has a tremendous track record of creating value, and we expect them to also be successful with their investments in residential real estate.

Copart, a leading provider of online auctions for salvaged automobiles, moved higher during the quarter after the company reported sales and earnings well ahead of expectations. Declining used car prices drove a rebound in the total loss ratio, benefiting Copart's volumes. As the leader in a duopoly industry and a business with strong network effects, Copart should continue to benefit from increasing repair costs and an aging car parc (average age of a vehicle) leading to more damaged vehicles being written off as total losses.

Meanwhile **Verisk**, which sells data and analytics services to insurance companies to help them predict losses and price risks, surprised investors with accelerating subscription revenue growth, sending shares higher. Verisk's contributory data assets would be extremely hard to replicate, and their solutions are deeply embedded in customer workflows. We believe the company is well positioned to continue growing at a high-single-digit rate in the foreseeable future, and after recent divestitures, they should demonstrate improved profitability.

↓ Top Detractors

MSCI provides index data and analytics tools to the investment industry. A decline in asset-based fees, lower revenue retention, and a deceleration in environmental, social, and corporate governance (ESG)/climate revenue growth drove a decline in MSCI's share price during the quarter. While not immune to market turmoil, we expect the company to benefit from the growth of international index investing, the growth of ESG driven investment, and an increase in general market levels over the long-term.

Fund Facts

| | Investor | Institutional |
|-----------------|-----------------------------|---------------|
| Ticker: | BUFMX | BUIMX |
| Inception Date: | 5/19/95 | 7/1/19 |
| Expense Ratio: | 1.02% | 0.87% |
| Fund Assets: | \$146.72 Million | |
| Category: | Mid Cap Growth | |
| Benchmark: | Russell Midcap Growth Index | |

Management Team



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Co-Manager since 2017
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B.S. – Univ. of MO-Columbia



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Co-Manager since 2021
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Doug Cartwright, CFA

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MarketAxess operates a platform for electronically trading fixed income securities. Shares were punished in the second quarter, driven by soft industry volumes, stagnant market share, and weaker than expected pricing. We believe that these issues are mainly short term, or macro-driven, and expect the company to benefit from the continued shift to electronic trading in the bond market.

Outlook

Last quarter, investors were convinced that the Federal Reserve would push the economy into recession with their rapid interest rate increases. As of this writing, the consensus view seems to be that the Fed will be able to tame inflation without killing economic expansion, in what is often referred to as a “soft landing” scenario. To us, this highlights how quickly the prevailing view can change in economics and financial markets.

Conflicting economic data points are easy to find. Headline inflation is clearly decelerating, but some measures of core inflation are stickier. Economic surprises have been positive, but The Conference Board’s Leading Economic Index (LEI) and the inverted yield curve are at levels that signal a recession.

We do not know if there will be a recession this year, next year, or the year after, but we remain focused on investing in businesses that will be larger and more profitable many years from now and have the financial strength to weather a recession whenever one eventually occurs. Regardless of what happens with the economy or broader equity markets, we will strive to maximize risk-adjusted returns in the portfolio by investing in attractively valued businesses with solid growth opportunities, durable competitive advantages, scalable business models, and exceptional management teams.

Thank you for your continued support. ▲

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.

As of 3/31/23 Buffalo Mid Cap Fund top 10 equity holdings were MSCI (A) 4.34%, Gartner 3.86%, AMETEK 3.47%, Palo Alto Networks 3.45%, Verisk Analytics 3.12%, CBRE Group 2.95%, CoStar Group 2.81%, Copart 2.70%, ON Semiconductor 2.56%, Global Payments 2.32%. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end.

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 Russell Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Morningstar U.S. Mid Growth Index measures the performance of U.S. mid-cap stocks that are expected to grow at a faster pace than the rest of the market as measured by forward earnings, historical earnings, book value, cash flow and sales. The Lipper Mid Cap Growth Index is an unmanaged, equally weighted performance index of the 30 largest qualifying mutual funds (based on net assets) in the Lipper Mid-Cap classification. One cannot invest directly in an index. Environmental, Social, and Corporate Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company. The Conference Board of Leading Economic Index provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term.

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.

Kornitzer Capital Management is the advisor to the Buffalo Funds, which are distributed by Quasar Distributors, LLC.

