

Performance Commentary

The broad-based equity market advanced in the second quarter (measured by the S&P 500 Index) as the economy continued to grow moderately while inflation and labor market measures eased enough throughout the period that investors became more confident of interest rate cuts. There have been big changes in expectations about the timing and size of interest rate cuts since the start of the year. In January the market was expecting perhaps as many as six rate cuts for 2024, however, that has now shifted to maybe only one or two cuts for the year, starting in September. As has been the case for some time now, however, there was a size bias in performance results during the quarter, which has particularly benefited a few mega-cap companies associated with artificial intelligence (AI). Large cap stocks continued to outperform small cap stocks and growth companies continued to outperform value companies by a wide margin.

Recapping index results, the Russell 3000 Index gained 3.22% during the period. The Russell 3000 Growth Index advanced 7.80% compared to a decline of -2.25% for the Russell 3000 Value Index. Larger cap stocks produced a return of 3.57%, as measured by the Russell 1000 Index, compared to the smaller cap Russell 2000 Index decline of -3.28%. In terms of sector leadership, Technology and Communication Services were the top performers for the quarter while a larger group of companies in the Industrials, Financials, Health Care, Consumer Discretionary, Energy, Materials and Real Estate sectors declined.

The Buffalo Mid Cap Fund returned -7.36% in the quarter, trailing the Russell Mid Cap Growth Index return of -3.21%. Underperformance was primarily due to our results in Financials, Information Technology, Healthcare, and Industrials, which was partially offset by outperformance in Consumer Discretionary and Materials. The fund suffered from cautious revenue outlooks and challenged growth in several holdings, however, we believe that the stock price reactions in most of these cases was overdone. Our investing style continued to be out of favor, just as it was in the first quarter as momentum outperformed quality. Over time we believe that high quality businesses will outperform low quality businesses as has historically born out longer term.

Average Annualized Performance (%)

As of 6/30/24	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - <i>BUFMX</i>	5.79	-2.24	8.30	7.76	10.96	8.31
Institutional Class - <i>BUIMX</i> ¹	5.94	-2.10	8.46	7.91	11.13	8.47
Russell Midcap Growth Index	15.05	-0.08	9.93	10.51	13.95	9.49
Lipper Mid Cap Growth Index	8.64	-3.73	6.92	8.85	12.20	8.24

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

Despite a small weighting, **Chewy (CHWY)** was a standout performer for the fund during the quarter. An e-commerce retailer of pet medications, foods, treats, and other products, Chewy reported better than expected margins and profitability and issued positive commentary on pet adoption levels for the first time since 2022. Additionally, the company announced a \$500 million stock repurchase plan. In the final days of the quarter, and this is painful to write, meme stock investor Keith Gill (aka RoaringKitty) first hinted at and later disclosed a new position in Chewy. Speculative chaos ensued and we took the opportunity to trim our position at elevated prices.

Fund Facts

	Investor	Institutional
Ticker:	BUFMX	BUIMX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	1.03%	0.88%
Fund Assets:	\$141.59 Million	
Category:	Mid Cap Growth	
Benchmark:	Russell Midcap Growth Index	

Management Team



Josh West, CFA

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



Doug Cartwright, CFA

Manager since 2021
M.B.A. – Univ. of WI-Madison
B.S. – Baylor University



Dave Carlsen, CFA

Manager since 2024
B.B.A. – Univ. of WI-Madison

Top 10 Holdings*

Gartner, Inc.	3.93%
MSCI Inc.	3.85%
CBRE Group, Inc.	3.49%
IQVIA Holdings Inc	3.31%
Kinsale Capital Group, Inc.	3.30%
Copart, Inc.	3.09%
Veeva Systems Inc	2.92%
Verisk Analytics Inc	2.85%
CrowdStrike Holdings, Inc	2.71%
AMETEK, Inc.	2.70%
Top 10 Holdings Total	32.15%

Verisk Analytics (VRSK), a provider of data analytics and risk assessment to various industries including insurance, energy, financial services, government, and healthcare, was another significant positive contributor in the quarter. Better than expected margins and constructive commentary on the health of the insurance industry drove stock performance.

↓ Top Detractors

Kinsale Capital Group (KNSL) is a property and casualty insurer, focusing on excess and surplus (E&S) lines. Interestingly, the stock was one of the fund's strongest contributors in the first quarter and ended as the largest detractor in the second quarter. Disappointing results ranging from muted premium growth and lower premium retention rates to a higher underlying loss ratio led to worse than expected margins and, ultimately, an earnings per share (EPS) miss.

DoubleVerify (DV) was also a detractor from results during the quarter. The company develops software for digital media measurement, data, and analytics. These measured ads can range from banner ads and other displays on webpages, social media and connected TV (CTV). The company delivered a decent quarter but gave disappointing guidance due to lower ad spend from a few large customers in the retail and consumer packaged goods industries. Additionally, as advertising dollars shifted from traditional display to social media and CTV, it created a headwind for DoubleVerify as the company has lower attach rates compared to other channels. We view both events as temporary, related to a softer business environment, rather than structural as we have seen no changes in competition or appetite for their products.

Outlook

Investors now anticipate that the Federal Reserve will cut interest rates in September. According to CME FedWatch there is a 70% chance currently compared to a 50% chance of a September rate cut one month ago. With that said, the total number of rate cuts that will occur by year-end remains unclear.

As always, we prefer to spend our time evaluating companies rather than prognosticating macro events, which we believe are nearly impossible to forecast accurately. As always, we 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.

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 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. 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 Bloomberg US Aggregate Bond Index is a broad base, market capitalization weighted bond market index representing intermediate term investment grade bonds traded in the United States. The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market, encompassing the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S. The Russell 1000 Index is an unmanaged capitalization-weighted index of approximately 1,000 of the largest companies in the U.S. equity markets. The Russell 2000 Index is an unmanaged index that consists of the smallest 2,000 securities in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization. The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indices. The Russell 3000 Value Index is an unmanaged index with a market-capitalization weighted equity based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform. The Russell Microcap Index is an unmanaged capitalization weighted index of 2,000 small cap and micro cap companies. One cannot invest directly in an index. 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. A basis point is one hundredth of a percentage point (0.01%). 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. The Magnificent Seven is a term used to describe the technology-oriented, highly influential companies of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. Return on Invested Capital (ROIC) is a profitability ratio measured using net income divided by invested capital. Return on Assets (ROA) is a profitability ratio that measures how well a company is generating profits from its total assets. Return on Equity (ROE) is the measure of a company's net income divided by its shareholders' equity. Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

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.

*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.

