

# Buffalo Mid Cap Growth Fund

QUARTERLY  
COMMENTARY

March 31, 2025

## Performance Commentary

The Buffalo Mid Cap Growth Fund declined 4.41% during the quarter versus a decline of 7.12% for the Russell Midcap Growth Index. The fund's outperformance relative to the benchmark was primarily driven by overweights and investment outperformance in the Industrial and Real Estate sectors and an underweight and investment outperformance in the Technology sector. This was partly offset by underperformance from stock selection within the Consumer Staples sector and an absence of holdings in the Energy sector.

Equities pulled back during the quarter as investors grew increasingly concerned over the payback from A.I. investments, as well as economic headwinds from tariffs, Federal spending cuts, and deportations. Quality and stability outperformed during the period, while cyclicals and more speculative segments of the market underperformed, including semiconductors, biotechnology, software, advertising, and cryptocurrencies.

The Trump administration announced 25% tariffs on goods imported from Mexico and Canada in November, as well as an additional 10% tariff on imports from China. Notably, the administration's announcement of "reciprocal tariffs" on the rest of the world, as well as a massive escalation of China tariffs, did not occur until after the end of the first quarter. The yield on the 10-year Treasury Bond declined 30 basis points during the quarter to 4.25% as investors began to discount slower economic growth in 2025.

## Average Annualized Performance (%)

As of 3/31/25	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFGX	-3.72	1.36	11.21	7.49	9.07	8.21
Institutional Class - BUIMX <sup>1</sup>	-3.57	1.49	11.38	7.65	9.23	8.37
Russell Midcap Growth Index	3.57	6.16	14.86	10.14	12.20	9.49
Lipper Mid Cap Growth Index	-5.99	-0.19	10.36	7.89	9.98	7.94

<sup>1</sup>For 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](https://buffalofunds.com).

## ↑ Top Contributors

**Progeny, Inc. (PGNY)** was the top contributor during the quarter with shares rising 30%. Progeny is a benefits management company specializing in fertility, family building, and women's health. Shares had fallen for several quarters throughout 2024 due to lower utilization of in vitro fertilization (IVF) benefits and the loss of Amazon as a customer. However, IVF utilization rebounded in the fourth quarter and "covered lives" ex-Amazon returned to mid-teens growth. The number of individuals seeking fertility assistance has grown at roughly a 10% pace since 2015, and we believe Progeny will continue to be the leading provider of fertility benefits against a backdrop of rising coverage penetration.

**Welltower Inc. (WELL)** was also a top contributor in the quarter as shares rose 22%. Welltower is a real estate investment trust (REIT) that owns healthcare properties ranging from senior and assisted living to outpatient physician offices and surgery centers. Welltower delivered above consensus funds from operations (FFO), particularly in their senior housing operating portfolio and issued strong guidance relative to expectations. Further, we believe investors appreciated the tariff-resistant nature of Welltower's business model and that the REIT sector benefitted broadly from a reduction in interest rates.

## Fund Facts

	Investor	Institutional
Ticker:	BUFGX	BUIMX
Inception Date:	12/17/01	7/1/19
Expense Ratio:	0.97%	0.87%
Fund Assets:	\$134.67 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\*

CBRE Group, Inc.	4.73%
MSCI, Inc.	4.50%
Gartner, Inc.	4.36%
Verisk Analytics, Inc.	3.64%
Copart, Inc.	3.34%
Kinsale Capital Group, Inc.	3.19%
TransUnion	3.15%
AMETEK, Inc.	2.90%
Veeva Systems, Inc.	2.89%
IQVIA Holdings, Inc.	2.81%
<b>Top 10 Holdings Total</b>	<b>35.51%</b>



## ↓ Top Detractors

**e.l.f. Beauty (ELF)** was the top detractor during the quarter as it declined 51%. e.l.f. Beauty is a cosmetics brand offering a growing portfolio of products, including makeup, skincare, and beauty tools. The company focuses on premium-quality, cruelty-free products at affordable prices. After several years of double-digit organic growth, management offered disappointing revenue guidance for the upcoming quarter. The company cited difficult comparisons to last year's successful lip oil launch, as well as some recent launches that underperformed expectations. The company also faces uncertainty around the impact of Chinese tariffs over the next few quarters. Earnings estimates have moved lower to account for these headwinds, and there could be near-term earnings volatility associated with tariffs. Longer term we still see opportunities for growth, driven by expansion into new categories, growing retail shelf space, and further penetration of international markets. We also believe its value-focused product line will hold up well even if the economy slows.

**Vertiv Holdings Co. (VRT)** was also a top detractor during the quarter with shares declining 36%. Vertiv designs and manufactures infrastructure solutions for data centers, communication networks, and commercial facilities, including power and thermal management solutions needed for A.I. data centers. Order growth in the period decelerated and management's guidance for 2025 was more cautious than expected. It was reported that Microsoft had cancelled certain data center leases, and China's DeepSeek announced it had developed a low-cost A.I. model that sowed doubt about the ultimate needs for A.I. compute power. We appreciate the uncertainty around the pace and magnitude of the A.I. infrastructure build, as well as potential disruption from the China trade war. However, we believe this growth story remains in the early innings, and shares of Vertiv look even more compelling at the current price.

## Outlook

The Trump administration has moved quickly to enact new policies around trade, tariffs, government spending, and border security. The speed at which the administration has implemented these changes is unprecedented. The tariff rate on China—one of our largest trading partners—has jumped to 145% from 20% in mere weeks. Consumers and small business owners will bear the brunt of these changes in the near term, and it will take time to meaningfully reshore foreign manufacturing. It remains to be seen where these tariffs ultimately end and how much they might be dialed back, but a prolonged trade war certainly increases the risk of recession.

Federal budget deficits are also getting more scrutiny, increasing broader market risk. The CBO is projecting a budget deficit of \$1.9 trillion for 2025, or 6.2% of gross domestic product (GDP). Outstanding U.S. debt as a percent of GDP is projected to hit an all-time high, per a recent report from the Bipartisan Policy Center. While CBO deficit estimates do not include benefits from tariff collection, they do assume a growing economy. A weakening U.S. dollar, rising U.S. Treasury yields, and record gold prices suggest that investors are skeptical our leaders will put the fiscal house in order.

We have long believed the U.S. is later in its economic cycle and have focused on high-quality, secular growth stocks trading at reasonable valuations. Our process seeks out strong balance sheets, scalable business models, and competitive moats; these traits rarely go out of style and lead to compounding value over time. We expect continued volatility from the market, particularly in the coming weeks as trade negotiations are likely to produce trade deals that create a blueprint for additional negotiations. In the meantime, we will look to purchase best-in-class businesses that have sold off in the recent market downturn. Thank you for your continued trust and 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](http://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.

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

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. A yield curve is a line that plots the yields, or interest rates, of bonds that have equal credit quality but different maturity dates. The Price-Earnings Ratio or P/E Ratio is a ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-to-sales ratio is a valuation ratio that compares a company's stock price to its revenues.

**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 12/31/24. 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.

