Buffalo Mid Cap Growth Fund

QUARTERLY COMMENTARY

September 30, 2024

Performance Commentary

Equity markets advanced in the third quarter as the economy continued to grow moderately while inflation pressures and labor markets cooled enough to trigger an interest rate cut. The Federal Reserve reduced the fed fund's rate by half a percentage point in September bringing the target to 4.75%-5.00%. This much anticipated pivot on interest rates also propelled the bond market during the quarter. Bond prices rose and yields fell in June and July as the outlook for rate cuts became clearer. The yield on the 10-year Treasury note fell from 4.48% at the beginning of July to 3.75% by the end of the quarter. The slope of the yield curve normalized as short term bond yields fell the most. There have been big changes in expectations about the timing and size of interest rate cuts throughout the year. In January the market was expecting as many as six rate cuts for 2024, however, that has now shifted to maybe just three.

The third quarter witnessed a rotation out of large technology stocks. Microsoft, Nvidia, Alphabet, and Amazon underperformed while value stocks and small cap companies advanced sharply during the period. The Russell 3000 Value Index gained 9.47% and significantly outperformed the Russell 3000 Growth Index return of 3.42% in the quarter. The small cap Russell 2000 Index produced a return of 9.27% compared to the large cap Russell 1000 Index return of 6.08%. Dividend-paying stocks also outperformed the broader market for the quarter.

In terms of sector leadership, Utilities and Real Estate were the top performers for the quarter, followed by Financials, Industrials and Materials. Technology, Communication Services lagged, and Energy was the lone negative returning sector for the period.

The Buffalo Mid Cap Growth Fund produced a return of 8.95% in the third quarter, outpacing the Russell Midcap Growth Index's return of 6.54%. Strong stock selection in real estate (CBRE Group and Welltower), financials (MSCI, MarketAxess Holdings, and Kinsale Capital Group), and technology (Guidewire Software and Aspen Technology) drove most of the outperformance in the quarter.

Average Annualized Performance (%)

As of 9/30/24	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - *BUFMX*	22.23	1.10	9.82	9.15	10.42	8.62
Institutional Class - *BUIMX*[1]	22.41	1.22	9.97	9.31	10.58	8.78
Russell Midcap Growth Index	29.33	2.32	11.48	11.30	13.21	9.69
Lipper Mid Cap Growth Index	22.33	-1.90	8.60	9.78	11.39	8.44

[1]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 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

CBRE Group, the leading global provider of commercial real estate (CRE) services, was the top contributor to fund performance results in the quarter. In addition to reporting better than expected earnings, its shares benefited from the pullback in interest rates as higher rates have been a headwind to commercial real estate transactions. CBRE reported seeing positive trends in leasing and mortgage originations continuing into the third quarter and early signs of an uptick in U.S. sales activity. Looking through the cycles, CBRE could continue to benefit from firms outsourcing CRE functions, consolidation of CRE spend with fewer global providers, and increasing institutional ownership in the CRE asset class.

TransUnion, a leading global information services provider of credit risk assessment and fraud prevention solutions, was another top contributor in the quarter. In addition to reporting better than expected earnings, its shares benefited as investors

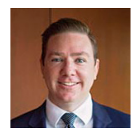
Fund Facts

	Investor	*Institutional*
Ticker:	BUFMX	BUIMX
Inception Date:	5/19/95	7/1/19
Expense Ratio:	0.97%	0.87%
Fund Assets:	$148.64 Million	
Category:	Mid Cap Growth	
Benchmark:	Russell Midcap Growth Index	

Management Team

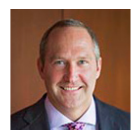
Josh West, CFA

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.	4.11%
MSCI, Inc.	3.67%
Verisk Analytics, Inc.	3.62%
CBRE Group, Inc.	3.55%
Copart, Inc.	3.21%
IQVIA Holdings, Inc.	3.07%
AMETEK, Inc.	2.73%
Kinsale Capital Group, Inc.	2.69%
TransUnion	2.56%
Veeva Systems, Inc.	2.56%
Top 10 Holdings Total	**31.77%**

BUFFALO FUNDS

began to anticipate that lower interest rates would lead to an improvement in borrowing and lending activity. The company reported positive trends in consumer credit continuing into the third quarter and early signs of an uptick in loan originations and refinancing activity. If interest rates normalize, Transunion could continue to benefit from increased demand for credit products like mortgages, auto loans and credit cards.

MSCI, a provider of index data and analytics tools to the investment industry, was also among the top contributors to fund performance in the quarter. The company reported revenue and earnings that were ahead of investor expectations. Record assets under management (AUM) levels drove strong growth in asset-based fees, and analytics continued to grow by low-double-digits. We remain bullish on MSCI's opportunity to benefit from the growth of passive investing internationally, the growth of environmental, social, and governance (ESG) driven investment, and an increase in general market levels, over time.

↓ Top Detractors

Progyny was the top detractor from fund performance in the quarter. The fertility benefits provider reported disappointing results driven by lower-than-expected utilization as fewer covered employees sought out fertility treatments in the quarter. More concerning was the announcement that their largest customer is cancelling service at the end of the year. Despite this substantial headwind, management expects to grow covered lives next year, with new clients more than offsetting the loss. Meanwhile, infertility continues to become more prevalent, women continue to delay having children until later in life, and employers continue to add fertility benefits to attract talent and manage health care costs. These factors continue to give us confidence in Progyny's long-term outlook.

DexCom, Inc., a leading manufacturer of continuous glucose monitors (CGMs) for diabetes treatment, was another detractor for the quarter. The company cut its full-year revenue guidance, citing a slower-than-anticipated ramp in international markets and competitive pressure in the durable medical equipment channel. While the global CGM market is growing more than 20%, management's guidance suggests that competitor Abbott (ABT) has the lead in fast-growing categories like basal and type-two insulin-intensive users. DexCom is investing in its sales force to build relationships in these emerging channels and markets, but we have reduced our expectations for growth over the near term. The company's investments will take time to bear fruit, but we still see this as an attractive growth industry dominated by two rational competitors.

Outlook

The consensus outlook for economic activity continues to swing wildly. In August, market participants were worried about a recession. In September, they were anticipating a "Goldilocks scenario" or soft economic landing. As of this writing, reacceleration in the economy and rising inflation has reappeared as one of the biggest concerns.

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.

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 assts. 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.

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 6/30/24. 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.