

Tickers: **BUFSX** | **BUISX**

MORNINGSTAR RATING



Overall Morningstar Rating™ of BUFSX based on risk-adjusted returns among 552 Small Growth funds as of 3/31/2024.

FUND MANAGEMENT

**Bob Male, CFA**

Manager since Inception
37 Years Investment Experience

MBA - Southern Methodist
B.S. - University of Kansas

**Craig Richard, CFA**

Manager since 2023
21 Years Investment Experience

MBA - University of Kansas
B.S. - Kansas State University

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
buffalofunds.com

1 Would you please discuss your outlook for small-cap companies given the outsized returns we have seen recently in other market segments?

As a group, smaller companies have underperformed large-cap companies over the past several years. For the 5-year period ended March 31, 2024, the annualized return of the Russell 2000 Index of small-cap companies returned 8%, compared to 11% for the Russell Midcap Index, and 15% for the large-cap Russell 1000 Index. On a valuation basis, small-cap companies currently account for less than 4% of the overall market capitalization, while historically, small-caps have accounted for approximately 7% of the overall market.

In fact, research shows that the current underperformance cycle is the second-longest since 1926, with the period from the mid 1980s to 1990s being the longest such period.

We continue to find the small-cap segment of the stock market very attractive on a relative valuation basis and we believe that smaller companies are positioned for the inevitable rotation back into favor.

2 What types of small-cap companies meet your investment criteria?

When it comes to investing in small-cap companies, we emphasize those that are poised to benefit from secular trends driving growth over multiple years. We seek companies that have experienced management teams, consistent free cash flow generation, scalable business models, and competitive advantages. With our emphasis on margin expansion, we generally own fewer nonearning companies as compared to the benchmark index. In fact, the Fund had 8% of its weighting in unprofitable companies, compared to an approximate 13% weight in nonearning companies in the Russell 2000 Growth Index as of March 31, 2024.

One example of a company that meets our investment criteria is Wingstop Restaurants. Wingstop, the franchise known for its chicken wings, is benefiting from secular trends including Digitalization and Demographic Shifts. A majority of the company's orders are placed online with customers taking food home rather than dining in-store. The company's menu innovation, the recent addition of a popular chicken sandwich that is available in multiple sauce flavors, has expanded their customer reach. Wingstop has also restructured its advertising plans to use a more efficient nationwide ad campaign. The company is benefiting from these innovations and efficiencies with increased sales and margin growth.

3 Would you please share an example of a portfolio company that is benefiting from secular trends in health care?

We see the secular trends of Healthcare Cost Containment and Healthcare Safety driving growth. For example, the Fund owns a position in Establishment Labs, a global medical technology company. The company is a disruptor in the breast implant and reconstruction market with its product

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that has demonstrated a much improved safety profile versus legacy competitors that have not innovated in 25+ years. The company's product is currently used in 85 countries and growth should inflect higher over the next few years as Establishment Labs enters the two largest markets for breast augmentation, China and the U.S., over the next 12 months.

PERFORMANCE (%) AS OF 3/31/2024

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFSX	4.32	3.88	-8.76	9.22	8.34	11.12
Institutional Class - BUISX¹	4.36	4.07	-8.63	9.37	8.49	11.29
Russell 2000 Growth Index	7.58	20.35	-2.68	7.38	7.89	6.36
Morningstar Small Growth Cat. Avg.	7.49	18.05	-1.95	9.06	8.83	-

Expense Ratio: BUFSX 0.99%, BUISX 0.87%

Inception dates: BUFSX 4/14/1998, BUISX 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.

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 Small Cap Fund (BUFSX) received 2 stars among 552 for the 3-year, 3 stars among 520 for the 5-year, and 2 stars among 400 Small Growth funds for the 10-year period ending 3/31/2024 based on risk-adjusted returns. © 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.**

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 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 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 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. One cannot invest directly in an index.

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. Weighted average market cap is the average market capitalization of all companies in a fund, with each company weighted according to its percent held in the fund.

Holdings in the Fund as a percentage of net assets as of 12/31/2023: Wingstop 1.56%, Establishment Labs 1.08%. 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 advisor to the Buffalo Funds, which are distributed by Quasar Distributors, LLC.