

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

## MORNINGSTAR RATING



Overall Morningstar Rating™ of BUFSX based on risk-adjusted returns among 550 Small Growth funds as of 6/30/2024.

## 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 comment on the Q2 equity market as it relates to small-cap stocks?

The second quarter of 2024 experienced a continuation of what has occurred in the last several years, in that small-cap equities continued to underperform large-cap equities. In fact, the current underperformance cycle for small caps is the second-longest since 1926, with the period from the mid-1980s to 1990s being the longest such period.

The Russell 1000 Growth Index of large companies was up 8.3% for the quarter ended June 30, 2024, while the Russell 2000 Growth Index of small companies returned -2.9% for the same period. Year-to-date, the Russell 1000 Growth Index gained 20.7% vs. 4.4% for the Russell 2000 Growth Index.

This performance gap has widened over time for several reasons. The performance of the Russell 1000 Growth Index has been influenced by a small number of stocks. For example, as of June 30, 2024, the top 10 companies, out of 1,000 companies in the Index, comprised more than half of the weighting of the Index. The outperformance of a few well-known technology and healthcare companies has skewed the overall performance of the Index. Conversely, the weighting of the Russell 2000 Growth Index is more evenly distributed among its stocks, reducing the impact of any single company.

Another interesting phenomenon is that small-cap stocks have historically accounted for approximately 7% of the total capitalization of the U.S. equity markets. Currently, small-cap stocks comprise less than 4%, suggesting that there could be an opportunity for small caps to significantly outperform in the future.

However, despite these current headwinds, we remain optimistic about the small-cap segment of the stock market, finding it very attractive based on relative valuations. We believe that the smaller companies that we own are well positioned for a rotation back into small-cap stocks.

### 2 Would you please comment on the portfolio regarding any recent merger and acquisition activity?

Given our research-intensive approach, we often focus on small-cap companies with greater growth potential. We seek to own high-quality companies that possess experienced management teams, scalable business models, consistent free cash flow, strong and growing margins, and competitive advantages. Often these companies tend to be attractive takeover candidates and we become beneficiaries of acquisitions at attractive premiums.

For example, in April, Schlumberger announced an agreement to acquire ChampionX in an all-stock transaction at an approximate 15% premium. ChampionX is a global leader in chemistry solutions, artificial lift systems, and highly engineered equipment and technologies that help companies drill for and produce oil and gas safely. The acquisition will enhance the combined companies' chemical and technology product portfolio, provide synergies and cost savings, expand market presence and drive customer value through deep industry expertise and digital integration.

### 3 Would you please discuss a portfolio company that was a significant contributor to the Fund's recent performance?

Halozyme Therapeutics is a company that we have owned since 2019, and is a beneficiary of our Health Care Cost Containment trend. It is a biopharma technology platform company that researches, develops, and commercializes proprietary enzymes and devices in the United States and abroad. The company has an attractive portfolio of product approvals, new patents and strategic partnerships. For example, ENHANZE is a proprietary drug delivery technology that enables subcutaneous injections for a broad variety of drugs that formerly required intravenous (IV) drips. These subcutaneous injections provide for much shorter drug administration times, which means less time in the clinic for patients. In addition, they can be given just under the skin instead of IV drips, making the process simpler, more comfortable and less disruptive to patients' daily lives. The ENHANZE platform has been granted new European patents which enhanced its intellectual portfolio. Halozyme gained 28.7% in the second quarter and we believe it is well positioned for continued growth.

#### PERFORMANCE (%) AS OF 6/30/2024

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
<b>Investor Class - BUFSX</b>	<b>-0.71</b>	<b>-3.44</b>	<b>-12.64</b>	<b>6.80</b>	<b>7.90</b>	<b>10.80</b>
<b>Institutional Class - BUISX<sup>1</sup></b>	<b>-0.63</b>	<b>-3.29</b>	<b>-12.53</b>	<b>6.95</b>	<b>8.05</b>	<b>10.96</b>
Russell 2000 Growth Index	4.44	9.14	-4.86	6.17	7.39	6.17
Morningstar Small Growth Cat. Avg.	4.78	9.11	-4.42	7.50	8.48	-

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](http://buffalofunds.com). <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 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](http://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 1 star among 550 for the 3-year, 2 stars among 519 for the 5-year, and 2 stars among 399 Small Growth funds for the 10-year period ending 6/30/2024 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 1000 Growth Index is an unmanaged index that measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. 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 3/31/2024: Schlumberger 0.00%, ChampionX Corp. 1.67%, Halozyme Therapeutics 1.98%. 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 adviser to the Buffalo Funds, which are distributed by Quasar Distributors, LLC.