

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

## MORNINGSTAR RATING



Overall Morningstar Rating™ of BUFSX based on risk-adjusted returns among 562 Small Growth funds as of 9/30/2023.

## 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 why the Fund's weighted average market cap has risen during the course of the calendar year?

We have been true to the spirit of the Fund over time and historically have been very close to the weighted average market cap of our benchmark, the Russell 2000 Growth Index. This contrasts with many of our peers who have migrated materially above in terms of average size of company being owned over the last several years. Calendar year-to-date, we have seen a 15% increase in our weighted average market cap. Specifically, our weighted average market cap of our holdings at 9/30/23 was \$3.31 billion compared to \$2.85 billion at 12/31/22. Given higher interest rates and a more difficult macro environment, we have been incrementally directing more capital to larger, more established companies in our universe given the headwinds for smaller companies in the current backdrop.

Additionally, we have decreased the Fund's exposure to companies that are not yet profitable as measured by earnings before interest, taxes, depreciation, and amortization (EBITDA). The Fund now has approximately 11% of its weighting in non-earners. This compares to the Russell 2000 Growth Index in which nonearners comprise 15% of the Index.

### 2 As a secular trends-based investor, would you please highlight one trend of interest?

Reshoring or the shift in supply chains back to the U.S. from a previous multi-decade movement to outsourcing is currently occurring. Geopolitical conflicts along with Covid-19 created a lot of issues for companies with regards to having stability in their supply chains. Additionally, national security is an issue that is front and center, especially with China's climb as both an economic and military super power. On top of these issues, historic spikes in international shipping costs and tariffs on imports have helped shift the mindset of companies to evaluate the opportunities to produce goods again in the US.

The federal government has accelerated this trend with additional tailwinds though massive government spending initiatives including the CHIPS and Science Act, the Inflation Reduction Act, and the Infrastructure Investment and Jobs Act, that will provide more than a trillion dollars of government-supported stimulus. For example, the CHIPS and Science Act will provide roughly \$280 billion in new funding to boost research and manufacturing of semiconductors in the U.S. It also prohibits funding to recipients from expanding semiconductor manufacturing in China and other countries that may pose threats to national security. The Fund is evaluating new prospective companies that benefit from this trend.

### 3 Would you please discuss a recent addition to the portfolio?

We initiated a position in a well-known legacy restaurant from Chicago called Portillo's. This company falls in our trend of investing in companies that benefit from demographic tailwinds. For Portillo's, the tailwind is investing aggressively in unit growth in the states that are seeing positive population migration, including Florida, Texas and Arizona.

Portillo's is a fast-casual drive-thru restaurant chain that has the ability to deliver over \$10 million in annual sales per unit. While operating out of a larger box, this is impressive and compares favorably to one of the most successful fast casual operators over the last 20 years, Chipotle, which averages approximately \$3 million in sales per unit. Portillo's uniqueness is its ability to drive that much traffic and sales through a single unit.

Portillo's was founded in 1963 as a family-owned business in Chicago and will have 84 restaurants by the end of the year. They specialize in hotdogs and Italian beef sandwiches. As indicated above, they are expanding into Texas, Florida and Arizona currently and expect to grow their store base by more than 10% per year. With the shares coming in from valuation compression over the past year, the Fund recently built a position in the name.

#### PERFORMANCE (%) AS OF 9/30/2023

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
<b>Investor Class - BUFSX</b>	<b>-2.17</b>	<b>-2.82</b>	<b>-1.93</b>	<b>4.89</b>	<b>7.43</b>	<b>10.84</b>
<b>Institutional Class - BUISX<sup>1</sup></b>	<b>-2.08</b>	<b>-2.73</b>	<b>-1.81</b>	<b>5.04</b>	<b>7.59</b>	<b>11.00</b>
Russell 2000 Growth Index	5.24	9.59	1.09	1.55	6.72	5.68
Morningstar Small Growth Cat. Avg.	4.67	9.12	2.25	3.74	7.78	–
Percentile Rank in Morningstar Cat. – BUFSX		96	77	33	56	
# of Funds in Category		592	562	527	397	

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 2 stars among 562 for the 3-year, 3 stars among 527 for the 5-year, and 2 stars among 397 Small Growth funds for the 10-year period ending 9/30/23 based on risk-adjusted returns. © 2023 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 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. 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. Earnings before interest, taxes, depreciation and amortization (EBITDA) is one indicator of a company's financial performance and is used as a proxy for a company's current operating profitability.

Holdings in the Fund as a percentage of net assets as of 6/30/2023: Portillo's 0.04%. 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.