

Tickers: **BUFSX** | **BUISX****MORNINGSTAR RATING**

Overall Morningstar Rating™ of BUFSX based on risk-adjusted returns among 534 Small Growth funds as of 12/31/2024.

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

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1 Would you please comment on the 2024 equity market as it relates to small-cap stocks?

The fourth 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. The Russell 1000 Growth Index of large-cap stocks was up 7.07% for the quarter, while the Russell 2000 Growth Index of small-cap stocks returned 1.70% for the quarter, resulting in an outperformance of large-cap growth stocks of over 500 basis points.

For the year ended December 31, 2024, the Russell 1000 Growth Index returned 33.36% vs a return of 15.15% for the Russell 2000 Growth Index, resulting in the fourth-largest performance gap since 1979.

This performance gap has widened over time for several reasons. Performance of the Russell 1000 Growth Index has been very concentrated as the top 10 stocks comprised approximately 45% of the weight of the index at quarter's end. A significant portion of the outperformance was driven by the larger exposure that the Russell 1000 Growth Index has to technology, which performed exceptionally well during the year. In contrast, the Russell 2000 Growth Index is more evenly distributed among its stocks, reducing the impact of any single company, and is generally less exposed to technology.

However, despite more recent investor interest in larger companies, 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 favor of small-cap stocks.

2 As a small-cap growth manager, would you please comment on your approach to non-earning companies in the Fund's portfolio?

Small-cap companies, in general, are early in their business life cycle but there is a wide range of operational maturity in the small-cap universe. Our emphasis is primarily on companies that are profitable, with a smaller portion of the portfolio in companies that do not yet have earnings. Currently, non-earning companies, with respect to EBITDA, represent only approximately 6.5% of the portfolio vs. approximately 18% in the Russell 2000 Growth Index. Non-earners tend to be more volatile than companies with positive earnings, often rely heavily on external funding, and are more susceptible to changes in market sentiment in economic downturns.

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

Chart Industries was the Fund's top performer in the fourth quarter. Chart Industries is a global manufacturer of highly engineered cryogenic and compression equipment. The company serves multiple applications in the clean energy and industrial gas markets. In addition, the company has diverse and innovative product offerings that cater to various high-growth

markets, providing multiple revenue streams and reducing risk. The company has implemented cost-reduction measures and has seen synergistic gains from recent acquisitions, which are expected to benefit its financial performance in the coming quarters.

4 Would you please comment on any recent mergers and acquisition activity that has impacted the portfolio?

We have owned Summit Materials since 2017. Summit entered into a definitive agreement to be acquired by Quikrete Holdings, Inc. for \$52.50 per share in cash, valuing the transaction at approximately \$11.5 billion, including debt. This acquisition represents a 36% premium over Summit's recent share prices, making it an attractive deal for shareholders.

The transaction will combine Summit's aggregates, cement, and ready-mix concrete businesses with Quikrete's concrete and cement-based products, creating a vertically integrated North American construction materials provider.

This acquisition is a strategic move for both companies. For Summit, it provides immediate and certain cash value to shareholders, while for Quikrete, it expands their capabilities and geographic presence. The combined entity is poised to leverage their complementary business lines to offer a broader range of products and services, with the expectation of increased market share and profitability.

In addition to Summit, the Fund had two other holdings acquired during calendar 2024.

PERFORMANCE (%) AS OF 12/31/2024

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFSX	5.38	5.38	-8.03	6.29	8.80	10.83
Institutional Class - BUISX¹	5.41	5.41	-7.94	6.42	8.94	10.99
Russell 2000 Growth Index	15.15	15.15	0.21	6.86	8.09	6.44
Morningstar Small Growth Cat. Avg.	14.98	14.98	-1.29	8.47	9.31	-

Expense Ratio: BUFSX 0.97%, 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.

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

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 Growth Fund (BUFSX) received 1 star among 534 for the 3-year, 2 stars among 517 for the 5-year, and 2 stars among 395 Small Growth funds for the 10-year period ending 12/31/2024 based on risk-adjusted returns. © 2025 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.**

December 31, 2024

BUFFALO SMALL CAP GROWTH FUND



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. Russell 2000 Growth Index is an unmanaged index that measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. It is not possible to invest directly in an index.

A basis point (BPS) is one hundredth of a percentage point (0.01%). EBITDA stands for 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 9/30/2024: Chart Industries 1.48%, Summit Materials 2.86%, and Quikrete Holdings, Inc. 0.00%. 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.