

**BUFFALO HIGH YIELD FUND**

## QUARTERLY COMMENTARY

**PERFORMANCE COMMENTARY**

The Buffalo High Yield Fund decreased -0.09% for the quarter ending outperforming the ICE BofA US High Yield Index and the Lipper High Yield Bond Funds Index which declined -0.53% and -0.49% respectively, for the period.

**PERFORMANCE (%) AS OF 3/31/2026**

Average Annual Returns	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr	Since Inception
<b>Investor Class - BUFHX</b>	<b>4.55</b>	<b>7.92</b>	<b>4.75</b>	<b>5.64</b>	<b>5.37</b>	<b>6.70</b>
<b>Institutional Class - BUIHX<sup>1</sup></b>	<b>4.70</b>	<b>8.09</b>	<b>4.90</b>	<b>5.79</b>	<b>5.52</b>	<b>6.86</b>
ICE BofA US High Yield Index	6.98	8.58	4.25	6.08	5.62	6.68
Lipper High Yield Bond Funds Index	6.62	8.05	4.06	5.67	5.13	5.64
Morningstar High Yield Bond Category	6.60	7.89	3.88	5.28	4.83	-

<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 to and higher than those of the Institutional 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](http://buffalofunds.com).

The U.S. high yield bond sector posted its first negative quarter in over three years. According to JP Morgan, high yield bonds gained 0.55% in January, followed by a 0.22% gain in February before losing 1.11% in March, driven primarily by the war in Iran. The conflict in the Middle East caused crude oil prices to spike, pushed interest rates higher, and generated the largest retail outflows in high yield space since "Liberation Day" tariff increases in April 2025. 10-year U.S. Treasury yields were volatile during the quarter, starting the period at 4.17%, dipping to 3.94% in late February before climbing back to 4.32% at the end of the quarter. The spread to worst for high yield bonds widened 41 basis points (bps) from 314 bps to 355 bps, but remained well below the 20-year average of 562 bps. The yield to worst for JP Morgan High Yield Index increased 66 bps to 7.44% during the quarter. This compares to the record low of 4.22% in July 2021 but below the 20-year average of 7.82%. The JP Morgan leveraged loans index suffered a loss of -0.44% for the quarter and ended with a yield of 8.63%, which was 90 bps wider than the previous quarter. The yields on term loans were 119 bps wider than high yield bonds despite being senior in the capital structure and is the primary reason that the Fund has maintained a weighting to loans, albeit to a lesser extent than prior quarters.

According to JP Morgan, high yield funds saw cash outflows of \$7.9 billion in the quarter. January and February saw outflows of less than \$1 billion, but March experienced the largest outflow since April 2025 of roughly \$6.3 billion. Notably, high yield funds had not experienced three consecutive months of outflows since late 2023. Calendar year 2025 experienced \$18.9 billion of net inflows, eclipsing the \$16.3 billion of net inflows in 2024.

There were 91 high yield bonds issued during the quarter with a value of \$79.8 billion (roughly in line with the 90 issues for \$68.3 billion in the previous March 2025 quarter). New issuance was again dominated by BB-rated issues which accounted for 56% of the volume. The Technology sector was responsible for more than 19% of the total new issuance, followed by the Energy and Industrials sectors, accounting for about 12% and 8% of the total volume, respectively.

**FUND FACTS**

	Inv.	Inst.
Ticker	BUFHX	BUIHX
Inception Date	5/19/95	7/1/19
Expense Ratio	1.02%	0.87%
Fund Assets	\$661.23 M	
Morningstar Category	High Yield Bond	
Benchmark Index	Ice BofA US High Yield Index	

**FUND MANAGEMENT****Paul Dlugosch, CFA**

Co-Manager since 2007  
B.S. - University of Iowa

**Jeff Sitzmann, CFA**

Co-Manager since 2007  
M.B.A. - University of Chicago  
B.B.A. - University of Toledo

**Jeff Deardorff, CFA**

Co-Manager since 2015  
B.S. - Kansas State University

**TOP 10 HOLDINGS (%)\***

Anneal Pharmaceuticals, LLC (Term Loan, 7/23/32)	2.26
Grupo Aeromexico (8.625%, 11/15/31)	2.14
Verde Purchaser, LLC (Term Loan, 11/17/30)	1.78
Ardonagh Group Finance, Ltd. (8.875%, 2/15/32)	1.71
Nexus Buyer, LLC (Term Loan, 7/31/31)	1.58
Saturn Oil & Gas Inc. (9.625%, 6/15/29)	1.53
Endo Finance Holdings, Inc. (Term Loan, 4/23/31)	1.47
Harrow, Inc. (8.625%, 9/15/30)	1.41
Northern Oil And Gas, Inc. (8.125%, 3/1/28)	1.37
The Geo Group, Inc. (10.250%, 4/15/31)	1.31
<b>Top 10 Holdings Total</b>	<b>16.56</b>

According to JPMorgan, higher credit quality outperformed during the quarter with the return on BB rated bonds beating both single-B rated and CCC rated issues (BB = -0.17%, B = -0.46%, CCC = -1.16%). Energy, Chemicals, and Telecom were the best performing sectors with a positive 2.46%, 1.63%, and 1.58% returns respectively. Paper/packaging, Housing, and Financials were the three worst performing sectors in the March quarter, delivering sector returns of -4.37%, -2.21%, and -1.86% respectively.

The Fund's composition by asset class at quarter end was as follows:

### FUND COMPOSITION BY ASSET CLASS

	3/31/25	6/30/25	9/30/25	12/31/25	3/31/26
Straight Corporates	58.1%	60.1%	63.7%	65.1%	65.9%
Convertible Bonds	1.3%	1.4%	1.9%	2.5%	2.1%
Bank Loans	35.6%	31.5%	27.2%	26.2%	25.0%
Preferred Stocks	0.4%	0.0%	0.0%	0.0%	0.0%
Convertible Preferreds	1.5%	2.3%	2.3%	2.4%	2.0%
Common Stocks	0.0%	0.0%	0.0%	0.0%	0.0%
Cash	2.9%	4.7%	4.9%	3.9%	5.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The approximate rate and contribution of return from the various asset classes in the Fund during the quarter is as follows:

### APPROXIMATE RATE & CONTRIBUTION OF RETURN IN 1Q26

	Approximate Contribution to Return
Straight Corporates	-0.13%
Bank Loans	0.04%
Convertible Bonds	0.19%
Convertible Preferreds	0.01%
Preferred Stocks	N/A
Common Stocks	N/A
Total	-0.09%

### ▲ TOP CONTRIBUTORS

The top three contributors for the Fund were **Saturn Oil & Gas** 9.625% corporate bonds, **Stride** 1.125% convertible bonds, and **Crescent Energy** 7.735% corporate bonds. Saturn's bonds rallied throughout the quarter, initially after posting stronger than expected results and then from the spike in crude oil prices. Stride recovered some of the losses the company experienced in the previous quarter after reporting stronger than expected subscriber wins. Crescent Energy announced that it was acquiring Vital Energy, followed by very strong earnings results, and finally boosted by the move higher in crude oil.

## ▼ TOP DETRACTORS

The **Burford Capital** 9.25% corporate bonds, **AeroMexico** 8.625% corporate bonds, and the **Ardonaugh Group** 8.875% corporate bonds were the worst performers during the quarter. In late March, Burford bonds were negatively impacted after an appellate court overturned a ruling in case that favored Burford. The ruling will likely be challenged, but regardless of the outcome, there will not be a cash impact and the decision will not affect the day-to-day operations of the company. The bonds recovered nearly half of initial losses in the first few days of April, following quarter-end. AeroMexico's bonds declined due to rising crude oil prices and the potential negative impact that jet fuel costs could have on the airline's operations. Ardonaugh Group is a commercial insurance brokerage business and the bonds declined along with the rest of the brokerage peer group due to concerns that artificial intelligence could potentially disintermediate the industry.

## | OUTLOOK

We are focused first and foremost on the Federal Reserve's balancing act between taming inflation while avoiding a recession. In addition, the uncertainty created by multiple geopolitical conflicts, the effects from ongoing Trump tariffs and upcoming mid-term elections are likely to make 2026 a volatile year. We are managing the Fund cautiously yet actively, focusing on higher-quality, below investment grade issuers with defensive business models and manageable credit metrics. We will continue to deploy the cash in opportunities that we believe offer the most appealing risk/reward tradeoff with a bias toward shorter durations and less levered credits. Additionally, we believe bank loans still offer a more defensive position as they provide senior positioning in the capital structure and less interest rate sensitivity due to their floating rate structures. However, given the potential for further rate cuts, the Fund decreased its allocation to loans by another 120bps during the quarter. Finally, we continue to look for opportunities in convertible bonds and convertible preferred stocks. The Fund ended the quarter with 168 positions, down from the previous quarter's level of 175 (excluding cash) although the Fund owns multiple issues of some companies. On an issuer basis, the Fund held exposure to 125 issuers at the end of the quarter.

## 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 800-492-8332 or visiting [buffalofunds.com](http://buffalofunds.com). Read carefully before investing.*

**Mutual fund investing involves risk. Principal loss is possible. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in foreign securities include additional risk such as greater volatility, and political, economic, and currency risks, as well as difference in accounting methods.**

**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. The 10-year Treasury bond is a debt obligation issued by the United States government that matures in 10 years. A basis point (bps) is one hundredth of one percent (0.01%). Yield is the income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Yield to worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. Spread to worst measures the difference from the worst performing security to the best, and can be seen as a measure of dispersion of returns within a given market or between markets. Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. A coupon or coupon payment is the annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity. 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 ICE BofA US High Yield Index is an unmanaged index comprised of over 1,200 high yield bonds representative of high yield bond markets as a whole. The Lipper High Yield Bond Funds Index is a widely recognized index of the 30 largest mutual funds that invest primarily in high yield bonds. The J.P. Morgan Domestic High Yield Index is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market. One cannot invest directly in an index. A Standard & Poor's Rating of B means an obligor is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. A Standard and Poor's Rating of BB means an obligor is less vulnerable in the near term than other lower-rated obligors. A Standard and Poor's Rating of CCC means an obligor is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. The highest rating is AAA and the lowest rating is D. A Standard & Poor's Rating of BBB- or higher represents investment grade securities. In limited situations when the rating agency has not issued a formal rating, the Advisor will classify the security as nonrated. 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. 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 J.P. Morgan Leveraged Loan Index is designed to mirror the investable universe of U.S. dollar institutional leveraged loans, including U.S. and international borrowers.

\*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 12/31/2025. 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.