

BUFFALO MID CAP DISCOVERY FUND

QUARTERLY COMMENTARY



PERFORMANCE COMMENTARY

The Buffalo Mid Cap Discovery Fund produced a return of -10.76% in the first quarter, trailing the Russell Midcap Growth Index's return of -6.35%. Results were defined by three dominant narratives: a sharp upward revision in AI infrastructure capital spending, a wave of indiscriminate selling in software and data-oriented business models on fears of AI disruption, and the late February escalation of the Middle East conflict, which sent oil prices sharply higher and drove a rotation into Energy.

The fund's relative underperformance came primarily from stock selection in Industrials, Information Technology, and Health Care, where fears of AI disruption drove a broad sell-off in software and data services. The fund's meaningful exposure to companies tied to the physical buildout of AI infrastructure—power, cooling, data center construction, and semiconductors—only partially offset these headwinds. Our underweight in Energy, a sector that returned more than 45% for the benchmark, also detracted. Positive stock selection in Financials and an underweight in Consumer Discretionary contributed to results.

During the quarter, fund management added new positions and increased exposure to companies benefiting from the buildout of AI infrastructure, while trimming software holdings we see as more vulnerable to AI-driven disruption. The broad software sell-off was also used to add to several high-quality, wide-moat businesses that we believe are well insulated from AI disruption. These companies serve mission-critical roles in regulated industries, enjoy durable competitive advantages, and, in our view, now trade at compelling valuations after a period of indiscriminate repricing.

PERFORMANCE (%) AS OF 3/31/2026

Average Annual Returns	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr	Since Inception
Investor Class - BUFTX	-6.79	1.34	-2.25	7.34	8.82	7.94
Institutional Class - BUITX¹	-6.67	1.47	-2.11	7.50	8.99	8.11
Russell Midcap Growth Index	9.56	12.74	5.37	11.69	11.12	9.30
Morningstar Mid-Cap Growth Category	12.85	10.62	2.30	10.64	9.84	-

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 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.

▲ TOP CONTRIBUTORS

Vertiv Holdings (VRT) was the fund's top contributor during the quarter with shares rising 55%. The company is a global provider of critical digital infrastructure, specializing in power, cooling, and IT management systems for data centers. Vertiv continued to benefit from an accelerating AI infrastructure buildout, with industry capital expenditure estimates revised sharply higher to roughly 650–700 billion, about 65% above prior expectations. The company's mission-critical role in enabling gigawatt-scale data center deployments positions it as a key beneficiary of the structural undersupply in power and thermal management infrastructure.

FUND FACTS

	Inv.	Inst.
Ticker	BUFTX	BUITX
Inception Date	4/16/01	7/1/19
Expense Ratio	0.99%	0.86%
Fund Assets	\$332.30M	
Morningstar Category	Mid Cap Growth	
Benchmark Index	Russell Midcap Growth Index	

FUND MANAGEMENT



Alan E. Norton, CFA

Manager since 2026
39 Years of Investment Experience
M.B.A. – Babson College
B.A. – Trinity College



Thomas P. Norton, CFA

Manager since 2026
40 Years of Investment Experience
M.B.A. – UMass Boston
B.A. – Dartmouth College

TOP 10 HOLDINGS (%)*

Hilton Worldwide Holdings, Inc.	3.15
Verisk Analytics, Inc.	2.99
MSCI, Inc.	2.75
Cencora, Inc.	2.37
Veeva Systems, Inc.	2.18
Vistra Corp.	2.14
IDEXX Laboratories, Inc.	2.07
Live Nation Entertainment, Inc.	2.05
TransUnion	2.04
Vertiv Holdings Co.	2.04
Top 10 Holdings Total	23.78

▲ TOP CONTRIBUTORS (CONITINUED)

Comfort Systems USA (FIX) was another top contributor with shares rising 48%. The company provides mechanical, electrical, and plumbing contracting services and has become a primary beneficiary of the data center construction boom. Comfort Systems' deep expertise in complex mechanical and HVAC installations makes it a critical contractor for hyperscale and AI-focused facilities, where uptime, redundancy, and energy efficiency are essential.

SLB Limited (SLB) returned 33%, driven by higher energy prices and the need to rebuild key oil infrastructure after the Middle East conflict disrupted roughly 20% of global oil supply through the Strait of Hormuz closure. We realized partial gains in the position, believing the supply shock in the energy market is transitory.

▼ TOP DETRACTORS

CoStar Group (CSGP) declined 40% and was the top detractor during the quarter. The company is investing heavily to expand its footprint from commercial real estate into the much larger residential market through Homes.com. Investor concerns about the cost and timing of this expansion have weighed on the stock, but we view the long-term opportunity as compelling. CoStar has a strong record of executing bold strategic initiatives, and Homes.com continues to gain share of traffic and engagement in the residential portal market. At current levels, we believe continued progress—or even a strategic reset—should meaningfully improve the market narrative.

Gartner Inc. (IT) declined 40% in the quarter. We believe the company's advisory services model faces structural AI disruption risk, as large language models increasingly replicate the best-practices research and benchmarking at the core of Gartner's value proposition. We exited the position, drawing a clear line between businesses where AI genuinely threatens the revenue model and those we see as unfairly punished by indiscriminate selling.

Veeva Systems (VEEV) declined 21% during the quarter, as it was caught in the broad software sell-off fueled by AI disruption fears. We believe the stock was indiscriminately sold alongside more exposed peers, despite operating in a highly regulated, mission-critical segment of the life sciences industry. Veeva's FDA-validated cloud platform helps pharmaceutical companies manage clinical trials, regulatory compliance, and commercial operations—areas where software is deeply embedded and validated over years, creating significant switching costs. Rather than being displaced by AI, Veeva stands to benefit as AI accelerates drug development and expands its addressable market. Its per-module subscription model also limits exposure to seat-based pricing pressure. We maintain full conviction in the position.

| OUTLOOK

We believe the economy is in a low growth, late-cycle expansion phase, poised to reaccelerate or 'run hot' through 2026 as sustained AI investment converges with pro-growth fiscal tailwinds. Expansionary measures—specifically tax reductions and the full expensing of capital investments—are expected to front-load growth early in the year. Concurrently, a shift toward deregulation should lower operational costs, incentivizing a new wave of capital expenditure. As the Federal Reserve stabilizes the policy rate within the expected 3.0%–3.25% range by mid-2026, financial conditions should ease significantly compared to the 2024–2025 period, lowering the cost of capital for small businesses. While the administration may pursue additional short-term stimulus in a mid-term election year, this outlook is tempered by persistent inflation and rising federal debt.

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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OUTLOOK (CONTINUED)

As these macroeconomic tailwinds take hold, we anticipate a meaningful broadening of market leadership beyond the narrow, AI-centric themes that dominated the 2023–2025 period. While the large cap 'Magnificent Seven' and AI infrastructure providers were the primary beneficiaries of early-stage AI adoption, the next phase of the cycle will be defined by the transition from AI Potential to AI Productivity. We believe the combination of lower borrowing costs, fiscal stimulus, and deregulation could serve as a springboard to a more durable recovery, as a diverse range of industries begin to realize tangible margin expansion and earnings growth from AI implementation. In this environment, we expect the market to broaden, and reward disciplined fundamental stock selection over thematic momentum.

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. Read carefully before investing.

Earnings growth is not representative of the Fund's future performance. Investing in both actively and passively managed mutual funds involves risk and principal loss is possible. 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 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 S&P 500 Index is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. The Nasdaq Composite Index is a market capitalization-weighted index of more than 3,700 stocks listed on the Nasdaq stock exchange. The Russell 3000 Index measures the performance of the 3,000 largest publicly held companies incorporated in the U.S. based on market capitalization. The Russell 3000 Value Index is based on the Russell 3000 Index, of companies with lower price-to-book ratios and lower expected growth rates which measures how U.S. stocks in the equity value segment perform. The Russell 3000 Growth Index is a market-capitalization weighted index that measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth rates. The Russell 1000 Index is a subset of the Russell 3000 Index and measures the performance of the 1,000 largest publicly-held companies incorporated in the U.S. based on market capitalization. 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 Microcap Index is a n unmanaged capitalization weighted index of 2,000 small cap and micro cap companies. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. The Russell Midcap Growth Index is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Conference Board Leading Economic Index, Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. One cannot invest directly in an index. 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. A basis point is one hundredth of a percentage point (0.01%). Yield is the income return on an investment. 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. A drawdown is a peak-to-trough decline during a specific period for an investment, trading account, or fund. The Bloomberg US Aggregate Bond Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability. 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. Price-Earnings Ratio or P/E Ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included. The Russell Midcap® Value Index measures the performance of the midcap value segment of the US equity universe. It includes those Russell Midcap Index companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). Revenue growth is the percentage change in a company's total revenue from one period to the next. The Magnificent Seven is a term used to describe the technology oriented, highly influential companies of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.

*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.