

## Capital Market Overview

Global equity markets fell sharply in the 1st quarter of 2020 in reaction to the global spread of COVID-19. As the case count increased exponentially, the only effective response was for countries to go into lockdown. The economic impact of these actions became clear as the quarter progressed and virtually all asset classes suffered as a result. From February 19 through March 23, the U.S. stock market, as measured by the S&P 500 Index, declined around 34%, which was the fastest meltdown in history. Central banks and governments responded quickly to this event, with the U.S. Federal Reserve (the "Fed") cutting interest rates twice in March and announcing unlimited quantitative easing. The U.S. Senate passed a \$2 trillion stimulus package, providing assistance to individuals and businesses in distress. Optimism around these efforts helped the market rally into quarter end, leaving the S&P 500 Index down 19.60% from the start of the year.

The broad market Russell 3000 Index declined 20.90% in the 1st quarter. Growth outperformed value, with the Russell 3000 Growth Index declining 14.85% compared to the Russell 3000 Value Index decline of 27.32%. By capitalization size, large cap stocks held up best, with a -20.22% return in the quarter, represented by the Russell 1000 Index. The Russell Mid Cap Index fell -27.07%, followed by the smaller cap Russell 2000 Index which declined -30.61%. Best performing sectors were the Technology, Health Care, and Consumer Staples sectors. The Energy sector was hit hardest as falling demand and rising supply from Saudi Arabia caused oil prices to crater. The economically-sensitive Financial and Industrial sectors were also among the worst performing sectors in the quarter.

## Performance Commentary

The Buffalo Dividend Focus Fund (BUFDX) posted a return of -20.35%, slightly underperforming the Morningstar U.S. Large-Mid Cap Index return of -19.75% and the S&P 500 Index return of -19.60%. All sectors in the benchmark index posted double-digit negative returns. The Fund's sector performance experienced similar negative returns, with the exception of the Real Estate sector, which delivered a single-digit positive return. The Fund's sectors with the highest weightings had mixed performance relative to the Index. Information Technology and Financials posted favorable relative performance compared to the benchmark, while Health Care experienced lagging relative returns. In addition to Real Estate, our Consumer Discretionary and Consumer Staples holdings also delivered constructive performance relative to the benchmark. Areas of the Fund that detracted from performance included Utilities, Industrials, and Energy.

## Average Annualized Performance (%)

As of 3/31/20	1 YR	3 YR	5 YR	Since Inception
Investor Class - BUFDX	-8.32	2.26	4.64	9.29
Institutional Class - BUIDX <sup>1</sup>	-8.17	2.41	4.79	9.45
Morningstar U.S. Large-Mid Cap Index	-7.35	4.98	6.35	10.78
S&P 500 Index	-6.98	5.10	6.73	10.90

<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 Institutional Class shares. Data represented reflects past performance and is no guarantee of future results. 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). Each Morningstar category average represents a universe of funds with similar objectives.

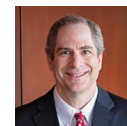
## Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.96%	0.81%
Fund Assets:	\$65.63 Million	
Category:	Large Cap Blend	
Benchmark:	Morningstar U.S. Large-Mid Cap Index	

## Management Team



**Paul Dlugosch, CFA**  
Co-Manager since 2013  
B.S. – University of Iowa



**Jeff Sitzmann, CFA**  
Co-Manager since 2018  
M.B.A. – Univ. of Chicago  
B.B.A. – Univ. of Toledo



**Jeff Deardorff, CFA**  
Co-Manager since 2018  
B.S. – Kansas State Univ.

## ↑ Top Contributors

Specific securities that contributed most positively to performance included **Community Healthcare Trust (CHCT)**, **Amazon (AMZN)**, and **Digital Realty Trust (DLR)**. Fund management initiated a new position in Community Healthcare Trust, a health care real estate company, in the quarter during the general market sell-off. Shares of Amazon advanced, as the company's operations are expected to benefit from the trend in consumers increasingly shifting to on-line buying as they work from home due to shelter-in-place orders. Digital Realty Trust, a provider of data centers, is another recently-added position that contributed to Fund results through timely purchases of shares during the volatile quarter.

## ↓ Top Detractors

Specific securities that detracted from performance included **Energy Transfer, L.P. (ET)**, **Viper Energy Partners L.P. (VNOM)**, and **Truist Financial Corporation (TFC)**, formerly known as BB&T). Energy Transfer, an energy transportation services company, and Viper Energy Partners, a leased oil and gas properties company, dropped as energy prices plunged in response to the failure of an agreement between the Organization of the Petroleum Exporting Countries (OPEC) members on production cutbacks as well as the drop in demand caused by the Coronavirus pandemic. Meanwhile shares of Truist Financial Corporation fell on general economic decline and as a result of lower interest rates, as the Fed cut its benchmark lending rate to zero.

## Outlook

The primary driver of the sharp decline in the stock market during the quarter was the Covid-19 pandemic and efforts to contain it, which has inflicted economic damage. Governments and healthcare experts have responded to the crisis by issuing stay at home orders to try to curtail the spread of the disease, new infections, and fatalities. The economic impact has resulted in a sharp decline in spending and an explosion in unemployment. To limit the economic damage, governments have passed and are passing various financial aid programs in addition to health care measures to combat the pandemic. Central Banks have also cut benchmark lending rates and have expanded their balance sheets as they buy various assets of eligible securities. The fiscal and monetary response to the pandemic has been relatively swift and expansive, with indications that, if conditions do not improve, they will do "whatever it takes." Their efforts so far are encouraging and markets have begun to rebound. Over the intermediate term, the pandemic will need to be contained through a combination of better testing, improved therapies, vaccine development, and seasonal curtailment. Hopefully, through these measures, the economy may begin to recover and generate sustainable growth.

Despite the uncertainty, we remain focused on wide moat, competitively-advantaged large capitalization companies trading at reasonable valuations, in our view. As stock market volatility spikes, we will look for opportunities to buy shares of companies that fit our investment criteria, as we continue to follow our process of finding new investment ideas and to be ready when market declines provide better entry points. ▴

## 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) 49-BUFFALO or visiting buffalofunds.com. Read carefully before investing.*

As of 12/31/19 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 4.04%, Apple 3.36%, Visa 3.04%, Edison Intl 2.55%, JPMorgan Chase 1.92%, American Electric Power 2.43%, Bank of America 1.76%, S&P Global 2.08%, UnitedHealth Group 1.69%, Truist Financial 1.64%. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end.

### **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 S&P 500 Index is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. 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 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 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 1000 Index is a subset of the Russell 3000 Index, which measures the performance of the 1,000 largest publicly-held companies incorporated in the U.S. based on market capitalization. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. 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 Morningstar U.S. Large-Mid Cap Index measures the performance of the U.S. equity market targeting the top 90% of stocks by market capitalization. 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.

**Mutual Fund investing involves risk. Principal loss is possible. The Fund invests in U.S. based companies with substantial interests outside of the U.S. which may involve additional risk such as greater volatility and political, economic and/or currency risks. This risk is greater in emerging markets. The Fund may invest in convertible securities which may be influenced by changing interest rates and the credit standing of the company. The Fund invests in smaller companies, which involves additional risks such as limited liquidity and greater volatility than larger companies.**

Kornitzer Capital Management is the advisor to the Buffalo Funds, which are distributed by Quasar Distributors, LLC.

