

## Capital Market Overview

The equity market, as measured by the S&P 500 Index, suffered its second quarterly decline since the onset of the COVID-19 pandemic, over two years ago, producing a return of -4.60% during the January–March period. Weak capital market performance can be largely attributed to the Federal Reserve’s decision to raise interest rates and reduce the size of its balance sheet, also known as quantitative tightening. Other headwinds, including the war in Ukraine, significant inflation, and persistent supply chain bottlenecks, only added to the backdrop of uncertainty for domestic and global markets.

The broad-based Russell 3000 Index fell -5.28% in the quarter. Value stocks outperformed growth stocks by a large amount, as the Russell 3000 Value Index returned -0.85% compared to a decline of -9.25% for the Russell 3000 Growth Index. Large cap stocks fell less than smaller cap stocks during the quarter, as the Russell 1000 Index declined -5.13%, followed by a return of -5.68% for the Russell Midcap Index, and -7.53% for the small cap Russell 2000 Index. Energy stocks surged during the period on rising oil prices while the more defensive Utilities and Telecommunication Services sectors were also modestly positive. The Consumer Discretionary and Technology areas of the market were the largest underperformers due to inflation and rising rates.

## Performance Commentary

The Buffalo Dividend Focus Fund (BUFDX) posted a return of -1.24% during the quarter, outperforming the Morningstar U.S. Large-Mid Cap Index return of -5.27% and the Russell 1000 Index return of -4.60%. The portfolio’s Consumer Discretionary, Energy, Health Care, Information Technology, Materials, and Utilities investments contributed to relative performance.

## Average Annualized Performance (%)

As of 3/31/22	1 YR	3 YR	5 YR	Since Inception
<b>Investor Class - BUFDX</b>	13.39	17.06	13.34	13.85
<b>Institutional Class - BUIDX<sup>1</sup></b>	13.51	17.22	13.51	14.02
Russell 1000 Index	11.76	16.79	13.81	13.32
Morningstar U.S. Large-Mid Cap Index	13.47	18.76	15.90	15.48

<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.

## ↑ Top Contributors

Specific securities that contributed most positively to performance include Viper Energy Partners LP, Northern Oil and Gas, and Energy Transfer LP. The three companies are involved in the oil and gas industries and benefited from rising commodities prices following increased demand and supply constraints.

## Fund Facts

	Investor	Institutional
<b>Ticker:</b>	BUFDX	BUIDX
<b>Inception Date:</b>	12/3/12	7/1/19
<b>Expense Ratio:</b>	0.94%	0.79%
<b>Fund Assets:</b>	\$116.38 Million	
<b>Category:</b>	Large Cap Blend	
<b>Benchmark:</b>	Russell 1000 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 Detractors

Meanwhile Home Depot, Microsoft Corporation, and Meta Platforms detracted from the Fund's relative performance. Home Depot fell as rising interest rates and declining gross margins reduced investor sentiment for the company. Microsoft moved lower as rising interest rates have tempered overall valuations for technology companies. Meta Platforms declined on a revenue forecast that was below estimates, combined with stagnating user growth on increasing competition from other social media platforms.

## Outlook

Measures of inflation have reached levels not seen in decades, as demand has bounced back, while supply chain issues (bottlenecks, chip shortages, lack of workers, etc.) have restrained supplies. Businesses also lost productivity as COVID-19 continued to lead to employee absenteeism. Additionally, inflation and supply chain issues have been impacted by sanctions against Russia following its invasion of Ukraine. As a result, the Federal Reserve (the "Fed") has adopted a more hawkish approach toward interest rates and a reduction in their balance sheet. As the Fed implements these programs, it will attempt to strike a delicate balance of curbing inflation without causing a recession. Stock market performance is likely to reflect the view of how well the Fed is managing the situation.

Despite the uncertainty, we remain focused on identifying competitively-advantaged, wide-moat companies trading at reasonable valuations. We will be ready to take advantage of opportunities created by stock market volatility using market declines as attractive entry points for long-term investors. ▲

## 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 12/31/21 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 5.35%, Apple 4.71%, Viper Energy Partners 3.09%, CVS Health 2.89%, UnitedHealth Group 2.40%, Visa 2.39%, Horizon Therapeutics 2.27%, Bank of America 2.12%, S&P Global 2.07%, Elanco Animal Health 1.90%. 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 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 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.

**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.