

Capital Market Overview

Equity markets moved higher for the fifth consecutive quarter, as the S&P 500 Index returned 8.55%, raising the year-to-date return to 15.25%. The COVID-19 vaccine rollout has helped fuel an economic comeback while corporate earnings are improving. The vaccine adoption around the world is encouraging, and over 50% of the U.S. population is now vaccinated. Capital markets continued to be supported by significant spending from Congress and aggressive monetary policy from the Federal Reserve (the Fed). The 2nd quarter was marked by outperformance of growth stocks, overcoming investor concerns of rising inflation and potential interest rate hikes in the prior quarter. Hawkish comments from the Fed replaced inflation worries with concerns about the magnitude and duration of the economic recovery. Long duration growth companies were beneficiaries as yields on the 10-Year and 30-Year Treasuries declined during the period after climbing for the previous four months.

The broad market Russell 3000 Index advanced 8.24% in the quarter. Growth stocks outperformed Value stocks, as the Russell 3000 Growth Index surged 11.38% compared to the Russell 3000 Value Index gain of 5.16%. Relative performance was correlated with market cap size in the quarter, as the large cap Russell 1000 Index returned 8.54%, the Russell Midcap Index advanced 7.50%, the small cap Russell 2000 Index returned 4.29%, and the Russell Microcap Index finished 4.14% higher.

All economic sectors produced positive returns during the period with the exception of Telecom Services. Real Estate, Information Technology, and Energy led the advance followed by Financials and Health Care. More defensive areas, such as Telecom Services, Utilities, and Consumer Staples, trailed on a relative basis.

Performance Commentary

The Buffalo Dividend Focus Fund (BUFDX) posted a return of 7.17% for the 2nd quarter, underperforming the benchmark Morningstar U.S. Large-Mid Cap Index return of 8.72% and the S&P 500 Index return of 8.55%. With the exception of Telecommunication Services, all sectors in the Fund and benchmark index posted positive returns. The Fund's sectors with the highest weightings (Information Technology, Health Care, and Financials) had mixed results relative to the benchmark index. Financials had favorable performance, while Health Care and Information Technology produced relative underperformance. Meanwhile the portfolio's Consumer Staples, Energy, Real Estate, and Utilities holdings delivered constructive performance versus the benchmark while Industrials and Materials detracted from relative results.

Average Annualized Performance (%)

As of 6/30/21	1 YR	3 YR	5 YR	Since Inception
Investor Class - BUFDX	37.87	16.45	15.32	14.40
Institutional Class - BUIDX ¹	38.02	16.61	15.48	14.57
Morningstar U.S. Large-Mid Cap Index	42.24	19.28	18.02	16.36
S&P 500 Index	40.79	18.67	17.65	16.19

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. 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. Each Morningstar category average represents a universe of funds with similar objectives.

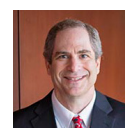
Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.96%	0.81%
Fund Assets:	\$110.45 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 contributors to performance included **Viper Energy Partners LP (VNOM)**, **Microsoft Corp. (MSFT)**, and **Apple Inc. (AAPL)**. Viper (oil and gas mineral interests) rose as energy prices moved higher on more balanced supply/demand and prospects for an economic rebound. Microsoft (software product and services) advanced on anticipated enterprise IT spending growth, which could lead to robust sales and margin expansion. Apple (consumer electronics and services) gained on continued healthy demand for high margin products and services and increased stock buybacks.

↓ Top Detractors

Walt Disney Company (DIS), **Truist Financial Corporation (TFC)**, and **Southwest Airlines (LUV)** were among the holdings that were detractors from the Fund's performance. Disney (entertainment and media) fell as the number of streaming subscribers fell slightly short of Wall Street expectations. Truist (financial services) declined on lower interest rates and concerns regarding loan growth. Southwest (airline) gave back some of its robust share price gains in the 1st quarter due to anticipated weaker yields as a result of higher fuel and operating expenses.

Outlook

The stock market continued to advance during the quarter and ended the period at a record high. New COVID-19 infections, hospitalizations, and deaths have declined in the U.S. as vaccines have been approved and administered. This has allowed the relaxing of COVID-related closures and restrictions. Workers are gradually returning to the office, and consumers are emerging from their homes and venturing back out. The pent-up demand aided by additional fiscal stimulus checks, and continued central banks' accommodative policies, provide a favorable tailwind for the economy. Although the Fed continues to indicate that it is holding off raising interest rates, investors are mindful for any signs of inflation. While some prices have gone up, the Fed believes these are transitory. As the year continues to unfold, investors will also be focused on the following topics: prospects for passage of an announced infrastructure agreement, vaccination rates, booster shots, how COVID-19 variants will spread or be contained, if COVID-19 lockdowns resume, and how long monetary policy will remain accommodative.

Despite the uncertainty created by the pandemic, we remain focused on wide moat, large capitalization companies trading at reasonable valuations, in our view. As always, the Fund will continue to emphasize competitively-advantaged companies that can be purchased at a fair value, in our opinion. As stock market volatility spikes, we will look for opportunities to find 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 3/31/21 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 4.35%, Apple 3.76%, Visa 2.71%, Viper Energy Partners 2.45%, Elanco Animal Health 2.27%, Bank of America 2.26%, Horizon Therapeutics 2.25%, Citigroup 2.09%, UnitedHealth Group 2.06%, Citizens Financial Group 2.03%. 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 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 Russell Microcap Index measures the performance of 2,000 small cap and micro cap companies. 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.

