

## Capital Market Overview

The stock market extended year-to-date losses during the 3rd quarter and has now fallen for three consecutive quarters. The S&P 500 Index retreated by -4.88% from July 1st to September 30th bringing the YTD total return to -23.87%, which is bear market territory. Stubbornly-high inflation, aggressive interest rate increases, rising fear of a recession, and expectations for softer corporate earnings in the upcoming reporting period were the main headwinds. The Federal Reserve's hawkish stance on inflation resulted in two more oversized federal funds rate hikes during the quarter, bringing the target rate to 3.00%-3.25%. Federal Reserve officials also signaled for additional rate hikes moving forward and holding higher rates for as long as necessary to curb inflation, even if it leads to economic pain. Short-term Treasury yields (two-year notes) are higher than long-term yields (10-year notes) and the yield curve is now inverted by the most since 2000, an indication of a potential recession.

The broad-based Russell 3000 Index declined -4.46% in the quarter and has fallen -24.62% year-to-date. Value stocks fell more than growth stocks during the quarter as the Russell 3000 Value Index returned -5.56% versus a return of -3.37% for the Russell 3000 Growth Index. Relative performance improved going down in market cap size as small caps declined less than large caps in the quarter. Larger cap stocks, as measured by the Russell 1000 Index, returned -4.61% compared to the smaller cap Russell 2000 Index return of -2.19% and the Russell Microcap Index return of -0.48%.

## Performance Commentary

The Buffalo Dividend Focus Fund (BUFDX) posted a return of -3.79% for the 3rd quarter, outperforming the Russell 1000 Index return of -4.61%. Only two sectors, Energy and Materials, generated positive absolute returns for the portfolio during the period. However, the Fund's exposure to Communication Services, Energy, Health Care, Industrials, Information Technology, and Materials delivered constructive performance relative to the benchmark. Meanwhile the portfolio's investments in Consumer Discretionary, Consumer Staples, Financials, Real Estate, and Utilities underperformed relative to the benchmark.

## Average Annualized Performance (%)

As of 9/30/22	1 YR	3 YR	5 YR	Since Inception
Investor Class - BUFDX	-10.29	8.54	8.87	11.25
Institutional Class - BUIDX <sup>1</sup>	-10.16	8.69	9.04	11.42
Russell 1000 Index	-17.22	7.95	9.00	11.98
Morningstar U.S. Large-Mid Cap Index	-17.51	7.82	9.01	11.96

<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.

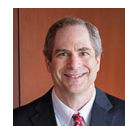
## Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.93%	0.78%
Fund Assets:	\$105.06 Million	
Category:	Large Cap Blend	
Benchmark:	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 Contributors

Specific securities that contributed most positively to performance include **Viper Energy Partners LP (VNOM)**, **Marathon Petroleum Corporation (MPC)**, and **Energy Transfer LP (ET)**. All three of these companies operate in the energy sector (energy properties, refining and marketing, and transportation). Although energy commodity prices have declined from recent peaks, they continue to remain elevated, allowing the companies in these industries to generate healthy profits and cash flow.

## ↓ Top Detractors

**Elanco Animal Health Inc. (ELAN)**, **Microsoft Corporation (MSFT)** and **Horizon Therapeutics PLC (HZNP)** were the top detractors from the Fund's performance. Elanco Animal Health, an animal health care company, fell as management lowered its forecast for the year citing the impact of foreign exchange rates, China COVID lockdowns, and supply chain disruptions. Microsoft Corporation, the software and computer services company, declined on foreign exchange headwinds, soft personal computer demand, and general macro-economic weakness. Horizon Therapeutics slumped on weak quarterly results and a lowered outlook due to generic competition in its inflammation segment and slower expected growth for its thyroid eye treatment (Tepezza).

## 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

Despite the uncertainty created by hawkish Fed and geo-political tensions, we remain focused on wide moat, large capitalization dividend-paying companies trading at reasonable valuations, in our view. As always, the fund will continue to emphasize on competitively advantaged companies that can be purchased at a fair value. 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. ▀

*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 6/30/22 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 4.45%, Apple 3.95%, Viper Energy Partners 3.72%, CVS Health 2.83%, UnitedHealth Group 2.67%, Visa 2.37%, S&P Global 2.24%, Horizon Therapeutics 1.83%, Edison Intl 1.80%, Arthur J Gallagher & Co. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end.

**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. 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 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 an unmanaged capitalization weighted index 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.

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

