

## Capital Market Overview

Capital markets rallied modestly in the 4th quarter as the S&P 500 Index gained 7.56%, the only positive quarter for 2022. Cooler inflation readings, resilient consumer spending, and better-than-expected corporate earnings buoyed markets during the first two months of the 4th quarter before pulling back in December. Much of the focus remains on the path of future interest rates, recession fears, and the economic and market impact those events may generate in 2023.

Despite the 4th quarter advance, the stock market recorded its worst calendar year since 2008, with a decline of -18.11% for the S&P 500 Index, and a loss of -32.54% for the growth-oriented and technology-heavy Nasdaq Composite Index. Large cap technology stocks and the more interest-rate sensitive assets suffered the most, while value stocks outperformed. In the end, nine of the S&P 500 Index's 11 economic sectors declined. Energy stocks were the bright spot, recording a gain of 65.72% for the sector while Utilities eked out a gain of 1.57% in 2022.

The damage wasn't isolated to the stock market as the investment-grade bond indices suffered double-digit losses for the year as well. In fact, a traditional balanced investment portfolio of 60% stocks and 40% bonds suffered the 4th worst drawdown in the past 100 years.

Recapping quarterly results, the broad-based Russell 3000 Index advanced 7.18% in the period. Value stocks significantly outperformed growth stocks to close out 2022, as the Russell 3000 Value Index returned 12.18% versus a return of just 2.31% for the Russell 3000 Growth Index. Relative performance was mixed going down in market cap size as small caps advanced less than large caps in the quarter, while mid cap stocks outperformed both large and small caps. Larger cap stocks returned 7.24%, as measured by the Russell 1000 Index, compared to the smaller cap Russell 2000 Index return of 6.23%, while the Russell Midcap Index produced a return of 9.18% in the quarter.

## Performance Commentary

The Buffalo Dividend Focus Fund (BUFDX) produced a return of 8.63% during the quarter, outperforming the Russell 1000 Index return of 7.24% and the Morningstar U.S. Large-Mid Cap Index return of 7.21%. All economic sectors generated positive returns within the Fund during the period except for Communication Services. Relative to the benchmark, all sectors delivered constructive performance except for Materials, Consumer Staples, and Industrials. Overall, the Fund's sector allocation impact drove relative outperformance compared to the index due to our overweight in Energy, the strongest performing benchmark sector during the quarter. A portfolio underweight to Consumer Discretionary also benefited results, as that was the weakest performing benchmark sector.

## Average Annualized Performance (%)

As of 12/31/22	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFDX	-8.75	8.79	9.31	11.96	11.87
Institutional Class - BUIDX <sup>1</sup>	-8.62	8.96	9.48	12.13	12.04
Russell 1000 Index	-19.13	7.35	9.13	12.37	12.44
Morningstar U.S. Large-Mid Cap Index	-19.50	7.22	9.15	12.35	12.42

<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 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](http://buffalofunds.com). Each Morningstar category average represents a universe of funds with similar objectives.

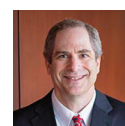
## Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.93%	0.78%
Fund Assets:	\$113.63 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  
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**Jeff Deardorff, CFA**  
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## ↑ Top Contributors

Specific securities that contributed most positively to performance included **Horizon Therapeutics**, **Viper Energy Partners**, and **HCA Healthcare**. Horizon, a manufacturer of biopharmaceuticals, climbed on buyout news that the company would be acquired by Amgen for \$116.50 per share in cash. Viper Energy, which owns royalty interests in oil and gas properties in North America, gained on favorable quarterly results and a positive production forecast. HCA, the hospital and health care services provider, advanced on expectations for revenue growth and labor costs normalizing toward pre-pandemic growth trends.

## ↓ Top Detractors

The top detractors from the Fund's performance during the period were **Amazon.com**, **Apple Inc.**, and **Apellis Pharmaceuticals**. Amazon.com., the online retailer and provider of other computing services, fell after reporting weakness in cloud computing services and forecasting slower than expected growth for holiday sales. Shares of Apple declined as production halts related to lockdowns in China due to COVID-19, combined with a weakening demand for certain Apple products. Apellis, the manufacturer and marketer of biopharmaceuticals, slumped as the company disclosed that it will submit additional data to the U.S Food & Drug Administration (FDA) for its eye disease therapy pegcetacoplan's new drug application.

## Outlook

Despite the uncertainty created by the hawkish Federal Reserve and geo-political tensions, we remain focused on wide moat, large capitalization 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, 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. ▀

*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](http://buffalofunds.com). Read carefully before investing.*

As of 9/30/22 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 4.13%, Viper Energy Partners 4.09%, Apple 4.09%, CVS Health 2.99%, UnitedHealth Group 2.69%, Visa 2.19%, S&P Global 2.07%, Arthur J Gallagher & Co. 1.89%, Energy Transfer 1.71%, Northern Oil & Gas 1.65%. 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 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 Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. 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. A drawdown is a peak-to-trough decline during a specific period for an investment, trading account, or fund.

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

## 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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