

## Capital Market Overview

The broad-based equity market advanced in the second quarter (measured by the S&P 500 Index) as the economy continued to grow moderately while inflation and labor market measures eased enough throughout the period that investors became more confident of interest rate cuts. There have been big changes in expectations about the timing and size of interest rate cuts since the start of the year. In January the market was expecting perhaps as many as six rate cuts for 2024, however, that has now shifted to maybe only one or two cuts for the year, starting in September. As has been the case for some time now, however, there was a size bias in performance results during the quarter, which has particularly benefited a few mega-cap companies associated with artificial intelligence (AI). Large cap stocks continued to outperform small cap stocks and growth companies continued to outperform value companies by a wide margin.

Recapping broad-based index results, the Russell 3000 Index gained 3.22% during the period. The Russell 3000 Growth Index advanced 7.80% compared to a decline of -2.25% for the Russell 3000 Value Index. Larger cap stocks produced a return of 3.57%, as measured by the Russell 1000 Index, compared to the smaller cap Russell 2000 Index decline of -3.28%. In terms of sector leadership, Technology and Communication Services were the top performers for the quarter while a larger group of companies in the Industrials, Financials, Health Care, Consumer Discretionary, Energy, Materials and Real Estate sectors declined.

## Performance Commentary

The Buffalo Dividend Focus Fund produced a return of -0.13% during the period, a result that underperformed the Russell 1000 Index return of 3.57%. The fund's underweight in the Information Technology sector (12% vs. 29%) accounted for the bulk of the underperformance. Relative to the benchmark, the fund's exposure to Consumer Discretionary, Industrials, Real Estate, and Utilities delivered constructive performance while the fund's investments in the Communication Services, Consumer Staples, Energy, Financials, Health Care, Information Technology, and Materials segments detracted from the relative performance.

## Average Annualized Performance (%)

As of 6/30/24	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFDX	19.60	8.82	13.42	11.36	12.92
Institutional Class - BUIDX <sup>1</sup>	19.77	8.99	13.59	11.53	13.09
Russell 1000 Index	23.88	8.74	14.61	12.51	14.33

<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).

## ↑ Top Contributors

Specific securities that contributed the most to performance included **Apple Inc. (AAPL)**, **Vistra Corp. (VST)**, and **Microsoft Corp. (MSFT)**. Shares of Apple rose on strong earnings results, a favorable earnings outlook, an increase in its dividend and stock buyback program, and AI (artificial intelligence) features that can spur an upgrade cycle for hardware sales. Vistra is a utility power company that has become an AI beneficiary as the growth in data centers is expected to increase demand for electricity, which propelled shares higher in the quarter. Meanwhile, shares of Microsoft advanced as the company reported positive earnings and margin expansion during the quarter driven by strong Azure growth. The company also appears poised to benefit from the ongoing excitement around AI.

## Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.95%	0.80%
Fund Assets:	\$163.12 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 10 Holdings\*

Microsoft Corporation	4.79%
Meta Platforms Inc	3.95%
Viper Energy, Inc.	3.52%
Apple Inc.	3.26%
Visa Inc.	2.20%
S&P Global, Inc.	1.85%
Arthur J. Gallagher & Co.	1.77%
Burford Capital Limited	1.76%
Royal Caribbean Group (6.0%, 8/15/25)	1.74%
JPMorgan Chase & Co.	1.71%
<b>Top 10 Holdings Total</b>	<b>26.56%</b>

## ↓ Top Detractors

CVS Health Corp (CVS), Estee Lauder Companies Inc. (EL), and Burford Capital Limited (BUR) detracted from results for the quarter. Shares of CVS, which operates health care and retail pharmacies, fell as the company lowered its outlook for the year due to cost pressures in its Medicare Insurance business. Burford Capital which is involved in corporate litigation financing, declined as quarterly results included unfavorable realized and unrealized gains and losses, which can be lumpy on a quarterly basis. Shares of Estee Lauder, which develops and markets skin care, makeup, fragrance, and hair care products, dropped as earnings fell short estimates and the company reduced its outlook due to macro headwinds and softness in China.

## Outlook

Despite the uncertainty created by the timing of the next rate move by the Federal Reserve and other factors like 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 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:

Christopher Crawford  
ccrawford@buffalofunds.com  
(913) 647-2321

Scott Johnson  
sjohnson@buffalofunds.com  
(913) 754-1537

*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.*

**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. 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. The Bloomberg US Aggregate Bond Index is a broad base, market capitalization weighted bond market index representing intermediate term investment grade bonds traded in the United States. The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market. The Magnificent Seven is a term used to describe the technology-oriented, highly influential companies of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.

\*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 3/31/24. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

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