

## Capital Market Overview

Capital markets pulled back in the third quarter of 2023 as the S&P 500 Index declined 3.27% and the Barclay's Aggregate Bond Index fell 3.23%. Rising bond yields and expectations that the Federal Reserve will maintain interest rates "higher for longer" weighed on investors sentiment. Inflation is trending down; however, it remains above the Fed's target of 2% leading to the central bank's hawkish tilt. Until recently, markets had been forecasting numerous interest rate cuts in 2024, a scenario that now looks unlikely. The yield of the U.S. Treasury 10-year note finished the period at 4.57%, up from 3.9% to start the year. Performance among eight of the ten economic sectors was negative during the period, but energy rallied over 12% as the price of oil surged 28% during the third quarter. Overall, economic growth appears to be slowing, but most economists are not calling for a recession in the near term.

Recapping broad-based index results, the Russell 3000 Index dropped 3.25%. Relative performance deteriorated going down in market capitalization (size) as small caps declined more than large caps in the quarter. Larger cap stocks produced a return of -3.15%, as measured by the Russell 1000 Index, compared to the smaller cap Russell 2000 Index return of -5.13%. The even smaller market cap Russell Microcap Index pulled back by -7.93% in the quarter.

## Performance Commentary

The Buffalo Dividend Focus Fund posted a return of -1.97% for the third quarter, outperforming the Russell 1000 index return of -3.15%. The Fund's sector weightings and security selection contributed to its relative outperformance. Compared to the benchmark, the fund's exposure to Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Industrials, Information Technology, and Utilities delivered constructive performance. The portfolio's investments with Healthcare, Materials, and Real Estate detracted from relative performance.

## Average Annualized Performance (%)

As of 9/30/23	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFDX	17.35	10.97	9.15	11.38	11.80
Institutional Class - BUIDX <sup>1</sup>	17.54	11.15	9.31	11.55	11.97
Russell 1000 Index	21.19	9.53	9.63	11.63	12.80

<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).

## ↑ Top Contributors

Specific securities that contributed most positively to performance include **Marathon Petroleum, Northern Oil and Gas, and Horizon Therapeutics**. Marathon Petroleum and Northern Oil and Gas both operate in the petroleum sector and benefited from the huge gain in crude oil prices during the quarter. While shares of Horizon Therapeutics, a manufacturer of and marketer of biopharmaceuticals, gained during the period as the acquisition by Amgen was cleared by the Federal Trade Commission (FTC).

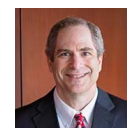
## Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.95%	0.80%
Fund Assets:	\$121.83 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**  
Co-Manager since 2018  
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## ↓ Top Detractors

**Apple, HCA Healthcare, and Microsoft** detracted from the fund's performance results. Shares of Apple, a manufacturer and marketer of consumer electronics, fell on concerns regarding demand for cellphone handset sales and the impact of China's plan to ban government-backed agencies and state companies from using iPhones. HCA Healthcare, owner and operator of hospitals and healthcare facilities, declined as quarterly results and management's outlook fell short of lofty expectations. Healthcare regulatory risks also weighed on investor sentiment for the stock during the period. Meanwhile Microsoft slumped as the company's results and outlook failed to meet robust expectations for cloud services and artificial intelligence (AI).

## Outlook

Despite the uncertainty created by the hawkish Fed, domestic politics, 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 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 6/30/23 the Buffalo Dividend Focus Fund top 10 equity holdings were Microsoft 5.08%, Apple 4.82%, Viper Energy Partners 3.22%, Meta Platforms 3.05%, Visa 2.46%, S&P Global 2.29%, UnitedHealth Group 2.15%, Arthur J Gallagher & Co. 2.03%, Horizon Therapeutics 2.03%, HCA Healthcare 1.97%. 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. 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 capitalizationweighted 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.

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

