

## Capital Market Overview

2023 concluded with capital markets moving higher in the final quarter of the year. The S&P 500 Index gained 11.69% and the Barclay's Aggregate Bond Index advanced 6.82%. A big pivot in expectations for the Federal Reserve's monetary policy drove the market advance during the period, as investors now anticipate a decline in interest rates for 2024. The yield of the U.S. Treasury 10-year note finished the quarter at 3.88%, a significant drop from its peak of nearly 5% in mid-October.

Recapping broad-based index results, the Russell 3000 Index gained 12.07% during the period. Growth stocks outperformed value stocks as the Russell 3000 Growth Index advanced 14.09% compared to a gain of 9.83% for the Russell 3000 Value Index. In typical "risk-on" fashion, relative performance improved going down in market capitalization (size) during the quarter as small caps advanced more than large caps. Larger cap stocks produced a return of 11.96%, as measured by the Russell 1000 Index, compared to the smaller cap Russell 2000 Index return of 14.03%. The even smaller market cap Russell Microcap Index rallied 16.06% in the quarter.

The stock market recorded impressive gains for 2023 with the S&P 500 Index advancing 26.29%. However, it was a "narrow" market as the "magnificent seven" technology and artificial intelligence (AI) stocks accounted for approximate 80% of the S&P 500's gains in 2023, versus a broad market advance where hundreds of stocks propel the index higher. In terms of economic sectors, technology, communication services, and consumer discretionary stocks were the brightest spots while the utilities and energy sectors declined in 2023.

## Performance Commentary

The Buffalo Dividend Focus Fund posted a return of 11.14% for the quarter, a result that underperformed the Russell 1000 Index return of 11.96%. All sectors of the portfolio made a positive absolute contribution to the fund's performance, however sector weightings and security selection compared to the benchmark contributed to relative underperformance. Exposure to Consumer Staples, Energy, Financials, Health Care, Materials, Real Estate and Utilities delivered constructive performance for the quarter, but was offset by Communication Services, Consumer Discretionary, Industrials, and Information Technology detracted from the relative performance.

## Average Annualized Performance (%)

As of 12/31/23	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFDX	20.06	9.84	14.56	11.60	12.59
Institutional Class - BUIDX <sup>1</sup>	20.21	10.00	14.73	11.77	12.76
Russell 1000 Index	26.53	8.97	15.52	11.80	13.65

<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 **Microsoft Corporation (MSFT)**, **Meta Platforms (META)**, and **Apple Inc. (AAPL)**. Microsoft advanced on quarterly results that showed strong positioning in cloud and artificial intelligence (AI) services as well as expanding margins. Meta delivered healthy quarterly earnings and a favorable cost outlook for AI. While Apple rose as investors overlooked weak sales in China and instead focused on interest rate cuts with the prospect of a soft landing for the U.S. economy.

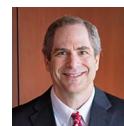
## Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.95%	0.80%
Fund Assets:	\$142.89 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	4.83%
Apple Inc.	4.37%
Viper Energy, Inc.	3.43%
Meta Platforms Inc. Class A	3.28%
Visa Inc. Class A	2.44%
Horizon Therapeutics Public Limited Company	2.35%
UnitedHealth Group Inc.	2.32%
Arthur J. Gallagher & Co.	2.17%
S&P Global, Inc.	2.14%
Northern Oil and Gas, Inc.	2.09%
<b>Top 10 Holdings Total</b>	<b>29.41%</b>

## ↓ Top Detractors

To the downside, Northern Oil and Gas (NOG), Hess Corp. (HES) and Valero Energy (VLO) were among the large detractors to fund performance during the period. The price of oil dropped from \$90 per barrel to around \$70 which caused the stock price of energy companies to fall, as their near-term profits are likely to contract.

## Outlook

Despite the uncertainty created by interest rate policies, domestic politics, and geo-political tensions, among other things, 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 dividend-paying 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. ▲

## 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.*

**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 9/30/23. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

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

