

## Capital Market Overview

In the final quarter of 2024 investors processed hawkish comments from the Federal Reserve signaling fewer interest rate cuts in 2025. Bond prices fell and yields rose as the outlook for sustained inflation increased making rate cuts less certain. The yield on the 10-year Treasury note increased from 3.75% at the beginning of October to 4.57% by the end of the quarter. The Treasury yield curve steepened (normalized) and ten-year Treasury notes ending the year with a higher yield than three-month Treasury bills for the first time since October 2022.

The broad equity market, as measured by the S&P 500, managed to advance 2.41% in the period, and there was a rotation back into mega cap growth stocks. Tesla, Nvidia, Amazon, Alphabet, and Apple outperformed while value stocks, as a group, declined. The Russell 3000 Growth Index gained 7.07% significantly outperforming the Russell 3000 Value Index return of -1.94%. In general, performance improved moving up in market capitalization (company size) during the period. The small cap Russell 2000 Index returned 0.33%, the Russell Midcap Index advanced 0.62% while the large cap Russell 1000 Index produced a return of 2.75%.

In terms of sector leadership, Consumer Discretionary, Communication Services, Financials, and Technology were the top performers for the quarter while Health Care, Materials, Real Estate and Utilities declined measurably.

## Performance Commentary

The Buffalo Flexible Allocation Fund returned -3.20% for the quarter compared to a return of 2.63% for the Russell 3000 Index. Information technology, consumer staples and energy sectors were the biggest detractors from the fund's results during the quarter. The underperformance was due to the sector allocation impact and individual security selection results. Energy companies make up nearly 25% of the portfolio, by weight, and the sector produced negative returns for the period. Meanwhile stock selection from technology investments, like Qualcomm and Microsoft, were a drag on performance as they declined during the quarter.

## Average Annualized Performance (%)

As of 12/31/24	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Investor Class - BUFBX	10.26	7.20	9.38	7.75	8.59	7.60
Institutional Class - BUIBX <sup>1</sup>	10.43	7.36	9.55	7.90	8.75	7.76
Russell 3000 Index	23.81	8.01	13.86	12.55	13.56	10.69

<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. 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).

The biggest contributors during the quarter were **Kinder Morgan**, **Digital Realty**, and **Cisco Systems**. While Kinder Morgan reported weaker earnings relative to estimates for the quarter, management is expected to announce several significant projects in coming months which could enhance intermediate growth prospects. Digital Realty reported positive earnings during the quarter as it experienced strong demand traditional data center needs such as cloud and hybrid, but also AI related demand. The company has also benefitted from better rates from hyperscale and large enterprise customers. Meanwhile Cisco benefitted from stronger earnings growth due to better enterprise networking demand and experienced improved growth prospects in its security business.

## Fund Facts

	Investor	Institutional
Ticker:	BUFBX	BUIBX
Inception Date:	8/12/94	7/1/19
Expense Ratio:	1.01%	0.86%
Fund Assets:	\$459.72 Billion	
Category:	Large Value	
Benchmark:	Russell 3000 Index	

## Management Team



### John Kornitzer

Manager since Inception  
B.A. – St. Francis Univ. (PA)



### Paul Dlugosch, CFA

Co-Manager since 2011  
B.S. – University of Iowa

## Top 10 Holdings\*

Microsoft Corporation	9.65%
Eli Lilly and Co.	6.32%
Costco Wholesale Corp.	5.42%
Arthur J. Gallagher & Co.	4.02%
Exxon Mobil Corp.	3.94%
Chevron Corp.	3.75%
Allstate Corp.	3.48%
Hess Corp.	3.46%
ConocoPhillips	3.22%
International Business Machines Corp.	3.16%
<b>Top 10 Holdings Total</b>	<b>46.44%</b>

The largest detractors for the quarter were **Eli Lilly**, **PepsiCo**, and **General Mills**. Lilly missed estimates during the quarter primarily due to wholesaler destocking, but management expects this issue to be resolved in the near term. PepsiCo and General Mills were both pressured by weaker volume outlooks in 2025 and investor concerns around the impact weight loss drugs and the new administrations potential health policies that may become headwinds for those companies.

## Outlook

Despite the uncertainty created by interest rate policy, the incoming political administration, and geo-political tensions, we remain focused on wide moat, large capitalization dividend-paying companies trading at reasonable valuations, according to our analysis. ▲

## 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.*

### Earnings growth is not representative of the Fund's future performance.

Effective 7/29/24, the Buffalo Flexible Income Fund is the Buffalo Flexible Allocation Fund.

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 Russell 3000 Index measures the performance of the 3,000 largest publicly held companies incorporated in the U.S. based on market capitalization. A basis point (BPS) is one hundredth of a percentage point (0.01%). Free cash flow is a measure of the cash produced by the firm in a given period on behalf of equity holders. The true measure of the value of a firm's equity is considered to be the present value of all free cash flows.

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 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 1000 Index is an unmanaged capitalization-weighted index of approximately 1,000 of the largest companies in the U.S. equity markets. 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 Magnificent Seven is a term used to describe the technology-oriented, highly influential companies of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. The Conference Board Leading Economic Index, Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indices. The Russell 3000 Value Index is an unmanaged index with a market-capitalization weighted equity based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform. The Russell Midcap Index is an unmanaged index that measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 26% of the total market capitalization of the Russell 1000 Index. It is not possible to invest directly in an index. Capital Expenditure (Capex) is how much a company invests in existing and new fixed assets to maintain or grow its business. A yield curve is a line that plots the yields, or interest rates, of bonds that have equal credit quality but different maturity dates.

**Mutual fund investing involves risk. Principal loss is possible. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in foreign securities include additional risk such as greater volatility, and political, economic, and currency risks, as well as difference in accounting methods.**

\*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are as of 9/30/24. 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.

