

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 Growth and Income Fund posted a return of 2.14%, underperforming the Russell 1000 Index return of 2.75%. The fund has dividend income characteristics which impacted relative performance due to growth's leadership (mentioned above) which favored the index. Relative to the benchmark, the fund's exposure to Consumer Staples, Energy, Industrials, Materials, and Utilities provided constructive performance while the portfolio's investments in Consumer Services, Financials, Health Care, Information Technology, and Real Estate detracted.

Average Annualized Performance (%)

As of 12/31/24	1 YR	3 YR	5 YR	10 YR	Since Inception
Investor Class - BUFDX	20.13	9.59	13.18	11.54	13.19
Institutional Class - BUIDX ¹	20.34	9.75	13.35	11.71	13.36
Russell 1000 Index	24.51	8.41	14.28	12.87	14.51

¹For 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.

↑ Top Contributors

Specific securities that contributed the most to performance included **Royal Caribbean Group**, **Viper Energy**, and **Energy Transfer LP**. Royal Caribbean, the cruise line operator, gained as earnings came in ahead of estimates, management also sees an improving outlook for demand and pricing, and declared a dividend increase. Viper Energy, which owns oil and gas royalty interests, rose as the company stands to benefit from Trump's potential energy policies, prospects for favorable mineral rights drop downs from Diamondback Energy, and as an AI beneficiary as the growth in data centers should increase demand for energy. Energy Transfer, energy pipelines and storage, also advanced on the Trump energy trade and AI demand.

Fund Facts

	Investor	Institutional
Ticker:	BUFDX	BUIDX
Inception Date:	12/3/12	7/1/19
Expense Ratio:	0.94%	0.79%
Fund Assets:	\$165.84 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	4.87%
Meta Platforms, Inc.	4.62%
Apple, Inc.	4.40%
Viper Energy, Inc.	4.11%
Alphabet, Inc.	2.59%
S&P Global, Inc.	2.24%
Royal Caribbean Group (6.0%, 8/15/25)	2.17%
Visa, Inc.	2.16%
HCA Healthcare, Inc.	2.00%
UnitedHealth Group, Inc.	1.99%
Top 10 Holdings Total	31.14%

↓ Top Detractors

HCA Healthcare, Elevance Health, and United Health Group detracted from performance. These companies are large healthcare service providers, which traded off as the new administration is likely to seek lower costs and reimbursement rates for Medicare, Medicaid, and healthcare costs in general. They are also likely to face headwinds from other potential changes to healthcare regulatory policies.

Outlook

Despite the uncertainty created by the pace of the Fed interest easing, new administration policies, 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:

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.

Effective 7/29/24, the Buffalo Dividend Focus Fund is the Buffalo Growth & Income 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 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. A yield curve is a line that plots the yields, or interest rates, of bonds that have equal credit quality but different maturity dates.

*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.

