

Tickers: **BUFDX** | **BUIDX**
MORNINGSTAR RATING


Overall Morningstar Rating™ of BUFDX based on risk-adjusted returns among 1,298 Large Blend funds as of 12/31/2023.

FUND MANAGEMENT

Paul Dlugosch, CFA

Co-Manager since 2013
 26 Years Investment Experience
 B.S. - University of Iowa


Jeff Sitzmann, CFA

Co-Manager since 2018
 36 Years Investment Experience
 MBA - University of Chicago
 B.B.A. - University of Toledo


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Co-Manager since 2018
 26 Years Investment Experience
 B.A. - Kansas State University

ABOUT US

The Buffalo Funds are a family of 10 actively-managed, no-load mutual funds, which provide a variety of long-term investment options for investors. We believe that patient investing, backed by solid, intelligent research, can be the best way to achieve long-term financial returns.

CONTACT US

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1 Would you please comment on the large-cap equity landscape in the fourth quarter of 2023?

In a dramatic shift in expectations for monetary policy in December, the Federal Reserve signaled that rate hikes are over and that three rate cuts may occur in 2024 totaling .75%. This sent several indexes to record highs as the closely watched S&P 500 Index closed at its highest level since January 2022.

The first of these cuts could come as early as next Spring or early Summer and should provide a boost to the economy and the stock market. Earlier in 2023, the S&P 500's returns were heavily dominated by the performance of mega-cap technology companies, while the more recent rally entered a healthier phase that included a broader scope of companies. For example, 78% of the S&P 500 stocks were above their 200-day moving average during the December rally, matching the highest level of the year.

A key for large-cap equities in 2024 will be a continuation of the current trend of market breadth, which has seen movement from leading sectors such as technology and communications, into other sectors.

2 As the Dividend Focus Fund is focused on high-quality dividend payers, would you please comment on the number of dividend payers and any companies that have changed their dividend policies?

The Fund is an actively-managed portfolio of premier companies that typically pay dividends and are trading at attractive valuations. We seek to identify a competitive advantage "wide moat" in companies that have high returns on capital, solid balance sheets, generate free cash flow, and have a history of growing their dividend.

Continued
PERFORMANCE (%) AS OF 12/31/2023

	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Investor Class - BUFDX	20.06	20.06	9.84	14.56	11.60	12.59
Institutional Class - BUIDX¹	20.21	20.21	10.00	14.73	11.77	12.76
Russell 1000 Index	26.53	26.53	8.97	15.52	11.80	13.65
Morningstar Large Blend Funds Cat. Avg.	22.32	22.32	8.83	14.26	10.55	-
Percentile Rank in Morningstar Cat. - BUFDX		71	31	52	26	
# of Funds in Category		1,430	1,298	1,191	897	

Expense Ratio: Investor Class 0.95%, Institutional Class 0.80%

Morningstar Ranking is based on total returns.

Inception dates: BUFDX 12/3/2012, BUIDX 7/1/2019. Average annual total return represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate and redemption value may be more or less than original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by visiting buffalofunds.com. 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 Investor Class shares.

There were only five portfolio companies that didn't pay dividends or interest among 92 holdings as of December 31, 2023, compared to nine such companies at the end of the prior quarter. For example, PG&E Corporation is a gas and electric utilities company that we have owned since late 2022. In November, the company reinstated its dividend for the first time since 2017, when the company had severe safety issues including wildfires caused by its poorly maintained equipment. The business model has since stabilized, and the company has heavily invested in safer equipment and has refinanced expensive debt at more attractive rates and terms. We view this dividend reinstatement as substantial progress toward safety and stability, improving the company's ability to attract new sources of capital, and ultimately to increase the company's dividend over time.

Other companies in the portfolio that reinstated dividends include Disney and Las Vegas Sands, which both halted dividend payments in the height of the pandemic. Both companies have disciplined management teams and have also stabilized their businesses models. As a result, we expect them to continue to pay dividends with potential increases over time.

3 The Fund tends to be overweight in the Healthcare sector. Are there any companies that you would like to highlight this quarter?

We have owned Horizon Therapeutics since 2020. Horizon Therapeutics is focused on researching, developing, and commercializing medicines that address critical needs for people impacted by rare and rheumatic diseases. We originally owned a convertible bond issued by the company, as the Fund can invest up to 20% in income-generating assets such as convertible debt and preferred stock. The convertible bond did very well and converted into equity in March 2022. We continued to own the company as an equity holding. Even though Horizon didn't pay a dividend at the time, as we saw potential in the company's concentrated portfolio of lucrative drugs. In our view, the company was a good candidate for an acquisition. Our thesis played out in 2023 as Amgen successfully completed the acquisition of Horizon in October at a valuation premium of 36%.

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 may be obtained by calling (800) 49-BUFFALO or visiting buffalofunds.com. Read them carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than large-cap companies. The Fund invests in foreign securities which involve greater volatility and political, economic, and currency risks as well as differences in accounting methods.

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a 3-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all 3 rating periods. The Buffalo Dividend Focus Fund (BUFDX) received 4 stars among 1,298 for the 3-year, 4 stars among 1,191 for the 5-year, and 5 stars among 897 Large Blend funds for the 10-year period ending 12/31/23 based on risk-adjusted returns. © 2024 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

Morningstar rankings are based on a fund's average annual total return relative to all funds in the same Morningstar category. Fund performance used within the rankings, reflects certain fee waivers, without which, returns and Morningstar rankings would have been lower. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. 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 Russell 1000 Index is an unmanaged capitalization-weighted index of approximately 1,000 of the largest companies in the U.S. equity markets. One cannot invest directly in an index.

Diversification cannot assure a profit or protect against loss in a down market. Dividends are not a guaranteed and may fluctuate.

Holdings in the Fund as a percentage of net assets as of 9/30/2023: PG&E Corporation 1.09%, Walt Disney Co. 0.51%, Las Vegas Sands 0.19%, Horizon Therapeutics 2.35%, and Amgen 0.00%. Fund holdings are subject to change and should not be considered a recommendation to buy or sell any security. Holdings for the quarter are not disclosed until 60 days after quarter end.

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