

*Semi-Annual Report*



**Buffalo Funds**

*September 30, 2009*

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# Message to Our Shareholders

(Unaudited)

The stock market has confounded the skeptics, producing the best third quarter since 1970 and ending September near its highs for the year. The rally that began in early spring powered ahead over the summer as the global economy regained its footing and investor fear subsided. As of September 30, 2009, the Dow, S&P and Russell 2000 were up 48%, 56%, 78%, respectively, from the March lows, which is the largest rally in seven decades. Our Funds have rallied sharply as well, and a number of our Funds have outperformed during this upturn. Others have trailed slightly, but given our better-than-benchmark performance throughout the decline, we have been able to maintain outperformance for the longer term time periods in almost every Fund.

We implemented a “soft” close of the Buffalo Small Cap Fund in May, after having reopened the Fund for the first time in roughly six years back in November. As the market started to rally, investors started to make new allocations to funds with strong performance and we saw a strong upswing in inflows. At that point we decided it was in the best interest of existing shareholders that we take another step in closing it. As of October 5, 2009, the Fund is only open to trades for existing shareholders and 401k plans and employer sponsored retirement plans. We also allowed an exception for some model-based allocation products.

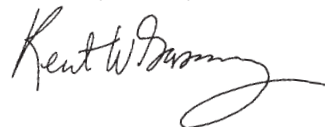
It is widely anticipated that 2010 consumer spending will be constrained by a higher savings rate, tight credit, high unemployment and low confidence. We still feel strongly that the unemployment rate will breach 10% in the near-term and remain stubbornly high throughout most of 2010. However, we cannot lose sight that the most important factor to watch for in 2010 is not the unemployed, but the potential spending by the 90% of the people that are employed. This is where the savings rate, credit availability and consumer confidence become intertwined. The recent rise in the savings rate coincided with a plunge in consumer confidence to all-time lows — it took a housing crisis, massive job losses and a stock market crash to get consumers fearful enough to save instead of shop. Consumer confidence has risen sharply off the March 2009 low, but still remains

roughly half of where it was in mid 2007. This rally in confidence has been lifted by the stock market rally and five straight months of increases in home prices. One would think that if confidence continued to build we could see a pause in saving and a meaningful lift in auto sales (beyond the cash for clunkers bounce), home sales and other manufactured goods. Improved business confidence would then lead to some rehiring and the recovery would become self-sustaining.

The key to improved consumer spending (beyond confidence) will likely be the credit environment. While mainstream consumers or small business owners may not have experienced it yet, the pieces are being put in place for banks to want to make loans again. The recent collapse in yields may soon force banks to return to more normal lending — to produce profits they are going to need to make more loans. This second phase of the credit recovery, when it occurs, will help fuel auto, home, boat, RV, business equipment and other big-ticket sales to consumers and businesses with the “confidence to buy”, but nowhere to get a loan. This second phase will be key to revenue growth and much higher profitability in 2010. However, if consumers remain fearful and continue to boost savings throughout 2010, or if bank credit remains exceedingly tight, then the days of this rally are likely numbered.

While the 2010 economic environment could remain challenging, it's one we believe we can effectively navigate and potentially benefit from. We will continue our strategy of accumulating “premier” growth companies on weakness. We remain convinced that companies exhibiting growth and resilient profitability in tough times will eventually be rewarded premium valuations as the environment improves.

Thank you for your continued investment in our Funds.



Kent W. Gasaway  
President, Buffalo Funds

*Past performance does not guarantee future results. Mutual fund investing involves risk; loss of principal is possible. Opinions expressed are subject to change, are not guaranteed and should not be considered investment advice. Please see the following Semi-Annual Report for the Funds' holdings information.*

# Notice to Shareholders

## TAX INFORMATION

For the fiscal year ended March 31, 2009, certain dividends paid by the Funds may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The percentage of dividends declared from ordinary income designated as qualified dividend income was as follows (unaudited):

Buffalo Balanced Fund	44.95%	Buffalo Micro Cap Fund	100.00%
Buffalo High Yield Fund	5.94%	Buffalo Mid Cap Fund	0.00%
Buffalo International Fund	70.23%	Buffalo Science & Tech Fund	36.69%
Buffalo China Fund	13.76%	Buffalo Small Cap Fund	0.00%
Buffalo Large Cap Fund	100.00%	Buffalo Growth Fund	100.00%

For corporate shareholders, the percent of ordinary income distributions qualifying for the corporate dividends received deduction for the fiscal year ended March 31, 2009 was as follows (unaudited):

Buffalo Balanced Fund	38.49%	Buffalo Micro Cap Fund	100.00%
Buffalo High Yield Fund	3.33%	Buffalo Mid Cap Fund	0.00%
Buffalo International Fund	0.71%	Buffalo Science & Tech Fund	31.73%
Buffalo China Fund	0.00%	Buffalo Small Cap Fund	0.00%
Buffalo Large Cap Fund	100.00%	Buffalo Growth Fund	100.00%

**FOREIGN SHAREHOLDERS:** The percentage of ordinary income distributions that are designated as interest-related dividends under Internal Revenue Code Section 871(k)(1)(C) for the fiscal year ended March 31, 2009 was as follows (unaudited):

Buffalo Balanced Fund	64.54%	Buffalo Micro Cap Fund	0.00%
Buffalo High Yield Fund	94.84%	Buffalo Mid Cap Fund	0.00%
Buffalo International Fund	4.99%	Buffalo Science & Tech Fund	7.36%
Buffalo China Fund	0.67%	Buffalo Small Cap Fund	0.00%
Buffalo Large Cap Fund	7.31%	Buffalo Growth Fund	5.80%

**FOREIGN SHAREHOLDERS:** The percentage of taxable ordinary income distributions that are designated as short-term capital gain distributions under Internal Revenue Section 871(k)(2)(C) for the fiscal year ended March 31, 2009 was as follows (unaudited):

Buffalo Balanced Fund	0.00%	Buffalo Micro Cap Fund	100.00%
Buffalo High Yield Fund	0.00%	Buffalo Mid Cap Fund	0.00%
Buffalo International Fund	5.09%	Buffalo Science & Tech Fund	100.00%
Buffalo China Fund	91.14%	Buffalo Small Cap Fund	0.00%
Buffalo Large Cap Fund	0.00%	Buffalo Growth Fund	0.00%

## A NOTE ON FORWARD-LOOKING STATEMENTS

Except for historical information contained in this annual report for the Funds, the matters discussed in this report may constitute forward-looking statements made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. These include any advisor and/or portfolio manager predictions, assessments, analyses or outlooks for individual securities, industries, market sectors and/or markets. These statements involve risks and uncertainties. In addition to the general risks described for the Funds in the current Prospectus, other factors bearing on these reports include the accuracy of the advisor's or portfolio managers' forecasts and predictions, and the appropriateness of the investment programs designed by the advisor or portfolio manager to implement their strategies efficiently and effectively. Any one or more of these factors, as well as other risks affecting the securities markets and investment instruments generally, could cause the actual results of the Funds to differ materially as compared to benchmarks associated with the Funds.

## ADDITIONAL INFORMATION

The Buffalo Funds have adopted proxy voting policies and procedures that delegate to Kornitzer Capital Management, Inc., the Funds' investment advisor, the authority to vote proxies. A description of the Buffalo Funds' proxy voting policies and procedures is available without charge, upon request, by calling the Funds toll free at 1-800-49-BUFFALO. A description of these policies and procedures is also included in the Funds' Statement of Additional Information, which is available on the SEC's website at <http://www.sec.gov>.

The actual voting records relating to portfolio securities during the most recent twelve month period ended June 30 (as filed with the SEC on Form N-PX) are available without charge, upon request, by calling the Funds toll free at 1-800-49-BUFFALO or by accessing the SEC's website at <http://www.sec.gov>.

The Funds file their complete schedule of portfolio holdings with the SEC four times each fiscal year at quarter-ends. The Funds file the Schedule of Portfolio Holdings with the SEC on Form N-CSR (second and fourth quarters) and on Form N-Q (first and third quarters). Shareholders may view the Funds' Forms N-CSR and N-Q on the SEC's website at <http://www.sec.gov>. Forms N-CSR and N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the SEC's Public Reference Room may be obtained by calling 1-202-551-8090 (direct) or 1-800-SEC-0330 (general SEC number).



**BUFFALO**  
— FUNDS —

1-800-49-BUFFALO

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