Buffalo Dividend Focus Fund

Quarterly Commentary as of 12/31/16

Average Annualized Performance (as of 12/31/16) Expense Ratio: 0.98%	**1 year**	**3 year**	**Since Inception** (12/03/12)
Buffalo Dividend Focus Fund	12.06%	10.67%	13.60%
S&P 500 Index	11.96%	8.87%	14.43%

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 and quarter end may be obtained by visiting the Funds' website at www.buffalofunds.com.

Capital Market Review

Capital markets got off to a volatile start in 2016 with the S&P 500 Index dropping over 10% and West Texas Intermediate (WTI) Crude Oil down almost 30% by mid-February. Concerns about soft Chinese economic growth contributed to equity market weakness early in the year, and the energy complex was struggling to resolve its oversupplied condition. Meanwhile, perceived "safe-haven" assets performed strongly as U.S. 10-Year Treasury notes advanced and gold appreciated over 15% during the same time frame. Economic concerns and a falling stock market led the Federal Reserve to adopt a less aggressive stance toward interest rate increases, and falling crude production eventually calmed fears of oversupply. These drivers led to a rebound in prices of both equities and crude oil and began a period of steadily rising prices and declining volatility that would continue from mid-February through the end of the year with only minor interruption. Interestingly, perceived "safe-haven" assets continued to perform strongly as gold and U.S. Treasuries rallied alongside equities into the summer and largely held those gains into the fall. The fourth quarter of 2016 began with this uneasy disequilibrium still largely intact, but sentiment changed dramatically with Donald Trump's surprise election victory on November 8th. The election outcome created expectations of pro-growth policies and deregulation that drove accelerating gains in stock prices, higher interest rates and associated declines in the prices of both Treasury bonds and gold, all of which generally persisted through the end of 2016.

The S&P 500 index returned 11.96% for the full year. The S&P 500 Value Index outperformed the S&P 500 Growth Index by 10.5% during the year, and smaller-capitalization indices such as the S&P 600 Smallcap Index and the S&P 400 Midcap Index outperformed the large-capitalization S&P 500 Index by 14.5% and 8.77% respectively. Much of the outperformance of value stocks can be attributed to the strong performance of the Energy, Materials, and Financials sector. Outperformance of small-capitalization stocks was reflective of investor aversion to greater international exposure of larger companies in the face of a rising dollar, as well as increasingly optimistic expectations for the domestic economy and for a lower U.S. corporate tax rate following the election. For the year, Energy and Materials were the best performing sectors in the S&P 500 Index as expectations for infrastructure investment and increasing investor risk appetite following the election contributed to the reversal of prior-year underperformance that was already underway. Health Care was the worst performing sector for the year, as concerns about political backlash against rising drug prices contributed to declines in Pharmaceutical & Biotech stocks.

For the fourth quarter, the S&P 500 Index returned 3.82%. The S&P 500 Value Index outperformed the S&P 500 Growth Index by 6.86% during the quarter while smaller-capitalization indices such as the S&P 600 Smallcap Index and the S&P 400 Midcap Index outperformed the large-capitalization S&P 500 Index by 7.24% and 3.59%, respectively. Outperformance of more cyclically sensitive value stocks and small-capitalization stocks reflected some of the same drivers that were in place earlier in the year, as well as increasingly optimistic expectations for economic growth, higher interest rates and expectations of a lower corporate tax rate in the U.S. following the election. Financials were the best performing sector in the fourth quarter, benefiting from higher interest rates and expectations for a less adversarial regulatory regime under the new Republican administration. The flip side of greater risk appetite was less demand for stable, "bond-like" equities, which was reflected in the lower-risk Consumer Staples and Real Estate sectors performing poorly during the quarter. Political risk continued to put pressure on the Health Care sector, as uncertainty regarding potential for drug price regulation and repeal of the Affordable Care Act contributed to Health Care being the worst performing sector during the quarter.

Performance Commentary

The Buffalo Dividend Focus Fund posted a return of 4.40% for the 4th quarter ending 12/31/2016, outperforming the S&P 500 Index return of 3.82%. For 2016, the Fund returned 12.06% versus the S&P 500 Index return of 11.96%. For the quarter, the Fund's relative outperformance was driven by the Consumer Discretionary, Energy, and Healthcare sectors while the top detracting sector was Financials. Top contributors on an individual security standpoint included BB&T, Bank of America, and Noble Midstream Partners while S&P Global and Activision Blizzard were the top detractors.

Within the Consumer Discretionary sector, the Fund's relative outperformance was driven by stock selection as Marriott International advanced 23.27% and Twenty-First Century Fox gained 16.40% during the quarter. Marriott's performance was driven by the lack of overhang from the Starwood acquisition, which was completed in late September, as well as positive pro-growth sentiment following Trump's election as the President of the United States. Within Energy the biggest relative contributor was Noble Midstream Partners, which reported EBITDA that was 58% higher than consensus estimates during its 3rd quarter earnings call. The company's stock also benefited from the Organization of the Petroleum Exporting Countries (OPEC) decision to cut output, which could help put a floor under oil prices.

Within Financials, an area of relative weakness during the period, most of the Fund's holdings performed well during the quarter however S&P Global underperformed during the quarter as the company's stock performance was impacted by the Trump election as investors fear that higher interest rates could lead to lower net issuance of bonds in which the company rates. Most of the relative shortfall within Financials was due to strong performance from index constituents that were not held in the portfolio rather than poor performance of our investments. The Fund was underweight Capital Markets, Insurance, and the Consumer Finance industries, negatively impacted relative performance as Capital Markets and Consumer Finance industries advanced 20.5% and 22.0% respectively for the benchmark.

Outlook

We expect the market to experience continued volatility in the coming quarters as the Federal Reserve contemplates potential increases interest rates along with a focus on the ability of the Trump administration to enact infrastructure spending, deregulation, and corporate tax reform. Prospective tailwinds for the economy include further job growth, wage increases, lower tax rates, and simply more optimism from both businesses and consumers; all of which could lead to higher Gross Domestic Product (GDP) growth. On the other hand, potential headwinds include a continued strengthening of the U.S. dollar, further increases in interest rates, and valuation metrics that are above historical market averages leading us to believe that the stock market may have a hard time achieving further multiple expansion.

Despite the expectation of continued volatility we continue to focus on wide moat, large capitalization companies that are trading at reasonable valuations, in our view. As always, the Fund will continue to focus on competitively advantaged companies that can be purchased at a fair price, in our opinion. As the stock market has continued to climb, it is getting harder to find companies that fit our investment criteria, but we continue follow our process of finding new investment ideas and to be ready when market declines provide better opportunities.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it must be obtained by calling 1-800-49-BUFFALO or visiting www.buffalofunds.com. Read it carefully before investing.

As of 9/30/16 the Buffalo Dividend Focus Fund's top ten holdings were: Apple Inc. 3.29%, Microsoft Corp. 3.07%, Visa Inc. 2.09%, JP Morgan Chase & Co. 1.98%, PepsiCo Inc. 1.87%, Johnson & Johnson 1.83%, Procter & Gamble Co. 1.75%, Exxon Mobil Corporation 1.74%, BB&T Corporation 1.73%, General Electric Company 1.68%.

Top 10 holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are for the previous quarter.

The U.S. 10-year Treasury note is a debt obligation issued by the United States government that matures in 10 years. The S&P 500 Index is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The S&P 500 Value Index consists of those equities within the S&P 500 Index exhibiting strong value characteristics. The S&P 500 Growth Index consists of those stocks within the S&P 500 Index which display strong growth characteristics. The S&P MidCap 400 Index measures the performance of mid-sized companies. The S&P SmallCap 600 Index measures the small-cap segment of the U.S. equity market. You cannot invest directly in an index.

EBITDA stands for earnings before interest, taxes, depreciation and amortization. EBITDA is one indicator of a company's financial performance and is used as a proxy for a company's current operating profitability.

The opinions expressed are those of the Portfolio Manager(s) 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.

Mutual Fund investing involves risk. Principal loss is possible. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. 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.

The Buffalo Funds are distributed by Quasar Distributors, LLC.