Buffalo Growth Fund

Quarterly Commentary as of 12/31/16

Average Annualized Performance (as of 12/31/16) Expense Ratio: 0.92%	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**	**Since Inception** (5/19/95)
Buffalo Growth Fund	4.86%	5.43%	12.16%	7.78%	6.86%	9.48%
Russell 1000 Growth Index	7.08%	8.55%	14.50%	8.33%	6.42%	8.34%

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 Russell 3000 Index dropping over 11% 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 Russell 3000 Index returned 12.74% for the full year. The Russell 3000 Value Index outperformed the Russell 3000 Growth Index by 11.01% during the year, and smaller-capitalization indices such as the Russell Microcap Index, the Russell 2000 Index and the Russell Midcap Index outperformed the large-capitalization Russell 1000 Index by 8.31%, 9.25% and 1.74%, respectively. Much of the outperformance of value stocks can be attributed to the strong performance of the energy 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 Russell 3000 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 Russell 3000 Index returned 4.21%. The Russell 3000 Value Index outperformed the Russell 3000 Growth Index by 6.04% during the quarter while smaller-capitalization indices such as the Russell Microcap Index and the Russell 2000 Index outperformed the large-capitalization Russell 1000 Index by 6.22% and 5.00%, respectively. The Russell Midcap

Index of mid-sized companies underperformed the Russell 1000 Index by 0.62% in the fourth quarter and was the lone exception to the trend of small outperforming large. 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. Financial Services was 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 sector 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

In the fourth quarter of 2016, the Buffalo Growth Fund returned -1.25%, trailing the benchmark Russell 1000 Growth Index return of 1.01%. For the full year, the fund returned 4.86%, trailing the benchmark return of 7.08%. In the quarter, the cyclical rally after the U.S. election cost the fund performance relative to the benchmark. The fund is positioned to hedge in downside markets rather than maximize potential upside leverage in a sluggish growth environment. The surprise in the election sparked many cyclical segments of the market, most notably the industrials sector, where the fund has an underweight position relative to the index.

Among the top contributors during the quarter were Wells Fargo, Baker Hughes, and CME Group. Shares in both Wells Fargo and CME Group rallied on the heels of the US Presidential election, where a Republican victory raised the probability of less regulation in the financial industry. In addition, tighter policy outlook from the Federal Reserve, including a December interest rate hike, caused the yield curve to steepen. This led to an increase in forecasted profit outlooks for both companies by Wall Street analysts, with Wells Fargo benefitting from a steeper yield curve and CME Group's option business from volatility in interest rates. Finally, Baker Hughes shares were higher in the quarter on better than expected earnings and a decision to merge with GE Oil and Gas. The combination should create a company with greater scale and a global footprint, enabling cost synergies and more effective competition with larger peers like Haliburton and Schlumberger.

Detractors in the period were Facebook, Anheuser-Busch, and Nielsen Holdings. Facebook shares were lower after management delivered cautious commentary on 2017 growth and margin prospects. Despite having delivered similar caution in 2015 and 2016, guidance for lower ad load growth in the Facebook news feed caused investor concern. Anheuser-Busch shares were lower on weaker earnings driven most notably by continued economic weakness in Brazil and foreign currency hedges that rolled off exposing it to a stronger dollar. In addition, the rally in the US dollar during the quarter added selling pressure on shares as the majority of Anheuser-Busch profits come from international markets and a strong dollar will be a headwind to reported earnings growth. Last, Nielsen shares declined on earnings that missed estimates and lower guidance due to weakness in discretionary spending by its consumer products companies. Consolidation and cost rationalization efforts in the consumer products industry has put downward pressure on spending budgets for several Nielsen services.

Outlook

As we stated last quarter, the outlook for global growth remains sluggish. In Asia, Japan has struggled to stimulate economic growth through numerous monetary policy measures. While China, has struggled to transition from an export driven economy to a local consumer driven economy. In Europe, political movements in multiple countries have gained momentum by questioning membership status to the European Union (EU). This has added to concern about the future of the EU following the United Kingdom's referendum vote to exit the EU. The political uncertainty in Europe is a headwind to growth. Domestically, the economy remains on relatively stronger footing and the outlook was boosted by plans for fiscal stimulus proposed by President Trump. However, the rally in the US dollar will be a headwind to growth for US multinational companies exporting goods abroad. Overall, we enter 2017 modestly more positive on the US economic growth outlook, but continue to be cautious globally. We are taking incremental risks were it makes sense, but continue to keep an eye towards hedging capital from potential downside risks.

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 09/30/16 the Buffalo Growth Fund's top ten equity holdings were: Apple Inc. 3.91%, Facebook, Inc. Class A 3.87%, Priceline Group Inc. 2.71%, Amazon.com, Inc. 2.65%, Alphabet, Inc. Class C 2.58%, Baxter International, Inc. 2.52%, Microsoft Corporation 2.46%, Visa, Inc. 2.33%, Quintiles IMS Holdings, Inc. 2.28, Abbott Laboratories, Inc. 2.27%.

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

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.

The U.S. 10-year Treasury note is a debt obligation issued by the United States government that matures in 10 years. The Russell 3000 Index measures the performance of the 3,000 largest publically held companies incorporated in the U.S. based on market capitalization. The Russell 3000 Value Index is 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 3000 Growth Index includes companies that display signs of above average growth. The Russell Microcap Index is a capitalization weighted index of 2,000 small cap and micro cap companies. The Russell 2000 Index is a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index based on market capitalization. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. The Russell 1000 Index is a subset of the Russell 3000 Index, which measures the performance of the 1,000 largest publically-held companies incorporated in the U.S. based on market capitalization. The Russell 1000 Growth Index measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. You cannot invest directly in an index.

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

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 invests in small, mid, and micro-cap companies, which involves additional risks such as limited liquidity and greater volatility. The Fund may invest in foreign securities and ADR's which involve greater volatility and political, economic and currency risks and differences in accounting methods.

The Buffalo Funds are distributed by Quasar Distributors, LLC.