# Buffalo High Yield Fund

***December 31, 2016***

Ticker: BUFHX | Inception Date: 5/19/95 | Total Fund Assets: $232.2 million | Expense Ratio: 1.03%

## PORTFOLIO MANAGEMENT TEAM

**Jeff Deardorff, CFA**
Co-Manager since 2015
B.S., Kansas State University

**Paul Dlugosch, CFA**
Co-Manager since 2007
B.S., University of Iowa

**Alex Hancock, CFA**
Co-Manager since 2007
B.A., Dartmouth College

**Jeff Sitzmann, CFA**
Co-Manager since 2007
B.B.A., University of Toledo
M.B.A., University of Chicago

## MORNINGSTAR RATING

MORNINGSTAR

★★★★

The Overall Morningstar™ rating out of 602 High Yield Bond funds as 12/31/16 (derived from a weighted average of the fund's three-, five-, and ten year risk adjusted return measure, if applicable).

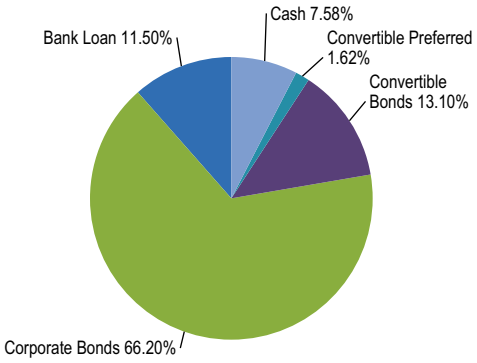
## PORTFOLIO CHARACTERISTICS

| | |
|---|---|
| Number of Holdings | 115 |
| Three-Year Annualized Turnover Ratio | 20.99% |
| 30-day SEC Yield | 4.31% |
| Average Duration | 3.25 years |
| Average Maturity | 5.24 years |

## THREE-YEAR RISK METRICS

| (vs. BofA Merrill Lynch HY Master II) | |
|---|---|
| Upside Capture | 49.70 |
| Downside Capture | 38.90 |
| Alpha | 1.04 |
| Beta | 0.50 |
| Sharpe Ratio | 0.96 |

## ASSET ALLOCATION




## INVESTMENT STRATEGY

Seek to primarily generate current income, while also focusing on long-term growth of capital. Define long-term, measurable secular growth trends that we anticipate should continue for three to five years.

Identify companies which demonstrate:
- Strong management teams
- Little or no debt
- Free cash flow
- Scalable business models with a competitive advantage
- A history of high and increasing margins
- Attractive valuations based on our proprietary valuation model

Construct a portfolio of below-investment grade bonds and supplement core bond holdings with convertible bonds and dividend-paying equities when appropriate to support income goals.

## PERFORMANCE AS OF 12/31/16

### AVERAGE ANNUAL RETURNS AS OF 12/31/16

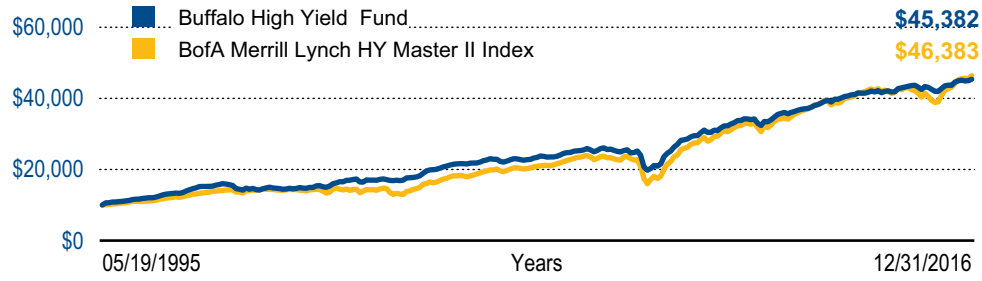
| | 3 MO | YTD | 1 YR | 3 YR | 5 YR | 10 YR | 15 YR | Since Inception 5/19/1995 |
|---|---|---|---|---|---|---|---|---|
| **Buffalo High Yield Fund** | 0.62 | 6.65 | 6.65 | 3.45 | 5.97 | 6.23 | 6.77 | 7.25 |
| **BofA Merrill Lynch HY Master II Index** | 1.88 | 17.49 | 17.49 | 4.72 | 7.35 | 7.34 | 8.18 | 7.36 |
| **Morningstar High Yield Bond Category** | 1.69 | 13.30 | 13.30 | 3.23 | 6.17 | 5.90 | 6.94 | 6.05 |

*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 www.buffalofunds.com.*

### CALENDAR YEAR RETURNS (%)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Buffalo High Yield Fund** | 3.78 | -21.30 | 44.01 | 12.45 | 3.54 | 10.35 | 9.40 | 1.96 | 1.80 | 6.65 |
| **BofA Merrill Lynch HY Master II Index** | 2.19 | -26.39 | 57.51 | 15.19 | 4.38 | 15.58 | 7.42 | 2.50 | -4.64 | 17.49 |
| **Morningstar High Yield Bond Category** | 1.47 | -26.41 | 46.70 | 14.24 | 2.83 | 14.67 | 6.90 | 1.11 | -4.01 | 13.30 |

## HYPOTHETICAL GROWTH of $10,000 (Since Inception - 12/31/16)




*This chart illustrates the performance of a hypothetical $10,000 investment made in the Fund on the Inception Date. Assumes reinvestment of dividends and capital gains. This Chart does not imply future performance.*

# Buffalo High Yield Fund

*December 31, 2016*

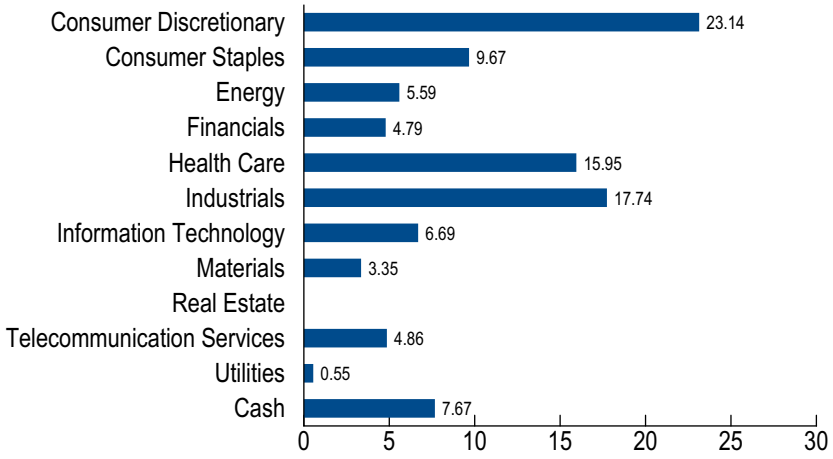
## TOP TEN HOLDINGS*

| | |
|---|---|
| Lions Gate Entertainment Corp. | 2.91% |
| Bankrate Inc. | 2.38% |
| Akorn Inc. | 2.34% |
| Gulfport Energy Corporation | 2.03% |
| Lions Gate Entertainment Inc. | 1.97% |
| DigitalGlobe Inc. | 1.95% |
| Tutor Perini Corporation | 1.77% |
| KCG Holdings Inc. | 1.76% |
| Endo Finance LLC | 1.63% |
| Consolidated Communications | 1.52% |
| **Top Ten Holdings Total** | **20.26%** |

## CONTACT US


Please call or email:
1-800-49-Buffalo
(1-800-492-8332)
info@buffalofunds.com
Learn more about Buffalo Funds at
www.buffalofunds.com


## SECTOR WEIGHTS (%)




## DURATION BREAKOUT (%)** - QUALITY BREAKOUT (%)

| | | | |
|---|---|---|---|
| 10 + Years | 0.00 | A & Above | 0.72 |
| 7-10 Years | 1.79 | BBB | 4.70 |
| 5-7 Years | 7.88 | BB | 27.21 |
| 3-5 Years | 35.42 | B | 48.89 |
| 1-3 Years | 29.58 | CCC | 4.18 |
| 0-1 Years | 14.80 | Non Rated | 14.30 |

**Excludes Bank Loans and Converts.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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 three-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 three-, five-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-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 three-year period actually has the greatest impact because it is included in all three rating periods. The Buffalo High Yield Fund received 3 stars among 602 for the three-year, 3 stars among 477 for the five-year, and 4 stars among 319 High Yield Bond funds for the ten-year period ending 12/31/16.

The BofA Merrill Lynch HY Master II Index is an unmanaged index that tracks the performance of U.S. dollar denominated, below investment-grade rated corporate debt publically issued in the U.S. domestic market. Beta measures the volatility of the fund, as compared to that of the overall market. The Market's beta is set at 1.00; a beta higher than 1.00 is considered to be more volatile than the market, while a beta lower than 1.00 is considered to be less volatile. Alpha is an annualized return measure of how much better or worse a fund's performance is relative to an index of funds in the same category, after allowing for differences in risk. Market Capture Ratio is a statistical measure of the Fund's overall performance in up-markets (positive return periods) and down-markets (negative return periods). The market capture ratios are used to evaluate how well an investment performed relative to an index during periods when that index has risen or fallen. The Sharpe Ratio is a measure for calculating risk-adjusted return. Free Cash Flow is a measure of how much cash a business generates after accounting for capital expenditures. Duration is an approximate measure of a bond's price sensitivity to changes in interest rates. Duration is expressed as a number of years. Securities with longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. Converts, or convertible bonds, give the holder the option to exchange the bond for a predetermined number of shares in the issuing company. Each Morningstar category average represents a universe of funds with similar objectives. One cannot invest directly in an index.

Standard & Poor's is the rating source for the Quality Breakout Table. A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO), such as Moody's or Standard & Poor's. The firm evaluates the of credit worthiness of an issuer with respect to debt obligations, including specific securities, money market instruments, or other bonds. Ratings are measured on a scale that generally ranges from AAA (highest grade) to D (lowest grade); ratings are subject to change without notice. Not Rated (NR) indicates that the debtor was not rated by an NRSRO and should not be interpreted as indicating low quality. All ratings are as of 12/31/16.

Sector Allocation may not equal 100% due to rounding.

*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are for the previous quarter. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

*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 may be obtained by calling 1-800-49-BUFFALO or visiting www.buffalofunds.com. Read it carefully before investing.*

**Mutual Fund investing involves risk. Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. 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 foreign securities and ADR's which involve greater volatility and political, economic, and currency risks as well as differences in accounting methods. The Fund may invest in U.S. Government Securities and Treasuries. The federal government guarantees interest payments from government securities while dividend payments carry no such guarantee. Government securities, if held to maturity, guarantee the timely payment of principal and interest.**

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