Buffalo Discovery Fund

Quarterly Commentary as of 3/31/17

Average Annualized Performance (as of 3/31/17) Expense Ratio: 1.02%	**1 year**	**3 years**	**5 years**	**10 years**	**Since Inception** (4/16/01)
Buffalo Discovery Fund	16.07%	9.06%	12.76%	10.40%	8.82%
Russell Midcap Growth Index	14.07%	7.88%	11.95%	8.13%	8.12%

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

Capital Market Overview

Equity markets got off to a strong start in the first quarter of 2017, thanks to an improving economic outlook. In February, small business optimism, as measured by the National Federation of Independent Businesses, was at its highest level in 12 years. In addition, the University of Michigan's March consumer confidence survey showed that consumers were more confident in the economy than they have been at any time since 2000. Against this backdrop, growth stocks outperformed value stocks, led by technology, health care, and consumer discretionary companies. The recent strength in infrastructure companies, banks, and high-tax-rate stocks stalled late in the quarter when, following Congress's failure to agree on a health care reform bill, investors began to question the Trump administration's ability to enact elements of its pro-growth agenda. Within commodities, the price of West Texas Intermediate (WTI) crude oil fell 6% during the quarter in response to better than expected U.S. oil inventories and production.

The Russell 3000 Index advanced 5.74% in the first quarter and larger cap stocks outperformed smaller cap stocks. The Russell 1000 Index returned 6.03%, followed by the Russell Mid Cap Index return of 5.15%, and the Russell 2000 Index result of 2.47%. The Russell Micro Cap Index advanced just 0.38% in the quarter. The Russell 3000 Growth Index outperformed the Russell 3000 Value Index by 5.64%. Technology was the best performing sector during the quarter while the energy sector was the worst performer, driven by the decline in crude oil.

For the twelve months ending March 31, 2017, the Russell 3000 returned 18.07%. Small caps generally outperformed large caps. The Russell Micro Cap Index was up 27.77%, and the Russell 2000 was up 26.22%. The Russell 1000 and Russell Midcap Index returned 17.43% and 17.03%, respectively. The Russell 3000 Value Index outperformed the Russell 3000 Growth Index 19.97% to 16.27% over the twelve month period. The technology and financial services sectors posted the best returns. Utilities and consumer staples lagged in performance. The dispersion in sector returns can be largely attributed to expectations for an improving economy and higher interest rates.

Performance Commentary

In the quarter, the Buffalo Discovery Fund appreciated 8.22% outperforming the Russell Mid Cap Growth Index which returned 6.89%. The outperformance in the period was driven by stock selection, with the strongest outperformance in the consumer staple, industrial and financial sectors. The top contributors to the Fund's performance in the quarter were Align and FMC Corporation. Align has been a holding in the Fund for over ten years, a testament to our long term investment philosophy. The company continued to grow as penetration of Invisalign clear aligners for malocclusion expands. The company has gained share as innovative adaptations of the base technology have increased the addressable population. FMC Corporation is a diversified chemical company serving the agricultural, health and industrial markets. The stock has experienced strong performance for three primary reasons. The lithium business exceeded expectations in calendar 2016 due to strong demand, favorable pricing and good cost control. Secondly, the agriculture business is recovering from a cyclical downturn which was a result of oversupply and weakening agricultural commodity prices. Thirdly, during the agricultural downturn the industry consolidated with FMC a beneficiary of the consolidation. FMC will acquire Dupont's agricultural business at favorable terms as a result of a divesture required by regulators for the Dupont / Dow merger to close.

Top detractors for the quarter were Under Armour and Acuity Brands. Under Armour entered the fiscal year with a lofty valuation. As top line growth slowed, management deferred the highly anticipated margin expansion, and the stock declined. The decelerating top line was partly due to weaker apparel demand in North America, a fashion cycle in footwear that missed the mark, and store closures by bricks and mortar retailer's such as The Sport's Authority and Macy's. We started to build a position mid-year and while the growth reacceleration is likely to take longer than we original forecasted, the valuation is compelling and we believe the company has a huge opportunity in front of it with less than 8% share in its addressable markets globally. Under Armour has benefitted from the trend to healthier living and the brand equity remains strong despite the weaker than expected 2016 operating performance. Acuity Brands provides both residential and commercial LED lighting solutions. We have owned the stock for several years and the company has been a key beneficiary of the transition to LED lighting. As the stock appreciated we trimmed the position. Over the past two quarters growth has slowed modestly and the stock sold off, leading to a more compelling current valuation, in our view. We anticipate growth will reaccelerate in the back half of calendar year 2017.

The Fund ended the first quarter with 86 stocks representing 85 companies, as we hold both the Class A and Class B shares of Lion's Gate Entertainment. The cash weighting as of March 31, 2017 was 2.6%.

After three months of optimism related to the Republican sweep in November's elections, the reality of a laborious and uncertain political process is setting in. Regardless of the Administration's success on the legislative front, certainly the regulatory backdrop has improved, resulting in increased business confidence. Nevertheless we are now eight years into an expansion, and the cycle is maturing. Our valuation discipline should prove to be a differentiator, particularly as the broader equity market appreciates and valuations extend.

The Buffalo Discovery Fund's process is to invest based on the Buffalo Long Term Growth Trends. By limiting our investment universe to companies that we believe are beneficiaries of the Trends, we are exposed to businesses operating in secular growth markets. The Trends are relevant in any political environment. Over the intermediate to long term, the capital markets are highly efficient and companies exposed to the long term trends driving growth in our economy should outperform.

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 12/31/16 the Buffalo Discovery Fund's top ten equity holdings were: Harman International Industries, Inc. 2.25%, Praxair, Inc. 1.81%, Nasdaq, Inc. 1.81%, Equinix, Inc. 1.78%, Garmin Ltd. 1.76%, Intercontinental Exchanges, Inc. 1.76%, Danaher Corp. 1.75%, Verisk Analytics, Inc. 1.74%, IHS Markit, Ltd. 1.84%, Align Technology, Inc. 1.70%.

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 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 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 Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. 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 Microcap Index is a capitalization weighted index of 2,000 small cap and micro cap companies. The Russell 3000 Growth Index is a market-capitalization weighted index that measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth rates. The Russell 3000 Value Index is based on the Russell 3000 Index, of companies with lower price-to-book ratios and lower expected growth rates which measures how U.S. stocks in the equity value segment perform. The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth rates. You cannot invest directly in an index.

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in smaller companies, which involves additional risks such as limited liquidity and greater volatility than larger companies. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. This risk is greater in emerging markets.