

Buffalo Flexible Income Fund

Quarterly Commentary as of 3/31/17



Average Annualized Performance (as of 3/31/17) Expense Ratio: 1.01%	1 year	3 years	5 years	10 years	15 years	Since Inception (8/12/94)
Buffalo Flexible Income Fund	11.02%	3.90%	6.78%	6.05%	6.69%	7.18%
S&P 500 Index	17.17%	10.37%	13.30%	7.51%	7.09%	9.58%
BofA Merrill Lynch HY Master II Index	16.88%	4.62%	6.85%	7.34%	8.25%	7.71%
Lipper Mixed Asset Allocation Moderate Funds Index	10.61%	4.71%	6.91%	4.69%	5.47%	6.94%

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 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.

Performance Commentary

The Buffalo Flexible Income Fund produced a returned 1.61% for the quarter. During the same time period, the S&P 500 Index returned 6.07% and the Bank of America Merrill Lynch High Yield Master II Index returned 2.71%. The equity portion of the portfolio, which represented about 80% of the Fund's total investments at the end of the period, produced a return of 1.47% during the quarter. The Fund's equity component is primarily focused on large capitalization companies that are current or potential dividend payers which we also believe possess significant competitive advantages. The primary sectors that led to the underperformance during the period were energy and information technology. The underperformance in energy was primarily driven by sector allocation as the Fund was significantly overweight the worst performing sector of the S&P 500 Index. The underperformance in information technology was due to both sector allocation and security selection. The Fund was underweight in its exposure to technology, which was the best performing sector during the quarter. As it relates to disappointing stock performance in technology, QUALCOMM and Intel were the primary detractors to relative results. QUALCOMM was negatively impacted during the

quarter by several lawsuits including one by Apple, Inc. (a large customer) and by regulatory reviews from the U.S. Federal Trade Commission and Korea. Meanwhile Intel's stock declined due to lower guidance for 2017 on its earnings call during the period. On an absolute basis, the top contributors to the Fund in the quarter were Boeing, Dow Chemical and GlaxoSmithKline while the top detractors were HollyFrontier, Pitney Bowes and ExxonMobil.

The fixed income portion of the Buffalo Flexible Income Fund generated a return of 2.15% for the first quarter and underperformed the Bank of America Merrill Lynch Master II Index which generated a return of 2.71%. The primary sectors detracting from performance were consumer discretionary and energy. The underperformance in the discretionary sector relative to the benchmark reflects both an overweight sector allocation and disappointing security selection. Lions Gate Entertainment, Inc. underperformed due to a mixed fourth quarter earnings report. Meanwhile within energy, the underperformance was due to Approach Resources and Wildhorse Resource Development. Both of these companies were negatively impacted by weaker oil prices during the quarter. The top contributors to the Funds fixed income performance included Medicines Company, Valeant and Nuance Communications while the three top detractors were Lions Gate Entertainment, Approach Resources and Consolidated Communications.

Outlook

We expect the market to experience continued volatility in the coming quarters as the Federal Reserve continues to normalize 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 potential 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.

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 Flexible Income Fund's top ten holdings were: Lions Gate Entertainment, Inc. (1.25%, 4/15/18) 3.82%, General Electric Co. 3.16%, AT&T, Inc. 23.04%, Microsoft Corporation 3.03%, Proctor & Gamble Co. 2.92%, Exxon Mobil Corporation 2.75%, Bankrate, Inc. (6.125%, 8/15/18) 2.72%, Intel Corporation 2.65%, Verizon Communications, Inc. 2.56%, Chevron Corp. 2.44%.

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 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 BofA Merrill Lynch High Yield Master II Index is an unmanaged index comprised of over 1,200 high yield bonds representative of high yield bond markets as a whole. It includes zero-coupon bonds and payment-in-kind (PIK) bonds. The Lipper Mixed-Asset Target Allocation Moderate Funds Index is an unmanaged index considered representative of mixed-asset target allocation moderate funds tracked by Lipper, which would combine the 30 biggest funds, based on asset size, that belong to this asset category.

You cannot invest directly in an index.

Mutual Fund Investing Involves Risk. Principal loss is possible. The Flexible Income Fund invests in lower-rated and non-rated securities which presents a greater risk of loss to principal and interest than higher-rated securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in smaller and medium sized companies involve additional risks such as limited liquidity and greater volatility. Investments in international and foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. MLPs are subject to certain risks inherent in the structure of MLPs, including complex tax structure risks, limited ability for election or removal of management, limited voting rights, potential dependence on parent companies or sponsors for revenues to satisfy obligations, and potential conflicts of interest between partners, members and affiliates.

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