

Buffalo Growth Fund

Quarterly Commentary as of 3/31/17



Average Annualized Performance (as of 3/31/17) Expense Ratio: 0.92%	1 year	3 years	5 years	10 years	15 years	Since Inception (5/19/95)
Buffalo Growth Fund	12.92%	7.58%	11.09%	8.20%	7.15%	9.75%
Russell 1000 Growth Index	15.76%	11.27%	13.32%	9.13%	7.21%	8.66%

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

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

With this as the backdrop, the Buffalo Growth Fund returned 8.10% in the first quarter compared to the benchmark Russell 1000 Growth Index return of 8.91%. Relative to the benchmark, energy, financials, and health care ended the quarter as the largest overweight sectors. While information technology and consumer staples were the most underweight.

Among the leading contributors, Facebook shares rose on more robust growth in the fourth quarter with revenue, earnings, and user metrics all surpassing consensus estimates. These results helped to allay concerns from the prior quarter when management discussed increased spending and slower revenue growth for 2018. Next, Apple's shares rallied on a better than expected quarter driven by upside in iPhone sales. While the latest iPhone was criticized for using the same design for three consecutive years, breaking a tradition of a new design every two years, Apple has strengthened its leadership in the smartphone market despite the naysayers. Finally, Priceline shares continued to outperform on better growth trends reported in 2016 compared to 2015. Priceline, an online travel agent, reported growth in hotel rooms booked in 2016 that surpassed 2015 indicating that it

was gaining share from competitors.

Detractors in the period were Advanced Auto Parts, Qualcomm, and Verizon Communications. While Advanced Auto reported better sales growth at its stores during the quarter, profitability came in below guidance. The auto parts retailer reported that it incurred incremental expenses related to an ongoing turnaround. Specifically, management chose to reduce inventory levels and invest in customer service, both activities resulted in higher expenses in the quarter but should be beneficial to the turnaround efforts in future quarters, in our view. Next, Qualcomm shares declined after Apple filed a lawsuit against the company. Apple, through its contract manufacturers, is one of Qualcomm's largest customers. It has alleged that Qualcomm acted to monopolize the market for wireless chipsets, a claim vigorously denied by Qualcomm. Finally, Verizon's shares were lower in the quarter after providing disappointing financial guidance for 2017. Verizon has experienced renewed competitive intensity in wireless business as smaller competitors attempt to steal customers away with pricing and unlimited data offers. The company has sought to thwart competitors with matching offers and we believe remains in an enviable position as the market leader in subscribers and service quality.

Outlook

We continue to hold a more positive view on the domestic economic outlook relative to the global outlook. In Europe, elections in France and Germany this year continue to brew uncertainty on the heels of the surprise vote by the United Kingdom to exit the European Union last summer (Brexit). In addition, Europe still suffers from a debt problem among many European Union member nations. Greece and Italy have been widely reported as highly indebted countries but several other nations are not far from burdensome debt levels as well. In Asia, Japan continues to limp along in a lethargic recovery, while China's growth has moderated but remains at a high absolute level. In the U.S., the initial optimism for economic stimulus from the new administration has diminished as President Trump met more resistance than expected in overhauling health care. This has resulted in the timeline being pushed out for policies expected to boost economic growth, such as tax reform and infrastructure spending. Even if approved, these growth boosting initiatives are unlikely to be significant in 2017 due to the delay caused by the focus on healthcare policy. In this environment, we continue to stay focused on attempts to hedge capital from potential downside risks, while taking incremental risk when justified by positively skewed potential return outcomes.

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 Growth Fund's top ten equity holdings were: Facebook, Inc. Class A 3.96%, Apple Inc. 3.48%, Microsoft Corporation 3.03%, Priceline Group Inc. 2.94%, Alphabet, Inc. Class C 2.91%, Amazon.com, Inc. 2.71%, Home Depot, Inc. 2.61, Alphabet, Inc. Class A 2.51%, Visa, Inc. 2.50%, & Honeywell International, Inc. 2.35%.

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 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.

Mutual Fund investing involves risk. Principal loss is possible. The Fund invests in small, mid, and micro-cap companies, which involves additional risks such as limited liquidity and greater volatility than larger companies. 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. This risk is greater in emerging markets.