Buffalo High Yield Fund

Quarterly Commentary as of 03/31/17

Average Annualized Performance (as of 03/31/17) Expense Ratio: 1.03%	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**	**Since Inception** (5/19/95)
Buffalo High Yield Fund	8.37%	3.79%	5.32%	6.24%	6.83%	7.27%
BofA Merrill Lynch High Yield Master II Index	16.88%	4.62%	6.85%	7.34%	8.25%	7.40%
Lipper High Yield Bond Funds Index	15.25%	3.62%	6.11%	5.93%	7.13%	6.05%

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.

The Buffalo High Yield Fund posted a total return of 2.14% for the quarter ending March 31, 2017 underperforming the Bank of America Merrill Lynch High Yield Master II Index (the "Index") which returned 2.71% during the same period. The high yield market generated a return of 2.71% during the quarter while the yield on the U.S. 10-Year Treasury Note declined only 6 basis points (bps) and the Federal Reserve increased its target Fed Funds rate by another 25 bps in March. We believe the returns reflected the following events: (i) the failed repeal/replace of the Affordable Care Act (ii) continued improvement in the U.S. economy (with unemployment rates near cycle lows), and (iii) the Federal Reserve's reassurance that a measured and gradual set of rate hikes through 2018 is still the game plan.

According to data from JP Morgan, high yield mutual funds experienced negative outflows during the first quarter of about $7.4 billion compared to inflows of roughly $600 million in the prior quarter. The high yield new issuance calendar totaled $98.7 billion in the quarter which was up significantly from the prior quarter's $52 billion.

During the quarter, the yield on the 10-Year Treasury Note decreased slightly from 2.45% to 2.39% while high yield spreads compressed 20 basis points to 456 bps over the 10 Year-Treasury according to JP Morgan. As mentioned above, bullish sentiment on the U.S. economy parlayed with a fairly dovish stance from the Fed, gave investors confidence that high yield was still a relatively attractive asset class. According to data from JP Morgan, the best performing sector during the quarter was Healthcare (+4.33%) due to the failed House vote on the Affordable Care Act (Obamacare) repeal/replace in March. Also, the best performing sectors in the high yield market during the quarter continued to be the lower quality securities as the CCC segment returned 4.28% followed by the single B segment return of 2.33% and the BB return of 2.02%. The Fund's high yield bond allocation is focused on the higher credit quality segments of the market which is mostly comprised of the BB and B segments. This quality bias largely explains our underperformance during the quarter.

The U.S. high yield market's spread to worst as of March 31, 2017 was 456 bps which was 20 bps tighter than the preceding quarter and 297 bps below the same time last year. The yield to worst for the high yield market at 3/31/17 was approximately 6.24% versus 8.80% last year at this time.

The fund's cash balance at the end of the quarter was 9.3% which is up from the prior quarter of 7.6% due to called bonds and selling activity by our management team. The funds composition by asset class at quarter end and over the previous four quarters was as follows:

	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017
Straight Corporates	65.1%	66.8%	71.1%	65.5%	63.6%
Convertibles	12.3%	11.7%	13.8%	13.8%	13.1%
Bank Loans	8.4%	10.6%	11.2%	11.5%	12.5%
Convertible Preferred	0.8%	1.3%	1.5%	1.6%	0.9%
Common Stocks	2.9%	2.8%	0.0%	0.0%	0.5%
Cash	10.6%	6.9%	2.4%	7.6%	9.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The approximate rate and contribution of return from the various asset classes in BUFHX during the quarter was as follows:

	Approximate	
	Unweighted	Contribution
	Return	to Return
Straight Corporates	2.3%	1.4%
Convertibles	4.6%	0.6%
Bank Loans	1.5%	0.2%
Convertible Preferred	10.9	0.2%
Common Stocks	(5.0%)	0.0%
Cash	0.0%	(0.2%)
Total		2.1%

The table above provides returns by asset class. Convertible preferreds were the best performing asset class and straight corporates were the largest contributor to the Fund's quarterly returns. Specific securities that positively contributed the most to performance within this asset class during the quarter included the Medicines Company 2.500% and 2.750% convertible bonds as well CEB 5.625% straight corporate bonds which increased in price due to better underlying fundamentals. Within the straight corporate debt category, CEB, Valeant Pharma and KCG Holdings were the best performers. CEB increased in value due to a takeout, while Valeant and KCG improved due to better earnings. Bank loans that contributed the most to performance during the quarter include Valeant and Digital Globe. Securities that detracted most from performance during the quarter included Horizon Global 2.750% convertible bonds, Consolidated Communications 6.500% senior notes and Wildhorse Resources 6.875% senior notes. Horizon Global and Consolidated Communications decreased in value due to disappointing quarterly earnings and Wildhorse Resources was lower due to lower crude oil prices.

As noted above, high yield performance remained strong with yields and spreads compressing throughout the past year. High yield spreads are now approaching their lowest level in the past few years and below the 30 year historical average as an improving economy has boosted fundamentals and default rates remain muted. As a result, we believe high yield returns going forward will likely be lower than those in 2016 and may experience more volatility given current prices and spreads. The positives for high yield securities are the same as they were at the end of 2016: overall are the improving economy, a new President that is focused on fiscal stimulus and reduced regulations, and lower default rates. The potential risks to high yield assets are the prospects for interest rates to rise faster than expected, geopolitics, and protectionism.

The portfolio remains well diversified with over 122 individual positions. We continue to manage the fund in a conservative manner and are focused on higher quality credits with shorter durations. Additionally, we also believe that bank loans offer a compelling opportunity as they are senior in the capital structure and increase in value as rates increase. Lastly, we remain opportunistic as it relates to convertible bonds.

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 High Yield Fund's top ten holdings were: Bankrate, Inc. (6.125%, 8/15/18) 2.62%, Akorn, Inc. (4.500%, 4/16/21) 2.59%, Lions Gate Entertainment Corp. (1.250%, 4/15/18) 2.25%, DigitalGlobe, Inc. (Term Loan B, 01/15/24) 2.17%, KCG Holdings, Inc. (6.875%, 03/15/20) 1.95%, Tutor Perini Corp. (7.625%, 11/01/18) 1.94%, Endo Finance LLC. (5.750%, 1/15/22) 1.72%, Consolidated Communications, Inc. 6.500%, 10/01/22) 1.72%, FTI Consulting, Inc. (6.000%, 11/15/22), Triumph Group, Inc. (4.875%, 4/01/21)

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 10-year Treasury Note is a debt obligation issued by the United States government that matures in 10 years. A basis point (bps) refers to one hundredth of one percent, used chiefly in expressing differences of interest rates. 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. The Lipper High Yield Bond Funds Index is a widely recognized index of the 30 largest mutual funds that invest primarily in high yield bonds. Performance is presented net of the funds' fees and expenses. One cannot invest directly in an index.

A Standard & Poor's Rating of B means an obligor is more vulnerable the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. A Standard and Poor's Rating of BB means an obligor is less vulnerable in the near term than other lower-rated obligors. A Standard and Poor's Rating of CCC means an obligor is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. The highest rating is AAA and the lowest rating is D. In limited situations when the rating agency has not issued a formal rating, the Advisor will classify the security as nonrated.

Yield to worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. Spread to worst measures the difference from the worst performing security to the best, and can be seen as a measure of dispersion of returns within a given market or between markets. A yield spread is the difference between yields on differing debt instruments of varying credit ratings, commonly U.S. Treasuries, calculated by deducting the yield of one instrument from another .

Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.

Mutual Fund investing involves risk. Principal loss is possible. 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. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in foreign securities include additional risk such as greater volatility, and political, economic, and currency risks, as well as difference in accounting methods.

Diversification does not assure a profit, nor does it protect against a loss in a declining market.