

Buffalo Large Cap Fund

Quarterly Commentary as 3/31/17



Average Annualized Performance (as of 3/31/17) Expense Ratio: 0.95%	1 year	3 years	5 years	10 years	15 years	Since Inception (5/19/95)
Buffalo Large Cap Fund	18.67%	12.01%	13.56%	8.11%	6.65%	9.29%
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.

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.

In the quarter, the Russell 1000 Growth Index returned 8.91%, modestly outperforming the Buffalo Large Cap Fund which appreciated 8.37%. The underperformance in the period was driven by sector allocation, specifically the Fund's overweight of energy versus the benchmark. The energy sector in the benchmark was down over 11% in the first quarter, underperforming the broader index by almost 20%.

The top contributors to the fund's performance in the quarter were Amazon and Apple. While many brick and mortar retailers are struggling to grow in the face of store closures, Amazon appears to have gained share with overall top line growth having accelerated in 2016 over 2014 and 2015. We believe the company remains extremely well positioned to benefit from e-commerce growth and cloud computing. Apple's iPhone 7 sales meaningfully exceed expectations in the fourth quarter of 2016 which reported in January. The installed base of iPhones is approximately 570 million globally. The iPhone 8 launch later this year, the ten year anniversary product, is expected to have a large target audience.

Top detractors for the quarter were Schlumberger and Qualcomm. Schlumberger, an oil field service company with a leadership position outside the U.S., sold off in the quarter as a drilling recovery outside the U.S. has lagged, putting pressure on Schlumberger near term operating results. Qualcomm's stock came under pressure early in the quarter after Apple sued Qualcomm alleging Qualcomm's has monopoly control of semiconductor chips used in mobile devices.

The Fund ended the first calendar quarter of 2017 with 46 stocks representing 45 companies, as we hold both the Class A and Class C shares of Alphabet, Inc. We exited four positions and added six stocks to the Fund during the first quarter of 2017. The cash weighting stood at 5.2% ending the period.

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 Large Cap 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 Large Cap Fund's top ten equity holdings were: Microsoft Corporation 3.57%, Amazon.com, Inc. 3.44%, Alphabet Inc. Class A 3.37%, Apple, Inc. 3.31%, Schlumberger NV 3.11%, CVS Health Corporation 2.82%, Alliance Data Systems Corp. 2.62, CME Group, Inc. 2.60%, Roche Holdings, Ltd. 2.59, & Praxair Inc. 2.51%.

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 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 U.S. based companies with substantial interests outside of the U.S. which may involve additional risk such as greater volatility and political, economic and/or currency risks. This risk is greater in emerging markets.