Buffalo Mid Cap 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** (12/17/01)
Buffalo Mid Cap Fund	12.94%	4.37%	8.35%	6.78%	7.77%
Russell Midcap Growth Index	14.07%	7.88%	11.95%	8.13%	8.37%

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

The Buffalo Mid Cap Fund generated a return of 4.60% for the quarter which underperformed the Russell Midcap Growth Index return of 6.89%. The Index was primarily driven higher by contributions from the health care, information technology, and consumer discretionary sectors. The Fund's relative underperformance was a result of difficult stock selection in the consumer discretionary, staples and health care areas. Positive stock selection in financials and the real estate sectors helped partially offset soft relative performance in the areas mentioned above. Also negatively impacting performance was our attention to valuation as we trimmed stocks throughout the quarter that continued to move higher. We are actively deploying capital into areas we believe have a more favorable risk/reward profile.

The fund's consumer discretionary sector experienced negative selection effect in the quarter with both Tractor Supply Company and Advanced Auto Parts contributing to the underperformance. Both companies were impacted by unfavorable weather. Advanced Auto was also impacted by rumors of Amazon more aggressively entering the automotive aftermarket parts space.

Despite the weakness from both stocks this period we remain positive on the long term fundamentals of both companies and believe the valuation profiles are compelling.

The fund's financials performed well in the quarter. MSCI was the sectors top contributor with a total return of approximately 24%. The company, which provides benchmark indexes and portfolio risk analytics tools to institutional investors, benefitted from the growth in ETFs and risk management solutions. MSCI operates an attractive business model that has a substantial recurring revenue stream with meaningful barriers to entry.

Outlook

The setup for 2017 appears to bode well for both accelerated economic growth and performance of U.S equities. The new administration's focus on deregulation, infrastructure spend, and tax reform point to a more pro-growth, business-friendly environment. Investors are now keeping a close eye on President Trump's ability to pass meaningful tax reform, especially after promises of healthcare reform have so far fallen short. Inability to provide tax reform may cause market volatility though expectations for the timing of results are being actively managed by the new administration.

While we are pleased with the number of positions in the portfolio, we continue to look for additional ideas that could provide greater risk adjusted return potential. We have spent considerable time over the past few months analyzing companies with a greater cyclical profile that could stand to benefit from factors like accelerating job growth, improved construction activity, and increased energy production. We would expect those kinds of companies to outperform in this environment of an elongated economic cycle. While we have added some new positions in these areas, we are remaining true to our process of identifying what we believe to be beneficiaries of long-term trends and implementing our valuation discipline. We continue to actively reduce stocks with potential disproportionate downside risk and appreciate your continued support and confidence.

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 Mid Cap Fund's top ten equity holdings were: Harman International Industries, Inc. 2.73%, WhiteWave Foods Co. 2.45%, Kansas City Southern 2.32%, Equinix, Inc. 2.26%, CME Group, Inc. 2.24%, Verisk Analytics, Inc. 2.19%, Tractor Supply Co. 2.08%, Air Products & Chemicals, Inc. 2.05%, Nielsen Holdings Plc 2.01%, & FMC Corp. 1.91%.

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 can not 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 include additional risk such as greater volatility, and political, economic, and currency risks, as well as difference in accounting methods. This risk is greater in emerging markets.

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