Buffalo Small Cap 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**	**Since Inception** (4/14/98)
Buffalo Small Cap Fund	24.51%	2.78%	9.62%	6.42%	11.24%
Russell 2000 Growth Index	23.03%	6.72%	12.10%	8.06%	5.61%

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 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 Small Cap Fund rose 10.51% in the first quarter while the Russell 2000 Growth Index gained 5.35%. As we discussed in last quarter's update, the market rotation into financials and cyclicals during the fourth quarter of 2016 started to fizzle in this first quarter of 2017 and the "Trump Trade" unwound. In the fourth quarter commentary, we remarked that the market may have gotten ahead of legislative reality, and the Trump administration's inability to repeal and replace Obamacare showed definite proof that this was the case. In our view, the post–election reflation trade left a lot of high quality growth stocks trading at very attractive multiples and when the Trump Trade reversed this quarter, the market took notice of these growth stocks and bid them higher. Our relative performance this period more than made up for relative underperformance late last year. One of the things we were most pleased with during the quarter was the breadth of outperformance; all sectors except for materials outperformed its respective benchmark sector. Outperformance was driven by stock selection while sector allocation effect was slightly negative. Technology and Industrials provided the greatest relative performance led by strength in software and commercial services, respectively. Despite a significant outperformance from biotechnology in the index during the quarter, the

portfolio's performance in healthcare was in line with the benchmark.

The fund ended the quarter with 73 stocks, slightly over the high end of our targeted range due to the addition of a few positions late in the quarter. We are now in the enviable position of having new stocks compete with existing ones to get in the portfolio which could further optimize the portfolio's construction and ultimately improve performance. We have gradually increased the number of stocks over the last two years from 52 entering 2015, and believe the additional stocks should ultimately help reduce single security risk yet still allow an adequate level of weight for high conviction stocks.

Regarding drags on results, SPS Commerce was an underperformer this quarter. While e-commerce has historically been a tailwind to this fairly predictable business selling supply chain software to wholesalers and retailers, some of SPS Commerce's customers are now facing extreme disruption, including bankruptcy, which is delaying the sales cycle for their products and reducing their organic growth rate. The stock was sold during the period.

Regarding contributors to results, Exact Sciences was the best performing stock during the quarter. The company continued to gain payer, doctor and patient support for Cologuard, a commercialized alternative to colonoscopy for detecting colorectal cancer. Investors are now starting to give some attention to the company's pipeline of screening tests in other areas of oncology like lung and breast cancer. Universal Display was another top performer for the period. The demand for the company's intellectual property, materials and process know how used in the production of Organic Light Emitting Diodes (OLED) is increasing rapidly as Asian display manufacturers ramp capacity for OLED use in mobile handset displays.

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. Factoring in higher interest rates, one can make a case for continued rotation out of fixed income into equities. Investors are now keeping a close eye on 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 securities in the portfolio, we continue to look for additional ideas that could provide greater risk-adjusted returns. We have spent considerable time over the past few months looking at 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 these 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 potential beneficiaries of long-term trends and implementing our valuation discipline. We continue to actively reduce stocks with disproportionate downside risk and those that have graduated well into being midcap stocks. We appreciate your continued support and confidence.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The Statutory 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 Small Cap Fund's top ten equity holdings were: Nevro Corporation 2.45%, Dave & Buster's Entertainment, Inc. 2.26%, Cyberark Software Ltd. 2.25%, Costar Group Inc. 2.23%, Snyders-Lance, Inc. 2.22%, Interxion Holding N.V. 2.22%, Cogent Communications Holdings 2.18%, Monolithic Power Systems, Inc. 2.13%, WageWorks, Inc. 2.12%, & Bio-Techne Corp. 2.06%.

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 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. 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. The Fund may invest 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.**