Emerging Opportunities Fund

***PM Commentary** as of March 31, 2018*

BUFFALO FUNDS

CAPITAL MARKET OVERVIEW

The long streak of low volatility and positive stock market returns ended in the 1st quarter of 2018. Strong gains in January were erased in February and March, leaving the S&P 500 Index down 0.76% for the quarter. Volatility as measured by the Cboe Volatility Index (VIX) was up about 80% in the 1st quarter after falling for the last three years. Investor worries about increasing interest rates, possible trade wars, and threatened government action against large technology companies, offset generally strong economic data and corporate earnings growth.

The Russell 3000 Index declined 0.64% in the quarter, and, broadly speaking, small cap companies outperformed large cap companies during the period. The Russell Microcap Index advanced 0.68% and the Russell 2000 Index finished the period nearly flat, edging down just 0.08%. Moving up the market cap spectrum, performance worsened – the Russell Mid Cap Index was down 0.46% and the larger cap Russell 1000 Index declined 0.69%. Growth outperformed value by a wide margin during the quarter as the Russell 3000 Growth Index advanced 1.48% compared to a decline of 2.82% for the Russell 3000 Value Index. Technology and Consumer Discretionary were the best performing sectors, while Consumer Staples and Energy were the worst performing.

PORTFOLIO MANAGEMENT TEAM

Craig Richard, CFA
Co-Manager since 2013
M.B.A. – University of Kansas
B.S. – Kansas State University

Doug Cartwright, CFA
Co-Manager since 2015
M.B.A. – Univ. of WI-Madison
B.S. – Baylor University

PERFORMANCE COMMENTARY

The Buffalo Emerging Opportunities Fund posted a positive return of 2.62% in the quarter, outperforming the Russell 2000 Growth Index return of 2.30%. The Index, which is a proxy for domestic small capitalization (small cap) growth companies, was one of the top performers across all domestic equity categories to begin the year.

While posting positive returns for the full period, the Index did see a return of market volatility that had been absent throughout last year, as the market advanced almost consistently in 2017.

During the 1st quarter, the Index posted daily returns of greater than 0.5% or less than -0.5% on 39 out of 61 trading days, about 64% of the time. The Index also saw the market deliver a daily sell-off of more than 2.0% six times during the quarter. This compares with just one instance in 2017.

Average Annualized Performance (%)

As of 3/31/18	1 YR	3 YR	5 YR	10 YR	Since Inception
Buffalo Emerging Opportunities Fund	21.84	8.20	11.93	12.24	8.56
Russell 2000 Growth Index	18.63	8.77	12.90	10.95	9.74

Expense ratio 1.49%. Inception Date 5/21/2004. 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 buffalofunds.com.

Ending the 1st quarter, the Fund had a weighted average market cap of $1.2 billion compared to the Index's average weighted market cap of $3.0 billion. Given that the Fund is positioned towards the lower end of the small cap spectrum, one might normally expect market volatility to have an adverse effect on our portfolio given its investments in earlier stage growth companies with less trading liquidity. However, we are pleased to report that the Fund did well, on a relative basis, during this downside volatility, outperforming the Index on 11 of the 13 days when the Index posted the largest negative returns.

The 1st quarter was a mixed bag in terms of Index sector performance with Technology and Healthcare leading the way, with average returns of 10.4% and 6.1%, respectively. Industrials and Consumer Discretionary were laggards for the benchmark, posting negative returns of 1.5% and 4.0%, respectively.

The Fund's relative outperformance was led primarily by our holdings in the Technology sector. Technology companies represented about 25% of the Fund's assets and generated a return of about 13.4% in the quarter. Specific holdings that contributed to this strong return within Technology included **8x8** and **Mimecast**.

8x8 is a leading provider of cloud-based software solutions that enable business communication platforms including voice, video, collaboration, and contact centers to connect employees and customers. The company is operating within a very large global addressable market, approximating $50 billion, with technology that is much more conducive to the mobile and distributed workforce, compared to phone systems from 20 years ago that require an on-premise hardware stack for desktop phone systems. 8x8 started serving small businesses with communication solutions that delivered efficiencies and cost savings from older legacy phone systems. Over the years, 8x8's technology has scaled to where they can now serve large enterprises on a global basis. This makes 8x8 unique in our universe of companies, as most of the small cap constituents do not have the potential to address such a large global market.

Mimecast provides cloud-based software solutions for email security. Like 8x8, Mimecast has benefited from competition against legacy platforms that are more costly to maintain and those that lack the innovation to keep up with the ever-changing email threat environment. Mimecast continues to move up-market by serving larger enterprises. Additionally, the company continues to innovate with new products that it can cross-sell into its existing customer base.

The fund added 6 new positions in the quarter and moved on from 4, ending the quarter with 62 holdings. One of the new holdings in the quarter was **Cardlytics**, which was an initial public offering (IPO) that the Fund participated in. IPOs have been an important source of new idea generation for the Fund and we expect that trend to continue.

Cardlytics uses consumer purchase data from over 2,000 financial institutions to help marketers identify likely buyers at scale. Cardlytics engages with financial institutions to show purchase incentives and rebates from advertisers to the financial institutions' customers whenever they log in to their checking or credit card accounts. Advertisers like the service because it results in extremely high return-on-investments (ROIs), and financial institutions like the service because they share in Cardlytics' revenue. We believe there is a long runway for growth as the company is presently in beta testing with Wells Fargo, and we expect the bank will roll the platform out across its national footprint in 2019. Additionally, Cardlytics can continue to grow by signing other new financial institutions, expanding the number of internet customers within existing financial institutions, engaging new marketers, and growing spend with its existing marketers.

OUTLOOK

The market experienced more volatility than we had seen for some time as the current bull market entered its 9th year. The Fund had some success in maneuvering through this environment, including the days where the market retrenched most significantly.

The Fund had a holding taken out in the quarter as **CommerceHub** is expected to be acquired by private equity. In this instance the acquirer was a financial buyer. However, we continue to believe that strategic buyers will be a driver of an acceleration of mergers and acquisitions (M&A) following the passage of corporate tax reform in late 2017. Lower effective tax rates could boost cash flows and free up resources for larger companies to pursue acquisitions of smaller companies in an attempt to enhance their growth profiles. With a weighted average market capitalization for our portfolio of around $1.2 billion and a median revenue growth rate of 12%, we think there is potential for increased M&A involving the fund's holdings this year.

Additionally, the market has spent recent weeks contemplating potential trade disruption given social media and trade policy directives of Washington D.C. We believe that the Fund is somewhat insulated from a potential trade war, should it come to that, given the domestic focus of most of our investments. We estimate that the weighted average exposure to international sources of revenue for our Fund is approximately 15-20%. This compares to companies in the S&P 500 Index that are closer to 40-45%.

Given that we believe we are moving towards the latter stages of the market cycle, we remain keenly focused on valuations and fundamentals, and we continue to monitor the risk/reward profile of our holdings. As a result, we often make changes based on market moves intra quarter that provide either an opportunity to trim or add to a position based on the inefficiencies that exist at the smaller end of the market cap spectrum.

The Buffalo Emerging Opportunities Fund is focused primarily on identifying innovation within U.S. companies with primarily North American revenue bases. We continue to look for prudent ways to deploy cash, and we remain long-term focused, aiming to be shrewd when the market environment presents opportunity and more cautious when it does not.

INTERESTED IN MORE INFO? For questions or to speak with a relationship manager about adding any of the 10 Buffalo Funds to your portfolio, contact:

Christopher Crawford
ccrawford@buffalofunds.com
(913) 647-2321

Scott Johnson
sjohnson@buffalofunds.com
(913) 754-1537

Earnings growth is not representative of the Fund's future performance.

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 can be obtained by calling (800) 49-BUFFALO or visiting buffalofunds.com. Read it carefully before investing.

As of 12/31/17 the Buffalo Emerging Opportunities Fund's top ten equity holdings were: 8x8 3.11%, Community Healthcare Trust 2.91%, Kornit Digital 2.74%, Motorcar Parts of America 2.67%, Virtusa 2.47%, RingCentral 2.45%, Del Taco Restaurants 2.37%, Mimecast 2.25%, Foundation Building Materials 2.16%, Astronics 2.09%. 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 publicly held companies incorporated in the U.S. based on market capitalization. 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 Index is a subset of the Russell 3000 Index, which measures the performance of the 1,000 largest publicly-held companies incorporated in the U.S. based on market capitalization. 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. The Russell Midcap Index measures performance of the 800 smallest companies in the Russell 1000 Index. The Chicago Board of Options Exchange Volatility (CBOE) Index measures the market expectations of near-term volatility conveyed by S&P 500 stock index option prices. The S&P 500 is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. The Russell Micro Cap Index is an unmanaged capitalization weighted index of 2,000 small cap and micro cap companies. The Russell 2000 Index is an unmanaged index that consists of the smallest 2,000 securities in the Russell 3000 Index, representing approximately 10% of the Russell 3000 total market capitalization. It is not possible to invest directly in an index. Cash flow is a measure of the cash produced by the firm in a given period on behalf of equity holders. The true measure of the value of a firm's equity is considered to be the present value of all free cash flows.

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 involve greater volatility and political, economic and currency risks and differences in accounting methods. This risk is greater in emerging markets.

Kornitzer Capital Management is the advisor to the Buffalo Funds, which are distributed by Quasar Distributors, LLC.