Emerging Opportunities Fund

Quarterly Commentary *as of June 30, 2017*

Average Annualized Performance

(As of 6/30/17) *Expense Ratio: 1.48%*	1 YR	3 YR	5 YR	10 YR	Since Inception (5/21/04)
Buffalo Emerging Opportunities Fund	33.67%	5.46%	13.77%	6.88%	8.20%
Russell 2000 Growth Index	24.40%	7.64%	13.98%	7.82%	9.26%

Data represented reflects past performance and is no guarantee of future results. The invest-ment 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 continued their strong start to the year during the second quarter, primarily driven by strong corporate earnings growth. The Russell 3000 Index advanced 3.02% in the second quarter. As reported during the June 30 period, earnings from S&P 500 Index companies were up 14% year-over-year in the first quarter, the strongest growth reading since 2011.

Broadly speaking, growth stocks continued their outperformance relative to value stocks, while cyclical stocks that rallied to end 2016 underperformed as investors continue to discount the likelihood of government infrastructure spending and comprehensive tax reform.

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

The yield on the U.S. 10-year Treasury ended the June 30 period at 2.298%, a decline from its recent high of 2.609% in March due in large part to weaker inflation readings. In contrast, the outlook for growth and interest rate expectations improved in much of the rest of the world, which has driven the trade weighted U.S. dollar down 5.6% year to date. Oil entered bear market territory, with crude prices declining 9% during the quarter in response to stronger than expected inventory levels and rising U.S. production.

As mentioned above investors continued to favor growth over value, and the Russell 3000 Growth Index climbed 4.65% during the period compared to the more modest gain of 1.29% for the Russell 3000 Value Index. By size, microcaps were the best performers with the Russell Microcap Index gaining 3.83%. Meanwhile the large cap Russell 1000 Index gained 3.06%, followed by the Russell Midcap Index at 2.70% and the Russell 2000 Index finishing with a gain of 2.46% during the period. In general health care was the best performing sector as the chances for legislation to repeal or reform the Affordable Care Act appeared to diminish, and investors reacted by bidding up health care stocks. The technology sector was also a strong performer as the market continued to reward the strong earnings growth produced in this area. Conversely, energy was the worst performing sector driven by the decline in oil prices mentioned above.

PERFORMANCE COMMENTARY

The Buffalo Emerging Opportunities Fund posted a positive return of 9.70% in the quarter ending June 30, 2017, a result that outperformed the Russell 2000 Growth Index return of 4.39%.

Index performance this quarter was led by strong gains in healthcare and information technology, its two largest sectors, which returned 10.12% and 5.44%, respectively. This marked the second consecutive quarter where the Index gains were led by these two areas.

The start to the calendar year in the small cap growth universe has reversed much of the market action following the presidential election, where financials and industrials were strong performers based on expectations for more favorable domestic policies for these industries. As political policy reform hopes have faded, investors have returned to information technology and healthcare sectors where innovation drives revenue growth.

The Fund's outperformance during the period was led by the information technology sector. The Fund's technology holdings delivered a 19.76% return on average compared to the benchmark return of 5.44% for the sector. Leading the way for the Fund was Everspin Technologies, a first to market player in the magnetic random access memory (MRAM) market. MRAM has the combination of speed, endurance, and non-volatility that no other form of memory currently has. With applications in a wide range of industries ranging from data storage to automobile technology, this small player is addressing potential large markets. Thanks in part to favorable press on the company, the market began to discover this company's growth opportunity and the stock appreciated significantly in the quarter.

Everspin is an example of the unique positioning of the portfolio as the Fund is positioned at the smaller end of the market cap spectrum within the Index. The Fund's weighted average market cap was $962 million as of June 30th compared to the Index weighted average of $2,197 million. Everspin was an under the radar initial public offering (IPO) from October 2016 with an initial market capitalization below $200 million. While Everspin was at the low end of our market capitalization range, the Fund will continue to look to potentially benefit from smaller companies that do not get as much Wall Street coverage and are mostly undiscovered by a large swath of investors.

Five9 also contributed significantly to the outperformance in the information technology sector during the period. The company is a leading provider of cloud-based software that operates customer service call centers. Five9 is operating in a space with a large global opportunity that includes 16 million agents working in call centers worldwide. The industry is ripe for disruption as legacy competitors have been slow to innovate. Additionally, two of Five9's smaller peers were recently acquired by larger organizations, resulting in operational disruption. The combination of these factors should continue to bolster the outlook for Five9. This also provides an example of the type of technology investments the Fund typically looks for as Five9 is disrupting the status quo in potential large, global markets.

In the health care sector, a large individual contributor during the quarter was **LHC Group**. LHC is a leading provider of home healthcare services in 27 states. With the U.S. population increasing in age and healthcare cost pressures being applied by both public and private payers, home health care sits in the sweet spot at an average cost of less than $100 per patient, per day. The industry is moving further towards a compensation model based on quality scoring. LHC has landed near the top in these rankings and continues to show gains. As compensation is based on these metrics, LHC should continue to grow and take share from the smaller, regional based operators over the next several years.

OUTLOOK

Thus far in 2017 the market has favored growth-oriented companies and the Russell 2000 Growth Index has outpaced the Russell 2000 Value Index by over 10% YTD as of June 30th. We believe this is an indication of investors continuing to seek out investment stories with revenue growth opportunities given the stable economic environment 8+ years into the current recovery cycle.

We find it interesting that merger and acquisition activity (measured in U.S dollars) is down over 30% this year compared to 2016. Last year, the Fund benefitted from takeout activity as five of its investments were acquired or merged into larger entities, which results in a price premium being paid to shareholders. Somewhat surprisingly the Fund has not had a single investment holding acquired year-to-date, but we continue to believe that many could be acquisition candidates given that many larger companies are starved for increased organic growth and look to buy smaller, faster growing companies in an effort to bolster their revenue growth profile. We believe that a clearer signal on tax policy and its direction might provide an environment more conducive to mergers and acquisitions which should potentially benefit the Fund.

As always, the Buffalo Emerging Opportunities Fund is primarily focused on identifying innovation within smaller emerging U.S. companies with North American revenue bases. U.S. consumer confidence and domestic small business confidence remain near all-time highs which should bode well for our smaller, U.S. centric companies.

We remain focused on stock price valuations and company specific fundamentals and 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. We ended the quarter with 62 holdings adding six holdings to the Fund while moving on from three during the period. 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:

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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 www.buffalofunds.com. Read it carefully before investing.

As of 3/31/2017 the Buffalo Emerging Opportunities Fund's top ten equity holdings were: Motorcar Parts of America, Inc. 3.01%, Kornit Digital 2.98%, Omnicell, Inc. 2.61%, LHC Group 2.58%, MGP Ingredients, Inc. 2.48%, Nautilus, Inc. 2.41%, Instructure, Inc. 2.41%, Liberty Media 2.28%, Five9 2.27%, and Del Taco Restaurants 2.18%.

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 S&P 500 Index is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The 10-year Treasury Note is a debt obligation issued by the United States government that matures in 10 years. 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 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 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 Microcap Index is a small-cap and micro-cap stock market index of the smallest 2,000 companies in the Russell 3000E Index incorporated in the U.S. based on market capitalization. The Russell 2000 Value Index is based on the Russell 2000 Index, of small-cap companies with lower price-to-book ratios and lower expected growth rates which measures how U.S. stocks in the small-cap equity value segment perform. You cannot 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 involve greater volatility and political, economic and currency risks and differences in accounting methods. This risk is greater in emerging markets.

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