Emerging Opportunities Fund

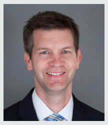
***PM Commentary** as of December 31, 2017*

CAPITAL MARKET OVERVIEW

Equity markets ended 2017 on a strong note. The 4th quarter saw a continuation of trends that have influenced the market all year. Investor optimism about improving global economic growth and strong corporate earnings led to another quarter of higher stock prices and low volatility. Strong holiday sales and the passage of tax reform legislation also provided tailwinds to equity markets during the period. The Chicago Board of Options Exchange Volatility (CBOE) Index continued to hover near record lows, and, for the first time since 1958, the S&P 500 Index delivered positive returns in every single month of the year.

The Russell 3000 Index produced a total return of 6.34% in the 4th quarter. Growth continued to outperform value, as the Russell 3000 Growth Index advanced 7.61% and outperformed the Russell 3000 Value Index return of 5.08%. Large companies generally outperformed smaller companies during the quarter. The Russell 1000 Index returned 6.59%, the Russell Midcap Index returned 6.07%, the Russell 2000 Index returned 3.34%, and the Russell Microcap Index returned 1.80%. Consumer discretionary and technology were the best performing sectors while utilities, health care, and consumer staples underperformed in the quarter.

PORTFOLIO MANAGEMENT TEAM



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PERFORMANCE COMMENTARY

The Buffalo Emerging Opportunities Fund posted a return of 1.32% in the 4th quarter. This performance trailed the Russell 2000 Growth Index return of 4.59%. During the quarter, every sector of the Index posted positive returns as the markets finished 2017 on a strong note. For the calendar year, the Fund returned 27.18% compared to the Index return of 22.17%.

The Healthcare, Information Technology (IT) and Industrials sectors generated returns of 38.3%, 21.2% and 17.9%, respectively. These sectors represent the largest weightings in the Index.

Only the Energy sector (1% weighting) within the Index saw negative calendar year returns. The outperformance by the Fund in 2017 was due to stock-picking within the IT sector where the Fund generated an average return of 57.5% compared to the Index's IT sector returns of 21.19%.

Average Annualized Performance (%)

As of 12/31/17	1 YR	3 YR	5 YR	10 YR	Since Inception
Buffalo Emerging Opportunities Fund	27.18	8.56	13.89	9.61	8.51
Russell 2000 Growth Index	22.17	10.28	15.21	9.19	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.

Since the market recovery began dating back to the beginning of 2009, the Index has returned 291.5%, with the IT sector leading the way with 446.9% in cumulative returns. The Fund has generated a 384.1% cumulative return over this same time period. The current market expansion the past nine years has been remarkable and is worth putting in writing both the Index and Fund's returns over this time period to gain perspective.

Digging deeper into the most recent quarter, the Fund trailed mainly due to stock-picking within the Consumer Discretionary sector. Over capacity within the restaurant space, the Amazon-effect on retailers, and the fickle nature of consumers' tastes has presented its problems in the Consumer area, where investor sentiment is quick to turn negative and valuation multiples can compress quickly.

One example from the quarter is **Nautilus**, a leading manufacturer of exercise equipment. Nautilus goes to market with their cardio and strength equipment both through the direct-to-consumer market (online store) and through retail partners (Amazon, Dick's Sporting Goods). Nautilus has seen a sharper-than-expected decline in sales from an older product line, the Treadclimber, and newly introduced products have been slower to offset these declines. Longer term, we believe product innovation, Nautilus' leadership position in the space, and a high quality management team will overcome some of these shorter term issues. In Consumer, we have lightened up on restaurants (only own one) and have moved towards experiences and items where Amazon cannot cause as much disruption.

During the quarter, one of the new holdings added to the Fund was **Wildan Group**. Wildan is an engineering and consulting firm focused on serving utilities and their customers (large companies, state/local government entities). The primary offering from Wildan is delivering energy efficiency programs. With renewable energy sources coming online and older sources of electricity going offline, utilities need plans to balance periods of strong demand and unstable power generation.

Wildan performs energy audits, designs programs, and implements equipment (lighting, windows, boilers, etc.) to deliver energy savings to allow for balancing the demand and supply in this evolving environment. The marquee customer example is Con Edison in Brooklyn that was evaluating spending $1-2 billion for new power generation capacity. Wildan worked with Con Edison to generate the electricity savings from energy efficiency programs with their largest clients to eliminate the need for this capital expenditure investment. With a clean balance sheet, a strong market demand outlook of greater than 10%, win rates of 80+% on projects they bid on, and an opportunity for outsized growth in the California market given current initiatives on the table, we began a position in Wildan. We like the risk/reward at these levels and believe this represents an example of a Fund holding that is under the radar.

OUTLOOK

2017 saw strong domestic returns across the board, with growth equity classes leading the way with returns above 20% in many cases. All the more impressive is that this comes in year 9 of the market expansion.

The incremental positive for our Fund in 2017 is the passage of the tax reform bill before year end. With larger companies forecasting lower tax rates, and, in some cases, an ability to bring back onshore some of their offshore earnings (repatriation), we expect merger and acquisition (M&A) activity to pick up in 2018. With a weighted average market capitalization for our holdings around $1.2 billion and a median revenue growth rate of 16%, we like the possibility of seeing increased M&A activity this year from the single take-out we saw in the Fund in 2017.

As noted above, the Fund is positioned at the smaller end of the Index with a weighted average market cap of $1.2 billion versus the Index at $2.6 billion. We would note that the Russell 2000 Growth has outperformed the Russell Microcap Growth for four consecutive years, and any trend reversal in this could provide a tailwind for the Fund given our positioning on the smaller end of the small cap growth spectrum.

Given where we stand in this market cycle, we remain focused on valuations and 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.

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

We ended the quarter with 60 holdings, adding 3 holdings while moving on from 3 others. 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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As of 9/30/17 the Buffalo Emerging Opportunities Fund's top ten equity holdings were: Motorcar Parts of America 3.02%, Ichor Holdings 2.77%, Community Healthcare Trust 2.68%, Kornit Digital 2.49%, 8x8 2.36%, Apogee Enterprises 2.34%, Del Taco Restaurants 2.12%, RingCentral 2.23%, Nautilus 2.18%, Mimecast 2.14%. Top 10 holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are for the previous quarter.

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 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 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 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 Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth rates. 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 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. You cannot invest directly in an index.