Flexible Income Fund

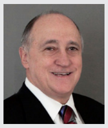
***PM Commentary** as of June 30, 2018*

BUFFALO FUNDS

CAPITAL MARKET OVERVIEW

Supportive economic data drove positive domestic equity performance in the 2nd quarter. The unemployment rate declined to 3.8%, the lowest level in 18 years. Wages have continued to rise, with average hourly earnings up 2.7% as of May. Corporate earnings growth continued to be robust. The Federal Reserve increased their target rate by 0.25% and raised their forecast for growth and inflation again in June. Meanwhile, economic growth outside the U.S. slowed, with the divergence driving strength in the U.S. dollar. Increasing trade protectionism along with the dollar's strength, led to the relative outperformance of domestically focused industries and smaller capitalization companies, which generally do less international business than large caps. Crude oil prices continued to rise, despite the strong dollar, driven by lower stockpiles in the U.S. and President Trump's decision to withdraw from the Iran nuclear accord.

PORTFOLIO MANAGEMENT TEAM



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The Russell 3000 Index returned 3.89% in the quarter. Growth continued to outpace value, with the Russell 3000 Growth Index up 5.87% and the Russell 3000 Value Index up 1.71%. By size, the Russell Microcap Index led the way with a return of 9.97%, followed by the small cap Russell 2000 Index at 7.75%. The large cap Russell 1000 Index was up 3.57%, and the Russell Midcap Index was up 2.82%. Energy was the best performing sector, driven by strength in crude oil prices. The Consumer Discretionary, Information Technology, and Real Estate sectors also had strong quarters. Meanwhile, trade fears and rising input costs caused the underperformance of Industrials, and Financials were weaker as a result of the yield curve flattening.

PERFORMANCE COMMENTARY

For the quarter ended 6/30/18, the Buffalo Flexible Income Fund returned 4.18% compared to the S&P 500 Index return of 3.43% and the ICE Bank of America Merrill Lynch High Yield Master II Index return of 1.00%.

For the quarter, the equity portion of the portfolio returned 5.05% compared to 3.43% for the S&P 500 Index. The Fund's equity component is primarily focused on large cap dividend payers, which we believe possess significant competitive advantages. The sectors that led to outperformance during the period were Energy and Financials. The outperformance in the Energy sector was driven by both sector allocation and security selection. The Fund maintained its overweight allocation to Energy for the period, which was the best performing sector in the S&P 500 Index.

Average Annualized Performance (%)

As of 6/30/18	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Buffalo Flexible Income Fund	12.02	6.93	6.47	6.64	8.05	7.30
BofA ML Combined Index	9.63	9.38	10.26	9.31	8.64	8.89
S&P 500 Index (60%)	14.37	11.93	13.42	10.17	9.30	9.81
ICE BofA ML HY Master II Index (40%)	2.53	5.55	5.51	8.03	7.66	7.50
Lipper Mixed-Asset Allocation Moderate Funds Index	6.08	5.70	6.82	5.80	6.10	6.93

Expense ratio 1.01%. Inception Date 8/12/1994. 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.

Overall, the top contributors to fund performance in the quarter were **HollyFrontier**, **ConocoPhillips**, and **Hess Corp.**, while the top detractors in the quarter were **AT&T**, **Pitney Bowes**, and **IBM**. HollyFrontier had a strong 1st quarter earnings report, which benefited from wider spreads, as pipeline capacity wasn't able to keep up with Permian oil production. ConocoPhillips and Hess also reported strong 1st quarter earnings, driven by improved oil prices. Meanwhile, our portfolio's outperformance in the Financials sector was due to sector allocation -- we are underweight versus the Index, and Financials was the worst performing sector for the Index during the 2nd quarter.

The fixed income portion of the Fund generated a return of 1.18% for the quarter, which outperformed the ICE Bank of America Merrill Lynch Master II Index return of 1.00%. The top contributors to the Fund's fixed income performance included **Consolidated Communications**, **Medicines Company**, and **Approach Resources**, while the top detractors were **Nuance Communications**, **Brunswick**, and **Everi Payments**.

OUTLOOK

Given that we believe the U.S. is in the later stages of the current economic cycle, we continue to find ourselves confronted with relatively low spread and yield levels with the non-investment grade fixed income asset class that we prefer over the long haul. This backdrop has resulted in a bond allocation that is close to the low end of our expected range in terms of the Fund's overall asset mix of stocks, bonds, and cash. Within the fixed income portion of the portfolio we continue to focus on high-quality, non-investment grade issuers with defensive business models and manageable credit metrics.

We expect the market to experience volatility in the coming quarters as the Federal Reserve is expected to continue with its plan to normalize interest rates. We are also concerned about the Federal Reserve taking a more aggressive tightening policy stance than investors currently anticipate. Other areas we are monitoring include inflation growth acceleration, geopolitical issues, and increasing protectionism efforts from the White House. Valuation metrics are also above historical market averages, leading us to believe the stock market may have a hard time achieving further multiple expansion.

On the positive side, we see prospective tailwinds for the economy that include further job growth, wage increases, lower tax rates, and simply more optimism from both businesses and consumers; all of which could lead to higher Gross Domestic Product (GDP) growth and a continued move higher in the stock market.

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 buffalofunds.com. Read it carefully before investing.

As of 3/31/18 the Buffalo Flexible Income Fund's top 10 holdings were: Lions Gate Entertainment 4.31%, Boeing 4.23%, HollyFrontier 4.07%, Intel 3.73%, Microsoft 3.27%, ConocoPhillips 3.09%, AT&T 3.00%, Verizon 2.71%, Exxon Mobil 2.67%, Royal Dutch Shell 2.63%. 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 Managers 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.

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

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 Growth Index measures the performance of those Russell Midcap 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 Russell Microcap 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. 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 ICE BofA ML Combined Index is an unmanaged, blended index consisting of 60% of the S&P 500 Index and 40% of the ICE Bank of America Merrill Lynch U.S. High Yield Master II Index. The ICE BofA Merrill Lynch High Yield Master II Index is an unmanaged index comprised of over 1,200 high yield bonds representative of high yield bond markets as a whole. It includes zero-coupon bonds and payment-in-kind (PIK) bonds. The Lipper Mixed-Asset Target Allocation Moderate Funds Index is an unmanaged index considered representative of mixed-asset target allocation moderate funds tracked by Lipper, which would combine the 30 biggest funds, based on asset size, that belong to this asset category. It is not possible to invest directly in an index.

Treasury bonds are debt obligations issued by the United States government. Below investment grade refers to higher-yielding, higher-risk debt securities commonly known as "junk bonds". These lower-rated bonds have a greater degree of default risk. A yield spread is the difference between yields on differing debt instruments of varying credit ratings, commonly U.S. Treasuries, calculated by deducting the yield of one instrument from another.

Mutual Fund Investing Involves Risk. Principal loss is possible. The Flexible Income Fund invests in lower-rated and non-rated securities which presents a greater risk of loss to principal and interest than higher-rated securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in smaller and medium sized companies involve additional risks such as limited liquidity and greater volatility. Investments in international and foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. MLPs are subject to certain risks inherent in the structure of MLPs, including complex tax structure risks, limited ability for election or removal of management, limited voting rights, potential dependence on parent companies or sponsors for revenues to satisfy obligations, and potential conflicts of interest between partners, members and affiliates.

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