Growth 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.

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.

PORTFOLIO MANAGEMENT TEAM

Clay Brethour, CFA
Co-Manager since 2007
B.S. – Kansas State University

Dave Carlsen, CFA
Co-Manager since 2007
B.B.A. – Univ. of WI-Madison

PERFORMANCE COMMENTARY

The Buffalo Growth Fund gained 7.78% during the quarter, outperforming the benchmark Russell 1000 Growth Index return of 5.76%. The Fund outperformed the benchmark with help from positive stock selection in the Health Care and Information Technology sectors. Our Health Care Equipment-related investments like **Align Technology** and **Baxter** performed well, while within the Information Technology sector, our investments in **Semtech** and **Intuit**, within the semiconductors and software-related industries, boosted returns. The Fund was also aided by a positive sector allocation effect due to our underweight in Consumer Staples, as multinational consumer product companies came under pressure with increasing trade tensions throughout the world. Meanwhile our stock selection in Financials was a modest headwind as the sector was negatively impacted by the flattening of the yield curve.

Average Annualized Performance (%)

As of 6/30/18	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Buffalo Growth Fund	21.04	11.85	13.95	11.08	10.30	10.28
Russell 1000 Growth Index	22.51	14.98	16.36	11.83	10.30	9.34

Expense ratio 0.92%. Inception Date 5/19/1995. 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.

TOP CONTRIBUTORS

Amazon continued to gobble up retail and cloud computing dollar share, which fueled another quarter of robust stock price appreciation. Higher margin business segments like Amazon Web Services (AWS) and advertising outperformed expectations leading to more positive-than-expected overall corporate margin. The company continued to be a prime beneficiary of the transition to online commerce and cloud computing.

Align Technology, the maker of clear aligners for dental malocclusion and a long term holding in the fund, continued to grow in excess of expectations. We believe robust growth is sustainable over the intermediate to long term as the company has expanded its products to address nearly 70% of the orthodontic market while less than 15% of the orthodontic market has converted from metal braces to clear aligners.

TOP DETRACTORS

Starbucks announced strategic priorities towards the end of June that had investors questioning the future growth profile of the company and put downward pressure on the stock price. The new priorities included store-based optimization by closing 150 stores in the United States next year and exploring licensing opportunities in certain markets outside the U.S. and China. Additionally, the company announced its plan to reduce selling, general, and administrative expense by as much as 1% of system sales to help drive bottom-line improvement. While the company is experiencing tepid U.S. traffic trends that have negatively impacted near term comparisons, we believe the implementation of the strategic priorities should have a positive impact on long-term growth and should continue to strengthen the Starbucks brand worldwide.

WABCO Holdings reported earnings that beat expectations for the 1st quarter and raised its full-year guidance driven by stronger assumed organic sales, but higher raw material costs (steel and aluminum prices) drew investor concerns about the impact to future earnings. Additionally, ongoing trade tensions between the U.S., Europe, and China could have a negative impact on earnings. Approximately 21% of WABCO's last 12 month revenue was attributed to Germany and 12% to China. We remain positive on the multi-year earnings power of the company and believe in the secular growth opportunity that should provide a tailwind to its long-term growth prospects.

OUTLOOK

The market environment for equities remains favorable, in our view. Interest rates, inflation and unemployment remain low while corporate earnings grind higher, buoyed by broadening global growth and recent U.S. corporate tax reform. Growing cash flows combined with foreign cash repatriation should drive improved business investment and more aggressive capital allocation activity including merger and acquisitions (M&A), buybacks, and dividend increases.

Expectations that the U.S. economy is continuing to strengthen amid a tighter labor market should put upward pressure on interest rates as the Federal Reserve continues the process of delicately weaning markets off easy money. The Fed, in effect, is ceding control to free markets which are much more unforgiving than what the market has become accustomed to these last several years. As market stabilization forces wane, the market is likely to become more volatile and data point driven. Day-to-day concerns like a global trade war can subject the market to potentially big swings following each data point that validates or contradicts the climate of opinion.

If volatility picks up, the environment should evolve toward a stock picker's market where a steady hand and active management with an eye toward quality and identifying attractive risk-adjusted returns could hold advantage over passive money strategies. We stand poised to capitalize when near term stock price volatility presents an opportunity to improve risk-adjusted expected returns within the portfolio.

Economic conditions may ebb and flow, but our distinct focus for the Buffalo Growth Fund is to hitch our wagon to secular trend stars -- attractively priced, financially strong, well-managed companies across all market cap segments, which we believe are favorably positioned to harvest the lion's share of big secular growth trends. In our opinion these are the best ideas the growth equity team derives from the Buffalo Secular Growth Trends strategy.

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

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 Growth Fund's top ten equity holdings were Amazon 5.30%, Microsoft 4.64%, Apple 3.51%, Alphabet (A) 2.40%, Alphabet (C) 2.31%, Abbott Labs 2.26%, Nike 2.15%, Visa 2.08%, Booking Holdings 2.05%, Intercontinental Exchange 2.05%. 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 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 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 1000 Growth Index measures the performance of those Russell 1000 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 Russell Microcap Index is a capitalization weighted index of 2,000 small cap and micro cap companies. 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.

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

Mutual Fund investing involves risk. Principal loss is possible. The Fund invests in small, mid, and micro-cap companies, which involves additional risks such as limited liquidity and greater volatility than larger companies. The Fund may invest in foreign securities and ADR's which 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.