High Yield Fund

June 30, 2017

BUFFALO FUNDS

Average Annualized Performance

(As of 6/30/17) *Expense Ratio: 1.03%*	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception (5/19/95)
Buffalo High Yield Fund	7.92%	3.86%	5.52%	6.33%	7.07%	7.26%
BofA Merrill Lynch High Yield Master II Index	12.75%	4.48%	6.91%	7.54%	8.92%	7.42%
Lipper High Yield Bond Funds Index	12.30%	3.48%	6.28%	6.06%	7.67%	6.07%

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

The Buffalo High Yield Fund gained 1.68% for the quarter but underperformed the Bank of America Merrill Lynch High Yield Master II Index by 46 basis points (bps), which rose 2.14% during the period. After producing positive returns in the previous quarter, the U.S. high yield sector continued to generate favorable results in the period, but with returns decelerating on a sequential monthly basis throughout the quarter (April 1.13%, May 0.89%, and June 0.10%). The market's performance was driven by: (i) continued, albeit modest, economic growth of the U.S. gross domestic product (GDP); (ii) a healthy labor market with additional jobs added and the unemployment rate near cycle lows; (iii) the Federal Reserve maintaining a gradual pace of increasing interest rates and timing of plans to reduce their balance sheet; (iv) the equity market indexes continue to reach record highs; and (v) expectations for fiscal stimulus. The favorable market conditions, resulted in investors buying risky assets. The 10-year Treasury bond produced a return 1.32% during the quarter while stocks, as measured by the S&P 500 Index, produced a return of 3.09%.

PORTFOLIO MANAGEMENT TEAM

Paul Dlugosch, CFA
Co-Manager since 2007
B.S. – University of Iowa

Jeff Sitzmann, CFA
Co-Manager since 2007
M.B.A. – University of Chicago
B.B.A. – University of Toledo

Jeff Deardorff, CFA
Co-Manager since 2015
B.S. – Kansas State University

According to data from JP Morgan, high yield funds experienced outflows during the quarter of about $1.3 billion compared to outflows of $8.2 billion in the previous quarter. The high yield new issuance calendar in the second quarter fell sequentially to $77 billion from $99 billion in the March 2017 quarter and from $102 billion compared to the year-over-year period ending June 30, 2016.

During the quarter, the yield on the 10-year Treasury bond declined by 8 bps from 2.39% to 2.31%. The drop in Treasury yields aided the returns of investment grade and BBB crossover issues that are more sensitive to the movement in interest rates while weakness in energy pricing negatively impacted energy issues and lower credit quality CCC credits. This led to relative outperformance in higher-quality fixed income products during the period. According to data from JP Morgan, the BB-rated segment returned 2.53%, outpacing the B-rated segment and CCC-rated segments, which returned 1.69% and 1.44% respectively. The fund's straight bond segment continues to be biased toward higher-quality, non-investment grade securities of relatively short duration which contributed to the fund's underperformance during the quarter. On a positive note, the fund's underweight to energy helped relative results as energy bonds declined by 1.45% in the quarter. The fund is underexposed to the energy sector with a weighting of about 6% compared to the Bank of America Merrill Lynch High Yield Master II Index at 13%.

According to data from JP Morgan, the U.S. high yield market's spread to worst at the end of the June 30 period was 441bps, 15 bps lower than the preceding quarter and 172 bps below its 20-year historical average of 613 bps. The yield to worst for the high yield market at quarter-end was 6.12%, below the 20-year average of 9.22%, and below the yield of 6.27% at the end of the previous quarter.

PERFORMANCE COMMENTARY

The fund's cash balance decreased during the period as new security purchases exceeded the holdings in the fund that were called away or sold outright. The fund's composition by asset class at quarter-end was as follows:

	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017
Straight Corporates	65.1%	66.8%	71.1%	65.5%	63.6%	62.9%
Convertibles	12.3%	11.7%	13.8%	13.8%	13.1%	13.7%
Bank Loans	8.4%	10.6%	11.2%	11.5%	12.5%	13.9%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%
Convertible Preferred	0.8%	1.3%	1.5%	1.6%	0.9%	0.9%
Common Stocks	2.9%	2.8%	0.0%	0.0%	0.5%	0.6%
Cash	10.6%	6.9%	2.4%	7.6%	9.3%	7.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The approximate rate and contribution of return from the various asset classes in the fund during the quarter is as follows. As shown in the table below, all of the fund's asset classes (excluding cash) produced positive returns during the period. The fund's straight corporates, convertible preferred, and common stock outperformed the index total return, while convertibles, preferred stock, and bank loans underperformed the index total return.

	Approximate	
	Unweighted Return	**Contribution to Return**
Straight Corporates	2.3%	2.0%
Convertibles	1.7%	0.2%
Bank Loans	0.9%	0.1%
Preferred Stock	0.8%	0.0%
Convertible Preferred	3.9%	0.1%
Common Stocks	7.0%	0.2%
Cash	0.0%	0.0%
Total	1.6%	1.6%

Specific securities that contributed most positively to performance include **Insulet Corporation** 2.000% convertible bonds, **Spectranetics** 2.625% convertible bonds, and **Valeant Pharmaceuticals** 5.375% straight corporates bonds. Insulet rallied on better underlying fundamentals. Spectranetics advanced on the announcement the company is being acquired by Koninklijke Philips NV. Valeant rose on continued progress on its restructuring.

Specific securities that detracted most from performance include **The Medicines Co.** 2.750% convertible bonds, **Whiting Petroleum** 1.250% convertible bonds, and **Covanta Holding** 5.875% straight corporate bonds. The Medicines Co. declined on reduced merger and acquisition expectations, Whiting Petroleum declined on the drop in oil prices, and Covanta Holding also traded lower due to weak energy prices.

OUTLOOK

The market for high yield securities remains well bid as yields and spreads bounce around cycle lows. A growing economy with modest inflation has created a favorable environment for risky assets. The slowdown in new issuance activity has reduced the supply of bonds available for purchase, while slowing default rates have reduced investor's risk premium requirements. However, several risk factors could negatively influence the favorable environment. Our concerns include: the Federal Reserve taking a more aggressive tightening policy stance; fiscal stimulus policy not coming to fruition; continued energy price declines; geopolitical issues escalate such as with North Korea; and increasing protectionism.

Within this environment of low spreads and yields, we are managing the fund cautiously yet actively. During the quarter we initiated twenty-eight new positions and had 17 positions reduced due to sales, maturities, or calls. We ended the quarter with 130 holdings compared to the previous quarter's level of 122 positions (excluding cash).

We are managing the fund with an emphasis on higher-quality, non-investment grade issuers with defensive business models and manageable credit metrics. We will continue to deploy the fund's cash in opportunities that we believe offer the most appealing risk/reward tradeoff with a bias toward shorter durations and less levered credits. We believe bank loans offer a compelling opportunity as they offer senior positioning in the capital structure and floating interest rates, and we remain constructive in regards to convertible bonds and preferred issues.

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 3/31/17 the Buffalo High Yield Fund's top ten holdings were: Bankrate, Inc. (6.125%, 8/15/18) 2.56%, Akorn, Inc. (Term Loan B, 5.250%, 4/16/21) 2.54%, Lions Gate Entertainment Corp. (1.250%, 4/15/18) 2.19%, DigitalGlobe, Inc. (Term Loan B, 3.732%, 01/15/24) 2.13%, KCG Holdings, Inc. (6.875%, 03/15/20) 1.96%, Tutor Perini Corp. (7.625%, 11/01/18) 1.91%, Endo Finance LLC. (5.750%, 1/15/22) 1.74%, Valeant Pharmaceuticals (Term Loan. 5.740%, 04/01/22) 1.67%, Triumph Group, Inc. (4.875%, 4/01/21) 1.64%, & Consolidated Communications, Inc. 6.500%, 10/01/22) 1.64%.

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 10-year Treasury Note is a debt obligation issued by the United States government that matures in 10 years. A basis point (bps) refers to one hundredth of one percent, used chiefly in expressing differences of interest rates. Yield is the income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Yield to worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. Spread to worst measures the difference from the worst performing security to the best, and can be seen as a measure of dispersion of returns within a given market or between markets. 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. Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. The 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. The Lipper High Yield Bond Funds Index is a widely recognized index of the 30 largest mutual funds that invest primarily in high yield bonds. 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. Performance is presented net of the funds' fees and expenses. One cannot invest directly in an index.

A Standard & Poor's Rating of B means an obligor is more vulnerable the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. A Standard and Poor's Rating of BB means an obligor is less vulnerable in the near term than other lower-rated obligors. A Standard and Poor's Rating of CCC means an obligor is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. The highest rating is AAA and the lowest rating is D. A Standard & Poor's Rating of BBB– or higher represents investment grade securities. In limited situations when the rating agency has not issued a formal rating, the Advisor will classify the security as nonrated.

Mutual Fund investing involves risk. Principal loss is possible. The Fund invests in U.S. based companies with substantial interests outside of the U.S. which may involve additional risk such as greater volatility and political, economic and/or currency risks. This risk is greater in emerging markets. The Fund may invest in convertible securities which may be influenced by changing interest rates and the credit standing of the company. The Fund invests in smaller companies, which involves additional risks such as limited liquidity and greater volatility than larger companies.

Diversification does not assure a profit, nor does it protect against a loss in a declining market.

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