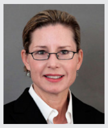
Large Cap Fund

***PM Commentary** as of March 31, 2018*

CAPITAL MARKET OVERVIEW

The long streak of low volatility and positive stock market returns ended in the 1st quarter of 2018. Strong gains in January were erased in February and March, leaving the S&P 500 Index down 0.76% for the quarter. Volatility as measured by the Cboe Volatility Index (VIX) was up about 80% in the 1st quarter after falling for the last three years. Investor worries about increasing interest rates, possible trade wars, and threatened government action against large technology companies, offset generally strong economic data and corporate earnings growth.

PORTFOLIO MANAGER



Elizabeth Jones, MD, CFA
Co-Manager since 2004
M.D. – Vanderbilt University
M.B.A. – Arizona State University
B.S. – Georgetown University

The Russell 3000 Index declined 0.64% in the quarter, and, broadly speaking, small cap companies outperformed large cap companies during the period. The Russell Microcap Index advanced 0.68% and the Russell 2000 Index finished the period nearly flat, edging down just 0.08%. Moving up the market cap spectrum, performance worsened – the Russell Mid Cap Index was down 0.46% and the larger cap Russell 1000 Index declined 0.69%. Growth outperformed value by a wide margin during the quarter as the Russell 3000 Growth Index advanced 1.48% compared to a decline of 2.82% for the Russell 3000 Value Index. Technology and Consumer Discretionary were the best performing sectors, while Consumer Staples and Energy were the worst performing.

PERFORMANCE COMMENTARY

For the 1st quarter of 2018, the Buffalo Large Cap Fund returned 0.17%, underperforming the Russell 1000 Growth Index which returned 1.42%. The Fund's underperformance versus the benchmark was primarily driven by stock selection in our healthcare and information technology holdings. Sector allocation had limited impact on relative returns.

TOP CONTRIBUTORS

Top contributors in the period were **Amazon**, **Red Hat**, and **CME Group**.

Average Annualized Performance (%)

As of 3/31/18	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Buffalo Large Cap Fund	15.41	10.47	14.83	10.38	10.34	9.55
Russell 1000 Growth Index	21.25	12.90	15.53	11.34	10.88	9.18

Expense ratio 0.96%. 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.

Amazon's top line beat expectations in the 4th quarter due to broad-based strength in eCommerce, AWS, advertising, and Prime. Adjusted operating margins also dramatically exceeded expectations leading to a high quality earnings report.

Red Hat has benefited from increasing cloud spend and digitalization. While Red Hat does not offer cloud solutions per se, the company's products are a critical component of the hybrid cloud, which interfaces the public and private (on premise) cloud.

CME benefited from increased market volatility. CME's products hedge exposure to various markets including interest rates, West Texas Intermediate (WTI) crude and equity indices. As market volatility increased, contract volumes rose in the first quarter with particular strength in interest rate hedging instruments where CME holds a dominant position.

TOP DETRACTORS

Top detractors in the period were **Dentsply**, **Shire**, and **Biogen**.

Dentsply manufactures and distributes dental products globally. A new CEO joined the organization in the 1st quarter of 2018. As a result of the changes in the executive suite, the 10-K filling was delayed two weeks, which pressured the stock.

Shire's stock was hit by lackluster growth prospects for 2018 and concerns about increasing competition in several existing products.

Biogen sold off after the company announced changes to the clinical trial of a key late stage pipeline drug. The change to the trial does not impact the investment thesis. Nevertheless, some market participants' confidence was shaken by the news.

PORTFOLIO POSITIONING & OUTLOOK

We ended the quarter with 46 stocks in the fund representing 45 companies as we hold both the Class A and C shares of Alphabet. We exited 7 stocks and added 7 more to the portfolio in the quarter. The cash position ending the period at about 3.9% of fund assets.

Over the past 6 months, earnings growth expectations for companies within the S&P 500 have accelerated, from a 10% growth rate to an 18% growth rate for 2018. As growth expectations have risen, so have concerns related to inflation and rising interest rates. In addition, speculation over business model disruptions at Facebook and Google have negatively impacted sentiment broadly in high growth stocks. Adding to this equation, rhetoric around trade wars modestly impacted business confidence year-to-date. These concerns have led to increased market volatility in the 1st calendar quarter of 2018. Specifically in February and March of 2018, U.S. equity markets gyrated up and down with no clear direction.

We remain optimistic that this business cycle has legs. We expect inflation to remain tame, interest rates to rise at a measured pace, and Facebook and Google to continue to generate strong growth despite increased regulation. We are also optimistic that the current posturing related to international trade and tariffs will give way to a reasonable compromise, an outcome that we believe is in the overall best interest of the disputing parties. As the dust settles on these concerns over the next several months, we expect U.S. equity markets to rise, driven by solid economic fundamentals.

In the meantime, the Buffalo Large Cap Fund is attempting to capitalize on the volatility, using the strength to trim or exit holdings in which we have modest expectations for risk adjusted returns, and using the pull backs to add to higher conviction stocks in which we believe will deliver superior risk-adjusted returns. We expect other market participants to also use the volatility to their advantage. Corporations are flush with cash, and we expect capital allocation in the form of merger and acquisition activity to increase in 2018.

The economic condition may ebb and flow, but our focus remains steadfast on investing in attractively-priced, financially strong, well-managed companies who are potential beneficiaries of the Buffalo Secular Growth Trends. We believe this discipline can lead to superior returns over the intermediate to long term.

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 12/31/17 the Buffalo Large Cap Fund's top ten equity holdings were: Amazon 5.18%, Microsoft 4.73%, Alphabet (A) 4.13%, Facebook 3.72%, Apple 3.52%, Schlumberger 3.04%, Alnylam Pharmaceuticals 2.86%, Praxair 2.69%, CME Group 2.66%, Visa 2.61%. 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 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 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. The S&P 500 is a capitalization weighted index of 500 large capitalization stocks which is designed to measure broad domestic securities markets. The Russell Micro Cap 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. It is not possible to invest directly in an index.

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

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.

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