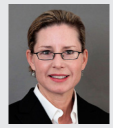
Large Cap Fund

***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. The CBOE Volatility Index continued to hover near record lows, and, for the first time since 1958, U.S. equities delivered positive returns in every single month of the year.

PORTFOLIO MANAGER



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The Russell 3000 Index produced a total return of 6.34% in the 4th quarter. Growth continued to outperform value, with the Russell 3000 Growth Index up 7.61%, beating the 5.08% return from the Russell 3000 Value. Large companies generally outperformed smaller companies during the quarter. The Russell 1000 returned 6.59%, the Russell Midcap Index returned 6.07%, the Russell 2000 returned 3.34%, and the Russell Microcap Index returned 1.80%. Consumer Discretionary and Technology were the best performing sectors in the fourth quarter. Consumer Staples, Health Care, and Utilities underperformed.

PERFORMANCE COMMENTARY

The Buffalo Large Cap Fund returned 6.54% in the 4th quarter of 2017, underperforming the Russell 1000 Growth Index that appreciated 7.86%. An overweight allocation to the healthcare sector was the primary driver of the under-performance since the sector was flat in the period. In addition, the underweighting of information technology stocks, a sector that was strong, hurt performance in the period.

For the year the Buffalo Large Cap Fund returned 24.86%, short of its benchmark the Russell 1000 Growth Index, which rose 30.21%.

Average Annualized Performance (%)

As of 12/31/17	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception
Buffalo Large Cap Fund	24.86	12.67	16.45	9.22	9.89	9.65
Russell 1000 Growth Index	30.21	13.79	17.33	10.00	10.70	9.22

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.

The underperformance versus the benchmark is disappointing yet not totally unexpected. Information Technology was the best performing sector in the benchmark and the fund is underweight this sector. We have consistently been underweight information technology (IT) given the volatility of the stocks in the sector and the limited number of companies with a sustainable competitive advantage. We believe limiting the IT investment to the highest quality companies will generated superior risk adjusted returns over the intermediate to long term.

The Buffalo Large Cap Fund ended the year with 46 holdings representing 45 companies, as we hold both the Class A and Class C shares of Alphabet. We exited one position and added another resulting in only modest turnover in the quarter. The end of year cash weighting in the fund is 4.8%, within the typical range of 3-5%.

TOP CONTRIBUTORS

Top contributors in the period were **Amazon**, **Microsoft**, and **Intel**.

Amazon continued to deliver top line growth exceeding expectations, driven by increasing penetration of Amazon Prime membership. An estimated 85 million plus people are Prime members in the U.S., and Prime members spend at least twice as much on the website as non-members. The Prime members are driving an acceleration of top line growth.

Microsoft is transitioning to a cloud service provider from a packaged software company. In the 3rd quarter the company reaped the benefits of this transition with a profound top and bottom line earnings' beat.

Intel was added to the portfolio in mid-2017, after the stock sold off due to concerns about slowing growth in its server market. However, the sell off was short lived, after a strong 3rd quarter earnings' report dispelled those fears.

TOP DETRACTORS

Top detractors were **Electronics Arts**, **CVS**, and **Schlumberger**.

Many electronic gaming companies like Electronic Arts have benefited selling in-game virtual merchandise. These micro-transactions have driven both top line growth and margins. In a recent game launch, Battlefront II, Electronic Arts' management pulled all micro-transactions just days prior, after negative feedback during beta testing. This change modestly impacted consensus' models for fiscal 2019 revenue and earnings, and the stock sold off. However, we believe that in-game purchases will be offered for this game during fiscal 2019 after retooling the offering and that the intermediate to long term growth opportunity for Electronic Arts is intact.

CVS sold off in the quarter after announcing the acquisition of Aetna, a managed care company. While in the long term this acquisition makes strategic sense, in the near-term, the move, rightly or wrongly, signaled to investors that the company's current businesses have limited growth opportunities. While CVS faced increased competition and pricing pressure in 2017 we believe the company offers economies of scale and that growth will accelerate in 2018.

Schlumberger's underperformance in the period is not clear cut since both the energy sector and crude oil experienced meaningful appreciation in the quarter. The company did modestly miss earnings expectations in the 3rd quarter due to weaker-than-expected incremental margins, but we believe a bigger issue for investors is the company's recent strategy to take an ownership position in some smaller oil fields, as opposed to being simply a service provider. And while we are cautious on these investments, we believe the company's exposure is limited. On a brighter note, Schlumberger has significant exposure to international markets which are showing early signs of recovery, and this improvement should drive growth in late 2018 and 2019.

OUTLOOK

The market environment for equities remains favorable. 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 mergers and acquisitions, buybacks, and dividend increases.

As growth strengthens, inflation expectations and the pace at which the Fed intends to normalize interest rates and the central bank balance sheet could introduce market volatility. We stand poised to capitalize when and where we see an opportunity to improve risk-adjusted expected returns within the portfolio.

Economic conditions may ebb and flow, but the Buffalo Large Cap Fund remains committed to investing in companies that are beneficiaries of the Buffalo Secular Growth Trends. A portfolio comprised of secular growth companies should outperform across the business cycle since each holding's growth drivers are less dependent on the overall macroeconomic environment.

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 9/30/17 the Buffalo Large Cap Fund's top ten equity holdings were: Amazon.com 4.51%, Microsoft 4.37%, Alphabet (A) 4.05%, Facebook 3.82%, Apple 3.40%, Schlumberger 3.14%, Alnylam Pharamaceuticals 2.80%, CME Group 2.62%, Praxair 2.58%, Visa 2.56%. 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. You cannot 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 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.