

# Small Cap Fund

June 30, 2017



Ticker: BUFSX | Inception Date: 4/14/1998 | Fund Assets: \$566.5 Million | Expense Ratio: 1.01%

## PORTFOLIO MANAGEMENT TEAM



**Bob Male, CFA**  
Co-Manager since Inception  
M.B.A. – Southern Methodist  
B.S. – University of Kansas



**Jamie Cuellar, CFA**  
Co-Manager since 2015  
M.B.A. – Southern Methodist  
B.B.A. – University of San Diego



**Alex Hancock, CFA**  
Co-Manager since 2017  
B.A. – Dartmouth College

## INVESTMENT STRATEGY

Define long-term, measurable secular growth trends that we anticipate should continue for 3-5 years.

Identify premier growth companies which demonstrate:

- Strong management teams
- Little or no debt
- Free cash flow
- Scalable business models with a competitive advantage
- A history of high and increasing margins
- Attractive valuations based on our proprietary valuation model

Construct a portfolio of 50-70 positions within the market capitalization range of the Russell 2000 Growth Index at the time of purchase.

## PERFORMANCE (%)

### Average Annual Returns

(As of 6/30/17)	3 MO	YTD	1 YR	3 YR	5 YR	10 YR	15 YR	Since Inception (4/14/98)
<b>Buffalo Small Cap Fund</b>	5.48	16.57	28.62	4.93	10.88	6.34	9.30	11.39
<b>Russell 2000 Growth Index</b>	4.39	9.97	24.40	7.64	13.98	7.82	9.55	5.77
<b>Morningstar Small Growth</b>	4.33	10.15	23.12	6.67	12.81	7.05	9.02	6.92

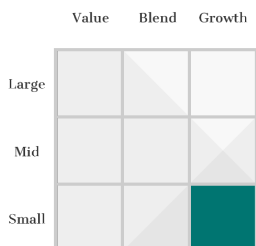
Average annual total return represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate and redemption value may be more or less than original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by visiting [www.buffalofunds.com](http://www.buffalofunds.com).

## OVERALL MORNINGSTAR™ RATING



Out of 580 Small Growth funds as of 6/30/17 (derived from a weighted average of the fund's 3-, 5-, and 10-year risk adjusted return measure).

## INVESTMENT STYLE

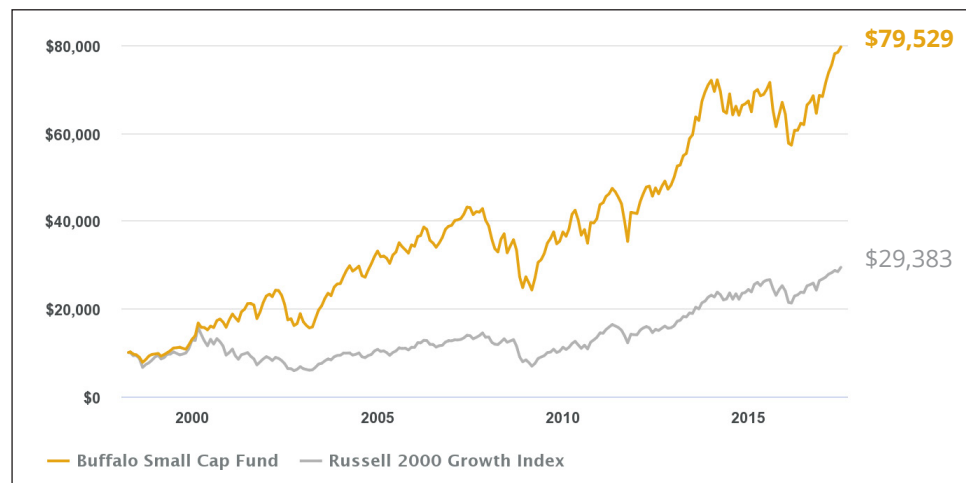


The Morningstar Style Box™ reveals a fund's investment strategy by showing its investment style and market capitalization based on the fund's portfolio holdings.

## Historical Returns

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Buffalo Small Cap Fund</b>	6.22	-4.46	-6.55	44.15	19.93	-4.66	16.59	37.49	-29.84	-0.33
<b>Russell 2000 Growth Index</b>	11.32	-1.38	5.60	43.30	14.59	-2.91	29.09	34.47	-38.54	7.05
<b>Morningstar Small Growth</b>	11.20	-2.41	2.44	40.91	13.15	-3.55	26.98	35.46	-41.55	7.59

## Growth of \$10,000



This chart illustrates the performance of a hypothetical \$10,000 investment made in the Fund on the Inception Date through 6/30/17. Assumes reinvestment of dividends and capital gains. This chart does not imply future performance.

## PORTFOLIO CHARACTERISTICS

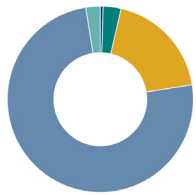
<b>Number of Holdings</b>	73
<b>Median Market Cap</b>	\$2.23 B
<b>Weighted Average Market Cap</b>	\$2.70 B
<b>3-Year Annualized Turnover Ratio</b>	35.95%
<b>% of Holdings with Free Cash Flow</b>	71.05%
<b>% of Holdings with No Net Debt</b>	50.00%
<b>Active Share</b>	89.69%

## THREE-YEAR RISK METRICS

<i>(vs. Russell 2000 Growth Index)</i>	
<b>Upside Capture</b>	83.85
<b>Downside Capture</b>	95.83
<b>Alpha</b>	-1.67
<b>Beta</b>	0.88
<b>Sharpe Ratio</b>	0.32

COMPANIES BY MARKET CAPITALIZATION

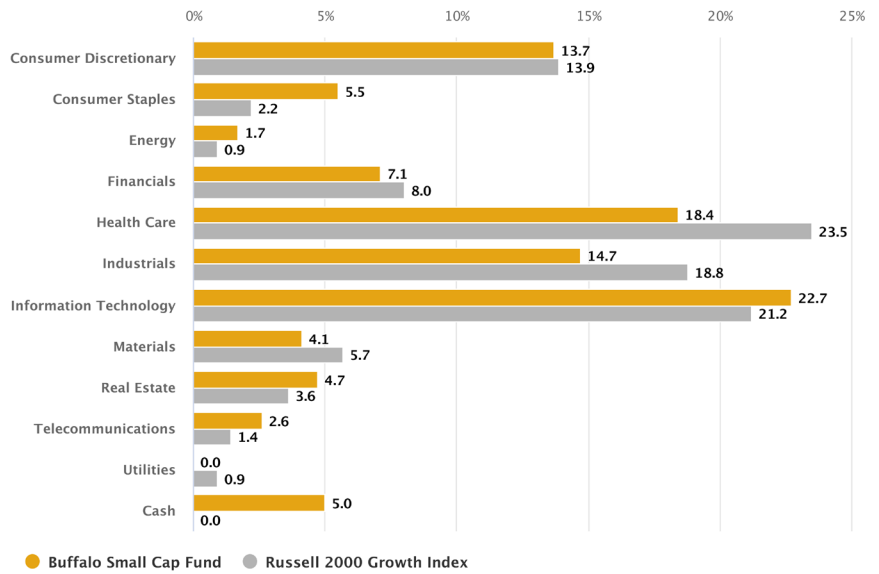
SECTOR WEIGHTS (%)



< \$400M	0.5%
\$400 - \$750M	3.1%
\$750M - \$1.5B	18.9%
\$1.5 - \$7.5B	74.9%
\$7.5 - \$15B	2.5%

TOP 10 EQUITY HOLDINGS\*

Nevro	2.57%
InterXion Holding	2.23%
Monolithic Power Systems	2.19%
CoreCivic	2.18%
WageWorks	2.10%
HealthEquity	2.07%
Bio-Techne	2.03%
Cavium	2.01%
Supernus Pharmaceuticals C	2.01%
Dave & Buster's	2.00%
<b>TOP 10 HOLDINGS TOTAL</b>	<b>21.38%</b>



The Buffalo Funds are a family of 10 actively-managed mutual funds offering a variety of domestic equity, international equity, and income-generating investment strategies. Located in Mission, Kansas (a suburb of Kansas City), employee-owned Kornitser Capital Management, Inc. (KCM) has been the exclusive investment advisor to the Funds since inception in 1994.

At KCM, we believe that patient investing backed by solid, intelligent research is the best way to achieve potential long-term financial rewards. Disciplined investment decisions are made using a distinct, time-tested investment approach guided by trend analysis, rigorous fundamental company research, and strict security valuation parameters.

Our fund family is characterized by a long-term growth investment strategy and a team-based, idea-sharing management style. "Trends and Patience" is our mantra, and our great strength.

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The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The Buffalo Small Cap Fund received 2 stars among 599 for the three-year, 2 stars among 533 for the five-year, and 3 stars among 398 Small Growth funds for the ten-year period ending 6/30/17.

The Morningstar percentile ranking is based on the fund's total-return percentile rank relative to all funds that have the same category for the same time period. The highest (or most favorable) percentile rank is 1%, and the lowest (or least favorable) percentile rank is 100%. Morningstar total return includes both income and capital gains or losses and is not adjusted for sales charges.

The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. companies. Beta measures the volatility of the fund, as compared to that of the overall market. The Market's beta is set at 1.00; a beta higher than 1.00 is considered to be more volatile than the market, while a beta lower than 1.00 is considered to be less volatile. Alpha is an annualized return measure of how much better or worse a fund's performance is relative to an index of funds in the same category, after allowing for differences in risk. Market Capture Ratio is a statistical measure of the Fund's overall performance in up-markets (positive return periods) and down-markets (negative return periods). The market capture ratios are used to evaluate how well an investment performed relative to an index during periods when that index has risen or fallen. The Sharpe Ratio is a measure for calculating risk-adjusted return. Free Cash Flow is a measure of how much cash a business generates after accounting for capital expenditures. Active Share is a measure of the percentage of stock holdings in a manager(s) portfolio that differ from the benchmark index. Market Cap is the market price of an entire company, calculated by multiplying the number of shares outstanding by the price per share. Price-to-book is a financial ratio used to compare a company's current market price to its book value. Each Morningstar category average represents a universe of funds with similar objectives. One cannot invest directly in an index.

Sector Allocation may not equal 100% due to rounding.

\*Top Ten Holdings for the quarter are not disclosed until 60 days after quarter end. Those listed are for the previous quarter. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any securities.

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 it may be obtained by calling (800) 49-BUFFALO or visiting [www.buffalofunds.com](http://www.buffalofunds.com). Read it carefully before investing.

Mutual Fund investing involves risk. Principal loss is possible. The Fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than large-cap companies. The Fund invests in foreign securities which involve greater volatility and political, economic, and currency risks as well as differences in accounting methods.

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