Growth Fund

Quarterly Commentary as of 3/31/12

Average Annualized Performance (as of 3/31/12) Expense Ratio: 1.00%	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**	**Since Inception** (5/19/95)
Buffalo Growth Fund	8.78%	26.11%	5.38%	5.24%	7.51%	9.36%
Russell 1000 Growth Index	11.02%	25.28%	5.10%	4.28%	5.37%	7.32%

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 and quarter end may be obtained by visiting the Funds' website at www.buffalofunds.com. The Fund charges a 2% redemption fee on redemptions or exchanges of fund shares that are made within 60 days of purchase. Performance data does not reflect redemption fee. Had the fee been included, returns would be lower.

The first quarter of the 2012 introduced fresh evidence that the global economy continues to mend and albeit slowly, perhaps by enough to diminish the odds of another round of quantitative easing (QE3). The employment picture brightened with new claims for unemployment falling to 2008 levels and employers indicating an increased probability of hiring in the coming quarters. The Institute for Supply Management reported that activity in the manufacturing sector expanded for 31 consecutive months. Sales of existing homes in the U.S. reported their strongest February numbers in five years, signaling improvement in the beleaguered housing market. At the corporate level, some excess cash was put to use with increased dividends and acquisition activity, especially in technology and health care. Capital markets rewarded these developments during the quarter with a terrific rally advancing many major stock market indices by 10% or more.

The quarter ended with the Dow Jones, the S&P 500 and NASDAQ trading at 2008's pre-recession levels, despite continued thin volume. It is our view that investors remain fearful of equity market uncertainty due to the still fragile state of economic recovery, looming tax reform and high government debt. A slight uptick in leading economic indicators and more importantly in yields, however, near the end of the quarter seemingly has investment funds flow poised to embrace equities with more vigor as inflows into equities began to tick up and many advisors readied their bench of equity funds best positioned to benefit from economic reflation, equity multiple expansion and rising interest rates.

If the U.S. economy continues to recover we believe investors may be much better off in stocks than in bonds over the long term. We continue to believe that equity market fundamentals and multiples have room to move higher along with slowly improving macro conditions and confidence. That said, we've seen a strong rally in the last six months in which stocks climbed much faster than fundamentals, valuations are not as broadly attractive and price-to-growth selectivity is becoming more important.

The Buffalo Growth Fund enjoyed a strong first quarter, with positive returns of 13.35% but we underperformed the even stronger Russell 1000 Growth Index returns of 14.69%. The Fund experienced modestly positive sector allocation effect from our overweight in Technology and underweights in both Consumer Staples and Energy. However, our positive allocation effect was offset by negative stock selection in the quarter and a modest drag from our cash given the market's broad move higher. Two names accounted for the bulk of the drag in relative performance, namely Electronic Arts and Apple. After a very strong performance in calendar year 2011, Electronic Arts experienced a shortfall in stock performance in the first quarter due to higher than expected expenses and a slower than expected revenue ramp in two new major product releases. Our underweight in Apple also detracted from relative performance in the quarter. Apple Computer was up nearly 50% during the quarter on optimism over new product cycles for the iPhone and iPad along with rumors of a TV set launch later in the year that were viewed positively. Although Apple was the top overall contributor to our performance, it was a detractor from our relative performance since our benchmark Russell 1000 Growth Index held an average position size of 6.59%, roughly 300 basis points greater than the average for the Fund during the quarter. We find a greater than 6% position in one company difficult to justify from a diversification and risk control perspective. Our relative underweight in Apple detracted about 80 basis points from attribution in the quarter. Recall that we don't manage to benchmark constituents or weights. Our stock selection and asset allocation is driven by price-to-growth attractiveness of companies we consider premier companies whose rapid and sustained growth prospects are propelled by long-term trends and international expansion.

As mentioned earlier, we believe price-to-growth selectivity is increasingly important given higher overall equity valuation levels. We are actively adding to positions across a diversified group of companies which we believe offer great long-term growth prospects, sustainable franchises and where market weakness or oversight creates attractive valuations. Our disciplined approach to growth stock selection helps us gauge expectations discounted in stock prices and it frames our decision-making within a long-term oriented good times / bad times range. Our view from the bottom up still suggests the quest for fixed income yield is crowded and the counter-cyclical sectors like Staples and Utilities have reached relatively unattractive levels while the high free cash flow-yielding, globally diversified multinationals mainly within traditionally pro-cyclical sectors are relatively attractive. The Fund ended the quarter with 55 holdings, up from 53 at the end of last quarter. We added four new names and sold two. Our Financials weighting has increase slightly with the addition of two new names while all other sector weights remain about the same. We remain underweight Consumer Staples and Energy and are overweight Consumer Discretionary, Financials, and Technology.

While the handoff to either sustained macroeconomic growth or QE3 and greater government stimulus is uncertain, we believe continued growth can be achieved through investment in great American companies possessing the strong financial and business characteristics that enable them to benefit from secular growth at home and the ability to extend their domestic market leadership and competitive advantages across borders to serve large, profitable and fast-growing opportunities abroad. In spite of the risk aversion and doubts about the durability of the current global economic expansion that weighed on equities in the second half of last year, we believe benefactors of secular growth trends and international expansion should continue to provide fertile grounds for new name generation and incremental long-term growth prospects for our existing holdings.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The Statutory Prospectus contain this and other important information about the investment company, and it must be obtained by calling 1-800-49-BUFFALO or visiting www.buffalofunds.com. Read it carefully before investing.

As of 12/31/11 the Buffalo Growth Fund's top ten equity holdings were: Apple, Inc. 4.09%, JPMorgan Chase & Co. 3.11%, Qualcomm Inc. 2.83%, NetApp Inc. 2.70%, Cisco Systems Inc. 2.67%, Juniper Networks 2.58%, Oracle Corp. 2.46%, Broadcom Corp. 2.46%, Harman International Industries Inc. 2.25%, Google Inc. 2.19%.

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. Russell 1000 Growth Index measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. You cannot invest directly in an index. **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.** Current and future portfolio holdings are subject to risk. A basis point is a unit that is equal to 1/100th of 1%. **Diversification does not assure a profit nor protect against loss in a declining market.** Free cash flow yield is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. The S&P 500 stands for Standard & Poor 500 and 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. The Dow Jones Industrial Average is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market. The NASDAQ is the second-largest stock exchange by market capitalization in the world.

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