

Flexible Income Fund

Quarterly Commentary as of 3/31/12



Average Annualized Performance (as of 3/31/12) Expense Ratio: 1.05%	1 year	3 years	5 years	10 years	15 years	Since Inception (8/12/94)
Buffalo Flexible Income Fund	9.15%	20.22%	5.32%	6.65%	6.36%	7.30%
S&P 500 Index	8.54%	23.42%	2.01%	4.12%	6.10%	8.54%
BofA Merrill Lynch HY Master II Index	5.64%	23.78%	7.84%	8.95%	7.15%	7.95%
Lipper Mixed-Asset Target Allocation Moderate Funds Index	4.07%	16.43%	2.53%	4.76%	5.79%	6.94%

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 positive performance in the U.S. equity markets during the first quarter reflected several factors. First, the U.S. economy continued to report positive economic data with continued improvement in the labor market as payroll gains forced unemployment rates down to their lowest levels in more than three years and jobless claims hit a four-year low. Second, fourth quarter earnings (which were released in Q1) were generally better than expected. Third, the U.S. continued with its stated intentions to hold its key interest rate near zero through 2014. Lastly, the European sovereign debt crisis that had weighed on broad markets in past quarters became less disruptive as Greece's drawn out debt restructuring process ended in an orderly default during 1Q12. In the high yield market, the positive performance during the quarter was driven by a variety of the same factors that impacted equities, as well as positive fund flows into the high yield asset class.

The Buffalo Flexible Income Fund returned 5.16% for the quarter and year-to-date period ending 3/31/2012. For the same period, the S&P 500 equity index returned 12.59% and the Bank of America/Merrill Lynch High Yield Master II Index returned 5.15%.

At the end of the quarter, the Fund was comprised of 51% equities, 33% bonds (primarily high yield) and 16% cash. The equity portion of the Fund produced a 5.81% return for the first quarter versus the S&P 500 return of 12.59%. Information Technology, Consumer Staples, and Energy were the largest contributors to the absolute performance of the equity portfolio. Relative to Flexible Income Fund's equity benchmark, the underperformance was primarily derived in the Financials, Energy, and Consumer Staples segments. In Financials, an underweight position relative to the benchmark in a sector that outperformed the benchmark return negatively impacted relative performance. In both Energy and Consumer Staples, an overweight position in sectors that underperformed the benchmark average also negatively impacted relative performance.

The top three stock contributors to the absolute performance of the equity portion of the Fund in the quarter were Microsoft, General Electric, and HollyFrontier. Microsoft benefited from an earnings beat for their fiscal 2Q12 (January 2012) as well as anticipation of the release of Windows 8 and Office 15 in fiscal 2013. General Electric's stock saw good price appreciation after the company's global growth meeting with investors in early March where the company indicated a more aggressive global growth strategy due to numerous industrial global growth opportunities. Hol-

lyFrontier benefited from a substantial increase in refining crack spreads (i.e. the gross margin related to buying crude oil and processing it into refined products), which more than doubled during the quarter.

The top three detractors to the absolute performance of the Fund in the first quarter were Newmont Mining, Baker Hughes, and Royal Dutch Shell. Newmont's shares were up for the quarter until they reported earnings that missed consensus estimates in late February. In conjunction with the earnings miss, gold prices also weakened into the end of the quarter in which the shares followed gold prices lower. Baker Hughes stock underperformed starting in late February on concerns of weakness in pressure pumping (also called hydraulic fracturing or fracking) and the company's preannouncement in late March that earnings for 1Q12 would come in materially lower than Wall Street's already lowered estimates. Royal Dutch Shell was down just modestly for the quarter and was one of the biggest detractors mainly due to its being one of the larger weights in the equity portfolio.

The Fund ended the quarter with a 33% weighting in bonds (primarily high yield). The fixed income portion of the Fund produced a 6.49% return for the first quarter versus the Merrill Lynch High Yield Master II Index return of 5.15%. From an absolute return perspective, Services, Energy, and Healthcare were the biggest sector contributors to the Fund's fixed income performance. Some of the top contributors in terms of individual issues were Lionsgate 10.25% due 11/1/2016, United Refining 10.5% due 2/28/2018, and Lionsgate 4% Convertible due 1/11/2017. A few of the detractors to the bond portion of the portfolio were Iron Mountain 6.625% due 01/01/2016, Carriage Services 7.875% due 1/15/2015, and Goodrich Petroleum 8.875% due 03/15/2019.

The cash position at the end of the quarter was 16%, higher than our target of 5% -10%, and reflects cash inflows during the quarter as well as bond redemptions within the high yield portfolio as corporations seek to refinance existing debt with cheaper debt and with longer maturities. Despite having similar equity and high yield fixed income weightings relative to past quarters, the Fund continues to focus on finding new high yielding asset classes with low correlations. We continue to look at new asset classes for the Fund such as Master Limited Partnerships, Real Estate Investment Trust's (REIT's) and bank loans. These potential new asset classes (for the Fund) fall right in line with the Fund's objective of generating income. In addition, we continue to look for opportunistic investments in our legacy asset classes of high dividend paying stocks and high yield bonds, but we remain steadfastly focused on valuation for all securities.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The Statutory and Summary 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 Flexible Income Fund's top ten holdings were: Lionsgate 4.01%, Chevron Corp. 3.13%, General Electric Co. 2.71%, ConocoPhillips 2.30%, Microsoft Corp. 2.18%, Swift Energy Co. 2.09%, Royal Dutch Shell PLC 2.00%, United Refining Co. 1.96%, Pfizer 1.82%, Exxon Mobil Corp. 1.78%.

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 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. It includes zero-coupon bonds and payment-in-kind (PIK) bonds. The S&P 500 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 Lipper Mixed-Asset Target Allocation Moderate Funds Index is an unmanaged index considered representative of mixed-asset target allocation moderate funds tracked by Lipper, which would combine the 30 biggest funds, based on asset size, that belong to this asset category. You cannot invest directly in an index. Correlation is a statistical measurement of the relationship between two variables. **Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Diversification does not assure a profit or protect against loss in a declining market. Investments in debt securities typically decrease in value when interest rates rise. This risk is greater for longer term debt securities.**

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