

Investment Approach

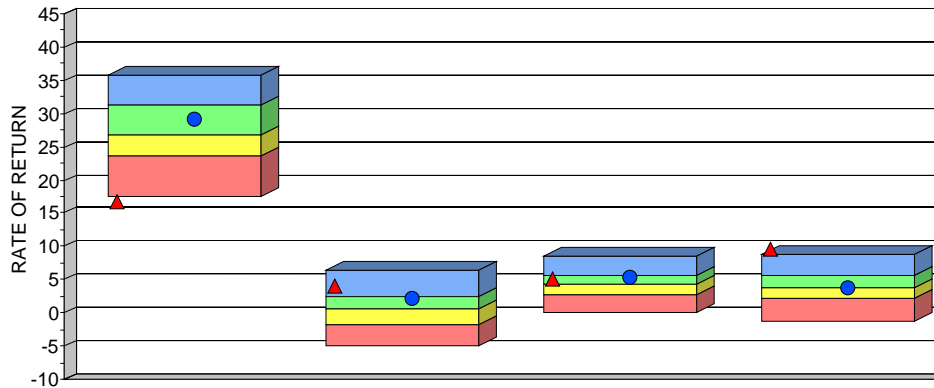
The Buffalo Small Cap Fund is a small company mutual fund focused on providing long-term growth of capital. The fund normally invests in domestic common stocks, preferred stocks, convertible preferred stocks, warrants and rights of small cap companies that are expected to perform well over the next three to five years. The fund considers a company to be small cap if it has a market capitalization of \$2.5 billion or less. The fund may invest up to 20% of its net assets in U.S. dollar-denominated American Depositary Receipts (ADRs) and securities of foreign companies that are traded on U.S. stock exchanges.

Performance Commentary

For the one-year period ended December 31, 2010, the Buffalo Small Cap Fund returned 16.59%, trailing by 12.50% the Russell 2000 Growth Index return of 29.09% due to weak stock selection.

Fund Characteristics	Buffalo Small Cap Fund
Total Fund Assets	\$3.1 billion
Style Characteristics	Growth
Capitalization Focus	Small
Number of Holdings	58
Turnover	9%
Fees	1.03% Annually
Portfolio Manager (tenure)	Kent Gasaway and Robert Male since inception April 1998 and Grant Sarris since November 2003

**BUFFALO SMALL CAP
QUARTILE RANKING BAR
SMALL GROWTH UNIVERSE
PERIODS ENDING DECEMBER 31, 2010**



	1 Year	3 Years	5 Years	10 Years
HIGH (0.05)	35.87	6.30	8.56	8.74
FIRST QUARTILE	31.15	2.35	5.72	5.68
MEDIAN	26.88	0.53	4.36	3.74
THIRD QUARTILE	23.70	-1.77	2.70	2.19
LOW (0.95)	17.59	-4.95	-0.03	-1.17
MEAN	27.23	0.43	4.25	3.89
VALID COUNT	594	522	436	260

	1 Year		3 Years		5 Years		10 Years	
	VALUE	RANK	VALUE	RANK	VALUE	RANK	VALUE	RANK
▲ Buffalo Small Cap	16.59	99	4.00	10	5.03	36	9.61	1
● Russell 2000 Growth	29.09	34	2.18	26	5.30	31	3.78	48

Historical Returns

	Buffalo Small Cap		Russell 2000 Growth		Return Difference
	Return	Rank *	Return	Rank *	
2001	31.2%	1	-9.2%	41	40.4%
2002	-25.8	40	-30.3	65	4.5
2003	51.2	26	48.5	32	2.7
2004	28.8	1	14.3	40	14.5
2005	3.2	79	4.2	74	-0.9
2006	14.0	26	13.4	29	0.6
2007	-0.3	88	7.1	54	-7.4
2008	-29.8	1	-38.5	21	8.7
2009	37.5	38	34.5	51	3.0
2010	16.6	99	29.1	34	-12.5
Trailing 3-Year	4.0%	10	2.2%	26	1.8
Trailing 5-Year	5.0	36	5.3	31	-0.3
Trailing 10-Year	9.6	1	3.8	48	5.8

* Rank of 1 is best and 100 is worst.

Assessment

The Buffalo Small Cap Fund outperformed the benchmark in seven of the ten prior years and ranks well versus a universe of small growth mutual funds for the longer time periods. The fund favors high quality companies with strong balance sheets that generate free cash flow. We recommend retention of this fund.