

# **Sparrow Growth Fund**

**Class A**  
**(SGFFX)**

**Class C**  
**(SGFCX)**

**No-Load Class**  
**(SGNFX)**

## **Annual Report**

**August 31, 2023**

### **Fund Advisor:**

**Sparrow Capital Management, Inc.**  
**8500 Maryland Avenue, Suite 743**  
**St. Louis, Missouri 63105**

**Toll Free: (888) 727-3301**  
**Local Phone: (314) 725-6161**

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# SPARROW GROWTH FUND

## MANAGERS COMMENTARY AUGUST 31, 2023 (UNAUDITED)

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We continue to watch as the Federal Reserve Bank fights the inflation battle. The United States has experienced periods of inflations in the past especially around times when countries are in a major conflict with each other. We believe the Federal Reserve Bank and the tools and experience to win this battle and the United States economy and U.S investors will benefit from lower inflation. For the fiscal year ended August 31, 2023, the Sparrow Growth Fund (the "Fund") no load class returned +15%. Over the same period, the S&P 500 Index returned +15.92%. The Fund allocated a large portion of its assets to faster growing businesses versus the overall market in general which were more sensitive to changes in inflation and rising interest rates.

Among the stocks that continued to provide positive performance over the past year was Meta Platforms, Inc. which engages in the development of products that enable people to connect and share with friends and family through mobile devices, personal computers, virtual reality headsets, and wearables worldwide. It operates in two segments, Family of Apps and Reality Labs. The Family of Apps segment offers Facebook, which enables people to share, discuss, discover, and connect with interests; Instagram, a community for sharing photos, videos, and private messages, as well as feed, stories, reels, video, live, and shops; Messenger, a messaging application for people to connect with friends, family, communities, and businesses across platforms and devices through text, audio, and video calls; and WhatsApp, a messaging application that is used by people and businesses to communicate and transact privately. The Reality Labs segment provides augmented and virtual reality related products comprising consumer hardware, software, and content that help people feel connected, anytime, and anywhere.

One of the Fund's investments that ultimately detracted from performance was Dollar General Corporation, a discount retailer, which provides various merchandise products in the southern, southwestern, midwestern, and eastern United States. It offers consumable products, including paper and cleaning products, such as paper towels, bath tissues, paper dinnerware, trash and storage bags, disinfectants, and laundry products; packaged food comprising cereals, pasta, canned soups, fruits and vegetables, condiments, spices, sugar, and flour; and perishables that include milk, eggs, bread, refrigerated and frozen food, beer, and wine. The company's consumable products also comprise snacks, such as candies, cookies, crackers, salty snacks, and carbonated beverages; health and beauty products, including over-the-counter medicines and personal care products, such as soaps, body washes, shampoos, cosmetics, and dental hygiene and foot care products; pet supplies and pet food; and tobacco products. In addition, it offers seasonal products comprising holiday items, toys, batteries, small electronics, greeting cards, stationery, prepaid phones and accessories, gardening supplies, hardware, and automotive and home office supplies; and home products that include kitchen supplies, cookware, small appliances, light bulbs, storage containers, frames, candles, craft supplies and kitchen, and bed and bath soft goods. Further, the company provides apparel, which comprise casual everyday apparel for infants, toddlers, girls, boys, women, and men, as well as socks, underwear, disposable diapers, shoes, and accessories.

As always, we appreciate your business and remain focused on taking care of our shareholders. We here at Sparrow invest our money in the Fund which does not guarantee positive results but does keep our attention on your investments.

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# SPARROW GROWTH FUND

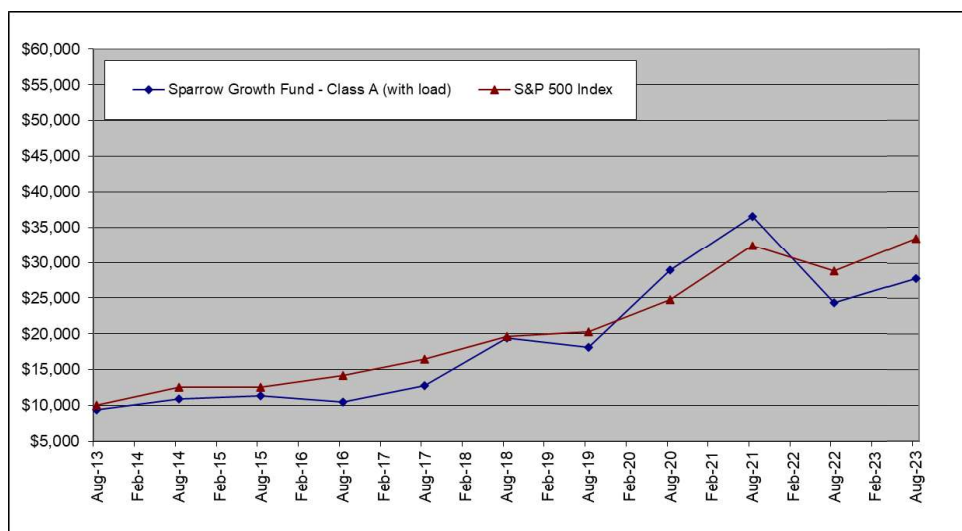
## CLASS A

### PERFORMANCE ILLUSTRATION

AUGUST 31, 2023 (UNAUDITED)

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**Comparison of a \$10,000 Investment in the Sparrow Growth Fund, Class A  
and the S&P 500 Index**



*Past Performance does not guarantee future results.*

*This graph shows the value of a hypothetical initial investment of \$10,000 in Class A shares of the Fund and the Index on August 31, 2013 and held through August 31, 2023. The Index is a widely recognized unmanaged index of common stock prices. The Fund's returns reflect the deduction of the maximum initial sales load and other recurring fees. The Index's returns do not reflect expenses, which have been deducted from the Fund's returns. These performance figures include the change in value of the stocks in the Index plus the reinvestment of dividends and are not annualized. The returns shown do not reflect deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. THE FUND'S RETURNS REPRESENT PAST PERFORMANCE AND DO NOT GUARANTEE OR PREDICT FUTURE RESULTS. Current performance may be lower or higher than the performance data quoted. For more information on the Fund, and to obtain performance data current to the most recent month-end, please call 1-888-727-3301.*

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# SPARROW GROWTH FUND

## CLASS A

PERFORMANCE ILLUSTRATION  
AUGUST 31, 2023 (UNAUDITED)

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**Average Annual Total Returns**  
**(for periods ended August 31, 2023)**

	<b>One Year</b>	<b>Five Year</b>	<b>Ten Year</b>	<b>Dollar Value</b>
Sparrow Growth Fund, Class A	14.00%	7.44%	11.42%	\$29,493
Sparrow Growth Fund, Class A*	7.44%	6.18%	10.77%	\$27,797
S&P 500 Index **	15.92%	11.10%	12.78%	\$33,354

Total Annual Fund Operating Expenses as disclosed in the Fund's December 31, 2022 prospectus were 1.90%.

*THE PERFORMANCE DATA QUOTED REPRESENTS PAST PERFORMANCE AND DOES NOT GUARANTEE 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 cost. The returns shown do not reflect deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-888-727-3301.*

*\* In compliance with The U.S. Securities and Exchange Commission (SEC) guidelines, these returns reflect the deduction of maximum sales charges and other recurring fees. The returns shown assume reinvestment of all capital gains and dividend distributions and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The returns are shown for each of the required periods and reflect any changes in price per share over those periods. Class A shares are sold with a maximum initial sales charge of 5.75% or if exempt, a 1.00% Contingent Deferred Sales Charge (CDSC) if redeemed within 18 months of purchase. No Load Class and Class C shares are sold with no initial sales charge, and are not subject to a CDSC fee. Investing involves risk. Loss of principal is possible. Stocks of mid-cap and mid-cap companies are riskier than stocks of larger companies. Fund holdings and sector allocations are subject to change. A complete list of holdings can be found in the Schedule of Investments in this report.*

*\*\*The S&P 500 Index (the "Index") is an unmanaged benchmark that assumes reinvestment of all distributions and excludes the effect of taxes and fees. The Index is a widely recognized unmanaged index of equity prices and is representative of a broader market and range of securities than are found in the Fund's portfolio. Individuals cannot invest directly in the Index, however, an individual can invest in ETFs or other investment vehicles that attempt to track the performance of a benchmark index.*

*The Fund is distributed by Foreside Fund Services, LLC.*

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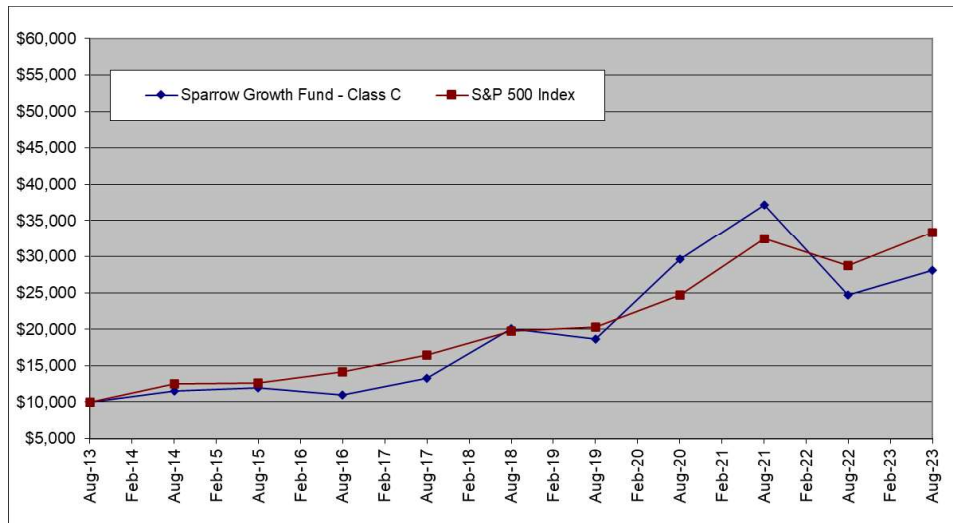
# SPARROW GROWTH FUND

## CLASS C

PERFORMANCE ILLUSTRATION  
AUGUST 31, 2023 (UNAUDITED)

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**Comparison of a \$10,000 Investment in the Sparrow Growth Fund, Class C  
and the S&P 500 Index**



*Past Performance does not guarantee future results.*

*This graph shows the value of a hypothetical initial investment of \$10,000 in Class C shares of the Fund and the Index on August 31, 2013 and held through August 31, 2023. The Index is a widely recognized unmanaged index of common stock prices. The Index's returns do not reflect expenses, which have been deducted from the Fund's returns. These performance figures include the change in value of the stocks in the Index plus the reinvestment of dividends and are not annualized. The returns shown do not reflect deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. THE FUND'S RETURNS REPRESENT PAST PERFORMANCE AND DO NOT GUARANTEE OR PREDICT FUTURE RESULTS. Current performance may be lower or higher than the performance data quoted. For more information on the Fund, and to obtain performance data current to the most recent month-end, please call 1-888-727-3301.*

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# SPARROW GROWTH FUND

## CLASS C

PERFORMANCE ILLUSTRATION (CONTINUED)  
AUGUST 31, 2023 (UNAUDITED)

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**Average Annual Total Returns**  
**(for periods ended August 31, 2023)**

	<b>One Year</b>	<b>Five Year</b>	<b>Ten Year</b>	<b>Dollar Value</b>
Sparrow Growth Fund, Class C	13.39%	6.87%	10.86%	\$28,036
S&P 500 Index **	15.92%	11.10%	12.78%	\$33,354

Total Annual Fund Operating Expenses as disclosed in the Fund's December 31, 2022 prospectus were 2.39%.

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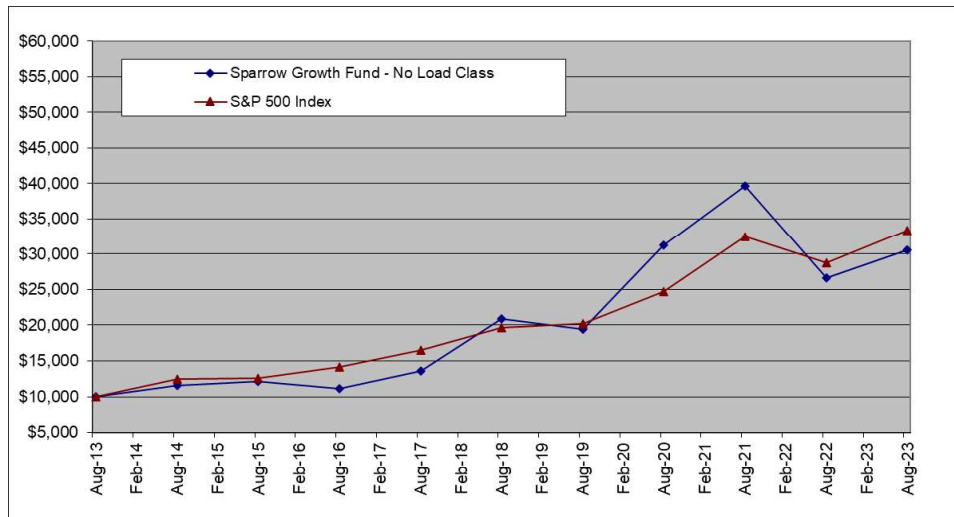
# SPARROW GROWTH FUND

## NO LOAD CLASS

PERFORMANCE ILLUSTRATION  
AUGUST 31, 2023 (UNAUDITED)

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**Comparison of a \$10,000 Investment in the Sparrow Growth Fund, No Load Class  
and the S&P 500 Index**



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*This graph shows the value of a hypothetical initial investment of \$10,000 in No Load Class shares of the Fund and the Index on August 31, 2013 and held through August 31, 2023. The Index is a widely recognized unmanaged index of common stock prices. The Index's returns do not reflect expenses, which have been deducted from the Fund's returns. These performance figures include the change in value of the stocks in the Index plus the reinvestment of dividends and are not annualized. The returns shown do not reflect deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Investment returns and principal values will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. THE FUND'S RETURNS REPRESENT PAST PERFORMANCE AND DO NOT GUARANTEE OR PREDICT FUTURE RESULTS. Current performance may be lower or higher than the performance data quoted. For more information on the Fund, and to obtain performance data current to the most recent month-end, please call 1-888-727-3301.*

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# SPARROW GROWTH FUND

## NO LOAD CLASS

PERFORMANCE ILLUSTRATION (CONTINUED)  
AUGUST 31, 2023 (UNAUDITED)

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**Average Annual Total Returns**  
**(for periods ended August 31, 2023)**

	<b>One Year</b>	<b>Five Year</b>	<b>Ten Year</b>	<b>Dollar Value</b>
Sparrow Growth Fund, No Load Class	14.55%	7.91%	11.80%	\$30,505
S&P 500 Index **	15.92%	11.10%	12.78%	\$33,354

Total Annual Fund Operating Expenses as disclosed in the Fund's December 31, 2022 prospectus were 1.39%.

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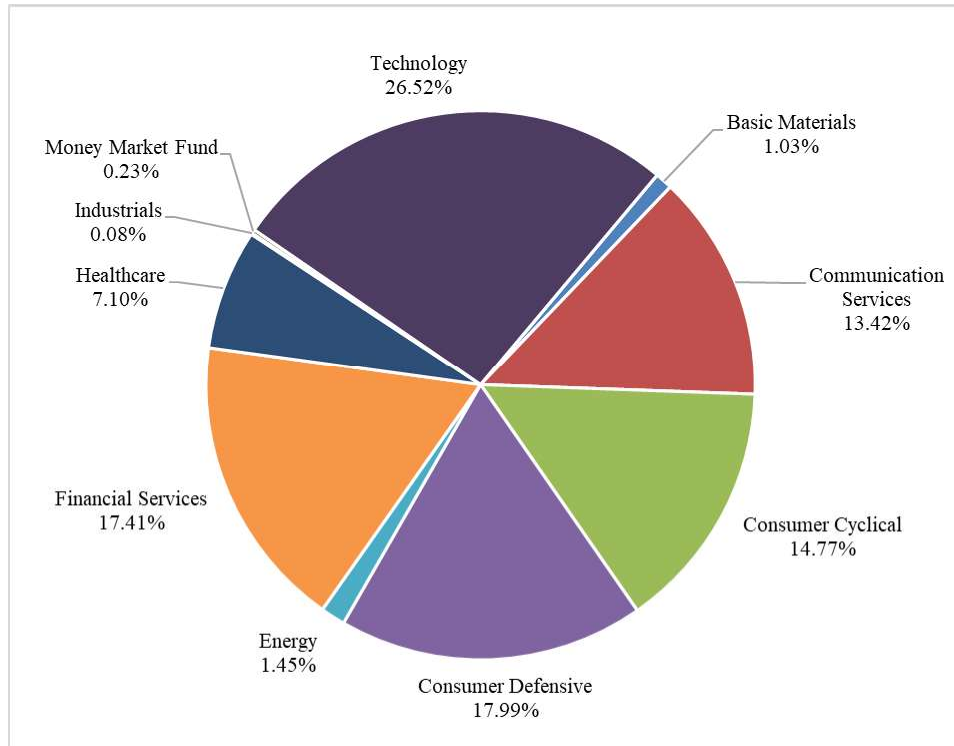
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## SPARROW GROWTH FUND

PORTFOLIO ILLUSTRATION  
AUGUST 31, 2023 (UNAUDITED)

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The following chart gives a visual breakdown of the Fund by the sectors the underlying securities represent as a percentage of the value of investments.



Sectors are categorized using Morningstar® classifications. Portfolio composition is subject to change.

# SPARROW GROWTH FUND

## SCHEDULE OF INVESTMENTS

AUGUST 31, 2023

<u>Shares</u>		<u>Value</u>
<b>COMMON STOCKS - 99.28%</b>		
<b>Beverages - 5.02%</b>		
15,575	Coca-Cola Co.	\$ 931,852
6,670	PepsiCo, Inc.	1,186,726
		<u>2,118,578</u>
<b>Bottled &amp; Canned Soft Drinks &amp; Carbonated Waters - 1.00%</b>		
7,330	Monster Beverage Corp. *	420,815
<b>Cigarettes - 0.52%</b>		
2,305	Philip Morris International, Inc.	221,418
<b>Computer Communications Equipment - 0.96%</b>		
7,085	Cisco Systems, Inc.	406,325
<b>Computer Peripheral Equipment - 0.59%</b>		
935	Fortinet, Inc. *	56,296
790	Palo Alto Networks, Inc. *	192,207
		<u>248,503</u>
<b>Electronic Computers - 6.50%</b>		
14,605	Apple, Inc.	2,743,841
<b>Electromedical &amp; Electrotherapeutic Apparatus - 0.21%</b>		
2,325	InMode Ltd. *	90,884
<b>Finance Services - 2.91%</b>		
7,780	American Express Co.	1,229,162
<b>Fire, Marine &amp; Casualty Insurance - 3.43%</b>		
3,715	Berkshire Hathaway, Inc. Class B *	1,338,143
815	Progressive Corp.	108,778
		<u>1,446,921</u>
<b>Hospital &amp; Medical Service Plans - 1.06%</b>		
575	Cigna Corp.	158,850
605	United Health Group, Inc.	288,331
		<u>447,181</u>
<b>Hotels &amp; Motels - 0.44%</b>		
430	Hilton Worldwide Holdings, Inc.	63,920
590	Marriott International, Inc.	120,071
		<u>183,991</u>
<b>Industrial Inorganic Chemicals - 0.45%</b>		
645	Air Products and Chemicals, Inc.	190,591
<b>Industrial Instruments for Measurement, Display, and Control - 0.08%</b>		
70	Roper Technologies, Inc.	34,934

*The accompanying notes are an integral part of these financial statements.*

# SPARROW GROWTH FUND

## SCHEDULE OF INVESTMENTS (CONTINUED)

AUGUST 31, 2023

<u>Shares</u>		<u>Value</u>
<b>Insurance Agents, Brokers &amp; Service - 0.14%</b>		
295	Marsh & McLennan Companies, Inc.	\$ 57,522
<b>Motor Vehicles &amp; Passenger Car Bodies - 0.08%</b>		
130	Tesla, Inc. *	33,550
<b>National Commercial Banks - 1.11%</b>		
3,195	JPMorgan Chase & Co.	467,524
<b>Petroleum Refining - 1.45%</b>		
1,890	Chevron Corp.	304,479
2,760	Exxon Mobil Corp.	306,884
		<u>611,363</u>
<b>Pharmaceutical Preparations - 5.24%</b>		
1,760	Eli Lilly & Co.	975,392
2,960	Johnson & Johnson	478,573
1,950	Vertex Pharmaceuticals, Inc. *	679,263
430	Zoetis, Inc.	81,919
		<u>2,215,147</u>
<b>Retail - Eating Places - 4.19%</b>		
6,290	McDonalds Corp.	1,768,434
<b>Retail - Auto &amp; Home Supply Stores - 0.90%</b>		
405	O'Reilly Automotive, Inc. *	380,579
<b>Retail - Auto Dealers &amp; Gasoline Stations - 2.00%</b>		
3,450	AutoNation, Inc. *	541,961
120	AutoZone, Inc. *	303,760
		<u>845,721</u>
<b>Retail - Building Materials, Hardware, Garden Supply - 0.48%</b>		
745	Sherwin Williams Co.	202,431
<b>Retail - Catalog &amp; Mail-Order Houses - 5.06%</b>		
15,480	Amazon.com, Inc. *	2,136,395
<b>Retail - Eating &amp; Drinking Places - 1.00%</b>		
4,325	Starbucks Corp.	421,428
<b>Retail - Family Clothing Stores - 0.19%</b>		
880	TJX Companies, Inc.	81,382
<b>Retail - Variety Stores - 6.18%</b>		
1,135	Costco Wholesale Corp.	623,433
12,230	Walmart, Inc.	1,988,720
		<u>2,612,153</u>

*The accompanying notes are an integral part of these financial statements.*

# SPARROW GROWTH FUND

## SCHEDULE OF INVESTMENTS (CONTINUED)

AUGUST 31, 2023

<u>Shares</u>		<u>Value</u>
<b>Security &amp; Commodity Brokers, Dealers, Exchanges &amp; Services - 0.15%</b>		
545	Intercontinental Exchange, Inc.	\$ 64,305
<b>Semiconductors &amp; Related Devices - 4.47%</b>		
655	Broadcom, Inc.	604,493
800	Microchip Technology, Inc.	65,472
2,470	NVIDIA Corp.	1,219,069
		<u>1,889,034</u>
<b>Services - Business Services - 7.09%</b>		
3,565	Mastercard, Inc. Class A	1,471,062
680	Fiserv, Inc.	82,545
5,870	Visa, Inc. Class A	1,442,142
		<u>2,995,749</u>
<b>Services - Commercial Physical &amp; Biological Research - 0.24%</b>		
370	Medpace Holdings, Inc.	100,000
<b>Services - Computer Processing &amp; Data Preparation - 0.48%</b>		
825	Workday, Inc. Class A *	201,713
<b>Services - Computer Programming, Data Processing, Etc. - 10.20%</b>		
19,645	Alphabet, Inc. Class A *	2,675,060
5,515	Meta Platforms, Inc. Class A *	1,631,833
		<u>4,306,893</u>
<b>Services - Consumer Credit Reporting, Collection Agencies - 2.69%</b>		
1,075	Moody's Corp.	362,060
1,985	S&P Global, Inc.	775,857
		<u>1,137,917</u>
<b>Services - Prepackaged Software - 13.45%</b>		
660	Adobe, Inc. *	369,164
180	Cadence Design Systems, Inc. *	43,279
895	Electronic Arts, Inc.	107,382
200	Intuit, Inc.	108,362
7,555	Microsoft Corp.	2,476,227
5,315	Oracle Corp.	639,873
1,665	Paycom Software, Inc.	490,909
3,105	Salesforce.com, Inc. *	687,633
1,175	ServiceNow, Inc. *	691,875
145	Synopsys, Inc. *	66,539
		<u>5,681,243</u>
<b>Services - Video Tape Rental - 2.90%</b>		
2,825	Netflix, Inc. *	1,225,146

*The accompanying notes are an integral part of these financial statements.*

# SPARROW GROWTH FUND

## SCHEDULE OF INVESTMENTS (CONTINUED)

AUGUST 31, 2023

<u>Shares</u>		<u>Value</u>
<b>Soap, Detergents, Cleaning Preparations, Perfumes, Cosmetics - 2.72%</b>		
210	Ecolab, Inc.	\$ 38,600
7,200	Procter & Gamble Co.	1,111,248
		<u>1,149,848</u>
<b>Sugar &amp; Confectionery Products - 2.55%</b>		
5,010	Hershey Co.	1,076,449
<b>Surgical &amp; Medical Instruments &amp; Apparatus - 0.31%</b>		
290	ShockWave Medical, Inc. *	63,913
230	Stryker Corp.	65,217
		<u>129,130</u>
<b>Transportation Services - 0.84%</b>		
115	Booking Holdings, Inc. *	357,078
		<u>41,931,278</u>
<b>TOTAL FOR COMMON STOCKS (Cost \$34,356,935) - 99.28%</b>		
<b>MONEY MARKET FUND - 0.23%</b>		
	Fidelity Investments Money Market Government Portfolio –	
95,427	Class I - 5.21% **	95,427
<b>TOTAL FOR MONEY MARKET FUND (Cost \$95,427) - 0.23%</b>		<u>95,427</u>
<b>TOTAL INVESTMENTS (Cost \$34,452,362) - 99.51%</b>		42,026,705
<b>OTHER ASSETS LESS LIABILITIES - 0.49%</b>		<u>208,073</u>
<b>NET ASSETS - 100.00%</b>		<u><u>\$ 42,234,778</u></u>

\* Non-income producing securities during the period.

\*\* Variable rate security; the money market rate shown represents the seven day yield on August 31, 2023.

The accompanying notes are an integral part of these financial statements.

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# SPARROW GROWTH FUND

## STATEMENT OF ASSETS AND LIABILITIES AUGUST 31, 2023

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Assets:	
Investments in Securities, at Fair Value (Cost \$34,452,362)	\$ 42,026,705
Receivables:	
Dividends	55,675
Subscriptions Receivable	191,327
Prepaid Expenses	26,415
Total Assets	<u>42,300,122</u>
Liabilities:	
Payables:	
Advisory Fees	29,516
Administrative Fees	551
Compliance Fees	542
Trustee Fees	405
Other Accrued Expenses	34,330
Total Liabilities	<u>65,344</u>
Net Assets	<u>\$ 42,234,778</u>
Net Assets Consist of:	
Paid In Capital	\$ 34,862,485
Distributable Earnings	7,372,293
Net Assets	<u>\$ 42,234,778</u>
<b>Class A:</b>	
Net Assets	<u>\$ 14,872,183</u>
Shares outstanding (unlimited number of shares authorized with no par value)	<u>447,817</u>
Net Asset Value	<u>\$ 33.21</u>
Offering Price Per Share (\$33.21/ 94.25%) (Note 2)	<u>\$ 35.24</u>
Short-term Redemption Price Per Share (\$33.21 x 0.99) *	<u>\$ 32.88</u>
<b>Class C:</b>	
Net Assets	<u>\$ 2,643,921</u>
Shares outstanding (unlimited number of shares authorized with no par value)	<u>88,563</u>
Net Asset Value, Redemption Price and Offering Price Per Share	<u>\$ 29.85</u>
<b>No Load Class:</b>	
Net Assets	<u>\$ 24,718,674</u>
Shares outstanding (unlimited number of shares authorized with no par value)	<u>756,939</u>
Net Asset Value, Redemption Price and Offering Price Per Share	<u>\$ 32.66</u>

\* The Fund charges a 1.00% contingent deferred sales charge ("CDSC") on certain Class A shares redeemed within 18 months of purchase if the shares were purchased without an initial sales charge because they were purchases of \$1 million or more or purchases by qualified retirement plans with at least 200 eligible employees. See Note 2 for further analysis.

*The accompanying notes are an integral part of these financial statements.*

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# SPARROW GROWTH FUND

## STATEMENT OF OPERATIONS For the Year Ended August 31, 2023

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Investment Income:	
Dividends (Net of foreign taxes withheld \$0)	\$ 512,125
Total Investment Income	<u>512,125</u>
Expenses:	
Advisory Fees (Note 4)	379,784
Distribution and/or Service (12b-1) Fees (Class A - \$69,536; Class C - \$25,008) (Note 4)	94,544
Transfer Agent Fees	9,858
Legal Fees	18,270
Accounting Fees	36,985
Administrative Fees	6,051
Audit Fees *	18,501
Compliance Fees	6,293
Insurance Fees	1,016
Custody Fees	17,582
Miscellaneous Fees	11,403
Registration Fees	32,327
Trustee Fees	4,238
Printing and Mailing Fees	5,061
Total Expenses	<u>641,913</u>
Net Investment Loss	<u>(129,788)</u>
Realized and Unrealized Gain (Loss) on Investments:	
Net Realized Loss on Investments	(43,226)
Net Change in Unrealized Appreciation on Investments	<u>5,332,720</u>
Net Realized and Unrealized Gain on Investments	<u>5,289,494</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 5,159,706</u>

\* Audit fees are for the review and preparation of the auditor's opinion and consent.  
*The accompanying notes are an integral part of these financial statements.*

# SPARROW GROWTH FUND

## STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended 8/31/2023	Year Ended 8/31/2022
Increase (Decrease) in Net Assets From Operations:		
Net Investment Loss	\$ (129,788)	\$ (433,220)
Net Realized Gain (Loss) on Investments	(43,226)	10,795,516
Net Change in Unrealized Appreciation (Depreciation) on Investments	5,332,720	(34,141,137)
Net Increase (Decrease) in Net Assets Resulting from Operations	5,159,706	(23,778,841)
Distributions to Shareholders from:		
Class A	(2,139,236)	-
Class C	(448,919)	-
No Load Class	(3,197,489)	-
Change in Net Assets from Distributions	(5,785,644)	-
Capital Share Transactions:		
Proceeds from Sale of Shares		
Class A	1,395,221	1,079,536
Class C	236,877	110,558
No Load Class	4,483,643	3,823,288
Reinvestment of Shares		
Class A	2,008,101	-
Class C	337,631	-
No Load Class	3,157,447	-
Cost of Shares Redeemed		
Class A	(1,562,754)	(3,209,817)
Class C	(427,561)	(1,836,254)
No Load Class	(2,712,891)	(17,854,981)
Net Increase (Decrease) from Shareholder Activity	6,915,714	(17,887,670)
Net Assets:		
Net Increase (Decrease) in Net Assets	6,289,776	(41,666,511)
Beginning of Year	35,945,002	77,611,513
End of Year	\$42,234,778	\$35,945,002
Share Transactions:		
Shares Sold		
Class A	43,595	24,346
Class C	8,436	2,811
No Load Class	147,965	85,572
Reinvestment of Shares		
Class A	67,750	-
Class C	12,626	-
No Load Class	108,690	-
Shares Redeemed		
Class A	(48,313)	(76,982)
Class C	(15,074)	(48,151)
No Load Class	(88,938)	(460,744)
Net Increase (Decrease) in Shares	236,737	(473,148)

*The accompanying notes are an integral part of these financial statements.*



# SPARROW GROWTH FUND

## CLASS A

### FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the year.

	Years Ended				
	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019
Net Asset Value, at Beginning of Year	\$ 34.59	\$ 51.83	\$ 41.23	\$ 26.18	\$ 29.89
Income (Loss) From Investment Operations:					
Net Investment Loss <sup>(a)</sup>	(0.19)	(0.43)	(0.87)	(0.57)	(0.53)
Net Gain (Loss) on Investments (Realized and Unrealized)	4.36	(16.81)	11.81	15.97	(1.96)
Total from Investment Operations	4.17	(17.24)	10.94	15.40	(2.49)
Distributions:					
Realized Gains	(5.55)	-	(0.34)	(0.35)	(1.22)
Total from Distributions	(5.55)	-	(0.34)	(0.35)	(1.22)
Net Asset Value, at End of Year	\$ 33.21	\$ 34.59	\$ 51.83	\$ 41.23	\$ 26.18
Total Return <sup>(b)</sup>	14.00%	(33.26)%	26.53%	59.58%	(6.80)%
Ratios/Supplemental Data:					
Net Assets at End of Year (Thousands)	\$ 14,872	\$ 13,312	\$ 22,671	\$ 16,622	\$ 10,367
Ratio of Expenses to Average Net Assets	1.94%	1.90%	1.81%	2.02%	2.10%
Ratio of Net Investment Loss to Average Net Assets	(0.59)%	(1.02)%	(1.73)%	(1.99)%	(2.06)%
Portfolio Turnover <sup>(c)</sup>	55.79%	192.58%	44.86%	13.14%	23.94%

(a) Per share net investment loss has been determined on the basis of average shares outstanding during the period.

(b) Total return represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends. Total return does not reflect load.

(c) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes.

*The accompanying notes are an integral part of these financial statements.*

# SPARROW GROWTH FUND

## CLASS C

### FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the year.

	Years Ended				
	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019
Net Asset Value, at Beginning of Year	\$ 31.79	\$ 47.86	\$ 38.29	\$ 24.50	\$ 28.21
Income (Loss) From Investment Operations:					
Net Investment Loss <sup>(a)</sup>	(0.32)	(0.61)	(1.03)	(0.67)	(0.62)
Net Gain (Loss) on Investments (Realized and Unrealized)	3.93	(15.46)	10.94	14.81	(1.87)
Total from Investment Operations	3.61	(16.07)	9.91	14.14	(2.49)
Distributions:					
Realized Gains	(5.55)	-	(0.34)	(0.35)	(1.22)
Total from Distributions	(5.55)	-	(0.34)	(0.35)	(1.22)
Net Asset Value, at End of Year	\$ 29.85	\$ 31.79	\$ 47.86	\$ 38.29	\$ 24.50
Total Return <sup>(b)</sup>	13.39%	(33.58)%	25.87%	58.51%	(7.22)%
Ratios/Supplemental Data:					
Net Assets at End of Year (Thousands)	\$ 2,644	\$ 2,625	\$ 6,122	\$ 5,301	\$ 2,771
Ratio of Expenses to Average Net Assets	2.44%	2.39%	2.31%	2.51%	2.60%
Ratio of Net Investment Loss to Average Net Assets	(1.09)%	(1.57)%	(2.24)%	(2.48)%	(2.56)%
Portfolio Turnover <sup>(c)</sup>	55.79%	192.58%	44.86%	13.14%	23.94%

(a) Per share net investment loss has been determined on the basis of average shares outstanding during the period.

(b) Total return represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends.

(c) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes.

*The accompanying notes are an integral part of these financial statements.*

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# SPARROW GROWTH FUND

## NO LOAD CLASS

### FINANCIAL HIGHLIGHTS

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Selected data for a share outstanding throughout the year.

	Years Ended				
	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019
Net Asset Value, at Beginning of Year	\$ 33.96	\$ 50.62	\$ 40.08	\$ 25.35	\$ 28.93
Income (Loss) From Investment Operations:					
Net Investment Loss <sup>(a)</sup>	(0.03)	(0.23)	(0.60)	(0.43)	(0.45)
Net Gain (Loss) on Investments (Realized and Unrealized)	4.28	(16.43)	11.48	15.51	(1.91)
Total from Investment Operations	4.25	(16.66)	10.88	15.08	(2.36)
Distributions:					
Realized Gains	(5.55)	-	(0.34)	(0.35)	(1.22)
Total from Distributions	(5.55)	-	(0.34)	(0.35)	(1.22)
Net Asset Value, at End of Year	\$ 32.66	\$ 33.96	\$ 50.62	\$ 40.08	\$ 25.35
Total Return <sup>(b)</sup>	14.55%	(32.91)%	27.14%	60.27%	(6.57)%
Ratios/Supplemental Data:					
Net Assets at End of Year (Thousands)	\$ 24,719	\$ 20,008	\$ 48,818	\$ 22,345	\$ 10,016
Ratio of Expenses to Average Net Assets	1.44%	1.39%	1.30%	1.57%	1.85%
Ratio of Net Investment Loss to Average Net Assets	(0.09)%	(0.56)%	(1.23)%	(1.54)%	(1.81)%
Portfolio Turnover <sup>(c)</sup>	55.79%	192.58%	44.86%	13.14%	23.94%

(a) Per share net investment loss has been determined on the basis of average shares outstanding during the period.

(b) Total return represents the rate that the investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends.

(c) Portfolio turnover is calculated on the basis of the Fund as a whole without distinguishing between the classes.

*The accompanying notes are an integral part of these financial statements.*

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# SPARROW GROWTH FUND

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

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### NOTE 1. ORGANIZATION

The Sparrow Growth Fund (the “Fund”) was organized as a series of the Sparrow Funds (the “Trust”) on July 14, 1998, and commenced operations on October 4, 1998. The Trust is an open-end investment company established under the laws of Ohio by an Agreement and Declaration of Trust dated July 14, 1998 (the “Trust Agreement”). The Fund is diversified. The Fund’s investment objective is to provide long-term capital appreciation. The Trust Agreement permits the Board of Trustees (the “Board”) to issue an unlimited number of shares of beneficial interest of separate series. The Board has authorized three classes of shares: Class A shares, Class C shares, and No Load Class shares. Each class is subject to different expenses and a different sales charge structure. The investment advisor to the Fund is Sparrow Capital Management, Inc. (the “Advisor”).

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946, “Financial Services – Investment Companies” including Accounting Standards Update 2013-08.

**Security Valuations** - All investments in securities are recorded at their estimated fair value, as described in Note 3.

**Federal Income Taxes** - The Fund complies with requirements of Subchapter M of the Internal Revenue Code that are applicable to regulated investment companies and distributes substantially all of its net investment income and net realized gains as dividends to its shareholders. Therefore, no federal income tax provision is required. It is the Fund’s policy to distribute annually, prior to the end of the calendar year, dividends sufficient to satisfy excise tax requirements of the Internal Revenue Code. In addition, it is the Fund’s policy to distribute annually, after the end of the fiscal year, any remaining net investment income and net realized capital gains.

The Fund recognizes the tax benefits of certain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. As of and during the year ended August 31, 2023, management has analyzed the Fund’s tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years (2020-2022), or expected to be taken in the Fund’s 2023 tax returns. The Fund identifies its major tax jurisdictions as U.S. federal and certain state tax authorities. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations when incurred. As of and during the year ended August 31, 2023, the Fund did not incur any interest or penalties.

**Security Transactions and Related Income** - The Fund records security transactions on the trade date. The specific identification method is used for determining gains or losses for financial statement and income tax purposes. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. Withholding taxes on foreign dividends have been provided for in accordance with the Fund’s understanding of the applicable country’s tax rules and rates.

**Dividends and Distributions** - The Fund typically distributes to its shareholders as dividends substantially all of its net investment income and capital gains at least annually. These distributions,

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# SPARROW GROWTH FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2023

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which are recorded on the ex-dividend date, are automatically reinvested in the Fund unless a shareholder requests cash distributions on the shareholder's application or through a written request. The treatment for financial reporting purposes of distributions made to shareholders during the year from net investment income or net realized gains may differ from their ultimate treatment for federal income tax purposes. These differences are caused primarily by differences in the timing of the recognition of certain components of income, expense, or realized capital gain for federal income tax purposes.

**Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

**Sales Charges** - With respect to Class A shares, there is a 5.75% maximum initial sales charge, except on purchases of \$1 million or more, or on purchases by qualified retirement plans with at least 200 eligible employees. However, shares that are exempt from the initial sales charge will be subject to a contingent deferred sales charge ("CDSC") of 1%, based on the lower of the shares' cost or current net asset value ("NAV"), if the shares are redeemed within eighteen months of purchase. Purchasers of Class A shares may be entitled to sales charge reductions as described in the "Sales Charge Reduction and Waivers" section of the Prospectus. With respect to Class C and No Load Class shares, there is no initial sales charge or CDSC. Shareholders were charged \$1,453 in sales charges for Class A shares during the year ended August 31, 2023.

**Allocation of Income and Expenses, Realized and Unrealized Capital Gains and Losses** - Income, realized and unrealized gains and losses on investments, and Fund-wide expenses are allocated on a daily basis to each class of shares based upon their relative net assets. Class-specific expenses are charged directly to the respective share class.

**Indemnifications** - In the normal course of business, the Fund enters into contracts that contain general indemnification to other parties. The Fund's maximum exposure under these contracts is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The Fund expects the risk of loss to be remote.

### NOTE 3. SECURITIES VALUATIONS

All investments in securities are recorded at their estimated fair value. The Fund utilizes various methods to measure the fair value of its investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 - Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not

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# SPARROW GROWTH FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2023

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yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

**Fair Value Measurements** - A description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis follows.

**Equity securities (common stocks)** - Equity securities are generally valued by using market quotations furnished by a pricing service when the Advisor believes such prices accurately reflect the fair value of such securities. Securities that are traded on any stock exchange are valued by the pricing service at the last quoted sale price. Lacking a last sale price, an exchange traded security is valued by the pricing service at its last bid price. Securities traded in the NASDAQ over-the-counter market are valued by the pricing service at the NASDAQ Official Closing Price. Generally, if the security is traded in an active market and is valued at the last sale price in an active market or the market close, the security is categorized as Level 1 within the fair value hierarchy. When the security position is not considered to be part of an active market, or when the security is valued at the bid price, the position is generally categorized as Level 2 in the fair value hierarchy. When market quotations are not readily available, when the Advisor determines that the market quotation or the price provided by the pricing service does not accurately reflect the current market value or when restricted or illiquid securities are being valued, such securities are valued at fair value as determined by the Advisor in good faith, in accordance with guidelines adopted by and subject to review of the Board and are categorized as Level 3 within the fair value hierarchy. Manually priced securities held by the Fund (if any) are reviewed by the Board on a quarterly basis.

Money market mutual funds (if any) are generally priced at the ending NAV provided by the service agent of the fund. These securities are categorized as Level 1 within the fair value hierarchy.

The following table summarizes the Fund's investments by inputs used to value the assets as of August 31, 2023:

<u>Valuation Inputs of Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 41,931,278	\$ -	\$ -	\$ 41,931,278
Money Market Fund	95,427	-	-	95,427
Total	<u>\$ 42,026,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,026,705</u>

The Fund did not hold any Level 2 or Level 3 assets during the year ended August 31, 2023. For more detail on the Fund's investments in common stocks please refer to the Schedule of Investments. The Fund did not hold any derivative instruments at any time during the year ended August 31, 2023.

#### NOTE 4. AGREEMENTS AND OTHER TRANSACTIONS WITH AFFILIATES

Pursuant to the terms of the management agreement between the Advisor and the Trust with respect to the Fund, the Advisor manages the Fund's investments. The Fund pays the Advisor a management fee, calculated daily and paid monthly, at the annual rate of 1.00% of the Fund's average daily net assets. The Fund pays all of its operating expenses. For the year ended August 31, 2023, the Advisor

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# SPARROW GROWTH FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2023

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earned fees of \$379,784 from the Fund. As of August 31, 2023, the Fund owed \$29,516 to the Advisor. The President of the Advisor is also a Trustee of the Trust.

Foreside Financial Services, LLC (the “Distributor”) acts as the principal distributor of the Fund’s shares. The Fund has adopted Distribution and Shareholder Servicing Plans (the “Plans”), with respect to Class A shares and Class C shares, pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended.

Under the Class A Plan, the Fund pays the Distributor an annual fee of up to 0.25% of the average daily net assets of the Fund invested in Class A shares to help defray the cost of distributing Class A shares. This amount will be paid to the Distributor, and will be used by the Distributor to compensate qualifying financial institutions (such as banks, brokers-dealers and other industry professionals) who sell Class A shares and provide distribution-related services to the Class A shareholders to the extent these institutions are allowed to do so by applicable statute, rule or regulation. The Fund also pays directly to the Advisor a service fee equal to 0.25% of the average daily net assets of the Fund invested in Class A shares. This amount will be used by the Advisor to compensate any entity, including registered broker-dealers, custodians, investment advisers, financial planners, 401(k) administrators, etc, that perform certain administrative or other servicing functions for the Fund’s Class A shareholders. During the year ended August 31, 2023, there were no amounts retained by the Advisor.

Under the Class C Plan, the Fund pays an annual fee of 1.00% (0.25% for shareholder servicing and 0.75% for distribution) of the average daily net assets of the Fund invested in Class C shares. The Advisor will use these fees to compensate entities that perform certain administrative or other servicing functions for the Fund’s Class C shares, including registered broker-dealers, custodians, mutual fund platform sponsors, investment advisers, financial planners, 401(k) administrators, etc. During the year ended August 31, 2023, there were no amounts retained by the Advisor.

The Plans, other than Distributor Fees in Class A, are compensation plans, which means that the full 12b-1 fee payable under the respective Plan is paid to the Advisor and Distributor irrespective of actual 12b-1 fees incurred. For the year ended August 31, 2023, Class A incurred 12b-1 expenses of \$69,536, and Class C incurred 12b-1 expenses of \$25,008. At August 31, 2023, the Fund had \$1,064 in prepaid 12b-1 expenses.

The Trust, on behalf of the Fund, entered into Administration and Compliance Agreements with Empirical Administration, LLC (“Empirical”), which provides administration and compliance services to the Fund. Brandon M. Pokersnik is the owner/president of Empirical, and also an employee of Mutual Shareholder Services, which provides transfer agency and fund accounting services to the Fund. Mr. Pokersnik serves as the Chief Compliance Officer of the Trust. For the services Empirical provides under the Administration and Compliance Agreements, Empirical receives a monthly fee of \$1,000 from the Fund. For the year ended August 31, 2023, Empirical earned \$12,344 for these services, included in the Administrative and Compliance Fees on the Statement of Operations. As of August 31, 2023, the Fund owed Empirical \$1,093.

### NOTE 5. INVESTMENT TRANSACTIONS

For the year ended August 31, 2023, purchases and sales of investment securities, other than short-term investments, were as follows:

<b>Purchases</b>	
Investment Securities	\$ 22,122,729
<b>Sales</b>	
Investment Securities	\$ 21,338,374

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# SPARROW GROWTH FUND

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2023

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### NOTE 6. TAX MATTERS

As of August 31, 2023, the aggregate cost of securities for federal income tax purposes was \$34,481,161.

As of August 31, 2023, the net unrealized appreciation of investments for tax purposes was as follows:

Gross Appreciation	\$ 7,820,168
Gross (Depreciation)	<u>(274,624)</u>
Net Appreciation on Investments	<u>\$ 7,545,544</u>

The tax character of distributions paid during the years ended August 31, 2023 and 2022, was as follows:

	<u>August 31, 2023</u>	<u>August 31, 2022</u>
Distributions paid from:		
Ordinary Income	\$ -	\$ -
Capital Gains	<u>\$ 5,785,644</u>	<u>\$ -</u>
Total	<u>\$ 5,785,644</u>	<u>\$ -</u>

For the year ended August 31, 2023, each share class paid a long-term gain distribution of \$5.552156 per share, on December 16, 2022. For the year ended August 31, 2022, there were no distributions paid.

As of August 31, 2023, the components of distributable earnings on a tax basis were as follows:

Late-year ordinary loss	\$ (102,072)
Capital loss carryforward – short term	(71,179)
Accumulated undistributed capital gain	-
Unrealized appreciation	<u>7,545,544</u>
	<u>\$ 7,372,293</u>

The difference between book basis and tax basis unrealized appreciation (depreciation) from investments is primarily attributable to the tax deferral of losses on wash sales. Permanent book and tax differences, primarily attributable to net operating losses, resulted in reclassification for the Fund for the fiscal year ended August 31, 2023 as follows:

<u>Paid-in Capital</u>	<u>Total Distributable Earnings/(Deficit)</u>
\$ (141,652)	\$ 141,652

Under current tax law, certain capital losses realized after October 31, and certain ordinary losses realized after December 31 but before the end of the fiscal year (“Post-October Losses” and “Late Year Losses”, respectively) may be deferred and treated as occurring on the first business day of the following fiscal year. The Fund elected to defer for the year ended August 31, 2023, Late Year ordinary losses in the amount of \$102,072. These losses are deemed to arise on the first day of the following fiscal year for tax purposes.

As of August 31, 2023, the Fund had \$71,179 in short-term capital loss carryforwards that do not expire for federal income tax purposes. The capital loss carryforwards may be utilized in future years to offset net realized capital gains, if any, prior to distributing such gains to shareholders and may be carried forward indefinitely retaining their character as short-term and/or long-term.



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# SPARROW GROWTH FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2023

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## NOTE 7. SUBSEQUENT EVENTS

Subsequent events after the date of the Statement of Assets and Liabilities have been evaluated through the date the financial statements were issued. Management has concluded that there is no impact requiring adjustment to or disclosure in the financial statements.

## NOTE 8. MARKET RISK

Overall market risks may also affect the value of the Fund. Factors such as domestic economic growth and market conditions, interest rate levels and political events affect the securities markets. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions and depressions, or other events could have a significant impact on the Fund and its investments and could result in increased liquidity risk. The Fund could lose money over short periods due to short-term market movements and over longer periods during more prolonged market downturns. During a general market downturn, multiple asset classes may be negatively affected. Changes in market conditions and interest rates can have the same impact on all types of securities and instruments.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Shareholders and Board of Trustees of  
Sparrow Growth Fund

### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Sparrow Growth Fund (the “Fund”) as of August 31, 2023, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the related notes, and the financial highlights for each of the five years in the period then ended (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of August 31, 2023, the results of its operations for the year then ended, the changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 2023, by correspondence with the custodian. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Fund’s auditor since 2004.



COHEN & COMPANY, LTD.  
Cleveland, Ohio  
October 27, 2023

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# SPARROW GROWTH FUND

EXPENSE ILLUSTRATION  
AUGUST 31, 2023 (UNAUDITED)

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## Expense Examples

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; and (2) ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other Fund expenses. These Examples are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

These Examples are based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, March 1, 2023 through August 31, 2023.

## Actual Expenses

The first line of the tables below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

## Hypothetical Examples for Comparison Purposes

The second line of the tables below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the tables are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads). Therefore, the second line of the tables are useful in comparing ongoing costs only, and will not help you determine the relative cost of owning different funds. In addition, if these transactional costs were included, your cost could have been higher.

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# SPARROW GROWTH FUND

EXPENSE ILLUSTRATION (CONTINUED)  
AUGUST 31, 2023 (UNAUDITED)

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## Sparrow Growth Fund Class A

	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>March 1, 2023</u>	<u>August 31, 2023</u>	<u>March 1, 2023 to August 31, 2023</u>
Actual	\$1,000.00	\$1,129.21	\$10.04
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,015.78	\$9.50

\* Expenses are equal to the Fund's annualized expense ratio of 1.87%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

## Sparrow Growth Fund Class C

	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>March 1, 2023</u>	<u>August 31, 2023</u>	<u>March 1, 2023 to August 31, 2023</u>
Actual	\$1,000.00	\$1,126.42	\$12.65
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,013.31	\$11.98

\* Expenses are equal to the Fund's annualized expense ratio of 2.36%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

## Sparrow Growth Fund No Load Class

	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>March 1, 2023</u>	<u>August 31, 2023</u>	<u>March 1, 2023 to August 31, 2023</u>
Actual	\$1,000.00	\$1,132.45	\$7.36
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,018.30	\$6.97

\* Expenses are equal to the Fund's annualized expense ratio of 1.37%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

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# SPARROW GROWTH FUND

ADDITIONAL INFORMATION  
AUGUST 31, 2023 (UNAUDITED)

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**Proxy Voting** - A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted proxies during the most recent 12 month period ended June 30, are available without charge upon request by (1) calling the Fund at 1-888-727-3301 and (2) from Fund documents filed with the Securities and Exchange Commission ("SEC") on the SEC's website at [www.sec.gov](http://www.sec.gov).

**Portfolio Holdings** - The Fund files a complete schedule of investments with the SEC on Form N-PORT. The Form N-PORT filing must be made within 60 days of the end of the quarter. The Fund's Forms N-PORT are available on the SEC's website at <http://sec.gov>. You may also obtain copies by calling the Fund at 1-888-727-3301.

**Liquidity Risk Management Program** - The Fund has adopted and implemented a written liquidity risk management program as required by Rule 22e-4 (the "Liquidity Rule") under the Investment Company Act. The program is reasonably designed to assess and manage the Fund's liquidity risk, taking into consideration, among other factors, the Fund's investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources.

During the year ended August 31, 2023, the Trust's Liquidity Program Administrator (the "Administrator") reviewed the Fund's investments and determined that the Fund held adequate levels of cash and highly liquid investments to meet shareholder redemption activities in accordance with applicable requirements. Additionally, the Board reviewed a written report addressing the operation of the Liquidity Risk Management Program and assessing its adequacy and the effectiveness of its implementation. Accordingly, the Administrator and the Board concluded that (i) the Fund's liquidity risk management program is reasonably designed to prevent violations of the Liquidity Rule and (ii) the Fund's liquidity risk management program has been effectively implemented.

**Advisory Agreement Renewal** - At a meeting held on July 27, 2023, the renewal of the Management Agreement between the Adviser and the Trust, on behalf of the Fund (the "Agreement") was presented. Counsel reminded the Board of its duties when considering renewal of a management agreement. She answered the Board's questions about the Agreement's renewal. The Board reviewed the materials provided in connection with the renewal of the Agreement and discussed, among other factors, (i) the Adviser's business and the qualifications of its personnel, (ii) the nature, extent and quality of the services provided by the Adviser to the Fund, (iii) the investment performance of the Fund, (iv) the costs of the services provided and the profits realized by the Adviser, (v) the extent to which economies of scale will be realized as the Fund grows, and (vi) whether the fee levels reflect these economies of scales to the benefit of shareholders.

**Nature, Extent and Quality of Services.** As to the nature, extent, and quality of the services provided by the Adviser, the Board considered the Adviser's investment strategies and execution of those strategies. The Board examined the Adviser's 15(c) responses (the "Report") which included information regarding the Adviser's personnel and compliance program, as well as comparisons regarding the Fund's fees and

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## SPARROW GROWTH FUND

ADDITIONAL INFORMATION (CONTINUED)

AUGUST 31, 2023 (UNAUDITED)

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performance to various peers and benchmarks. A representative of the Adviser discussed the investment advisory services the Adviser provided to the Fund. The Board reviewed the background and experience of the Adviser's personnel servicing the Fund. The Board noted that the Adviser complied with the Trust's Code of Ethics and that there had been no reported litigation involving the Fund since the Agreement's last renewal. Based on the information in the Report and discussions with the Adviser's representative, the Board concluded the Adviser continued to provide high quality services to the Fund consistent with the Board's expectations.

**Performance.** The Board reviewed information in the Report regarding the Fund's returns for various periods ended July 6, 2023. The Board observed that the Fund had outperformed the Morningstar Mid-Cap Growth category over the 5-year and 10-year periods. The Board noted that the Fund slightly trailed the Morningstar category average over the 1-year period but was generally in-line with the Morningstar category average. The Board agreed that the Fund's performance indicated that the Adviser had the ability to generate reasonable returns to the benefit of shareholders. After additional discussion, the Board concluded that the Fund's performance under the Adviser was satisfactory.

**Fees and Expenses.** The Board reviewed information comparing the management fee and expense ratio of the Fund to the fees and expenses paid by funds in the Morningstar Mid-Cap Growth category. The Board noted that the Fund's management fee of 1.00% was above the 0.75% average for the Morningstar category but well below the high of the Morningstar category. The Board further noted that the Fund's net expense ratio was higher than the average for the Morningstar category average but also well below the high of the Morningstar category. The Adviser's representative explained that because most of its peers in the Morningstar Mid Cap Growth category had higher assets than the Fund, its expense ratio was expected to be higher than the average, and that, among other similarly sized funds, the Fund's management fee and expense ratio were quite reasonable. The Board also acknowledged the representative's statement that the Adviser offered the Fund exceptional value for the services rendered. The Board determined that the Fund's expense ratio and management fee were not unreasonable.

**Profitability and Economies of Scale.** The Board reviewed financial statements and tax-related information provided by the Adviser. The Board considered whether the Adviser had realized a profit in connection with its relationship with the Fund and noted the Adviser reported a net loss during the 12 months ended June 30, 2023. The Board therefore concluded that excessive profitability was not an issue at this time. As to the realization of economies of scale, the Board agreed that economies of scale could be realized as the Fund's assets grew, but based on the current size of the Fund, no economies of scale had been achieved as of yet.

**Conclusion.** After consideration, the Board determined that the terms of the Agreement constituted a reasonable business arrangement and that the renewal of the Agreement was in the best interests of the Fund and its shareholders.

# SPARROW GROWTH FUND

ADDITIONAL INFORMATION (CONTINUED)  
AUGUST 31, 2023 (UNAUDITED)

## Trustees & Officers of the Trust

The following table provides information regarding each Trustee who is an “interested person” of the Trust as defined in the Investment Company Act of 1940, as amended, and each officer of the Trust.

Name, Address and Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Gerald R. Sparrow* Age: 64	Trustee, President, Secretary, Treasurer	Indefinite Term; Since inception.	Director and President of Sparrow Capital Management, Inc. (since 2004); General partner of Sparrow Fund L.P., an advisory company (since 2004).	1	None
Brandon M. Pokersnik ** Age: 45	Chief Compliance Officer	Indefinite Term; Since 2021.	Accountant, Mutual Shareholder Services, LLC (since 2008); Attorney Mutual Shareholder Services, LLC (since June 2016); Owner/President, Empirical Administration, LLC (since September 2012).	NA	NA

\* Mr. Sparrow is an “interested” person because he is the President of the Advisor. His address is 8500 Maryland Avenue, Suite 743, St. Louis, MO 63105.

\*\* Address of Mr. Pokersnik is 8000 Town Centre Drive, Suite 400, Broadview Heights, OH 44147.

The following table provides information regarding each Trustee who is not an “interested person” of the Trust, as defined in the Investment Company Act of 1940, as amended.

Name, Address* and Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Donald E. Hake Age: 60	Independent Trustee	Indefinite Term; since 2020.	Vice-President and Assistant Controller, Aegion Corporation, an infrastructure solutions company (from 2018 through present); Controller, Krey Distributing Co. (from 2016 through 2018)	1	None
Donald D. Woodruff Age: 67	Independent Trustee	Indefinite Term; Since inception.	President of Robinson, Inc., a hearing aid retail company (from 1992 through present).	1	None

\* Address of each Trustee is 8500 Maryland Avenue, Suite 743, St. Louis, MO 63105.

**TRUSTEES**

Gerald R. Sparrow  
Donald E. Hake  
Donald D. Woodruff

**OFFICERS**

Gerald R. Sparrow, President, Secretary and Treasurer  
Brandon M. Pokersnik, Chief Compliance Officer

**INVESTMENT ADVISOR**

Sparrow Capital Management, Inc.  
8500 Maryland Avenue, Suite 743  
St. Louis, MO 63105

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Cohen & Company, Ltd.  
1350 Euclid Avenue, Suite 800  
Cleveland, OH 44115

**LEGAL COUNSEL**

Thompson Hine LLP  
41 S. High Street, Suite 1700  
Columbus, OH 43215

**CUSTODIAN**

US Bank, N.A.  
425 Walnut St.  
Cincinnati, OH 45202

**TRANSFER AGENT AND FUND ACCOUNTANT**

Mutual Shareholder Services, LLC  
8000 Town Centre Drive, Suite 400  
Broadview Heights, OH 44147

Additional information about the Trustees is available in the Fund's Statement of Additional Information which is available, without charge, upon request by calling (888) 727-3301.

This report is intended only for the information of shareholders or those who have received the Fund's prospectus which contains information about the Fund's management fee and expenses. Please read the prospectus carefully before investing.