



Third Quarter ending September 30, 2011

To the Investment Clients of Sparrow Capital Management, Inc.

In the last three months equity markets declined in most parts of the world. The markets in Europe, Asia, North and South America remained down after a good first half of year. The slow patch we are currently experiencing resulted from macroeconomic and political headwinds. In particular, the downgrading of United States sovereign debt by Standard and Poors, volatile European markets reacting to Greek sovereign debt downgrades and gridlock in Washington D.C. were some of the catalysts. These headwinds caused most markets to become inexpensive on an intrinsic value basis as evidenced by Warren Buffet initiated a stock buy back of Berkshire Hathaway stock for the first time in 40 years. I believe the best approach in this environment is to dollar cost average through this volatile period where good valuations present themselves. It is during these uncertain times you can accumulate shares of well run businesses at low valuations and when better conditions develop on the economic and political fronts you get rewarded for your patience and discipline..

Our investment approach is to buy companies with consistent earning power, high return-on-equity while employing little or no long-term debt and to purchase at reasonable prices with a high margin of safety. We have a system that filters thousands of stocks on a weekly basis using the *Sparrow 75* point check list that screens the highest quality companies which are then reviewed and considered for purchase in your portfolio.

As always, my family and I have almost all of our equity investments in the stocks that are in your portfolios, this does not guarantee a return, but it does focus my attention on things that matter to you as a shareholder. We currently invest for clients that have IRA's, 401(k)'s, Trusts and taxable accounts. If you would like a free portfolio analysis please call us or your advisor today and ask that your stock portfolio receives the *Sparrow 75*. A proprietary investment checklist developed by me over the last 20 years that has the potential to identify winning equity investments.

Thank you for your continued confidence. Feel free to forward to a friend who invests, they may find this useful.

Gerald R. Sparrow, MBA,
Registered Investment Advisor

Disclosure:

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The Sparrow Growth Fund is offered by prospectus only. A prospectus contains more complete information on investment objectives, risks, advisory fees, distribution charges, and other expenses and should be read carefully before investing or sending money. A prospectus may be obtained or by calling Sparrow Capital at 314-725-6161. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate. NAV (Net Asset Value) does not include sales charges or contingent deferred sales. Performance data quoted represents past performance. 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. Current performance may be lower or higher than the performance data quoted. Please call 314-725-6161 to obtain performance data current to the most recent month-end. The annual expense ratio of the Fund is 1.76%.

Sparrow Capital Management, Inc. is a Registered Investment Advisor, established by Gerald Sparrow in 1988. A list of all past specific recommendations is available upon request. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list.