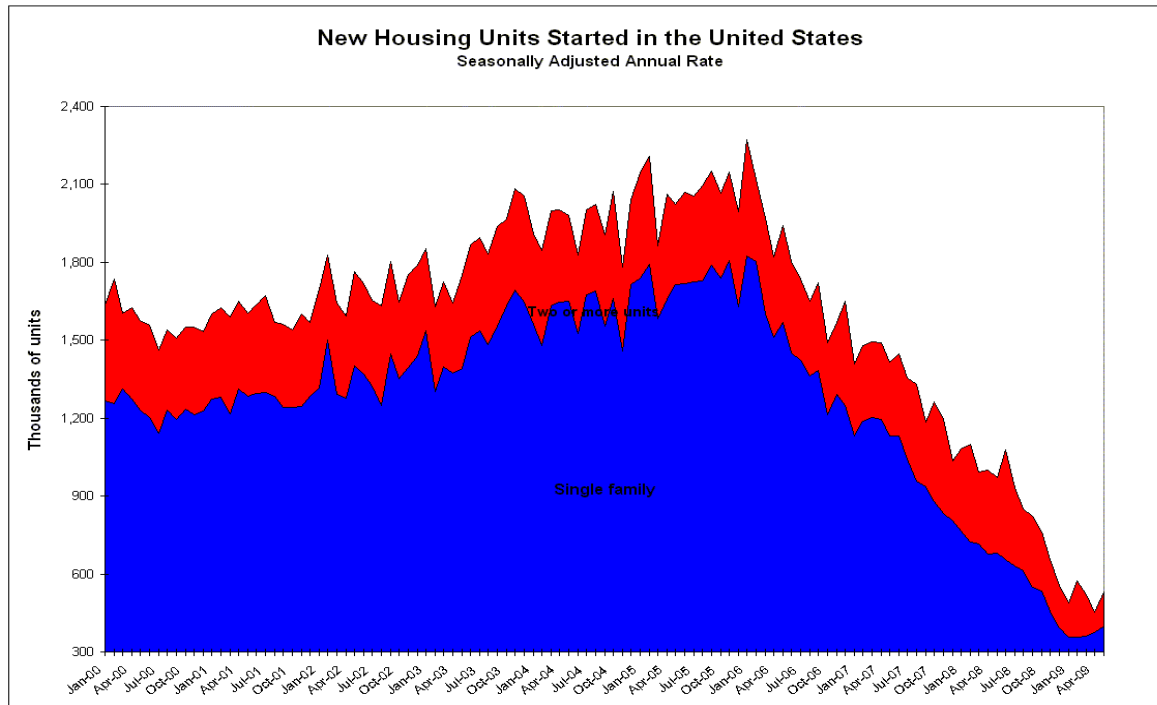


July 2, 2009

Economic Recovery

Our sources tell us that auto production in North America and globally will recover in the third and fourth quarters of this year. Car sales are highly correlated with the SP500, home values, consumer confidence, credit availability and prices of used cars. Recent data points tell us that these metrics have either bottomed or turned up over the previous sixty days. For example, during May of this year used car prices increased 11% and this indicator is bullish for new car sales. More specifically, world wide auto production is expected to increase from 13.5 million units in the third quarter to 14.3 million units for a 5.8% increase.

Real estate may be a big winner over the coming five years. Real estate prices have declined significantly over the last three years and inventory built up and rents went down. That is what happened and we think the next phase will be up. According to our sources real estate prices lag the economy by about one year. So as the economy recovers real estate prices recover. If you have been holding back on a real estate purchase looking for a bottom, be it residential or commercial, now is the time to buy. The chart below from the United States census bureau illustrates my point regarding the trend of housing starts/supply. It could go lower but not by much.



Gerald R. Sparrow, MBA  
Registered Investment Advisor

## Disclosure:

PLEASE READ THIS WARNING: All e-mail sent to or from this address will be received or otherwise recorded by the Sparrow Capital Management corporate e-mail system and is subject to archival, monitoring and/or review, by and/or disclosure to, someone other than the recipient. This message is intended only for the use of the person(s) ("intended recipient") to whom it is addressed. It may contain information that is privileged and confidential. If you are not the intended recipient, please contact the sender as soon as possible and delete the message without reading it or making a copy. Any dissemination, distribution, copying, or other use of this message or any of its content by any person other than the intended recipient is strictly prohibited. Sparrow Capital Management has taken precautions to screen this message for viruses, but we cannot guarantee that it is virus free nor are we responsible for any damage that may be caused by this message.

Sparrow Capital Management only transacts business in states where it is properly registered or notice filed, or excluded or exempted from registration requirements. Follow-up and individualized responses that involve either the effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as the case may be, will not be made absent compliance with state investment adviser and investment adviser representative registration requirements, or an applicable exemption or exclusion.

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. Investor's shares when redeemed may be worth more or less than the original cost. NAV (Net Asset Value) does not include sales charges or contingent deferred sales charges.