

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: 2013-01-10
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FILER

SPARROW FUNDS

CIK: **1066241** | IRS No.: **000000000** | State of Incorporation: **OH** | Fiscal Year End: **0831**
Type: **485BPOS** | Act: **33** | File No.: **333-59877** | Film No.: **13522615**

Mailing Address

11330 OLIVE BOULEVARD
SUITE 230
ST LOUIS MO 63141

Business Address

11330 OLIVE BOULEVARD
SUITE 230
ST LOUIS MO 63141
3147256161

SPARROW FUNDS

CIK: **1066241** | IRS No.: **000000000** | State of Incorporation: **OH** | Fiscal Year End: **0831**
Type: **485BPOS** | Act: **40** | File No.: **811-08897** | Film No.: **13522616**

Mailing Address

11330 OLIVE BOULEVARD
SUITE 230
ST LOUIS MO 63141

Business Address

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3147256161

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No.

Post-Effective Amendment No. 21

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
Post-Effective Amendment No. 23

SPARROW FUNDS – File Nos. 333-59877 and 811-08897
(Exact Name of Registrant as Specified In Charter)

211 North Broadway
Suite 2080
St. Louis, Missouri 63102

(Address of Principal Executive Offices) (Zip Code)

Registrant' s Telephone Number, Including Area Code: (314) 725-6161

Gerald R. Sparrow
President
211 North Broadway
Suite 2080
St. Louis, Missouri 63102

(Name and Address of Agent for Service)

Copies to:
JoAnn M. Strasser
Thompson Hine LLP
41 S. High Walnut Street, 17th Floor
Columbus, Ohio 43215

It is proposed that this filing will become effective:

- immediately upon filing pursuant to paragraph (b)
- on (date) pursuant to paragraph (b)
- 60 days after filing pursuant to paragraph (a)(1)
- on (date) pursuant to paragraph (a)(1)
- 75 days after filing pursuant to paragraph (a)(2)
- on (date) pursuant to paragraph (a)(2) of rule 485

If appropriate check this box: this post-effective amendment designates a new effective date for a previously filed post-effective amendment

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, the Registrant certifies that it meets all of the requirements for effectiveness of this registration statement under rule 485(b) under the Securities Act and has duly caused this Post-Effective Amendment No. 21 to its Registration Statement on Form N-1A to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Columbus, State of Ohio, on the 10th day of January, 2013.

Sparrow Funds

By: /s/ JoAnn M. Strasser
JoAnn M. Strasser, Attorney-in-Fact

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on January 10, 2013.

Gerald R. Sparrow*
Trustee, President (Principal Executive Officer), and Treasurer (Principal Financial Officer/Principal Accounting Officer)

Richard Priest*
Trustee

Donald D. Woodruff*
Trustee

By: /s/ JoAnn M. Strasser
*JoAnn M. Strasser, Attorney-in-Fact

Exhibit Index

Index No Description of Exhibit

1.	EX-101.INS	XBRL Instance Document
2.	EX-101.SCH	XBRL Taxonomy Extension Schema Document
3.	EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase
4.	EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase
5.	EX-101.LAB	XBRL Taxonomy Extension Labels Linkbase
6.	EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Label	Element	Value
Risk/Return:	rr_RiskReturnAbstract	
Document Type	dei_DocumentType	485BPOS
Document Period End Date	dei_DocumentPeriodEndDate	Aug. 31, 2012
Registrant Name	dei_EntityRegistrantName	Sparrow Funds
Central Index Key	dei_EntityCentralIndexKey	0001066241
Amendment Flag	dei_AmendmentFlag	false
Prospectus Date	rr_ProspectusDate	Dec. 31, 2012
Sparrow Growth Fund		
Risk/Return:	rr_RiskReturnAbstract	
Objective [Heading]	rr_ObjectiveHeading	Investment Objective
Objective, Primary [Text Block]	rr_ObjectivePrimaryTextBlock	The investment objective of the Sparrow Growth Fund is long-term capital appreciation.
Expense [Heading]	rr_ExpenseHeading	Fees and Expenses of the Fund
Expense Narrative [Text Block]	rr_ExpenseNarrativeTextBlock	This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. You may qualify for sales charge discounts if you and or your family invest, or agree to invest in the future, at least \$50,000 in Class A shares of the Fund. More information about these and other discounts is available from your financial professional and in the section entitled "Sales Charge Reduction and Waivers" in this prospectus.
Shareholder Fees	rr_ShareholderFeesCaption	Shareholder Fees (fees paid directly from your investment)

[Caption](#)

[\[Text\]](#)

[Operating](#)

[Expenses](#)

[Caption](#)

rr_OperatingExpensesCaption

[\[Text\]](#)

[Portfolio](#)

[Turnover](#)

[\[Heading\]](#)

rr_PortfolioTurnoverHeading

[Portfolio](#)

[Turnover](#)

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rr_PortfolioTurnoverTextBlock

[Portfolio](#)

[Turnover,](#)

[Rate](#)

rr_PortfolioTurnoverRate

[Expense](#)

[Example](#)

[\[Heading\]](#)

rr_ExpenseExampleHeading

[Expense](#)

[Example](#)

[Narrative](#)

[\[Text Block\]](#)

rr_ExpenseExampleNarrativeTextBlock

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 149.36% of the average value of its portfolio.

149.36%

Example

The example below is intended to help you compare the cost of investing in the Fund’s Class A and Class C shares with the cost of investing in other mutual funds. The Example assumes that you invest \$10,000 in the Fund’s Class A and Class C shares for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund’s Class A and Class C operating expenses

[Strategy](#)
[\[Heading\]](#)

rr_StrategyHeading

[Strategy](#)
[Narrative](#)
[\[Text Block\]](#)

rr_StrategyNarrativeTextBlock

remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Principal Investment Strategies of the Fund

The Fund typically invests in a broad range of foreign and U.S. common stocks which Sparrow Capital Management, Inc., the Fund's adviser, believes have above-average prospects for appreciation, based on a proprietary investment model developed by the adviser. The model looks at a variety of factors to select stocks that the adviser believes demonstrate strong earnings momentum. These growth momentum factors include expanding profit margins, accelerating earnings, positive earnings surprises, positive earnings estimate revisions, and positive relative price strength.

The Fund may invest in stocks of all market capitalization ranges based on the adviser's assessment of the relative opportunities and risks of each category. The Fund may invest without limitation in stocks of foreign issuers operating in developed or emerging markets through American Depositary Receipts ("ADRs"). The Fund may also invest without limitation in one or more underlying investment companies whose investments conform to the Fund's investment limitations or investment policies, such as open-end mutual funds and exchange-traded funds ("ETFs")

that invest in equity securities represented by various indices (including foreign indices). Stocks are sold when there is a significant decline in earnings momentum, a better stock is found, or a significant breakdown in relative price performance occurs.

The Fund may invest up to 15% of its assets in corporate and government bonds that are rated investment grade at the time of purchase (BBB/Baa or higher by S&P or Moody's or, unrated, but determined to be of comparable quality by the adviser).

Principal Risks of Investing in the Fund

All mutual funds carry a certain amount of risk. An investment in the Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund is not a complete investment program. As with any mutual fund investment, the Fund's returns will vary and you could lose money. The following are the principal risks of investing in the Fund:

- **Market Risk.** Overall stock market risks may 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 and could cause the Fund's share price to fall.
- **Company Risk.** The value of the Fund may decrease

[Risk](#)
[\[Heading\]](#) rr_RiskHeading

[Risk](#)
[Narrative](#)
[\[Text Block\]](#)

rr_RiskNarrativeTextBlock

in response to the activities and financial prospects of an individual company in the Fund's portfolio. The value of an individual company can be more volatile than the market as a whole.

- **Growth Style Investing Risk.** If the adviser's perceptions of a company's growth potential are wrong, the securities purchased may not perform as expected, reducing the Fund's return.

- **Management Risk.** If the adviser's assessment of the prospects for individual securities is incorrect, it could result in significant losses in the Fund's investment in those securities, which can also result in possible losses overall for the Fund.

- **Mid Cap Risk.** Stocks of mid-cap companies are riskier than stocks of larger companies. Many of these companies are young and have a limited track record. Their securities may trade less frequently and in more limited volume than those of more mature companies. Mid-cap companies also may lack the managerial, financial or other resources necessary to implement their business plans or succeed in the face of competition.

- **Small Cap Risk.** To the extent the Fund invests in small-cap companies, the Fund will be subject to additional risks. These include:

- The earnings and prospects of smaller companies

are more volatile than larger companies.

- Smaller companies may experience higher failure rates than do larger companies.
- The trading volume of securities of smaller companies is normally less than that of larger companies and, therefore, may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.
- Smaller companies may have limited markets, product lines or financial resources and may lack management experience.

- **Fixed Income Risk.** The issuer of a bond may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. The value of fixed income securities generally decreases when interest rates rise and increases when interest rates fall.

- **Foreign and Emerging Markets Securities Risk.** Common stocks of companies in foreign countries may experience more rapid and extreme changes in value than securities of U.S. companies because the securities markets of many foreign countries are relatively smaller than those in

the U.S. Foreign issuers are not subject to the same degree of regulation as U.S. issuers. Also, nationalization, expropriation or confiscatory taxation or political changes could adversely affect the Fund's investments in a foreign country. There is a risk that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the value of the Fund's investments in foreign securities. To the extent that the Fund invests in securities of foreign companies located in emerging markets, it will be subject to additional risks that can increase the potential for losses in the Fund.

- **Sector Risk.** If the Fund's portfolio is overweighted in a certain industry sector, any negative development affecting that sector will have a greater impact on the Fund than a fund that is not overweighted in that sector.

- **ETF Risk and Other Investment Company.** When the Fund invests in ETFs and other investment companies, it will indirectly bear its proportionate share of any fees and expenses payable directly by the underlying ETF or other investment company. Therefore, the Fund will incur higher expenses. In addition, ETFs are also subject to the following risks: (i) the market price of an ETF's shares may trade above or below its net asset value; (ii) an active trading market for an ETF's shares may not develop or be maintained;

(iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally; or (iv) the ETF may fail to achieve close correlation with the index that it tracks due to a variety of factors, such as rounding of prices and changes to the index and/or regulatory policies, resulting in the deviating of the ETF's returns from that of the index.

• **Portfolio Turnover Risk.** The Fund may experience high portfolio turnover. Increased portfolio turnover may cause the Fund to incur higher brokerage costs, which may adversely affect the Fund's performance, and may produce taxable distributions, significant portions of which are short-term capital gains that are taxable as ordinary income.

Is the Fund Right for You?

The Fund may be suitable for:

- Long-term investors seeking a mutual fund with a growth investment strategy
- Investors willing to accept price fluctuations in their investment
- Investors who can tolerate the risks associated with common stocks

As with any mutual fund investment, the Fund's returns will vary and you could lose money.

[Risk Lose
Money
\[Text\]](#)

rr_RiskLoseMoney

[Bar Chart](#)
[and](#)
[Performance](#) rr_BarChartAndPerformanceTableHeading
[Table](#)
[\[Heading\]](#)
[Performance](#)
[Narrative](#)
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rr_PerformanceNarrativeTextBlock

[Performance](#)
[Availability](#) rr_PerformanceAvailabilityPhone
[Phone \[Text\]](#)
[Performance](#)
[Past Does](#)
[Not Indicate](#) rr_PerformancePastDoesNotIndicateFuture
[Future](#)
[\[Text\]](#)

[Bar Chart](#)
[\[Heading\]](#) rr_BarChartHeading

[Annual](#)
[Return 2002](#) rr_AnnualReturn2002

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[Return 2003](#) rr_AnnualReturn2003

[Annual](#)
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[Return 2005](#) rr_AnnualReturn2005

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[Annual](#)
[Return 2007](#) rr_AnnualReturn2007

Performance

The following bar chart and table provide some indication of the risks of investing in the Fund's Class A shares by showing changes in the Fund's Class A shares' performance from year to year and by showing how the Fund's Class A shares' average annual returns for 1-year, 5-year and 10-year periods compare with those of a broad measure of market performance. To obtain updated performance information, please call (888) 727-3301. The Fund's past performance, before and after taxes, is not necessarily an indication of its future performance.

888-727-3301

The Fund's past performance, before and after taxes, is not necessarily an indication of its future performance.

Class A Annual Total Returns as of December 31st

(25.57%)

30.98%

6.14%

6.96%

15.57%

9.68%

Annual Return 2008	rr_AnnualReturn2008	(46.25%)
Annual Return 2009	rr_AnnualReturn2009	19.27%
Annual Return 2010	rr_AnnualReturn2010	13.23%
Annual Return 2011	rr_AnnualReturn2011	4.23%

[Bar Chart Closing](#)
[Text Block]

The Fund's Class A Share year-to-date performance as of September 30, 2012 was 11.72%.

rr_BarChartClosingTextBlock

During the period shown in the chart for Class A, the highest return for a quarter was 17.67% (quarter ended September 30, 2009); and the lowest return was -26.90% (quarter ended December 31, 2008). Class A shares are sold subject to a sales load, which is not reflected in the bar chart. If the sales load was included, the returns would be less than those shown.

[Highest Quarterly Return Label](#)

rr_HighestQuarterlyReturnLabel

Highest return for a quarter

[Highest Quarterly Return Date](#)

rr_BarChartHighestQuarterlyReturnDate

Sep. 30, 2009

[Highest Quarterly Return](#)

rr_BarChartHighestQuarterlyReturn

17.67%

[Lowest Quarterly Return Label](#)

rr_LowestQuarterlyReturnLabel

Lowest return for a quarter

[Lowest Quarterly Return Date](#)

rr_BarChartLowestQuarterlyReturnDate

Dec. 31, 2008

[Lowest Quarterly Return](#)

rr_BarChartLowestQuarterlyReturn

(26.90%)

[Performance](#)

[Table](#) rr_PerformanceTableHeading

[Heading](#)

[Performance](#)

[Table Uses](#) rr_PerformanceTableUsesHighestFederalRate

[Highest](#)

[Federal Rate](#)

[Performance](#)

[Table Not](#)

[Relevant to](#) rr_PerformanceTableNotRelevantToTaxDeferred

[Tax](#)

[Deferred](#)

[Performance](#)

[Table](#)

[Narrative](#)

rr_PerformanceTableNarrativeTextBlock

Average Annual Total Returns

(For the periods ended December 31, 2011)

After-tax returns are calculated using the historical highest individual federal marginal income tax rates

after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. After-tax returns are shown for only the Fund's Class A, and after-tax returns for other classes will vary.

Sparrow
Growth
Fund | -
Comparison
Index - S&P
500 Index
(reflects no
deduction
for fees,
expenses or
taxes)

[Risk/](#)
[Return:](#)

rr_RiskReturnAbstract

[1 Year](#)

rr_AverageAnnualReturnYear01

2.09%

[5 Years](#)

rr_AverageAnnualReturnYear05

(0.25%)

[10 Years](#)

rr_AverageAnnualReturnYear10

2.92%

Sparrow
Growth
Fund | Class
A

Risk/Return:	rr_RiskReturnAbstract	
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	rr_MaximumSalesChargeImposedOnPurchasesOverOfferingPrice	5.75%
Maximum Deferred Sales Charge (Load) (as a percentage of the lower of original purchase or redemption proceeds)	rr_MaximumDeferredSalesChargeOverOther	1.00%
Management Fees	rr_ManagementFeesOverAssets	1.00%
Distribution (12b-1) Fees	rr_DistributionAndService12b1FeesOverAssets	0.50%
Other Expenses	rr_OtherExpensesOverAssets	1.11%
Total Annual Fund Operating Expenses	rr_ExpensesOverAssets	2.61%
Expense Example, with Redemption, 1 Year	rr_ExpenseExampleYear01	824
Expense Example, with Redemption, 3 Years	rr_ExpenseExampleYear03	1,340

Expense Example, with Redemption, 5 Years	rr_ExpenseExampleYear05	1,881
Expense Example, with Redemption, 10 Years	rr_ExpenseExampleYear10	3,350
1 Year	rr_AverageAnnualReturnYear01	4.23%
5 Years	rr_AverageAnnualReturnYear05	(3.66%)
10 Years	rr_AverageAnnualReturnYear10	1.19%
Sparrow Growth Fund Class A Return After Taxes on Distributions		
Risk/Return:	rr_RiskReturnAbstract	
1 Year	rr_AverageAnnualReturnYear01	4.23%
5 Years	rr_AverageAnnualReturnYear05	(3.70%)
10 Years	rr_AverageAnnualReturnYear10	1.18%
Sparrow Growth Fund Class A Return After Taxes on Distributions and Sale of Fund Shares		
Risk/Return:	rr_RiskReturnAbstract	
1 Year	rr_AverageAnnualReturnYear01	2.75%
5 Years	rr_AverageAnnualReturnYear05	(3.10%)
10 Years	rr_AverageAnnualReturnYear10	1.01%
Sparrow Growth Fund Class C		
Risk/Return:	rr_RiskReturnAbstract	
Maximum Sales	rr_MaximumSalesChargeImposedOnPurchasesOverOfferingPrice	none

Charge (Load) Imposed on Purchases (as a percentage of offering price) Maximum Deferred Sales Charge (Load) (as a percentage of the lower of original purchase or redemption proceeds)	rr_MaximumDeferredSalesChargeOverOther	none
Management Fees	rr_ManagementFeesOverAssets	1.00%
Distribution (12b-1) Fees	rr_DistributionAndService12b1FeesOverAssets	1.00%
Other Expenses	rr_OtherExpensesOverAssets	1.19%
Total Annual Fund Operating Expenses	rr_ExpensesOverAssets	3.19%
Expense Example, with Redemption, 1 Year	rr_ExpenseExampleYear01	322
Expense Example, with Redemption, 3 Years	rr_ExpenseExampleYear03	983
Expense Example, with Redemption, 5 Years	rr_ExpenseExampleYear05	1,669
Expense Example, with	rr_ExpenseExampleYear10	3,494

Redemption,
10 Years

Sparrow Growth Fund

Investment Objective

The investment objective of the Sparrow Growth Fund is long-term capital appreciation.

Fees and Expenses of the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. You may qualify for sales charge discounts if you and or your family invest, or agree to invest in the future, at least \$50,000 in Class A shares of the Fund. More information about these and other discounts is available from your financial professional and in the section entitled "Sales Charge Reduction and Waivers" in this prospectus.

Shareholder Fees (fees paid directly from your investment)

Shareholder Fees Sparrow Growth Fund	Class A	Class C
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	5.75%	none
Maximum Deferred Sales Charge (Load) (as a percentage of the lower of original purchase or redemption proceeds)	1.00%	none

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Annual Fund Operating Expenses Sparrow Growth Fund	Class A	Class C
Management Fees	1.00%	1.00%
Distribution (12b-1) Fees	0.50%	1.00%
Other Expenses	1.11%	1.19%
Total Annual Fund Operating Expenses	2.61%	3.19%

Example

The example below is intended to help you compare the cost of investing in the Fund's Class A and Class C shares with the cost of investing in other mutual funds. The Example assumes that you invest \$10,000 in the Fund's Class A and Class C shares for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's Class A and Class C operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Expense Example Sparrow Growth Fund (USD \$)	Expense Example, with Redemption, 1 Year	Expense Example, with Redemption, 3 Years	Expense Example, with Redemption, 5 Years	Expense Example, with Redemption, 10 Years
Class A	824	1,340	1,881	3,350
Class C	322	983	1,669	3,494

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 149.36% of the average value of its portfolio.

Principal Investment Strategies of the Fund

The Fund typically invests in a broad range of foreign and U.S. common stocks which Sparrow Capital Management, Inc., the Fund's adviser, believes have above-average prospects for appreciation, based on a proprietary investment model developed by the adviser. The model looks at a variety of factors to select stocks that the adviser believes demonstrate strong earnings momentum. These growth momentum factors include

expanding profit margins, accelerating earnings, positive earnings surprises, positive earnings estimate revisions, and positive relative price strength.

The Fund may invest in stocks of all market capitalization ranges based on the adviser's assessment of the relative opportunities and risks of each category. The Fund may invest without limitation in stocks of foreign issuers operating in developed or emerging markets through American Depositary Receipts ("ADRs"). The Fund may also invest without limitation in one or more underlying investment companies whose investments conform to the Fund's investment limitations or investment policies, such as open-end mutual funds and exchange-traded funds ("ETFs") that invest in equity securities represented by various indices (including foreign indices). Stocks are sold when there is a significant decline in earnings momentum, a better stock is found, or a significant breakdown in relative price performance occurs.

The Fund may invest up to 15% of its assets in corporate and government bonds that are rated investment grade at the time of purchase (BBB/Baa or higher by S&P or Moody's or, unrated, but determined to be of comparable quality by the adviser).

Principal Risks of Investing in the Fund

All mutual funds carry a certain amount of risk. An investment in the Fund is not a deposit of any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund is not a complete investment program. As with any mutual fund investment, the Fund's returns will vary and you could lose money. The following are the principal risks of investing in the Fund:

- **Market Risk.** Overall stock market risks may 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 and could cause the Fund's share price to fall.
- **Company Risk.** The value of the Fund may decrease in response to the activities and financial prospects of an individual company in the Fund's portfolio. The value of an individual company can be more volatile than the market as a whole.
- **Growth Style Investing Risk.** If the adviser's perceptions of a company's growth potential are wrong, the securities purchased may not perform as expected, reducing the Fund's return.
- **Management Risk.** If the adviser's assessment of the prospects for individual securities is incorrect, it could result in significant losses in the Fund's investment in those securities, which can also result in possible losses overall for the Fund.
- **Mid Cap Risk.** Stocks of mid-cap companies are riskier than stocks of larger companies. Many of these companies are young and have a limited track record. Their securities may trade less frequently and in more limited volume than those of more mature companies. Mid-cap companies also may lack the managerial, financial or other resources necessary to implement their business plans or succeed in the face of competition.
- **Small Cap Risk.** To the extent the Fund invests in small-cap companies, the Fund will be subject to additional risks. These include:
 - The earnings and prospects of smaller companies are more volatile than larger companies.
 - Smaller companies may experience higher failure rates than do larger companies.
 - The trading volume of securities of smaller companies is normally less than that of larger companies and, therefore, may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.

- Smaller companies may have limited markets, product lines or financial resources and may lack management experience.
- **Fixed Income Risk.** The issuer of a bond may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. The value of fixed income securities generally decreases when interest rates rise and increases when interest rates fall.
- **Foreign and Emerging Markets Securities Risk.** Common stocks of companies in foreign countries may experience more rapid and extreme changes in value than securities of U.S. companies because the securities markets of many foreign countries are relatively smaller than those in the U.S. Foreign issuers are not subject to the same degree of regulation as U.S. issuers. Also, nationalization, expropriation or confiscatory taxation or political changes could adversely affect the Fund's investments in a foreign country. There is a risk that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the value of the Fund's investments in foreign securities. To the extent that the Fund invests in securities of foreign companies located in emerging markets, it will be subject to additional risks that can increase the potential for losses in the Fund.
- **Sector Risk.** If the Fund's portfolio is overweighted in a certain industry sector, any negative development affecting that sector will have a greater impact on the Fund than a fund that is not overweighted in that sector.
- **ETF Risk and Other Investment Company.** When the Fund invests in ETFs and other investment companies, it will indirectly bear its proportionate share of any fees and expenses payable directly by the underlying ETF or other investment company. Therefore, the Fund will incur higher expenses. In addition, ETFs are also subject to the following risks: (i) the market price of an ETF's shares may trade above or below its net asset value; (ii) an active trading market for an ETF's shares may not develop or be maintained; (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally; or (iv) the ETF may fail to achieve close correlation with the index that it tracks due to a variety of factors, such as rounding of prices and changes to the index and/or regulatory policies, resulting in the deviating of the ETF's returns from that of the index.
- **Portfolio Turnover Risk.** The Fund may experience high portfolio turnover. Increased portfolio turnover may cause the Fund to incur higher brokerage costs, which may adversely affect the Fund's performance, and may produce taxable distributions, significant portions of which are short-term capital gains that are taxable as ordinary income.

Is the Fund Right for You?

The Fund may be suitable for:

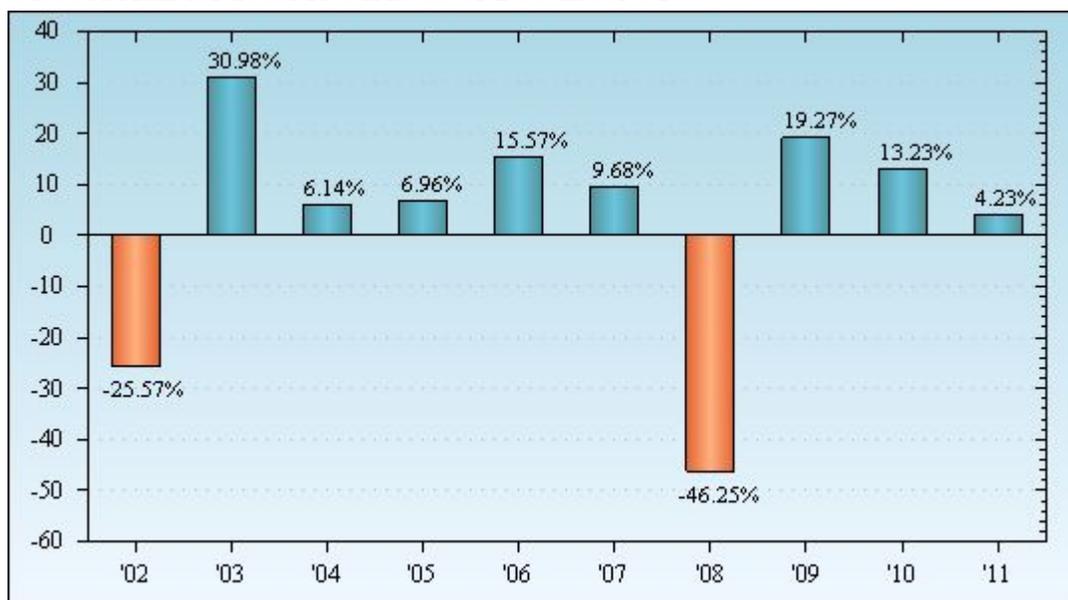
- Long-term investors seeking a mutual fund with a growth investment strategy
- Investors willing to accept price fluctuations in their investment
- Investors who can tolerate the risks associated with common stocks

Performance

The following bar chart and table provide some indication of the risks of investing in the Fund's Class A shares by showing changes in the Fund's Class A shares' performance from year to year and by showing how the Fund's Class A shares' average annual returns for 1-year, 5-year and 10-year periods compare with those of a

broad measure of market performance. To obtain updated performance information, please call (888) 727-3301. The Fund's past performance, before and after taxes, is not necessarily an indication of its future performance.

Class A Annual Total Returns as of December 31st



The Fund's Class A Share year-to-date performance as of September 30, 2012 was 11.72%.

During the period shown in the chart for Class A, the highest return for a quarter was 17.67% (quarter ended September 30, 2009); and the lowest return was -26.90% (quarter ended December 31, 2008). Class A shares are sold subject to a sales load, which is not reflected in the bar chart. If the sales load was included, the returns would be less than those shown.

Average Annual Total Returns
(For the periods ended December 31, 2011)

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. After-tax returns are shown for only the Fund's Class A, and after-tax returns for other classes will vary.

Average Annual Total Returns Sparrow Growth Fund

	1 Year	5 Years	10 Years
- Comparison Index - S&P 500 Index (reflects no deduction for fees, expenses or taxes)	2.09%	(0.25%)	2.92%
Class A	4.23%	(3.66%)	1.19%
Class A Return After Taxes on Distributions	4.23%	(3.70%)	1.18%
Class A Return After Taxes on Distributions and Sale of Fund Shares	2.75%	(3.10%)	1.01%