

# GREENSPRING FUND

Dear Fellow Shareholders:

August 2018

Market volatility, which surged during the early months of 2018, continued to impact investors during the second quarter. In this volatile market environment, we believe that Greenspring Fund's focus on company-specific fundamentals helped insulate the portfolio from a portion of the market turmoil and positively influenced investment results. We are pleased to report that Greenspring Fund gained 4.1% in the second quarter of 2018 and 2.5% on a year-to-date basis.

Throughout the second quarter, investors responded quickly to daily headline events and the ever-shifting investment landscape. The source of much investor anxiety was the Trump administration's plan to impose tariffs on various trading partners including China, the European Union, Canada and Mexico. Often, these tariff-related headlines were tersely written proposals or tweets that created an atmosphere of uncertainty. Investors had to speculate as to the ultimate details of a plan as they grappled with the likely effects the tariffs might have on global economic growth, certain industries and specific companies. Offsetting the uncertainty surrounding tariffs, the strength and positive momentum of the U.S. economy continued to provide support for the domestic equity markets.

Despite the frequent and significant swings in investor sentiment, most equity market indices rose during the second quarter, driven by higher corporate earnings and a strong labor market. Even with the market's solid underpinnings, the performances of the various major equity market indices have been quite mixed so far this year. The Dow Jones Industrial Average, while up slightly for the quarter, remained in negative territory for the year and well below its high set in January. At the same time, the NASDAQ moved higher during the quarter, driven by the companies commonly referred to as the FAANG stocks (Facebook, Amazon, Apple, Netflix and Google). The concerns over tariffs and trade wars steered somewhat clear of the stocks in the Russell 2000 during the quarter, as many of its components are more domestically-focused

## Greenspring Fund Performance for the Periods Ended June 30, 2018

Quarter	4.09%
Year to Date	2.47%
1 Year	7.74%
3 Years*	7.51%
5 Years*	5.78%
10 Years*	5.85%
15 Years*	7.10%
20 Years*	6.18%
Since inception on 7/1/83*	9.30%
Expense Ratio**	0.99%

\* Annualized.

\*\* As stated in Prospectus dated 5-1-18. See note on last page of letter.

*Performance data quoted represents past performance; past performance 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. 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 1-800-366-3863 or by visiting [www.greenspringfund.com](http://www.greenspringfund.com).*

companies that are less exposed to international trade concerns. Furthermore, the relative underperformance over the last several years of many smaller-cap equity securities left them attractively valued and investors bid up prices as they sought out these less expensive investments.

The fixed income markets were mixed during the quarter. Fears that inflation may accelerate, a strong labor market and indications that the Federal Reserve would continue to raise short-term interest rates all combined to push

U.S. Treasury rates higher. The yield on the 10-year U.S. Treasury rose for the fourth straight quarter, increasing from 2.74% to 2.85% and temporarily breached the 3% level during May for the first time since early 2014. Later in the quarter, however, trade war concerns pushed rates lower as investors returned to the perceived safety of government bonds. Given the rising rate environment, most investors in intermediate and long-term investment grade and government bonds suffered losses during the quarter. The negative second quarter results added to the losses many of these same investors experienced during the first quarter.

Our focus on short-duration high yield bonds and stringent credit analysis has allowed Greenspring Fund's fixed income holdings to produce positive returns during this recent period of rising interest rates. We continue to see a lasting benefit to higher rates as most of the Fund's recent bond purchases have been executed at higher expected yields-to-call/maturity than in previous quarters, which should help to drive greater future returns for the fixed income holdings.

### **INFLUENCES on FUND PERFORMANCE**

The equity holdings in the Fund performed very well during the second quarter, significantly outpacing several of the broad equity market indices. Gains in the portfolio were fairly widespread, driven by company-specific factors and exposure to areas of the market that drew increased investor interest. Our holdings in smaller companies helped performance during the quarter as investors looked to insulate themselves to the potential risks of trade wars by purchasing domestically-focused names. Exposure to certain industry groups also contributed positively to performance. The Fund's investments in the Oil and Gas Exploration & Production industry benefitted as oil prices continued to rise amidst strong demand trends. Investments in the Engineering & Construction industry performed well as the outlook for the energy, electrical, and communications end markets improved. Fund

holdings in the Commercial Bank and Thrift industry also moved higher as investors were encouraged by the prospects of higher interest rates, loan growth, and acquisition activity in an improving domestic economy.

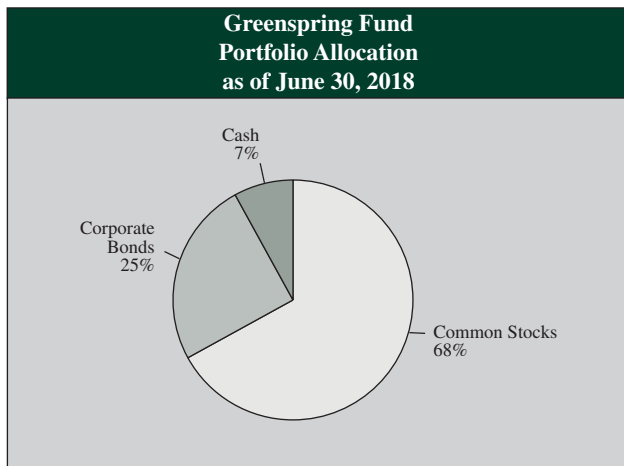
The individual securities that had the greatest influence on the Fund's performance during the quarter all generated positive returns and were, in order of magnitude, the common stock holdings of Novanta, Gramercy Property Trust, Southern National Bancorp of Virginia, MYR Group, and Suncor Energy.

Novanta is a niche manufacturer of laser, vision and precision motion components and subsystems used by industrial and healthcare equipment manufacturers. Several end market tailwinds, strong operating results, and acquisitions drove better than expected first quarter earnings and an improved outlook for the remainder of the year. We have owned shares of Novanta for nearly seven years and, while we remain very impressed with the results that management has achieved, we continue to opportunistically sell shares to manage risk as the valuation of the Company has risen substantially over the years.

<b>Greenspring Fund Top 10 Holdings</b>	<b>% of Net Assets as of 6/30/18</b>
Republic Services, Inc.	5.8%
Discover Financial Services	3.9%
Southern National Bancorp of Virginia	3.8%
EMCOR Group, Inc.	3.7%
Conduent Inc.	3.1%
MasTec, Inc.	3.1%
Suncor Energy, Inc.	2.7%
EOG Resources, Inc.	2.7%
Mohawk Industries, Inc.	2.6%
The Sherwin-Williams Company	2.5%

Gramercy Property Trust is a real estate investment trust that principally owns, acquires, and leases industrial properties in the United States and Europe. In May, management announced that they had entered into a definitive agreement to be acquired by Blackstone, a private equity firm, in an all-cash transaction valued at \$27.50 per share. The stock rose in response to this agreement, and the acquisition is set to close later in 2018.

Southern National Bancorp of Virginia, also a long-time holding of the Fund, is a small community bank with locations across Virginia, Southern Maryland and the Washington D.C. area. The stock underperformed many of its community bank peers following its acquisition of Eastern Virginia Bankshares in June 2017. With the integration of the two banks essentially completed by the end of 2017, however, the recent improvement in many key return metrics demonstrated the significant benefits of the merger. The improved financial results of the combined entity attracted investor attention, and the stock price moved higher, to a level more in-line with its peer group. The Fund has owned shares in Southern National for over ten years, and we look forward to the management team, which own a considerable amount of shares themselves, continuing to create value for shareholders.



## PORTFOLIO ACTIVITY

During the quarter, we initiated a few relatively small common stock positions in Owens Corning, Spectrum Brands, Chubb, and Wyndham Hotels and Resorts. We sought to take advantage of the market's volatility when purchasing these new positions and have remained disciplined with respect to our purchase prices. We also added to several existing positions, the largest of which were shares of PPL Corporation, Mohawk Industries, and Condor Hospitality Trust. During the quarter, two of the Fund's holdings, Gramercy Property Trust and First Connecticut Bancorp, agreed to acquisition proposals. We sold all of the Fund's shares in First Connecticut Bancorp and almost all of the shares in Gramercy. In addition, we sold all of the Fund's shares in Crown Castle International and SBA Communications given our concerns that a merger of Sprint and T-Mobile could cause uncertainty relative to the near-term growth rates of these wireless tower operators. We also trimmed the position size of several holdings including Novanta, Six Flags Entertainment, MYR Group and several of the smaller local banks at what we considered attractive valuations. As is typical with our short-duration fixed income securities, the majority of the portfolio activity was related to bond redemptions and the subsequent reinvestment of the proceeds into additional short-duration securities.

## OUTLOOK

Many of the equity holdings held in Greenspring Fund's portfolio reported strong earnings, driven by company-specific initiatives designed to improve profit margins and earnings per share, as well as tax reform and the healthy domestic economy. We remain confident that the companies held in the portfolio are well-positioned to generate further increases in shareholder value through continued earnings growth and the deployment of cash generated from operations into dividends, share repurchases, investments to expand the existing business, and/or acquisitions designed to improve the companies' strategic positions.

Over the last twelve months, the yield on the 10-year U.S. Treasury increased from 2.31% to 2.85%, a move of just over fifty basis points. The low coupon did little to offset the decline in the principal value that occurred as the price of the 10-year bond adjusted lower, reflecting the higher interest rate. Most Fed-watchers expect several more increases in short-term rates over the next 18 months. In recent shareholder letters, we have discussed the risk of negative returns to longer-term bond investors in a rising interest rate environment. The negative returns experienced recently by long-term bond investors makes the reality of this risk quite apparent and we expect it will become more of a focus for investors going forward. We will maintain the Fund's focus on short-duration fixed income securities in such an environment, a posture that has served Greenspring Fund quite well recently. By investing in bonds with shorter expected holding periods, interest rate

risk should be reduced and the Fund will be able to reinvest funds from maturing/redeeming securities into higher yielding investments should rates continue to move higher.

We are encouraged by the strength we have seen in recent domestic economic reports and the feedback garnered from our discussions with corporate managements. This enthusiasm is somewhat tempered by a more volatile political environment that adds an element of uncertainty into the outlook. We remain committed to Greenspring Fund's long-practiced value investment philosophy and our long-standing objective of providing steady, risk-adjusted performance over a market cycle. We greatly appreciate your interest and investment in Greenspring Fund and look forward to reporting on our progress at the end of the third quarter.

Respectfully,



Charles vK. Carlson  
Portfolio Manager and Co-Chief Investment Officer



Michael J. Fusting  
Co-Chief Investment Officer

\*\*Total Annual Fund Operating Expenses for the Fund will not correlate to the Ratio of Expenses to Average Net Assets shown in the Fund's most recent Annual Report and in the Financial Highlights section of the Prospectus, which reflects the operating expenses of the Fund and does not include acquired fund fees and expenses.

*Mutual fund investing involves risk. Principal loss is possible. Small and mid-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Investments by the Fund in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.*

Opinions expressed are subject to change, are not guaranteed and should not be considered recommendations to buy or sell any security. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security. *Current and future portfolio holdings are subject to risk.*

The Dow Jones Industrial Average is a broad based unmanaged index comprised of 30 actively traded large-capitalization stocks. The Nasdaq stock market comprises two separate markets, namely the Nasdaq National Market, which trades large, active securities and the Nasdaq Smallcap market that trades emerging growth companies. The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. It is not possible to invest directly in an index.

Coupon rate is the rate of interest paid by bond issuers on the bond's face value. Yield-to-call is a measure of the yield of a bond if held until the call date. Duration is a commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration. Earnings per share is the portion of a company's profit allocated to each outstanding share of common stock and serves as an indicator of a company's profitability. Earnings growth is not a measure of the Fund's future performance.

**The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectuses contain this and other information about the Fund, and may be obtained by calling 1-800-366-3863 or visiting [www.greenspringfund.com](http://www.greenspringfund.com). Please read the Fund's Prospectus carefully before investing.**

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