# GREENSPRING FUND

Dear Fellow Shareholders,

February 2023

Greenspring Fund (the "Fund") gained 7.6% during the fourth quarter, and finished 2022 down 8.7% in what was a very difficult market for both equity and fixed income investors. The Fund's performance for the year compared quite favorably to many broad-based equity market indices, particularly those with heavy exposure to growth-oriented companies. Negative performance is disappointing for all investors, but our navigation of 2022's treacherous markets did provide an element of welcome stability during a period of sharp market volatility.

The equity market declined at the start of the year as investors became increasingly concerned about the timing and magnitude of potential interest rate hikes the Federal Reserve (the "Fed") might need to implement in order to corral what had become rapidly escalating inflation. Russia's invasion of Ukraine and increasingly restrictive lockdown measures taken by China helped push food, energy and other prices higher. At its March meeting, the Fed, in an effort to gain control of inflationary expectations, began tightening financial conditions by raising the Federal Funds rate by 25 basis points, the first such increase since 2018. As the year progressed, the Fed continued to aggressively move rates higher, and continually raised its guidance for how high it might need to push rates in order to cool inflation. Given the aggressive nature of the Fed's rate tightening, the market became extremely sensitive and reactive to data with respect to inflation and employment levels, as well as any associated Fed commentary. During much of the year, volatility within both equity and fixed income markets was significant, as investors tried to assess if the Fed would be able to effectively reduce the pace of inflation without tipping the economy into a recession.

The equity markets did post occasional rallies during the year, generally in response to inflation data that came in below expectations, fueling investor hopes that the Fed may be closer to the end of the rate hiking cycle, or even "pivot" to cutting rates later in 2023. However, these rallies were not sustained as Chairman Powell and other Fed members continuously threw cold water on this narrative, vowing to stay the course and indicating that rates would remain "higher-for-longer". Ultimately, the sustained move higher in interest rates caused equity valuations to compress. Concerns of a slowing economy, lower corporate earnings, and the need to discount future earnings using a higher interest rate all combined to reduce equity valuations. This sell-off was most acutely seen in the higher-valued growth areas of the market but was felt, at some level, by almost all sectors of the market.

Fixed income markets, which had been relatively quiet over the last couple of years, were also quite volatile, particularly longer duration securities. With interest rates starting the year near historic lows, the Fed's move to push rates higher resulted in many bond investors suffering meaningful

| Greenspring Fund Performance for the Periods Ended December 31, 2022 | |
|---|---|
| Quarter | 7.62% |
| Year to Date | -8.67% |
| 1 Year | -8.67% |
| 3 Years* | 6.32% |
| 5 Years* | 5.47% |
| 10 Years* | 6.22% |
| 15 Years* | 5.55% |
| 20 Years* | 7.24% |
| Since inception on 7/1/83* | 8.87% |
| Expense Ratio** | 1.10% |

* annualized.

** as stated in Prospectus dated 5-1-22. 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.greenspringfunds.com.*

losses. This was a significant change from recent years, as investors had grown accustomed to fixed income securities providing positive returns to their portfolios. However, unless an investor maintained a focus on very short duration securities this past year, fixed income securities did not deliver stability, but produced volatility and declines similar to that suffered in the equity markets.

## INFLUENCES on FUND PERFORMANCE

As a group, the Fund's equity securities declined in value in the high single-digit range for the year and accounted for the majority of the Fund's negative performance for the year. While disappointing to experience declines, the Fund's equities significantly outperformed many of the broader equity indices. Despite the overall negative performance for the year, a number of the Fund's equity holding had meaningful positive performances. The fixed income securities, in aggregate, posted a small loss and had little influence on the Fund's overall performance. Of the individual securities that had the five largest impacts on the Fund's performance, Amazon, Alphabet, Ziff Davis and Cisco Systems had negative returns, while EOG Resources had a positive return.

Within the broadly defined Communications Services sector, Alphabet and Ziff Davis both declined in value. Although Alphabet and Ziff Davis are very different companies, both businesses generate a significant amount of revenue and profits from digital advertising. The share prices of both of these holdings fell during the year as demand for digital advertising cooled, as many businesses reduced marketing expenditures in response to economic pressures and customers tightening their purse strings. We remain quite confident that both companies will successfully manage through this downturn in spending and will use their financial strength to improve their industry positions. With respect to Ziff Davis, its subscription software and data businesses, accounting for approximately 45% of revenue, should provide a consistent and growing stream of free cash flow that management can use to create additional value even if the digital advertising market remains slow. With considerable dry powder on the balance sheet and an excellent track record of capital deployment, management is in the enviable position of being able to acquire complementary businesses at attractive prices and/or opportunistically repurchase its shares. The Fund's third holding within the sector, T-Mobile US, generated a positive return for the year. The share price of T-Mobile moved steadily higher during the year as the company delivered quarterly earnings consistently above expectations, grew its subscriber base, increased free cash flow generation and initiated a large share repurchase program.

The Fund's four holdings within the Consumer Discretionary sector also had a significant influence on performance, with three declining in value and one, Rush Enterprises, virtually unchanged. Amazon's share price fell throughout the year as management continued to adapt to a more normal, less pandemic-influenced retail environment. In hindsight, Amazon invested too aggressively in its infrastructure, assuming that the surge in demand during the pandemic would continue, and found itself over-staffed and with excess fulfillment capacity as shoppers returned to physical stores. Levi Strauss & Co., a new holding for the Fund during the year (discussed in further detail below) also declined, as the share price came under pressure from fears that inflation, higher interest rates and economic uncertainty would lead to a slowdown in consumer discretionary spending. The

| Greenspring Fund Top 10 Holdings | % of Net Assets as of 12/31/22 |
|---|---|
| Republic Services, Inc. | 7.6% |
| KBR, Inc. | 7.2% |
| T-Mobile USA, Inc. | 4.0% |
| EMCOR Group, Inc. | 3.7% |
| MYR Group, Inc. | 3.5% |
| Johnson Controls International plc | 3.4% |
| Ziff Davis, Inc. | 3.3% |
| Primis Financial Corp. | 3.1% |
| Alphabet, Inc. – Class C | 2.9% |
| W.R. Berkley Corp. | 2.5% |

Fund's other holding in the sector, Wyndham Hotels and Resorts, reported solid operating results, but the share price declined throughout the year as valuations within the hotel industry moved lower in sympathy with the general equity sell-off.

The Fund maintained a heavy weighting to the Industrial sector during the year with nine holdings spread across a diverse group of industries. These equities generated mixed performance with five holdings declining in value while four moved higher. Johnson Controls, which provides a wide range of mechanical systems and digital solutions that make buildings more comfortable, safe, and energy efficient, had the greatest negative influence on performance. Johnson Controls fell victim to pandemic-induced supply chain challenges that plagued many companies. Difficulty in sourcing various parts and components necessary for both products and projects resulted in sales delays and caused earnings to fall slightly below expectations. Despite these obstacles, product demand remained quite strong with robust orders and project backlog growth. As we move into 2023, we anticipate improvements throughout the supply chain will begin to benefit Johnson Controls. EMCOR Group had the largest positive influence within the Fund's Industrial holdings, with the stock moving higher during the second half of the year. EMCOR is one of the largest electrical and mechanical construction, energy management, and facilities services companies in the United States. After a somewhat slow start to the year, operations improved as the year progressed. Revenues and profit margins increased along with solid growth in project backlog, helping to provide visibility with respect to a positive outlook for 2023. We continue to believe that EMCOR is well-positioned as a prime contractor within the important datacenter, e-commerce logistics, water/wastewater and healthcare markets and will further benefit from the current push to bring manufacturing back to the United States.

The Fund's holdings within the Energy sector had the greatest positive influence on the portfolio, led by EOG Resources, a long-time Fund investment. EOG is one of the largest independent crude oil and natural gas exploration and production companies in the United States, with operations in several major U.S. production basins. We believe EOG is an extremely well-managed company that has used technology and proprietary data collected over many years to identify a multi-year inventory of premium drilling locations across its vast land holdings. EOG's rock-solid balance sheet and significant free cash flow generation allow it to grow production and return a substantial amount of cash to shareholders, as evidenced by the payment of regular and special quarterly dividends. From our perspective, EOG's

| Greenspring Fund<br>Ten Largest 2022 Purchases |
|---|
| **Common Stocks:** |
| Levi Strauss & Co. – Class A |
| Envista Holdings Corp. |
| T-Mobile US Inc. |
| Nextera Energy, Inc. |
| Cannae Holdings, Inc. |
| **Bonds:** |
| Digitalbridge Group, Inc.5.00% 4/15/23 |
| Arrow Bidco LLC 144A 9.50% 3/15/24 |
| New Fortress Energy, Inc. 144A 6.75% 9/15/25 |
| Change Healthcare Holdings 144A 5.75% 3/1/25 |
| Consensus Cloud Solution 144A 6.0% 10/15/26 |

| Greenspring Fund<br>Ten Largest 2022 Sales |
|---|
| **Common Stocks:** |
| Amdocs Limited |
| Republic Services, Inc. |
| CMS Energy Corp. |
| United Parcel Services, Inc. |
| Alphabet, Inc. – Class C |
| **Bonds:** |
| FireEye, Inc. 1.625% 6/1/35 |
| Welbilt, Inc.9.50% 2/15/24 |
| Change Healthcare Holdings 144A 5.75% 3/1/25 |
| Dun & Bradstreet Corp. 144A 6.875% 8/15/26 |
| Icahn Enterprises 6.75% 2/1/24 |

management has created and fostered an innovative, entrepreneurial culture that is greatly admired in the oil and gas industry and has a proven track record of executing its business plans.

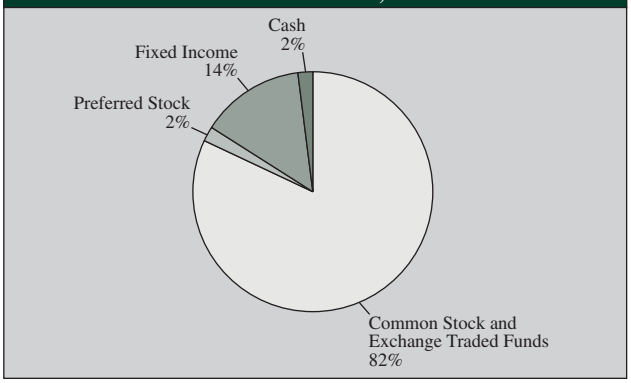
## PORTFOLIO ACTIVITY

Throughout the year, we made adjustments to the portfolio that we believe position it for not only the current economic and market environments but also for the future. The most significant new equity purchases during the year include Levi Strauss & Co., Envista Holdings and Cannae Holdings.

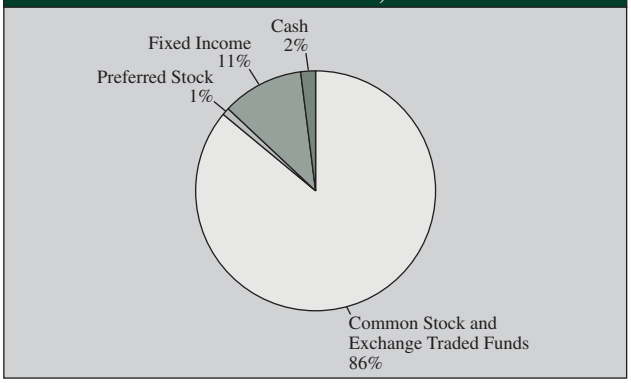
Levi Strauss & Co. ("Levi's") is one of the world's largest brand-name apparel companies, with a number of popular brands such as Levi's, Dockers and Beyond Yoga. Levi's products are sold in over 110 countries through department stores, chain retailers, online sites, and branded retail stores. As the leading name in denim jeans, Levi's is well-positioned to capitalize on recent apparel trends. We expect the "casualization" of the workforce that accelerated during the pandemic to continue, with many employers adopting more relaxed in-office dress codes and more flexible, work-from-home environments. Fashion trends are also shifting as consumers seem to be moving away from tight "skinny jeans" toward more comfortable, looser fits. We expect Levi's profitability to remain resilient despite slower overall consumer discretionary spending, as the company benefits from strong pricing power, a diverse supply chain footprint, and less exposure to low-priced retailers, where consumers have pulled back spending the most. We also see limited inventory risk, since jeans tend to be all-season staples with relatively low fashion risk. Management has proven to be good stewards of shareholder capital by strengthening the balance sheet through debt reduction and investing to expand e-commerce sales, a more profitable channel than traditional brick-and-mortar retail partners. We believe management has significant flexibility to build shareholder value through tuck-in acquisitions, paying a growing dividend and repurchasing shares.

Envista is a leading global dental products manufacturer with over 30 brands found in dental offices throughout the world. The share price declined significantly during much of 2022 amidst myriad investor concerns. Investors grew skeptical of Envista's near-term earnings growth rate as supply chain issues, COVID lockdowns in China, recession fears in the United States and Europe, and inflationary price pressures ignited fears that the consumer might reduce spending on dental visits and procedures. Looking past this current period of uncertainty, we believe that Envista is well-positioned to deliver a higher long-term growth profile, with particular strength in the faster-growing orthodontics and restorative dentistry channels given its market-leading products in wire and bracket braces, tooth implants, and a recently launched clear aligner brand called Spark. With a culture

**Greenspring Fund**
**Portfolio Allocation**
**as of December 31, 2022**




**Greenspring Fund**
**Portfolio Allocation**
**as of December 31, 2021**



of continuous profitability improvement and a strong balance sheet, we took advantage of the weakness in the stock price late in 2022 to purchase shares of this high quality business at an attractive price relative to our estimate of its long-term growth potential.

Cannae Holdings is a diversified holding company led by Bill Foley, a well-respected, experienced investor whose prior successes include investments in technology and data-driven financial services firms such as Fidelity National Financial and Black Knight, Inc. Cannae often takes a meaningful ownership stake in another company and becomes actively involved in management of the business in an effort to maximize the value of its investment. Currently, Cannae's largest investment is in the shares of Dun & Bradstreet, a well-known business services company (and a Fund holding), where Cannae is working to improve both the current profitability and long-term growth rate. We purchased the Cannae shares at a significant discount to the market value of its investment portfolio. We viewed the purchase of Cannae shares as an opportunistic way to buy Dun & Bradstreet, a company we already find attractively valued, at a discount. If Dun & Bradstreet's share price increases in value, the Fund should benefit from both its holdings of Cannae as well as Dun & Bradstreet. If other holdings within the Cannae portfolio appreciate in value, the Fund should also benefit. Cannae has been aggressively repurchasing shares of its stock, looking to create value for its remaining shareholders by retiring its stock at a discount to the market value of its portfolio. We remain excited by the various ways the Fund may potentially profit from its investments in Cannae and Dun & Bradstreet.

We also took advantage of market volatility throughout the year to add to certain existing equity positions. The more significant of these transactions included additional purchases of shares in T-Mobile US, NextEra Energy and Dun & Bradstreet.

We sold the vast majority of the Fund's holdings in Special Purpose Acquisition Companies ("SPACs") with the sales more heavily weighted to the second half of the year. As we discussed in previous letters, we viewed the SPAC investments as alternative short-term fixed income investments. As a group, the Fund's SPAC's performed as expected, delivering reasonable positive returns when compared to short term interest rates, with very little price volatility, both very attractive features during a year when most asset classes declined significantly. As interest rates moved higher during the year, we redeployed SPAC sales proceeds into other holdings that we believe have the potential for higher returns. We also sold the Fund's entire position in CMS Energy and Americold Realty Trust and reduced the position size of several other Fund holdings with the most significant sales including reductions in the shares of Amdocs, Republic Services, United Parcel Service and Alphabet.

## OUTLOOK

For well over a decade now, investors have benefitted from an environment of low inflation and very accommodative monetary policy, as the Fed frequently injected liquidity into the system and kept interest rates extremely low. Supported by a generally benign inflation backdrop, the Fed would often cut rates at the first sign of economic weakness and provide support to the financial markets (the "Fed Put"), boosting investor confidence and instilling a "buy the dip" mentality in the equity markets. With low interest rates and a belief that the Fed would not allow a prolonged market correction, investors searched for ever-higher returns, willing to pay lofty prices for rapidly-growing and highly-speculative companies, betting that the continuation of easy access to capital would fund operating losses, while waiting for the potential award of earnings far in the future. From mega-cap technology stocks to start-up electric vehicle makers to cryptocurrency, valuations across large swaths of the market moved to record levels.

This paradigm, however, was rocked during 2022. Unexpectedly high and prolonged inflation spurred the Fed to aggressively move away from its easy monetary policy, and it raised interest rates at a pace not seen since the 1980's, while also ending its most recent quantitative easing program established in the early days of the pandemic. With investors now able to generate improved

current income from common stock dividends and bonds, they may be far less motivated to invest in future promises, as they did in a very low interest rate environment. We expect this environment to continue to push investors away from a "hopes and dreams" mentality and back towards prioritizing traditional quality and valuation measures, which aligns very well with Greenspring Fund's investment approach. As always, we seek to invest in companies that have strong franchises with fiscally-responsible balance sheets and significant free cash flow generation. In the near term, we expect market volatility to continue as investors grapple with monetary, economic, and geopolitical uncertainty, but we will continue to take advantage of the market's volatility as we seek value-creating opportunities for the portfolio.

It was certainly another eventful year, and we thank you for your confidence and investment in Greenspring Fund. We look forward to updating you on our performance at the end of the first quarter.

Respectfully,

Charles vK. Carlson
Portfolio Manager
Co-Chief Investment Officer

Michael J. Fusting
Co-Chief Investment Officer

Michael Goodman
Portfolio Manager

**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. Special Purpose Acquisition Companies are generally formed for the purpose of effecting a merger or other form of business combination within a finite period of time. SPACs, especially those that have recently completed their initial public offerings, may be unseasoned and lack significant trading, operational and/or financial reporting history. Prior to the announcement of a business combination, a SPAC has no ongoing business activities other than seeking a business combination, and its common shares may lack liquidity and trade at a discount to its redemption value. At the time of a proposed combination, public shareholders are generally afforded the right to redeem their shares for their proportionate value of the SPAC trust. Public shareholders may not have a meaningful opportunity to vote on the proposal because certain shareholders, including those affiliated with the SPAC management team, may have sufficient voting power, and financial incentive, to approve a transaction without public shareholder support. There is no guarantee that a SPAC will propose or complete a business combination. If a SPAC does not complete a business combination within the allotted timeframe, public shares are typically redeemed for cash with funds from the SPAC trust account. Investments in SPACs may be considered illiquid and subject to restrictions on resale.***

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.*

Earnings growth is not a measure of future performance. 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. Free cash flow measures the cash generating capability of a company by adding certain non-cash charges (e.g. depreciation and amortization) to earnings and subtracting capital expenditures. Basis point is one hundredth of one percent.

**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.greenspringfunds.com. Please read the Fund's Prospectus carefully before investing.**

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