

INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT
LIMITED PARTNERSHIP
Boston, Massachusetts 02110

TRANSFER AND DIVIDEND PAYING AGENT AND CUSTODIAN OF ASSETS

STATE STREET BANK AND TRUST COMPANY
Boston, Massachusetts 02111

SHAREHOLDER SERVICING AGENT FOR STATE STREET BANK AND TRUST COMPANY

BOSTON FINANCIAL DATA SERVICES, INC.
P.O. Box 8511
Boston, Massachusetts 02266-8511

TELEPHONE NUMBERS

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P.O. Box 8511
Boston, MA 02266-8511

CGM Realty Fund

14th Annual Report
December 31, 2007

A No-Load Fund

This report has been prepared for the shareholders of the Fund and is not authorized for distribution to current or prospective investors in the Fund unless it is accompanied or preceded by a prospectus.

RAR 07

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Investment Adviser
Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Realty Fund increased 5.6% during the fourth quarter of 2007 compared to the unmanaged Standard and Poor's 500 Index which returned -3.3% and the FTSE NAREIT U.S. Real Estate Equity REIT Index which returned -12.7%. For the year just ended, CGM Realty Fund returned 34.4%, the S&P 500 Index, 5.5% and the FTSE NAREIT U.S. Real Estate Equity REIT Index, -15.7%.

The Year in Review and Economic Outlook

November marked the sixth anniversary of the U.S. economic expansion. Indeed, the longevity of the current economic cycle as well as the bull market in common stocks is testing historical records. Now, however, there are signs of slowdown on the business horizon as damage precipitated by past excesses in the housing market along with years of easy credit availability is corrected. Cheap money rates and the marketing of subprime mortgage loans mixed in with high-grade paper (packaged and sold as prime credits) have led to payment defaults on the consumer level and huge institutional losses. Home buyers were wooed with mortgages they couldn't afford, wrong-headedly assuming that rising home prices would bail them out. Instead home prices declined, loans went south and the financial institutions and investors who purchased mortgage-backed securities took the hit. Billions in assets have been and continue to be written off as worthless while many banks and other financial entities scramble to raise capital to shore up balance sheets. Well-publicized losses have already cost top jobs at both Citigroup and Merrill Lynch and still the full extent of the devastation is unclear since no one really knows the value of many of these esoteric packages of now delinquent mortgages. The Federal Reserve Board has taken several steps to encourage borrowing and inject liquidity into the market which we hope will stabilize the credit markets. For the moment though, the uncertainty has spawned a flight to quality in the bond market driving yields on the 10-year government bond from 5.04% in June to 4.03% at year end.

In addition to the credit crisis, a second troubling sign emerged today with the release of the Institute for Supply Management's index of manufacturing which dropped to 47.7 in December from 50.8 the month before, thereby confirming a slowdown. And, yet another uncertainty in the economic landscape is the enormous rise in the price of crude oil. The year began

with crude at \$50 a barrel and ended with it at \$98. In the past, rising oil prices have acted like a large tax resulting in a pull back in consumer spending. This time around, the consumer appears to be a bit more resilient and so far, despite some spending cuts, the dire consequences of past predictions have yet to materialize.

The credit crisis is serious and has wreaked havoc on many financial institutions. Manufacturing may well be slowing and the price of oil remains high. However, there are many sectors of the economy prospering at the same time. The annual GDP growth rate in the third quarter of 2007 was a hefty 4.9%. Businesses that supply global markets, rapidly developing countries like China, Brazil, Russia and India in particular, are faring well. The U.S. agricultural sector is booming and heavy capital industries, including aerospace and defense, are strong. The unemployment rate remains low, the S&P 500 Index closed the year off just 6% from its all-time high in October despite ongoing credit travails and the Fed continues to reduce short-term interest rates. We are hopeful the economy can weather current turbulence and resume a more measured growth pattern later in the new year.

Portfolio Strategy

CGM Realty Fund began the year 2007 with more than 80% of the portfolio in Real Estate Investment Trusts. These stocks reached what we regarded as excessive valuations during the first quarter of the year when the Blackstone Group purchased Equity Office Properties. We reduced our REIT position to approximately 25% of the Fund during the first quarter and maintained it at that level through September 30, 2007. The prices of Real Estate Investment Trusts declined substantially during the year and we have significantly increased our REIT holdings since the end of the third quarter.

We have focused the non-REIT portion of the Fund in companies that mine copper, iron ore, coal and nickel and produce fertilizer.

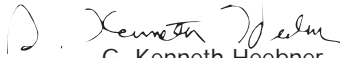
The Fund experienced losses in almost all its Real Estate Investment Trust positions in 2007 but more than offset these with major gains in its mining company investments. The largest gains occurred in fertilizer producers The Mosaic Company and Potash Corporation of Saskatchewan Inc., Brazilian iron ore and nickel producer Companhia Vale do Rio Doce ADR and diversified miner Rio Tinto plc ADR.

CGM REALTY FUND

At year-end, CGM Realty Fund was approximately 55% invested in REITs. The Fund's portfolio was approximately 20% invested in office and industrial REITs, 22% in retail REITs and 12% invested in health care, mortgage and miscellaneous REITs. On December 31, 2007, the Fund's three largest holdings were The Mosaic Company, Potash Corporation of Saskatchewan Inc. and Companhia Vale do Rio Doce ADR.

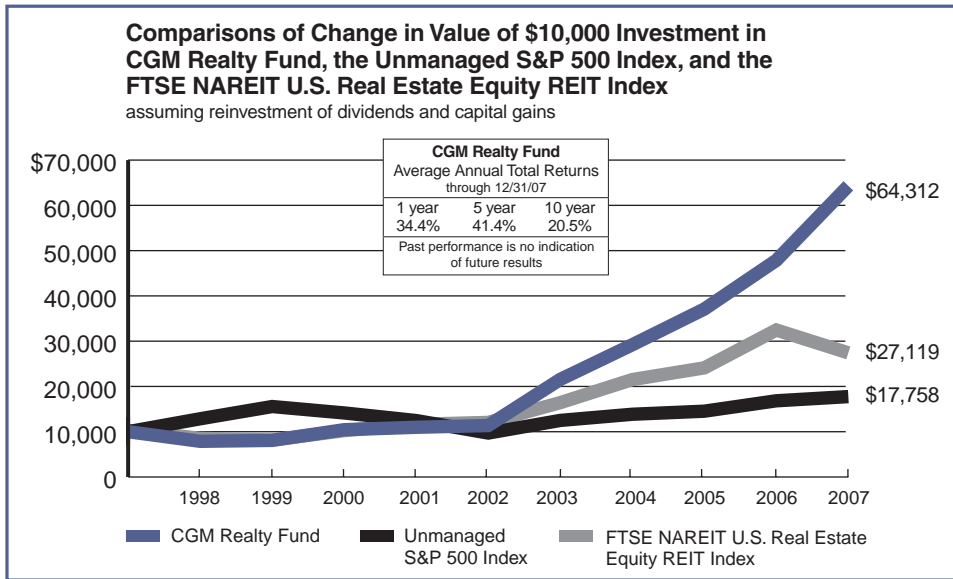


Robert L. Kemp
President



G. Kenneth Heebner
Portfolio Manager

January 2, 2008



CGM REALTY FUND Portfolio Manager

G. Kenneth Heebner has managed CGM Realty Fund since its inception on May 13, 1994. In 1990, Mr. Heebner founded Capital Growth Management Limited Partnership with Robert L. Kemp. Prior to establishing the new company, Mr. Heebner managed mutual funds at Loomis, Sayles and Company. In addition to CGM Realty Fund, he currently manages CGM Capital Development Fund, CGM Mutual Fund and CGM Focus Fund.

See the Schedule of Investments on pages 4 and 5 for the percentage of net assets of the Fund invested in particular industries or securities as of December 31, 2007.

INVESTMENT PERFORMANCE (unaudited)

Cumulative Total Return for Periods
Ended December 31, 2007

| | CGM Realty Fund |
|----------|--------------------|
| 10 Years | +543.9% |
| 5 Years | +466.2 |
| 1 Year | + 34.4 |
| 3 Months | + 5.6 |

The performance data contained in the report represent past performance, which is no guarantee of future results. The graph and table above do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assume the reinvestment of all Fund distributions. The investment return and the principal value of an investment in the Fund will fluctuate so that investors' 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.

CGM REALTY FUND

INVESTMENTS as of December 31, 2007

COMMON STOCKS — 99.2% OF TOTAL NET ASSETS

REAL ESTATE INVESTMENT TRUSTS — 55.2%

| | <u>Shares</u> | <u>Value(a)</u> |
|--|---------------|----------------------|
| Healthcare — 4.6% | | |
| Ventas, Inc. | 2,045,000 | \$ <u>92,536,250</u> |
| Miscellaneous — 1.8% | | |
| Entertainment Properties Trust | 775,000 | <u>36,425,000</u> |
| Mortgage — 6.0% | | |
| Annaly Capital Management, Inc. | 6,600,000 | <u>119,988,000</u> |
| Office and Industrial — 20.4% | | |
| Alexandria Real Estate Equities, Inc. | 405,000 | 41,176,350 |
| AMB Property Corporation | 1,760,000 | 101,305,600 |
| Digital Realty Trust, Inc. | 2,635,000 | 101,104,950 |
| Douglas Emmett, Inc. | 2,590,000 | 58,559,900 |
| ProLogis | 1,650,000 | <u>104,577,000</u> |
| | | <u>406,723,800</u> |
| Retail — 22.4% | | |
| Federal Realty Investment Trust | 1,105,000 | 90,775,750 |
| Simon Property Group, Inc. | 1,150,000 | 99,889,000 |
| Tanger Factory Outlet Centers, Inc. (b) | 1,880,000 | 70,894,800 |
| Taubman Centers, Inc. | 1,910,000 | 93,952,900 |
| The Macerich Company | 1,290,000 | <u>91,667,400</u> |
| | | <u>447,179,850</u> |
| TOTAL REAL ESTATE INVESTMENT TRUSTS (Identified cost \$1,140,221,365) | | <u>1,102,852,900</u> |
| OTHER COMMON STOCKS — 44.0% | | |
| Copper — 3.9% | | |
| Freeport-McMoRan Copper & Gold Inc. | 770,000 | <u>78,878,800</u> |
| Fertilizer — 25.0% | | |
| Potash Corporation of Saskatchewan Inc. (c) | 1,555,800 | 223,972,968 |
| The Mosaic Company (d) | 2,920,000 | <u>275,472,800</u> |
| | | <u>499,445,768</u> |

See accompanying notes to financial statements.

CGM REALTY FUND

INVESTMENTS as of December 31, 2007 (continued)

COMMON STOCKS (continued)

OTHER COMMON STOCKS (continued)

| | <u>Shares</u> | <u>Value(a)</u> |
|--|---------------|------------------------|
| Metals and Mining — 15.1% | | |
| Companhia Vale do Rio Doce ADR (e) | 5,024,800 | \$ 164,160,216 |
| Rio Tinto plc ADR (e) | 325,000 | 136,467,500 |
| | | <u>300,627,716</u> |
| TOTAL OTHER COMMON STOCKS (Identified cost \$371,039,498) | | <u>878,952,284</u> |
| TOTAL COMMON STOCKS (Identified cost \$1,511,260,863) | | <u>1,981,805,184</u> |
| | | |
| SHORT-TERM INVESTMENT — 0.9% OF TOTAL NET ASSETS | <u>Face</u> | |
| | <u>Amount</u> | |
| American Express Credit Corporation, 3.80%, 01/02/08 (Cost \$18,245,000) | \$18,245,000 | 18,245,000 |
| TOTAL INVESTMENTS — 100.1% (Identified cost \$1,529,505,863) | | 2,000,050,184 |
| Cash and receivables | | 20,938,912 |
| Liabilities | | <u>(22,528,322)</u> |
| TOTAL NET ASSETS — 100.0% | | <u>\$1,998,460,774</u> |

(a) See Note 1A.

(b) Non-controlled affiliate (See Note 7).

(c) The Fund has approximately 11% of its assets at December 31, 2007 invested in companies incorporated in Canada.

(d) Non-income producing security.

(e) An American Depositary Receipt (ADR) is a certificate issued by a U.S. bank representing the right to receive securities of the foreign issuer described. The values of ADRs are significantly influenced by trading on exchanges not located in the United States or Canada.

See accompanying notes to financial statements.

CGM REALTY FUND

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2007

Assets

| | | |
|--|-------------------|----------------------|
| Investments at value: | | |
| Unaffiliated issuers (Identified cost – \$1,450,431,562) | \$1,929,155,384 | |
| Non-controlled affiliates (Identified cost – \$79,074,301) | <u>70,894,800</u> | \$2,000,050,184 |
| Cash | | 3,243 |
| Receivable for: | | |
| Securities sold | \$1,195,599 | |
| Shares of the Fund sold | 13,057,644 | |
| Dividends and interest | <u>6,682,426</u> | 20,935,669 |
| Total assets | | <u>2,020,989,096</u> |

Liabilities

| | | |
|--|---------------|-------------------------------|
| Payable for: | | |
| Securities purchased | 15,649,873 | |
| Shares of the Fund redeemed | 5,340,389 | |
| Distributions declared | <u>216</u> | 20,990,478 |
| Accrued expenses: | | |
| Management fees | 1,324,566 | |
| Trustees' fees | 17,086 | |
| Accounting, administration and compliance expenses | 21,162 | |
| Transfer agent fees | 79,306 | |
| Other expenses | <u>95,724</u> | 1,537,844 |
| Total liabilities | | <u>22,528,322</u> |
| Net Assets | | <u><u>\$1,998,460,774</u></u> |

| | |
|---|-------------------------------|
| Net Assets consist of: | |
| Capital paid-in | \$1,527,916,453 |
| Net unrealized appreciation on investments | <u>470,544,321</u> |
| Net Assets | <u><u>\$1,998,460,774</u></u> |

| | |
|--|-----------------------|
| Shares of beneficial interest outstanding, no par value | <u>63,546,079</u> |
| Net asset value per share* | <u><u>\$31.45</u></u> |

*Shares of the Fund are sold and redeemed at net asset value (\$1,998,460,774 ÷ 63,546,079).

STATEMENT OF OPERATIONS

Year Ended December 31, 2007

Investment Income

| | |
|--|-------------------|
| Income: | |
| Dividends (net of withholding tax of \$391,990) | \$ 29,015,720 |
| Interest | 768,020 |
| Other | <u>238,777</u> |
| | <u>30,022,517</u> |

| | |
|---|-------------------|
| Expenses: | |
| Management fees | 13,614,381 |
| Trustees' fees | 69,000 |
| Accounting, administration and compliance expenses | 253,945 |
| Custodian fees and expenses | 222,868 |
| Transfer agent fees | 503,366 |
| Audit and tax services | 38,300 |
| Legal | 51,370 |
| Printing | 89,714 |
| Registration fees | 94,453 |
| Line of credit commitment fee | 20,278 |
| Miscellaneous expenses | <u>2,159</u> |
| | <u>14,959,834</u> |
| Net investment income | <u>15,062,683</u> |

Realized and Unrealized Gain (Loss) on Investments

| | |
|---|--------------------|
| Net realized gains on investments | 269,987,939 |
| Net unrealized appreciation | <u>216,018,781</u> |
| Net realized and unrealized gains on investments | <u>486,006,720</u> |

Change in Net Assets from Operations

\$501,069,403

See accompanying notes to financial statements.

CGM REALTY FUND

STATEMENT OF CHANGES IN NET ASSETS

| | Year Ended December 31, | |
|---|-------------------------|-----------------|
| | 2007 | 2006 |
| From Operations | | |
| Net investment income | \$ 15,062,683 | \$ 19,562,020 |
| Net realized gains on investments | 269,987,939 | 342,376,727 |
| Net unrealized appreciation (depreciation) | 216,018,781 | (35,849,776) |
| Change in net assets from operations | 501,069,403 | 326,088,971 |
| From Distributions to Shareholders | | |
| Net investment income | (13,939,899) | (19,562,020) |
| Net short-term realized capital gains on investments | (117,024,618) | (18,539,617) |
| Net long-term realized capital gains on investments | (147,041,038) | (317,224,877) |
| | (278,005,555) | (355,326,514) |
| From Capital Share Transactions | | |
| Proceeds from sale of shares | 574,783,411 | 457,184,132 |
| Net asset value of shares issued in connection with reinvestment of: | | |
| Dividends from net investment income | 11,065,084 | 17,159,267 |
| Distributions from net short-term realized capital gains on investments | 94,353,620 | 13,157,171 |
| Distributions from net long-term realized capital gains on investments | 118,556,947 | 251,776,661 |
| | 798,759,062 | 739,277,231 |
| Cost of shares redeemed | (498,107,852) | (267,260,344) |
| Change in net assets derived from capital share transactions | 300,651,210 | 472,016,887 |
| Total change in net assets | 523,715,058 | 442,779,344 |
| Net Assets | | |
| Beginning of period | 1,474,745,716 | 1,031,966,372 |
| End of period | \$1,998,460,774 | \$1,474,745,716 |
| Number of Shares of the Fund: | | |
| Issued from sale of shares | 18,339,803 | 14,825,477 |
| Issued in connection with reinvestment of: | | |
| Dividends from net investment income | 345,179 | 539,589 |
| Distributions from net short-term realized capital gains on investments | 2,981,157 | 487,664 |
| Distributions from net long-term realized capital gains on investments | 3,745,875 | 9,331,664 |
| | 25,412,014 | 25,184,394 |
| Redeemed | (16,365,379) | (8,644,393) |
| Net Change | 9,046,635 | 16,540,001 |

See accompanying notes to financial statements.

CGM REALTY FUND

FINANCIAL HIGHLIGHTS

| | For the Year Ended December 31, | | | | |
|---|---------------------------------|----------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2005 | 2004 | 2003 |
| For a share of the Fund outstanding throughout each period: | | | | | |
| Net asset value at the beginning of period | <u>\$27.06</u> | <u>\$27.19</u> | <u>\$29.56</u> | <u>\$24.75</u> | <u>\$13.39</u> |
| Net investment income (a) | 0.27 | 0.45 | 0.43 | 0.19 | 0.03 |
| Net realized and unrealized gains on investments | <u>9.06</u> | <u>7.37</u> | <u>7.51</u> | <u>8.55</u> | <u>11.93</u> |
| Total from investment operations | <u>9.33</u> | <u>7.82</u> | <u>7.94</u> | <u>8.74</u> | <u>11.96</u> |
| Dividends from net investment income | (0.25) | (0.45) | (0.43) | (0.18) | (0.04) |
| Distribution from net short-term realized gains | (2.08) | (0.42) | — | (0.16) | — |
| Distribution from net long-term realized gains | <u>(2.61)</u> | <u>(7.08)</u> | <u>(9.88)</u> | <u>(3.59)</u> | <u>(0.56)</u> |
| Total Distributions | <u>(4.94)</u> | <u>(7.95)</u> | <u>(10.31)</u> | <u>(3.93)</u> | <u>(0.60)</u> |
| Net increase (decrease) in net asset value | 4.39 | (0.13) | (2.37) | 4.81 | 11.36 |
| Net asset value at end of period | <u>\$31.45</u> | <u>\$27.06</u> | <u>\$27.19</u> | <u>\$29.56</u> | <u>\$24.75</u> |
| Total return (%) | 34.4 | 29.0 | 27.0 | 35.5 | 89.7 |
| Ratios: | | | | | |
| Operating expenses to average net assets (%) | 0.86 | 0.88 | 0.92 | 0.96 | 1.02 |
| Net investment income to average net assets (%) | 0.86 | 1.49 | 1.34 | 0.73 | 0.16 |
| Portfolio turnover (%) | 200 | 160 | 136 | 43 | 68 |
| Net assets at end of period (in thousands) (\$) | 1,998,461 | 1,474,746 | 1,031,966 | 785,399 | 644,420 |

(a) Per share net investment income has been calculated using the average shares outstanding during the period.

See accompanying notes to financial statements.

CGM REALTY FUND

NOTES TO FINANCIAL STATEMENTS — December 31, 2007

1. The Fund is a diversified series of CGM Trust which is organized as a Massachusetts business trust under the laws of Massachusetts pursuant to an Agreement and Declaration of Trust. The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company. The Trust has two other funds whose financial statements are not presented herein. Along with one other fund in a separate Massachusetts business trust, there are four CGM Funds. The Fund commenced operations on May 13, 1994. The Fund's investment objective is to provide a combination of income and long-term growth of capital. The Fund intends to pursue its objective by investing primarily in equity securities of companies in the real estate industry, including real estate investment trusts.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

- A. Security valuation** — Equity securities are valued on the basis of valuations furnished by a pricing service authorized by the Board of Trustees. The pricing service provides the last reported sale price for securities listed on a national securities exchange or in the case of the NASDAQ national market system, the NASDAQ official closing price. For securities with no sale reported and in the case of over-the-counter securities not so listed, the last reported bid price is used. Short-term investments having a maturity of sixty days or less are stated at amortized cost, which approximates value. Other assets and securities which are not readily marketable will be valued in good faith at fair value using methods determined by the Board of Trustees.
- B. Security transactions and related investment income** — Security transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date net of applicable foreign taxes, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable based upon its current interpretations of the tax rules and regulations that exist in the markets in which it invests. Interest income is recorded on the accrual basis and includes amortization of premium and discount. Net gain or loss on securities sold is determined on the identified cost basis. Dividend payments received by the Fund from its investment in REITs may consist of ordinary income, capital gains and return of capital and as such are recorded as dividend income, capital gains or a reduction to security cost, as appropriate. Non-cash dividend payments, if any, are recorded at the fair market value of the securities received.
- C. Federal income taxes** — It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute to its shareholders all of its taxable income and net realized capital gains, within the prescribed time period. Accordingly, no provision for federal income tax has been made. At December 31, 2007 there were no capital loss carryovers available to offset future realized gains.

As of December 31, 2007, the components of distributable earnings on a tax basis were as follows:

| <u>Undistributed Ordinary Income</u> | <u>Undistributed Long-term Capital Gains</u> | <u>Net Unrealized Appreciation/(Depreciation)</u> |
|--------------------------------------|--|---|
| \$ — | \$ — | \$470,544,321 |

CGM REALTY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

The identified cost of investments in securities owned by the Fund for federal income tax purposes, and their respective gross unrealized appreciation and depreciation at December 31, 2007 was as follows:

| <u>Identified Cost</u> | <u>Gross Unrealized Appreciation</u> | <u>Gross Unrealized Depreciation</u> | <u>Net Unrealized Appreciation</u> |
|------------------------|--|--|--|
| \$1,529,505,863 | \$541,838,600 | \$(71,294,279) | \$470,544,321 |

- D. Dividends and distributions to shareholders** — Dividends and distributions are recorded by the Fund on the ex-dividend date. The classification of income and capital gains distributions is determined in accordance with income tax regulations. Distributions from net investment income and short-term capital gains are treated as ordinary income for income tax purposes. Permanent book and tax differences relating to shareholder distributions may result in reclassifications to paid-in capital or accumulated realized gain/loss. The Fund also utilized earnings and profits distributed to shareholders on redemption of shares as a part of the dividend deduction for income tax purposes. Undistributed net investment income or accumulated net investment loss may include temporary book and tax differences such as tax deferral of losses on wash sales, which will reverse in a subsequent period. Any taxable income or gain remaining at fiscal year end is distributed in the following year.

The tax character of distributions paid during the years ended December 31, 2007 and 2006, were as follows:

| <u>Year</u> | <u>Ordinary Income</u> | <u>Long-term Capital Gains</u> | <u>Total</u> |
|-------------|------------------------|--------------------------------|---------------|
| 2007 | \$130,964,517 | \$147,041,038 | \$278,005,555 |
| 2006 | \$ 38,101,637 | \$317,224,877 | \$355,326,514 |

- E. Indemnities** — In the normal course of business, CGM Realty Fund may enter into contracts that provide indemnities to third parties for various potential losses and claims. CGM Realty Fund's maximum exposure under these arrangements is unknown as this would depend on future claims that may be made against CGM Realty Fund. The risk of material loss from such claims is considered remote.
- 2. Foreign investment risk** — There are certain additional risks involved in investing in foreign securities that are not inherent in investments in domestic securities. These risks may involve adverse political and economic developments and the possible imposition of currency exchange blockages or other foreign governmental laws or restrictions. In addition, the securities of some foreign companies and foreign securities markets are less liquid and at times more volatile than securities of comparable U.S. companies and U.S. securities markets.
- 3. Diversification** — The Fund, although diversified, takes a focused approach to investing within a single industry, sector of the economy or fewer individual holdings than more diversified funds. Therefore, the Fund may be subject to greater price volatility or be adversely affected by the performance of particular industries, sectors, or individual holdings compared to the performance of a more diversified fund.
- 4. Purchases and sales of securities** — For the period ended December 31, 2007, purchases and sales of securities other than United States government obligations and short-term investments aggregated \$3,527,697,915 and \$3,477,901,361, respectively. There were no purchases or sales of long-term United States government obligations.

- 5. A. Management fees** — During the period ended December 31, 2007, the Fund incurred management fees of \$13,614,381, paid or payable to the Fund's investment adviser, Capital Growth Management

CGM REALTY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

Limited Partnership (CGM), certain officers and directors of which are also officers and trustees of the Fund. The management agreement provides for a fee at the annual rate of 0.85% on the first \$500 million of the Fund's average daily net assets and 0.75% on amounts in excess of \$500 million.

- B. Other expenses** — CGM performs certain administrative, accounting, compliance and other services for the Fund. The expenses of those services, which are paid to CGM by the Fund, include the following: (i) expenses for personnel performing bookkeeping, accounting and financial reporting functions and clerical functions relating to the Fund; (ii) expenses for services required in connection with the preparation of registration statements and prospectuses, shareholder reports and notices, proxy solicitation material furnished to shareholders of the Fund or regulatory authorities and reports and questionnaires for SEC compliance; (iii) registration, filing and other fees in connection with requirements of regulatory authorities; and (iv) compliance in connection with the Investment Company Act of 1940 and the Sarbanes Oxley Act of 2002. The accounting, administration and compliance expense of \$253,945, for the period ended December 31, 2007, is shown separately in the financial statements. These expenses include the reimbursement of a portion of the compensation expenses incurred by CGM for its employees who provide these administrative, accounting, compliance, and other services to the Fund, some of whom are officers of the Fund. Of the total expense reimbursement, \$180,048 represented reimbursements by the Fund to CGM for a portion of the salaries of CGM employees who are officers of the Fund.
- C. Trustees fees and expenses** — The Fund does not pay any compensation directly to any trustees who are directors, officers or employees of CGM, or any affiliate of CGM (other than registered investment companies). For the period ended December 31, 2007, each disinterested trustee was compensated by the CGM Funds with an annual fee of \$50,000 plus travel expenses for each meeting attended. The disinterested trustees are responsible for the audit committee functions of the CGM Funds and have designated a chairman to oversee those functions who receives an additional \$30,000 annually. Of these amounts, each of the CGM Funds is responsible for \$7,000 per trustee annually, plus an annual variable fee calculated based on the proportion of each of the CGM Funds' average net assets relative to the aggregate average net assets of the CGM Funds.

6. Line of credit — The Fund has a \$20,000,000 committed unsecured line of credit with State Street Bank and Trust Company. Borrowings under the line are charged interest at 0.75% over the current Overnight Federal Funds Rate. The Fund incurred a commitment fee of 0.10% per annum on the unused portion of the line of credit, payable quarterly for the year 2007. There were no borrowings under the line of credit during the period ended December 31, 2007.

7. Affiliated issuers — Affiliated issuers, as defined under the Investment Company Act of 1940, are those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. The following summarizes transactions with affiliates of the Fund during the period ended December 31, 2007:

| <u>Name of Issuer</u> | <u>Number of Shares Held December 31, 2006</u> | <u>Gross Purchases</u> | <u>Gross Sales</u> | <u>Number of Shares Held December 31, 2007</u> | <u>Dividend Income</u> | <u>Market Value December 31, 2007</u> |
|--|--|----------------------------|------------------------|--|----------------------------|---|
| Tanger Factory Outlet Centers, Inc. | 891,500 | 2,120,000 | (1,131,500) | 1,880,000 | \$— | \$70,894,800 |

CGM REALTY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

8. New accounting pronouncements — The Fund adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement 109 (“FIN 48”), on January 1, 2007. FIN 48 prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The implementation of FIN 48 did not result in any unrecognized tax benefits in the accompanying financial statements. Each of the Trust’s federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, (FAS 157) “Fair Value Measurements”. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact of adopting FAS 157.

CGM REALTY FUND

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of CGM Trust and Shareholders of CGM Realty Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of CGM Realty Fund (the "Fund", a series of CGM Trust) at December 31, 2007, the results of its operations, the changes in its net assets and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2007 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
February 15, 2008

CGM REALTY FUND

ADDITIONAL INFORMATION

(unaudited)

Availability of proxy voting information:

Proxy voting policies and information regarding how the Fund voted proxies relating to portfolio securities during the twelve month period ended June 30, 2007 are available without charge, upon request by calling 1-800-345-3048. The policies also appear in the Fund's Statement of Additional Information, which can be found on the SEC's website, <http://www.sec.gov>. The voting records can also be found on the SEC's website on the N-PX filing.

Portfolio holdings:

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

CGM REALTY FUND

FUND EXPENSES

As a shareholder of CGM Realty Fund, you incur two types of costs: (1) transaction costs, which could include, among other charges, wire fees and custodial maintenance fees for certain types of accounts and (2) ongoing costs, including management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period July 1, 2007 to December 31, 2007.

Actual Return and Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as any wire fees or custodial maintenance fees that may be payable. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

| | <i>Beginning Account Value 7/01/07</i> | <i>Ending Account Value 12/31/07</i> | <i>Expenses Paid During Period* 7/01/07 – 12/31/07</i> |
|---|--|--|--|
| Actual | \$1,000.00 | \$1,172.20 | \$4.65 |
| Hypothetical (5% return before expenses) | \$1,000.00 | \$1,020.92 | \$4.33 |

* Expenses are equal to the Fund's annualized expense ratio of 0.85%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

CGM REALTY FUND

TAX INFORMATION (unaudited) FOR THE TAX YEAR ENDED 12/31/2007

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements. For the year ended December 31, 2007, the Fund designated \$150,412,132 as long-term capital dividends.

TRUSTEES AND OFFICERS

The Fund is supervised by the board of trustees (the "Board") of the Trust. The Board is responsible for the general oversight of the Fund, including general supervision and review of the Fund's investment activities. The Board, in turn, elects the officers who are responsible for administering the Fund's day-to-day operations. An asterisk in the table below identifies those trustees and officers who are "interested persons" of the Trust as defined in the Investment Company Act of 1940. Each trustee and officer of the Trust noted as an interested person is interested by virtue of that individual's position with Capital Growth Management Limited Partnership ("CGM"), the Fund's investment adviser, as described in the table below. Each trustee serves during the continued lifetime of the Trust or until he earlier dies, resigns or is removed, or if sooner, until the election and qualification of his successor. Each officer serves until his or her successor is elected or qualified or until the officer sooner dies, resigns, or is removed or becomes disqualified.

The trustees and officers of the Trust, their ages, their principal occupations during the past five years, the number of CGM Funds they oversee, and other directorships they hold are set forth below. Unless otherwise noted below, the address of each interested trustee and officer is One International Place, Boston, Massachusetts 02110. Correspondence intended for the trustees who are not "interested persons" of the Trust may be sent % Capital Growth Management, One International Place, Boston, Massachusetts 02110. The Statement of Additional Information for the Fund includes additional information about Fund trustees and is available, without charge, upon request by calling the CGM Marketing Department, toll free, at 800-345-4048.

| <u>Name, Address and Age</u> | <u>Position Held and Length of Time Served</u> | <u>Principal Occupation During Past 5 Years and Other Directorships Held</u> | <u>Number of Funds in the CGM Funds Complex Overseen</u> |
|-------------------------------|--|--|--|
| Interested Trustees | | | |
| G. Kenneth Heebner* age 67 | Trustee since 1993 | Co-founder and Employee, CGM; Controlling Owner, Kenbob, Inc. (general partner of CGM) | 4 |
| Robert L. Kemp* age 75 | Trustee since 1990 | Co-founder and Employee, CGM; Non-voting Owner, Kenbob, Inc. (general partner of CGM) | 4 |
| Disinterested Trustees | | | |
| Peter O. Brown age 67 | Trustee since 1993 | Counsel (formerly, Partner), Harter, Secrest & Emery LLP (law firm); formerly Executive Vice President and Chief Operating Officer, The Glenmeade Trust Company (from 1990 to 1993); formerly Senior Vice President, J.P. Morgan Chase Bank (from 1981-1990); Trustee, TT International U.S.A. Master and Feeder Trusts (four mutual funds) from 2000-2005 | 4 |

CGM REALTY FUND

| <u>Name, Address and Age</u> | <u>Position Held and Length of Time Served</u> | <u>Principal Occupation During Past 5 Years and Other Directorships Held</u> | <u>Number of Funds in the CGM Funds Complex Overseen</u> |
|--|---|---|--|
| Mark W. Holland age 58 | Trustee since 2004 | President, Wellesley Financial Advisors, LLC; formerly Vice President and Chief Operating Officer, Fixed Income Management, Loomis, Sayles & Company, L.P.; formerly Director, Loomis, Sayles & Company, L.P. | 4 |
| James Van Dyke Quereau, Jr. age 59 | Trustee since 1993 | Managing Partner and Director, Stratton Management Company (investment management); Director and Vice President, Semper Trust Co. until 2006 | 4 |
| J. Baur Whittlesey age 61 | Trustee since 1990 | Member, Ledgewood, P.C. (law firm) | 4 |
| Officers | | | |
| G. Kenneth Heebner* age 67 | Vice President since 1990 | Co-founder and Employee, CGM; Controlling Owner, Kenbob, Inc. (general partner of CGM) | 4 |
| Robert L. Kemp* age 75 | President since 1990 | Co-founder and Employee, CGM; Non-voting Owner, Kenbob, Inc. (general partner of CGM) | 4 |
| David C. Fietze* age 38 address: 38 Newbury Street Boston, Massachusetts 02116 | Chief Compliance Officer since 2004 | Employee – Legal counsel, CGM; formerly counsel, Bartlett Hackett Feinberg, P.C. | 4 |
| Kathleen S. Haughton* age 47 address: 38 Newbury Street Boston, Massachusetts 02116 | Vice President since 1992 and Anti-Money Laundering Compliance Officer since 2002 | Employee – Investor Services Division, CGM | 4 |
| Jem A. Hudgins* age 44 | Treasurer since 2004 | Employee – CGM | 4 |
| Leslie A. Lake* age 62 | Vice President and Secretary since 1992 | Employee – Office Administrator, CGM | 4 |
| Martha I. Maguire* age 52 | Vice President since 1994 | Employee – Funds Marketing, CGM | 4 |
| Mary L. Stone* age 63 | Assistant Vice President since 1990 | Employee – Portfolio Transactions, CGM | 4 |