

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

CGM
Focus Fund

74th Quarterly Report
March 31, 2016

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.

FQR116

Printed in U.S.A.



Investment Adviser

Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Focus Fund returned -8.4% during the first quarter of 2016 compared to a return of 1.3% for the Standard and Poor's 500 Index ("S&P 500 Index").

The S&P 500 Index ended 2015 with a return of just 1.4% and the sluggish trend in the market dragged into early 2016 as a slowdown in global economic growth weighed stocks downward. The opening week of the year saw the S&P 500 Index fall 6% as U.S. stocks generally tracked falling oil prices. By January 20, oil hit a 12 year low of \$26.55 as global consumption, and especially Chinese consumption, decreased. With sanctions lifted, the addition of Iranian oil to the market heightened oversupply concerns, creating further pressure on the price of oil. Global commodity prices continued a decline that began in 2015 which, together with weakness in emerging economies, reduced global demand for U.S. goods. The Commerce Department reported that orders for durable goods dropped 3.5% for 2015, which was the largest annual drop since the end of the recession and a further indication of a contracting manufacturing sector. However, since manufacturing only accounts for about 12% of U.S. economic output and U.S. consumer spending remained robust, the U.S. economy started the year in a position of relative global strength. The Commerce Department reported that 2015 consumer spending increased by 3.1% which is the fastest pace since 2005.

Consumer spending has sustained U.S. economic expansion into 2016. In mid-February the Commerce Department reported that retail sales were up 3.4% from a year earlier. The Labor Department followed with a report that the January Consumer Price Index jumped 1.4% from a year earlier in the fastest annual gain since October, 2014. Unemployment fell to 4.9%, its lowest level in 8 years, and the Labor Department

reported average hourly earnings increased 0.5% for the month of January. Overall, at the end of January wages were up a solid 2.5% from a year earlier. Low unemployment coupled with the increase in wages pushed consumer spending up 0.5% in January according to the Commerce Department, indicating that Americans were willing to spend despite the global economic slowdown. February also saw the price of oil rebound from recent lows upon the news that a number of oil producing nations would consider production cuts at a forthcoming meeting in April. The oil price was boosted further when the International Energy Agency reported that it expected U.S. shale production to drop in both 2016 and 2017. Stocks continued to move up with the price of oil and react to the upbeat labor and consumer spending reports. Rebounding stocks, increasing prices, and strong consumer spending provided evidence that the U.S. economy continued to expand and was not facing an imminent recession.

The beginning of March saw solid employment numbers from the Labor Department including an increase in non-farm payrolls by 242,000 and an upward revision of the December and January non-farm payrolls by 30,000. A significant sign of U.S. economic strength was seen in the Labor Department's February labor force participation rate, the measure of Americans either working or actively looking for work, which rose to its highest level in a year at 62.9%. U.S. manufacturing still continued to struggle but showed modest improvement with the Institute of Supply Management's gauge of manufacturing activity rising from 48.2 in January to 49.5 in February. A reading below 50 indicates contraction and the manufacturing sector has continued to deal with reduced global growth and a strong dollar curtailing exports. U.S. stocks rose on the

CGM FOCUS FUND

March 16 announcement that the Federal Reserve would not raise interest rates in March or as quickly as they had previously planned. The Fed cited risks related to global growth and financial market volatility and indicated that they expect to raise interest rates twice in 2016 and not the four times they originally planned. The price of oil continued to rebound as U.S producers began cutting output. Stocks again moved up with the price of oil and the S&P 500 Index closed in positive territory for the year for the first time on March 18. Recovering oil prices, together with positive U.S. economic data helped stocks end the quarter in positive territory.

The yield on ten-year U.S. Treasury securities began the year at 2.27% and closed the first quarter at 1.78%. This decrease is related largely to the diminished global growth which has pushed investors to the safety of government bonds. Continued U.S. economic growth and positive employment numbers should ultimately move the yield higher. At quarter-end the S&P 500 Index was priced at 22.8 times the trailing twelve month earnings. While this is above the historical average, we believe this valuation is appropriate given the low level of interest rates and inflation.

On March 31, 2016, CGM Focus Fund held large industry positions in housing and building materials, commercial banks and basic materials. The Fund's three largest holdings were Lennar Corporation, D.R. Horton, Inc. and Toll Brothers, Inc. (all housing and building materials). At the end of the quarter, approximately 30.4% of the Fund portfolio was invested in U.S. Treasury bonds sold short.



David C. Fietze
President

April 1, 2016

INVESTMENT PERFORMANCE

(unaudited)

Total Returns for Periods Ended March 31, 2016

| | The Fund's Cumulative Total Return (%) | The Fund's Average Annual Total Return (%) |
|----------------|---|---|
| 10 Years..... | + 29.4 | + 2.6 |
| 5 Years..... | + 6.6 | + 1.3 |
| 1 Year..... | - 14.1 | - 14.1 |
| 3 Months | - 8.4 | — |

The performance data contained in the report represent past performance, which is no guarantee of future results. The table above does not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assumes 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 higher or lower than the performance data quoted.

CGM FOCUS FUND

SCHEDULE OF INVESTMENTS as of March 31, 2016

(unaudited)

COMMON STOCKS — 110.7% OF TOTAL NET ASSETS

| | Shares | Value (a) |
|---|-----------|--------------------|
| Basic Materials — 9.7% | | |
| Martin Marietta Materials, Inc. | 260,000 | \$ 41,472,600 |
| Vulcan Materials Company | 460,000 | 48,562,200 |
| | | <u>90,034,800</u> |
| Biotechnology — 5.9% | | |
| Mallinckrodt public limited company (b) | 895,000 | 54,845,600 |
| Broker/Dealers — 5.0% | | |
| Morgan Stanley (c) | 1,860,000 | 46,518,600 |
| Business Services — 0.7% | | |
| FEDEX Corporation | 40,000 | 6,508,800 |
| Commercial Banks — 21.8% | | |
| Bank of America Corporation | 3,580,000 | 48,401,600 |
| Citigroup Inc. | 1,680,000 | 70,140,000 |
| JPMorgan Chase & Co. | 765,000 | 45,303,300 |
| Signature Bank (b) | 285,000 | 38,794,200 |
| | | <u>202,639,100</u> |
| Computer Software and Services — 0.5% | | |
| Adobe Systems Incorporated (b) | 45,000 | 4,221,000 |
| Electronic Components — 4.5% | | |
| Skyworks Solutions, Inc. | 540,000 | 42,066,000 |
| Home Products — 7.9% | | |
| Whirlpool Corporation | 405,000 | 73,037,700 |
| Housing and Building Materials — 36.9% | | |
| D.R. Horton, Inc. (c) | 3,492,900 | 105,590,367 |
| Lennar Corporation (c) | 3,300,000 | 159,588,000 |
| Toll Brothers, Inc. (b) (c) | 2,610,000 | 77,021,100 |
| | | <u>342,199,467</u> |

CGM FOCUS FUND

SCHEDULE OF INVESTMENTS as of March 31, 2016 (continued)

(unaudited)

COMMON STOCKS (continued)

| | Shares | Value (a) |
|--|---------|---------------|
| Leisure — 4.2% | | |
| Carnival Corporation | 260,000 | \$ 13,720,200 |
| Norwegian Cruise Line Holdings Ltd. (b) | 80,000 | 4,423,200 |
| Royal Caribbean Cruises Ltd. | 250,000 | 20,537,500 |
| | | 38,680,900 |
| Retail — 5.3% | | |
| Signet Jewelers Limited | 400,000 | 49,612,000 |
| Technology — 5.4% | | |
| Alphabet Inc. (b) | 67,000 | 49,911,650 |
| Textile and Apparel — 2.9% | | |
| PVH Corp. | 274,000 | 27,142,440 |
| TOTAL COMMON STOCKS (Identified cost \$953,942,618) | | 1,027,418,057 |

SHORT-TERM INVESTMENT — 0.6% OF TOTAL NET ASSETS

| | Face Amount | Value (a) |
|--|--------------|----------------|
| Tri-party Repurchase Agreement with Fixed Income Clearing Corporation, dated 03/31/2016 at 0.03% to be repurchased at \$5,375,000 on 04/01/2016 collateralized by \$4,520,000 US Treasury Bond, 3.625% due 02/15/2044 valued at \$5,503,757 including interest. (Cost \$5,375,000) (d) | \$ 5,375,000 | 5,375,000 |
| TOTAL INVESTMENTS — 111.3% (Identified cost \$959,317,618)(e) | | 1,032,793,057 |
| Cash and receivables | | 221,695,938 |
| Liabilities | | (326,411,696) |
| TOTAL NET ASSETS — 100.0% | | \$ 928,077,299 |

SECURITIES SOLD SHORT

BONDS — 30.4% OF TOTAL NET ASSETS

| | Face Amount | Value(a) |
|--|----------------|----------------|
| United States Treasury — 30.4% | | |
| United States Treasury Bonds, 2.750%, 08/15/2042 | \$ 170,000,000 | \$ 175,637,880 |
| United States Treasury Bonds, 3.125%, 02/15/2043 | 40,000,000 | 44,325,000 |
| United States Treasury Bonds, 3.750%, 11/15/2043 | 50,000,000 | 62,134,750 |
| TOTAL BONDS (Proceeds \$250,910,022) | | 282,097,630 |
| TOTAL SECURITIES SOLD SHORT — 30.4% | | \$ 282,097,630 |

CGM FOCUS FUND

- (a) Security valuation — Equity securities are valued on the basis of valuations furnished by a pricing service, authorized by the Board of Trustees (the “Board”). Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (“OTC”) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. For securities with no sale reported, the last reported bid price is used for long positions and the last reported ask price for short positions. Corporate debt securities (other than short-term obligations purchased with an original or remaining maturity of sixty days or less) are valued on the basis of valuations furnished by a pricing service, authorized by the Board, which determines valuations for normal, institutional-size trading units of such securities using market information, transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders. United States government debt securities held long are valued at the current closing bid and if held short are valued at the current closing ask, as last reported by a pricing service approved by the Board. Short-term investments purchased with an original or remaining maturity of sixty days or less are valued at amortized cost, which approximates value.

When current market prices or quotations are not readily available or do not accurately reflect fair value, valuations may be determined in accordance with procedures adopted by the Board. For example, when developments occur between the close of a market and the close of the New York Stock Exchange (“NYSE”) that may materially affect the value of some or all of the securities, or when trading in a security is halted, these procedures may be used. The frequency with which these procedures are used is unpredictable. These valuation procedures may result in a change to a particular security’s assigned level within the fair value hierarchy described below. The value of securities used for net asset value (“NAV”) calculation under these procedures may differ from published prices for the same securities.

The Fund may use valuation techniques consistent with the market, income, and cost approach to measure fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts (cash flows, earnings) to a single present amount. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset. To increase consistency and comparability in fair value measurements and related disclosure, the Fund utilizes a fair value hierarchy which prioritizes the various inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 - Prices determined using: quoted prices in active markets for identical securities that the Fund has the ability to access at the measurement date. Valuation adjustments are not applied to Level 1 investments.
- Level 2 - Prices determined using: other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

CGM FOCUS FUND

- Level 3 - Prices determined using: significant unobservable inputs, including the Fund's own assumptions and judgment in determining the fair value of investments. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available in the circumstances. Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by Capital Growth Management Limited Partnership, the Fund's investment adviser ("CGM"). Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments as of March 31, 2016:

| | Valuation Inputs | | |
|--|------------------------------------|--|--|
| Classification | Level 1 - Quoted Prices | Level 2 - Other Significant Observable Inputs | Level 3 - Significant Unobservable Inputs |
| Investments in Securities-Assets | | | |
| Common Stocks* | \$1,027,418,057 | \$— | \$— |
| Short-Term Investment | | | |
| Repurchase Agreement | — | 5,375,000 | — |
| Total | \$1,027,418,057 | \$ 5,375,000 | \$— |
| Investments in Securities-Liabilities | | | |
| Bonds | | | |
| United States Treasury Bonds | \$— | \$ 282,097,630 | \$— |
| Total | \$— | \$ 282,097,630 | \$— |

* All common stocks held in the Fund are Level 1 securities. For a detailed break-out of common stocks by major industry classification, please refer to the Schedule of Investments.

For the three months ended March 31, 2016, there were no transfers among Levels 1, 2 and 3.

CGM FOCUS FUND

- (b) Non-income producing security.
- (c) A portion of this security has been segregated as collateral in connection with short sale investments. The market value of securities held in a segregated account at March 31, 2016 was \$281,881,000 and the value of cash held in a segregated account was \$179,965,799.
- (d) The Fund enters into repurchase agreements, under the terms of a Master Repurchase Agreement, secured by U.S. Government or Agency securities, which involve the purchase of securities from a counterparty with a simultaneous commitment to resell the securities at an agreed upon date and price. Certain repurchase agreements are tri-party arrangements whereby the collateral is held in a segregated account for the benefit of the Fund and on behalf of the counterparty. Repurchase agreements afford the Fund the opportunity to earn a return on temporarily available cash at minimal market risk. While the underlying security may be a bill, certificate of indebtedness, note or bond issued by an agency, authority or instrumentality of the U.S. Government, the obligation of the seller is not guaranteed by the U.S. Government and there is a risk that the seller may fail to repurchase the underlying security. Consequently, there may be possible delays or restrictions upon the Fund's ability to dispose of the underlying securities. Upon an event of default under the Master Repurchase Agreement, the Fund would attempt to exercise its rights with respect to the underlying security, including taking possession of the cash and/or collateral provided by the seller. At March 31, 2016, the Fund had an investment in a repurchase agreement for which the value of the related collateral exceeded the value of the repurchase agreement.
- (e) Federal Tax Information: At March 31, 2016, the net unrealized appreciation on investments held long, based on cost of \$966,901,292 for Federal income tax purposes was as follows:

| | |
|--|----------------------|
| Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost | \$ 122,509,537 |
| Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value | (56,617,772) |
| | <u>\$ 65,891,765</u> |

The cost basis and unrealized appreciation/(depreciation) for the Schedule of Investments and tax purposes differ due to differing treatments of wash sale losses deferred.

CGM FOCUS FUND

TELEPHONE NUMBERS

For information about:

- Account Procedures
- Purchases
- Redemptions
- Exchanges

Call 800-343-5678

- New Account Procedures and Status
 - Prospectuses
 - Performance
 - Proxy Voting Policies and Voting Records
 - Complete Schedule of Portfolio Holdings for the 1st and 3rd Quarters (as filed on Form N-Q)
- Call 800-345-4048

Proxy voting policies also appear in the Fund's Statement of Additional Information, which can be found on the CGM Fund's website, www.cgmfunds.com, and the SEC's website, www.sec.gov. The voting records can also be found on the SEC's website on the Fund's Form N-PX filing.

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 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 800-SEC-0330.

MAILING ADDRESS

CGM Shareholder Services
c/o Boston Financial Data Services
P.O. Box 8511
Boston, MA 02266-8511

WEBSITE

www.cgmfunds.com