

INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT
LIMITED PARTNERSHIP
Boston, Massachusetts 02110

CGM Focus Fund

75th Quarterly Report
June 30, 2016

A No-Load Fund

TELEPHONE NUMBERS

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www.cgmfunds.com

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.

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Investment Adviser

Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Focus Fund decreased -4.0% during the second quarter of 2016 compared to a return of 2.5% for the Standard and Poor's 500 Index ("S&P 500 Index"). For the first six months of the year, CGM Focus Fund returned -12.1% and the S&P 500 Index, 3.8%.

The second quarter began with the U.S. economy continuing to demonstrate relative strength compared to elsewhere around the globe. On April 1, the Labor Department reported that U.S. employers added an additional 215,000 non-farm payroll jobs in March and wages increased 2.3% from a year earlier. However, signs of a slowdown in U.S. economic expansion also began to emerge. On April 13, the Commerce Department reported that retail sales for March decreased by 0.3% as U.S. consumers pulled back on spending. Likewise, U.S. businesses also reduced spending. On April 26, the Commerce Department reported that orders for non-defense capital goods excluding aircraft, a proxy for U.S. business investment, decreased 2.4% in the first quarter of 2016. Declining business investment together with weak global demand ultimately resulted in the Commerce Department reporting a lackluster GDP of 0.5% (later revised to 1.1%) for the first quarter of 2016. Citing a combination of diminished growth, a mixed U.S. economic outlook and persistently low inflation, the Federal Reserve announced at its meeting on April 27 that it would leave interest rates unchanged.

The Fed's decision to hold off on a rate increase was positive news for the market but contributed to a weakening dollar and a continued rise in oil prices. By the end of May, the price of U.S. crude had recovered to almost \$50 per barrel, which was enough to reduce pressure on oil producers while not significantly impacting consumers. On May 17, a report from the Federal Reserve showed industrial production jumped 0.7% in April, the largest expansion since November, 2014. Increased production coincided with increasing prices as the Labor Department reported, also on May 17, seasonally adjusted growth in the Consumer Price Index for April of 0.4%. This was the largest one

month increase since February 2013 and it followed a 0.1% increase for March. Low unemployment, increasing wages and low interest rates provided further strength to the continued housing recovery. In mid-May, the Commerce Department reported that housing starts jumped 6.6% and building permits increased 3.6% from March to April. On May 24, the Commerce Department announced that purchases of new single-family homes expanded 16.6% for the month of April to a seasonally adjusted rate of 619,000, which was the largest one-month increase since January 2008. Median prices for new homes also increased 9.4% in April from a year earlier, indicating a strained supply of new housing coupled with significant consumer demand.

June began with surprisingly poor employment numbers from the Labor Department, with a report that U.S. employers added a mere 38,000 jobs in May (later revised down to 11,000), the weakest performance since September 2010. The news dampened expectations of a Fed rate increase, pushed Treasury yields lower and negatively impacted financial stocks. On the other hand there were also positive developments during the month. On June 1, the Institute of Supply Management reported its index of manufacturing activity for May climbed to 51.3 from 50.8 in April, demonstrating a recovery from the first quarter of 2016. A reading above 50 indicates expansion. U.S. consumer spending rebounded, driven by low interest rates, low oil prices and low unemployment. The Commerce Department reported on June 14 that retail sales increased a seasonally adjusted 0.5% in May, following an April increase of 1.3%. Citing slow economic growth and low inflation, the Federal Reserve held interest rates unchanged and lowered projections for near-term rate increases. Meanwhile, through much of early and mid-June, the markets reacted strongly to speculation on Brexit, i.e. whether Great Britain would vote to leave the European Union. On June 24, Great Britain voted to leave the European Union which sent investors to the relative safety of government bonds, currencies and gold. The S&P 500 Index dropped 3.6% in response and bank stocks, in particular, were hit hard. After two

days of declines, the market had three of its best days of 2016, with the S&P 500 Index climbing 4.9% to finish out the quarter.

The yield on the 10 year U.S. Treasury began the quarter at 1.78%. Historically low global government bond yields driven largely by central bank bond buying programs, including negative yields in Japan and Germany, have kept U.S. bond yields low. Additionally, the Brexit vote drove further investment to government bonds with the yield on the 10 year U.S. Treasury finishing the quarter at 1.49%. On June 30, the S&P 500 Index was priced at 23.7 times the trailing twelve month earnings. While this remains above the historical average, we believe this valuation is appropriate given the low inflation rate and historically low interest rates.

On June 30, 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. (both housing and building materials) and Citigroup Inc. (commercial banks). At the end of the quarter, approximately 22.4% of the Fund portfolio was invested in U.S. Treasury bonds sold short.



David C. Fietze
President

July 1, 2016

INVESTMENT PERFORMANCE

(unaudited)

Total Returns for Periods Ended June 30, 2016

	The Fund's Cumulative Total Return (%)	The Fund's Average Annual Total Return (%)
10 Years	+ 18.8	+ 1.7
5 Years	+ 7.9	+ 1.5
1 Year	- 20.1	- 20.1
3 Months	- 4.0	—

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

PORTFOLIO DIVERSIFICATION as of June 30, 2016

(unaudited)

COMMON STOCKS

Industry	Percent of Net Assets
Housing and Building Materials	35.7%
Commercial Banks	19.2
Basic Materials	11.5
Retail	9.5
Home Products	6.4
Broker/Dealers	5.7
Biotechnology	5.5
Electronic and Communication	5.1
Healthcare-Services	5.0
Metals and Mining	4.2
Technology	3.4
Miscellaneous	1.1
Vehicle Assembly	0.9

SECURITIES SOLD SHORT

United States Treasury Bonds	(22.4)
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SCHEDULE OF INVESTMENTS as of June 30, 2016

(unaudited)

COMMON STOCKS — 113.2% OF TOTAL NET ASSETS

	Shares	Value(a)
Basic Materials — 11.5%		
Martin Marietta Materials, Inc. (b)	230,000	\$ 44,160,000
Vulcan Materials Company (b)	440,000	52,958,400
		<u>97,118,400</u>
Biotechnology — 5.5%		
Mallinckrodt public limited company (c)	760,000	46,192,800
Broker/Dealers — 5.7%		
Morgan Stanley (b)	1,860,000	48,322,800
Commercial Banks — 19.2%		
Bank of America Corporation (b)	3,580,000	47,506,600
Citigroup Inc.	1,680,000	71,215,200
JPMorgan Chase & Co.	710,000	44,119,400
		<u>162,841,200</u>
Electronic and Communication — 5.1%		
NetEase Inc ADR	225,000	43,474,500
Healthcare-Services — 5.0%		
Amsurg Corp. (c)	550,000	42,647,000

See accompanying notes to financial statements.

CGM FOCUS FUND

SCHEDULE OF INVESTMENTS as of June 30, 2016 (continued)

(unaudited)

COMMON STOCKS (continued)

	Shares	Value(a)
Home Products — 6.4%		
Whirlpool Corporation	325,000	\$ 54,158,000
Housing and Building Materials — 35.7%		
D.R. Horton, Inc. (b)	3,442,900	108,382,492
Lennar Corporation (b)	3,020,000	139,222,000
Toll Brothers, Inc. (b) (c)	2,010,000	54,089,100
		301,693,592
Metals and Mining — 4.2%		
Vale S.A. ADR	7,000,000	35,420,000
Miscellaneous — 1.1%		
HD Supply Holdings, Inc. (c)	260,000	9,053,200
Retail — 9.5%		
Dollar General Corporation	30,000	2,820,000
Dollar Tree, Inc. (c)	350,000	32,984,000
Skechers U.S.A., Inc. (c)	1,500,000	44,580,000
		80,384,000
Technology — 3.4%		
Alphabet Inc. (c)	42,000	29,068,200
Vehicle Assembly — 0.9%		
Tata Motors Limited ADR	210,000	7,280,700
TOTAL COMMON STOCKS (Identified cost \$880,653,370)		957,654,392
SHORT-TERM INVESTMENT — 0.9% OF TOTAL NET ASSETS	Face Amount	
Tri-party Repurchase Agreement with Fixed Income Clearing Corporation, dated 06/30/16 at 0.03% to be repurchased at \$7,100,000 on 07/01/2016 collateralized by \$6,780,000 US Treasury Note, 2.250% due 11/15/2025 valued at \$7,252,481 including interest. (Cost \$7,100,000)	\$ 7,100,000	7,100,000
TOTAL INVESTMENTS — 114.1% (Identified cost \$887,753,370)		964,754,392
Cash and receivables		100,511,892
Liabilities		(219,537,200)
TOTAL NET ASSETS — 100.0%		\$ 845,729,084

See accompanying notes to financial statements.

CGM FOCUS FUND

SCHEDULE OF INVESTMENTS as of June 30, 2016 (continued)

(unaudited)

SECURITIES SOLD SHORT

BONDS — 22.4% OF TOTAL NET ASSETS

United States Treasury — 22.4%	Face Amount	Value(a)
United States Treasury Bonds, 2.750%, 08/15/2042	\$ 105,000,000	\$ 115,770,690
United States Treasury Bonds, 3.125%, 02/15/2043	40,000,000	47,179,680
United States Treasury Bonds, 3.750%, 11/15/2043	20,000,000	26,401,560
TOTAL BONDS (Proceeds \$158,288,418)		<u>189,351,930</u>
TOTAL SECURITIES SOLD SHORT — 22.4%		<u>\$ 189,351,930</u>

(a) See Note 2A.

(b) A portion of this security has been segregated as collateral in connection with short sale investments (See Note 2E).

(c) Non-income producing security.

ADR: American Depositary Receipt - 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 FOCUS FUND

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2016

(unaudited)

Assets

Investments at value:

(Identified cost \$887,753,370) \$ 964,754,392

Cash 1,733

Deposits with brokers for short sales 72,779,377

Receivable for:

Securities sold \$27,728,362

Shares of the Fund sold 2,414

Dividends and interest .. 6 27,730,782

Total assets 1,065,266,284

Liabilities

Securities sold short at current market value (Proceeds \$158,288,418) 189,351,930

Payable for:

Securities purchased 25,922,622

Shares of the Fund redeemed 1,703,329

Interest payable 1,662,522 29,288,473

Accrued expenses:

Management fees 685,660

Trustees' fees 30,331

Accounting, administration and compliance expenses 47,380

Transfer agent fees 58,194

Other expenses 75,232 896,797

Total liabilities 219,537,200

Net Assets \$ 845,729,084

Net Assets consist of:

Capital paid-in \$3,365,031,113

Undistributed net investment loss (6,665,834)

Accumulated net realized losses on investments (2,558,573,705)

Net unrealized appreciation (depreciation) on investments:

Long positions 77,001,022

Short positions (31,063,512)

Net Assets \$ 845,729,084

Shares of beneficial interest outstanding, no par value 24,555,225

Net asset value per share* \$34.44

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2016

(unaudited)

Investment Income

Income:

Dividends (net of withholding tax of \$2,601) \$ 4,207,714

Interest 1,153

..... 4,208,867

Expenses:

Management fees 4,321,209

Trustees' fees 62,366

Accounting, administration and compliance expenses 292,307

Custodian fees and expenses 66,184

Transfer agent fees 364,205

Audit and tax services 24,244

Legal 48,741

Printing 43,328

Registration fees 13,580

Interest Expense on short sales 5,632,570

Miscellaneous expenses 5,967

..... 10,874,701

Net investment loss (6,665,834)

Realized and Unrealized Gain (Loss) on Investments

Net realized losses on investments:

Long transactions (40,837,845)

Short transactions (24,636,906)

..... (65,474,751)

Net change in unrealized depreciation on investments:

Long transactions (36,975,224)

Short transactions (20,028,597)

..... (57,003,821)

Net realized and unrealized losses on investments (122,478,572)

Change in Net Assets from Operations \$(129,144,406)

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2016 (unaudited)	Year Ended December 31, 2015
From Operations		
Net investment loss	\$ (6,665,834)	\$ (15,368,502)
Net realized losses on investments	(65,474,751)	(23,324,917)
Net change in unrealized depreciation on investments	(57,003,821)	(8,139,230)
Change in net assets from operations	<u>(129,144,406)</u>	<u>(46,832,649)</u>
From Capital Share Transactions		
Proceeds from sale of shares	5,672,006	57,335,810
Cost of shares redeemed	<u>(95,725,243)</u>	<u>(272,554,403)</u>
Change in net assets derived from capital share transactions	<u>(90,053,237)</u>	<u>(215,218,593)</u>
Total change in net assets	(219,197,643)	(262,051,242)
Net Assets		
Beginning of period	<u>1,064,926,727</u>	<u>1,326,977,969</u>
End of period (including undistributed net investment loss of \$(6,665,834) and \$0 at June 30, 2016 and December 31, 2015, respectively)	<u>\$ 845,729,084</u>	<u>\$ 1,064,926,727</u>
Number of Shares of the Fund:		
Issued from sale of shares	165,344	1,348,281
Redeemed	<u>(2,776,844)</u>	<u>(6,641,234)</u>
Net change	<u>(2,611,500)</u>	<u>(5,292,953)</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

FINANCIAL HIGHLIGHTS

	Six Months Ended June 30, 2016 (unaudited)	For the Year Ended December 31,				
		2015	2014	2013	2012	2011
For a share of the Fund outstanding throughout each period:						
Net asset value at beginning of period.....	\$ 39.20	\$ 40.88	\$ 40.31	\$ 29.30	\$ 25.65	\$ 34.80
Net investment loss (a)(b)	(0.26)	(0.52)	(0.64)	(0.40)	(0.10)	(0.05)
Net realized and unrealized gains (losses) on investments	(4.50)	(1.16)	1.21	11.41	3.75	(9.10)
Total from investment operations	<u>(4.76)</u>	<u>(1.68)</u>	<u>0.57</u>	<u>11.01</u>	<u>3.65</u>	<u>(9.15)</u>
Net increase (decrease) in net asset value	(4.76)	(1.68)	0.57	11.01	3.65	(9.15)
Net asset value at end of period	<u>\$ 34.44</u>	<u>\$ 39.20</u>	<u>\$ 40.88</u>	<u>\$ 40.31</u>	<u>\$ 29.30</u>	<u>\$ 25.65</u>
Total return (%)	(12.1)	(4.1)	1.4	37.6	14.2	(26.3)
Ratios:						
Operating expenses to average net assets (%)	1.19 *	1.13	1.10	1.09	1.10	1.05
Dividends and interest on short positions to average net assets (%)	1.27 *	1.09	1.16	0.91	0.24	—
Total expenses to average net assets (%)	<u>2.46 *</u>	<u>2.22</u>	<u>2.26</u>	<u>2.00</u>	<u>1.34</u>	<u>1.05</u>
Net investment loss to average net assets (%) ..	(1.51) *	(1.27)	(1.61)	(1.13)	(0.37)	(0.15)
Portfolio turnover (%)	291 (c) *	268 (c)	266 (c)	291 (c)	360	496
Net assets at end of period (in thousands) (\$)..	845,729	1,064,927	1,326,978	1,642,133	1,441,596	1,718,500
(a) Net investment loss per share excluding all related short sale income and expenses (\$).....	(0.04)	(0.07)	(0.18)	(0.08)	(0.04)	(0.05)
(b) Per share net investment loss has been calculated using the average shares outstanding during the period.						
(c) Includes short sale bond transactions.						
* Computed on an annualized basis.						

See accompanying notes to financial statements.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS — June 30, 2016

(unaudited)

- 1. Organization** — CGM Focus Fund (the "Fund") is a non-diversified series of CGM Trust (the "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 and is following accounting and reporting guidance in the Financial Accounting Standards Board's ("FASB") Topic 946 "*Financial Services—Investment Companies*". The Trust has two other funds whose financial statements are not presented herein. The Fund commenced operations on September 3, 1997. The Fund's investment objective is long-term growth of capital. The Fund intends to pursue its objective by investing in a smaller number of companies, and/or in a more limited number of sectors than diversified mutual funds. In addition, should the investment outlook of the Fund's investment adviser so warrant, the Fund may engage in a variety of investment techniques including short sales designed to capitalize on declines in the market price of specific securities of one or more companies, or declines in market indexes or government securities.
- 2. Significant accounting policies** — Management has evaluated the events and transactions from June 30, 2016 through the date of issuance of the Fund's financial statements. For the Fund, there were no material subsequent events that required disclosure in the financial statements or footnotes.
 - 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

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

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.).
- 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 June 30, 2016:

Classification	Valuation Inputs		
	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
Investments in Securities-Assets			
Common Stocks*	\$ 957,654,392	—	—
Short-Term Investment			
Repurchase Agreement	—	\$ 7,100,000	—
Total	<u>\$ 957,654,392</u>	<u>\$ 7,100,000</u>	<u>—</u>
Investments in Securities-Liabilities			
Bonds			
United States Treasury Bonds	—	\$ 189,351,930	—
Total	<u>—</u>	<u>\$ 189,351,930</u>	<u>—</u>

* 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 six months ended June 30, 2016, there were no transfers among Levels 1, 2 and 3.

B. Security transactions and related investment income — Security transactions are accounted for on the trade date plus one basis for daily NAV calculations. However, for financial reporting purposes, investment transactions

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

are reported on the trade date (date the order to buy or sell is executed). 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 an accrual basis and includes amortization of premium and discount. Net gain or loss on securities sold is determined on the identified cost basis and may include proceeds from litigation. 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.

Capital accounts within the financial statements are adjusted for permanent book/tax differences. These adjustments have no impact on the Fund's net assets or results of operations. Temporary book/tax differences, if any, will reverse in a subsequent period. Any difference between book basis and tax basis unrealized appreciation is attributable primarily to the temporary book/tax difference of tax deferral of losses on wash sales.

As of June 30, 2016, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	Undistributed Long-term Capital Gains	Net Unrealized Appreciation/ (Depreciation)
—	—	\$68,003,993

The identified cost of investments in securities held long, owned by the Fund for federal income tax purposes, and their respective gross unrealized appreciation and depreciation at June 30, 2016 was as follows:

Identified Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
\$896,750,399	\$124,761,019	\$(56,757,026)	\$68,003,993

For the year ended December 31, 2015, the capital loss carryovers utilized or expired and the accumulated net realized loss on sales of investments for federal income tax purposes which are available to offset future taxable gains, prior to distributing such gains to shareholders, are shown in the table below:

	Capital Loss Carryovers Utilized	Capital Loss Carryovers Expired	Remaining Capital Loss Carryovers	Expires December 31,
	—	—	\$ 888,260,104	2016
	—	—	1,572,159,776	2017
Total	—	—	\$ 2,460,419,880	

Capital losses may be utilized to offset future capital gains until expiration. Under the Regulated Investment Company Modernization Act of 2010, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. Losses incurred during those future years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carry forwards may more likely expire unused. Also, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

As of December 31, 2015, the post-enactment capital loss carryforwards were as follows:

Short-term Capital Loss Carryforward	Long-term Capital Loss Carryforward	Total
\$28,635,766	—	\$28,635,766

Management has concluded that there are no significant uncertain tax positions for the open tax years as of December 31, 2015 that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

- 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/tax differences relating to shareholder distributions may result in reclassifications to paid-in capital or accumulated realized gain/(loss). Permanent book/tax differences are primarily attributable to net operating losses. The Fund also may utilize 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/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 characterization of distributions is determined on an annual basis.
- E. Short sales** — The Fund may sell securities short. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund makes a short sale, it must borrow the security sold short to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing the security at the market price at the time of the replacement. The Fund is liable for any fees, dividends or interest paid on securities sold short, which are recorded as expenses on the Statement of Operations. While the short sale is outstanding, the Fund is required to collateralize its obligations, which has the practical effect of limiting the extent to which the Fund may engage in short sales. Under certain market conditions, short sales can increase the volatility of the Fund and may lower the Fund's return or result in losses, which potentially may be unlimited. The market value of securities held in a segregated account at June 30, 2016, was \$367,657,000 and the value of cash held in a segregated account, a portion of which may have been restricted at June 30, 2016, was \$72,779,377.
- F. Guarantees and indemnifications** — Under the Trust's organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties for the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss from such claims is considered remote.
- G. Foreign currency translation** — All assets and liabilities initially expressed in terms of foreign currencies are translated into U.S. dollars each day at the prevailing exchange rate. Transactions affecting Statement of Operations accounts and net realized gain or loss on investments are translated at the rates prevailing at the dates of the transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

fluctuations are included with the net realized and unrealized gain or loss from investments. Reported net realized foreign exchange gains or losses arise from sales of foreign currency, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains or losses arise from changes in the value of assets and liabilities other than investments in securities at the end of the period, resulting from changes in the exchange rate.

- H. Repurchase agreements** — 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.
- I. Use of estimates** — The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- 3. Risks and uncertainties**
- A. Non-diversification risk** — The Fund is non-diversified, meaning it may invest a significant portion of its investments within a single industry or sector of the economy or may invest in fewer individual holdings than a diversified fund. Therefore, the Fund may be subject to greater price volatility and may be more adversely affected by the performance of particular industries, sectors, or individual holdings compared to the performance of a diversified fund.
- B. Risks associated with foreign investments** — The Fund may invest in securities issued by institutions, corporations, and governments established by or located in foreign countries, which may be developed or undeveloped countries. Investing in foreign securities may involve significant risks. For example, there is generally less publicly available information about foreign companies, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. Foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Investments in foreign securities also involve the risk of possible adverse changes in investment or exchange control regulations, expropriation or confiscatory taxation, political or financial instability or diplomatic and other developments which could affect such investments. Foreign stock markets, while growing in volume and sophistication, are generally not as developed as those in the United States, and securities of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies. In general, there is less overall governmental supervision and regulation of foreign securities markets, broker-dealers and issuers than in the United States. Additionally, because some foreign securities the Fund may acquire are purchased with and payable in foreign currencies, the value of these assets as

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

4. Purchases and sales of securities — For the period ended June 30, 2016, purchases and sales of securities other than United States Government or Agency obligations and short-term investments aggregated \$1,773,182,901 and \$1,868,266,982, respectively. Buys to cover for U.S. Treasury bonds for the period ended June 30, 2016 were \$193,618,750.

5. Fees and expenses

- A. Management fees** — During the period ended June 30, 2016, the Fund incurred management fees of \$4,321,209, paid or payable to CGM, certain officers and employees of which are also officers and trustees of the Fund. The management agreement provides for a fee at the annual rate of 1.00% on the first \$500 million of the Fund's average daily net assets, 0.95% of the next \$500 million of the Fund's average daily net assets and 0.90% on amounts in excess of \$1 billion of the Fund's average daily net assets.
- B. Other expenses** — The majority of expenses are directly attributable to the Fund. Expenses that are not readily attributable to the Fund are allocated among each of the three funds comprising the Trust in an equitable manner, taking into consideration, among other things, the nature and type of expense and the funds' respective net assets. 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 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 to the Investment Company Act of 1940 and the Sarbanes-Oxley Act of 2002. The accounting, administration and compliance expenses of \$292,307, for the period ended June 30, 2016, are shown separately in the Statement of Operations. 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, including \$255,114 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 "interested persons" (as defined in the Investment Company Act of 1940) of CGM or any affiliate of CGM (other than registered investment companies). For the period ending December 31, 2016, each disinterested trustee will be compensated by the Trust with an annual fee of \$70,000 plus travel expenses for each meeting attended. The disinterested trustees are responsible for the audit committee functions of the Trust's Board and have designated a chairman to oversee those functions who receives an additional \$30,000 annually. Of these amounts, the Fund is responsible for \$10,000 per trustee annually, plus an annual variable fee calculated based on the proportion of the Fund's average net assets relative to the aggregate average net assets of the Trust.

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, 2016 are available without charge, by calling 800-345-4048. The policies also appear in the Fund's Statement of Additional Information, which can be found on the CGM Funds' 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 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 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.

The Fund's Prospectus and Statement of Additional Information contain additional information on other risks and uncertainties relating to the Fund's investments. The Fund's Prospectus and Statement of Additional Information can be obtained on the CGM Funds' website, www.cgmfunds.com, and the SEC's website, www.sec.gov or by calling 800-345-4048.

Advisory agreement approval:

The Trustees of the Trust considered renewal of the Fund's advisory agreement at meetings of the independent Trustees in March and April 2016 and at a meeting of the full Board in April 2016. The Board considered the following factors and came to the following conclusions:

1. The Board considered the nature, extent, quality and scope of the investment advisory and administrative services provided by CGM to the Fund. The Board agreed that the quality of the CGM professional team working on the Fund was very high, and was satisfied with the quality of CGM's advisory and administrative services.
2. The Board considered the investment performance of the Fund and reviewed information regarding the performance of the Fund as compared to market indices and two universes of other funds (capital appreciation funds and multi-cap growth funds) provided by Broadridge, Inc., an independent provider of investment company data. The Board noted that weak performance in recent years had resulted in the Fund's performance being below that of other funds in the Broadridge universes for the one, three, five and ten-year periods ended December 31, 2015. The Board recognized that CGM manages the Fund's investments with a long-term focus on strategic developments and emerging trends in the U.S. and global economies that often take some time to develop or to be identified by other market participants. The Board concluded that this long-term focus offers Fund investors the potential for significant returns over longer periods of time. The Board acknowledged that, while for some periods this long-term focus might cause the Fund to lag other comparable mutual funds, over the longer term CGM's approach had often proven its worth.
3. The Board discussed the costs of the services provided and profits realized by CGM from the relationship with the mutual funds advised by CGM and the private fund managed by CGM. The Board also compared the profit margins of CGM with public information on the profit margins of some publicly held investment advisory firms. The Board found that CGM's profit margins were reasonable and not excessive.
4. The Board considered whether economies of scale might be realized with growth in the Fund, but in light of the fact that the Fund continued to experience net redemptions in 2015, the Board determined that it would not be advisable at this time to seek to make adjustments to the break point structure of the advisory fees paid by the Fund.
5. The Board received and considered information comparing the advisory fees paid by the Fund and the overall expenses borne by the Fund with those of funds in the relevant expense universe as selected and provided by

CGM FOCUS FUND

ADDITIONAL INFORMATION (continued)

(unaudited)

Broadridge, Inc. The Board noted that the total expense ratio of the Fund was the median total expense ratio for its peer group in the Broadridge expense universe. The advisory fee paid by the Fund was above the median expense ratios of mutual funds included in the Broadridge expense universe, but the Board concluded that this was reasonable in light of CGM's active investment style and the flexibility of the Fund to sell securities short and to leverage positions, which are strategies that many other capital appreciation mutual funds lack the flexibility to pursue. The Board concluded the advisory fees paid by the Fund and the overall expenses borne by the Fund were reasonable and competitive.

In addition to the foregoing, in light of the fact that CGM could potentially benefit from soft dollar arrangements of the Fund, the Board reviewed the brokerage commissions of the Fund and concluded that the brokerage commissions were reasonable, particularly given CGM's focus on best execution.

CGM FOCUS FUND

FUND EXPENSES

(unaudited)

As a shareholder of CGM Focus 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 January 1, 2016 to June 30, 2016.

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 01/01/16</i>	<i>Ending Account Value 06/30/16</i>	<i>Expenses Paid During Period* 01/01/16 - 06/30/16</i>
Actual	\$1,000.00	\$878.57	\$11.50
Hypothetical (5% return before expenses)	\$1,000.00	\$1,012.62	\$12.32

* Expenses are equal to the Fund's annualized expense ratio of 2.46%, which includes expenses related to short sales activity, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).

BOARD OF TRUSTEES

PETER O. BROWN

G. KENNETH HEEBNER

MARK W. HOLLAND

LESLIE A. LAKE

JAMES VAN DYKE QUEREAU, JR.

J. BAUR WHITTLESEY

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DAVID C. FIETZE, *President & Chief Compliance Officer*

KATHLEEN S. HAUGHTON, *Vice President & Anti-Money Laundering Compliance Officer*

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MARTHA I. MAGUIRE, *Vice President*

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KEVIN URE, *Vice President*

NICOLE M. FEMBLEAUX, *Assistant Vice President*

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

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