

## INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT  
LIMITED PARTNERSHIP  
Boston, Massachusetts 02110

# CGM Focus Fund

79th Quarterly Report  
June 30, 2017

A No-Load Fund

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## MAILING ADDRESS

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

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## WEBSITE

[www.cgmfunds.com](http://www.cgmfunds.com)

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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:

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CGM Focus Fund increased 2.3% during the second quarter of 2017 compared to a return of 3.1% for the Standard and Poor's 500 Index ("S&P 500 Index"). For the first six months of the year, CGM Focus Fund returned 9.3% and the S&P 500 Index, 9.3%.

The positive performance of U.S. stocks early in 2017 continued into the second quarter of the year despite some mixed economic news in April. Manufacturing activity continued to expand, but at a slightly slower pace according to the Institute for Supply Management. Since the end of the recession, businesses have been slow to increase investment which has led to sluggish but continued growth in the manufacturing sector. This is substantiated by the Commerce Department's report on orders for durable goods which showed a monthly increase in March of only 0.7%. Despite March's low unemployment rate of 4.5%, U.S. consumers demonstrated continued restraint in spending and the Commerce Department reported a disappointing 0.2% drop in retail sales for March and revised its February estimate to a 0.3% decline. This muted consumer demand contributed to the meager growth in gross domestic product which the Commerce Department initially reported as expanding at only a 0.7% annual rate in the first quarter though later revised to a 1.4% annual rate. But the GDP report also included other signs of increased business investment, rising consumer confidence and rising consumer income which may improve economic growth going forward.

Improving economic indicators in May continued to boost stock performance. While the manufacturing sector continued its slow expansion, the Institute for Supply Management reported accelerating growth in the non-manufacturing sector. Further evidence of economic growth came from the Federal Reserve's report on April industrial production, which increased by 1% from the prior month in its largest monthly gain in more than three years. Commerce Department April reports on consumer spending showed improvement with monthly retail sales and the personal consumption rate each increasing by 0.4%. Additionally, the University of Michigan

Consumer Sentiment Index rose to its highest reading since January reaching 97.1 in May. Increased consumer spending and strong consumer confidence suggest potential for expanding growth in the economy.

While the April Personal Consumption Expenditure Index (the index the Fed consults when planning interest rate adjustments) came in at 1.7%, falling short of the Fed's desired 2%, some signs of upward inflation pressure emerged. The Labor Department's April Producer Price Index for Final Demand, which measures the prices U.S. companies receive for their goods and services, grew to its highest level in five years, increasing 2.5% year over year. The Labor Department's measure of import prices also experienced 4.1% annual growth in April from a year earlier. However these indicators were tempered by oil prices that dropped into bear market territory in June. Falling energy prices generally weigh on inflation and often drive investors to U.S. treasuries. Oil prices have declined through much of the year despite production cuts by OPEC and other oil producing nations. These cuts have been offset in part by increased production from the U.S. shale oil industry which has continued to increase its exports after Congress lifted its export ban in 2015.

Despite conflicting inflation indicators, low unemployment and continued economic expansion prompted the Fed to raise interest rates by 0.25% in June. The Fed indicated further economic expansion would allow it to begin reducing the portfolio of bonds and other assets that it purchased to stimulate the economy in response to the recession of 2007 - 2009. As this news was widely anticipated, it had very little impact on the stock market. Strong corporate profits and improving global economic conditions helped stock prices continue to climb through the end of the quarter. Technology stocks have outperformed other sectors through the first half of the year. These stocks pulled back at the end of the quarter while bank stocks rose on news that all of the 34 largest U.S. banks passed the Fed's capital requirements test mandated by the Dodd-Frank Act. Several banks immediately increased

their dividends. Accelerating global economic expansion sent stocks higher, especially in the Eurozone and encouraged some central banks, including the European Central Bank, to suggest they may begin reducing their stimulus programs, which could increase yields on government bonds.

The yield on the 10-year U.S. Treasury bond started the quarter at 2.4% and fell as low as 2.1% before ending at 2.3% on June 30. Low inflation, the tepid momentum of the U.S. economic expansion and concerns about the Trump administration's ability to push its tax and spending policies through Congress have all played a part in holding bond yields down. Additionally, the geopolitical uncertainties in North Korea and Syria and the lower yields offered by government bonds in Europe and Japan have drawn investors to U.S. Treasuries. The S&P 500 Index was priced at 24.2 times the trailing twelve month earnings as of June 30. While U.S. stocks remain expensive, we believe the recent increase in the global economic expansion combined with strong earnings reports in several sectors of the U.S. economy should offer ample opportunities in U.S. stocks.

On June 30, 2017, CGM Focus Fund held large industry positions in commercial banks, broker/dealers and electronic components. The Fund's three largest holdings were Citigroup Inc., Bank of America Corporation (commercial banks) and Morgan Stanley (broker/dealer). Approximately 53.8% of the portfolio was invested in securities sold short.



David C. Fietze  
President

July 5, 2017

## INVESTMENT PERFORMANCE

(unaudited)

Total Returns for Periods Ended June 30, 2017

	<b>The Fund's Cumulative Total Return (%)</b>	<b>The Fund's Average Annual Total Return (%)</b>
10 Years .....	+ 30.9	+ 2.7
5 Years .....	+ 78.9	+ 12.3
1 Year .....	+ 35.6	+ 35.6
3 Months ....	+ 2.3	—

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, 2017

(unaudited)

### COMMON STOCKS

Industry	Percent of Net Assets
Commercial Banks	17.8%
Broker/Dealers	9.6
Electronic Components	9.6
Banks - Money Center	9.3
Metals and Mining	7.9
Leisure	5.7
Airlines	5.6
Light Capital Goods	5.5
Peripherals	5.2
Electronic and Communication Equipment	4.7
Insurance	4.7
Beverages and Tobacco	4.6
Retail	4.6
Home Products	4.3
Auto and Related	4.1
Health Care Services	1.9

### SECURITIES SOLD SHORT

United States Treasury Bonds	(26.1)
Retail	(23.2)
Technology	(3.7)
Leisure	(0.8)

## SCHEDULE OF INVESTMENTS as of June 30, 2017

(unaudited)

### COMMON STOCKS — 105.1% OF TOTAL NET ASSETS

	Shares	Value(a)
<b>Airlines — 5.6%</b>		
Copa Holdings, S.A. ....	447,100	\$ 52,310,700
<b>Auto and Related — 4.1%</b>		
Ferrari N.V. ....	440,000	37,848,800
<b>Banks - Money Center — 9.3%</b>		
Banco Bradesco S.A. ADR (b) .....	6,000,000	51,000,000
Itau Unibanco Holding S.A. ADR (b) .....	3,200,000	35,360,000
		<u>86,360,000</u>
<b>Beverages and Tobacco — 4.6%</b>		
Constellation Brands, Inc. ....	220,000	42,620,600

## CGM FOCUS FUND

### SCHEDULE OF INVESTMENTS as of June 30, 2017 (continued)

(unaudited)

#### COMMON STOCKS (continued)

<b>Broker/Dealers — 9.6%</b>	<b>Shares</b>	<b>Value(a)</b>
Morgan Stanley (c) .....	1,390,000	\$ 61,938,400
The Charles Schwab Corporation (c) .....	630,000	27,064,800
		<u>89,003,200</u>
<b>Commercial Banks — 17.8%</b>		
Bank of America Corporation (c) .....	3,210,000	77,874,600
Citigroup Inc. ....	1,240,000	82,931,200
JPMorgan Chase & Co. ....	50,000	4,570,000
		<u>165,375,800</u>
<b>Electronic and Communication Equipment — 4.7%</b>		
NetEase Inc ADR .....	145,000	43,591,350
<b>Electronic Components — 9.6%</b>		
Advanced Micro Devices, Inc. (d) .....	1,100,000	13,728,000
Applied Materials, Inc. ....	670,000	27,677,700
Micron Technology, Inc. (c)(d) .....	1,600,000	47,776,000
		<u>89,181,700</u>
<b>Health Care Services — 1.9%</b>		
Centene Corporation (d) .....	220,000	17,573,600
<b>Home Products — 4.3%</b>		
Thor Industries, Inc. ....	385,000	40,240,200
<b>Insurance — 4.7%</b>		
Prudential Financial, Inc. ....	400,000	43,256,000
<b>Leisure — 5.7%</b>		
Royal Caribbean Cruises Ltd. ....	482,000	52,648,860
<b>Light Capital Goods — 5.5%</b>		
KLA-Tencor Corporation .....	150,000	13,726,500
Lam Research Corporation (c) .....	265,000	37,478,950
		<u>51,205,450</u>
<b>Metals and Mining — 7.9%</b>		
Turquoise Hill Resources Ltd. (d) .....	7,200,000	19,080,000
Vale S.A. ADR (b)(c) .....	6,250,000	54,687,500
		<u>73,767,500</u>
<b>Peripherals — 5.2%</b>		
Western Digital Corporation .....	550,000	48,730,000
<b>Retail — 4.6%</b>		
Alibaba Group Holding Limited ADR (d) .....	300,000	42,270,000
<b>TOTAL COMMON STOCKS (Identified cost \$872,088,356)</b> .....		<u>975,983,760</u>

See accompanying notes to financial statements.

## CGM FOCUS FUND

### SCHEDULE OF INVESTMENTS as of June 30, 2017 (continued)

(unaudited)

#### SHORT-TERM INVESTMENT — 1.3% OF TOTAL NET ASSETS

	Face Amount	Value(a)
Tri-party Repurchase Agreement with Fixed Income Clearing Corporation, dated 06/30/17 at 0.12% to be repurchased at \$11,705,000 on 07/03/2017 collateralized by \$11,475,000 U.S. Treasury Inflation Indexed Bond, 1.00% due 02/15/2046 valued at \$11,873,110 including interest. (Cost \$11,705,000) .....	\$ 11,705,000	\$ 11,705,000
<b>TOTAL INVESTMENTS — 106.4%</b> (Identified cost \$883,793,356) .....		987,688,760
Cash and receivables .....		510,983,738
Liabilities .....		(570,579,307)
<b>TOTAL NET ASSETS — 100.0%</b> .....		\$ 928,093,191

See accompanying notes to financial statements.

## CGM FOCUS FUND

### SCHEDULE OF INVESTMENTS as of June 30, 2017 (continued)

(unaudited)

#### SECURITIES SOLD SHORT — 53.8% OF TOTAL NET ASSETS

#### COMMON STOCKS — 27.7% OF TOTAL NET ASSETS

##### Leisure — 0.8%

	<b>Shares</b>	<b>Value(a)</b>
Netflix, Inc. (d) .....	50,000	\$ 7,470,500

##### Retail — 23.2%

Amazon.com, Inc. (d) .....	9,000	8,712,000
DDR Corp. ....	1,350,000	12,244,500
General Growth Properties, Inc. ....	2,320,000	54,659,200
Macy's, Inc. ....	1,500,000	34,860,000
Simon Property Group, Inc. ....	330,000	53,380,800
The Macerich Company .....	890,000	51,673,400
		215,529,900

##### Technology — 3.7%

Snap Inc. (d) .....	1,900,000	33,763,000
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<b>TOTAL COMMON STOCKS</b> (Proceeds \$275,324,073) .....		256,763,400
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#### BONDS — 26.1% OF TOTAL NET ASSETS

##### United States Treasury — 26.1%

	<b>Face Amount</b>	
United States Treasury Bonds, 2.750%, 08/15/2042 .....	\$ 35,000,000	34,637,680
United States Treasury Bonds, 2.875%, 11/15/2046 .....	100,000,000	100,593,800
United States Treasury Bonds, 3.000%, 02/15/2047 .....	40,000,000	41,279,680
United States Treasury Bonds, 3.125%, 02/15/2043 .....	40,000,000	42,279,680
United States Treasury Bonds, 3.750%, 11/15/2043 .....	20,000,000	23,519,540

<b>TOTAL BONDS</b> (Proceeds \$227,736,795) .....		242,310,380
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<b>TOTAL SECURITIES SOLD SHORT — 53.8%</b> (Proceeds \$503,060,868) .....		\$ 499,073,780
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(a) See Note 2A.

(b) At June 30, 2017, the Fund has approximately 15.2% of net assets invested in companies incorporated in Brazil.

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

(d) 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 U.S. or Canada.

# CGM FOCUS FUND

## STATEMENT OF ASSETS AND LIABILITIES

June 30, 2017 (unaudited)

### Assets

Investments at value:

(Identified cost \$883,793,356).....	\$ 987,688,760
Cash .....	1,238
Deposits with brokers for short sales .....	438,779,825
Receivable for:	
Securities sold .....	\$71,373,943
Shares of the Fund sold .....	5,349
Dividends and interest ..	<u>823,383</u>
	72,202,675
Total assets .....	<u>1,498,672,498</u>

### Liabilities

Securities sold short at current market value (Proceeds \$503,060,868) .....	499,073,780
Payable for:	
Securities purchased ....	66,799,937
Shares of the Fund redeemed .....	1,060,748
Interest payable .....	1,789,970
Tax Withholding .....	359
Short dividend payable ..	<u>880,250</u>
	70,531,264
Accrued expenses:	
Management fees .....	751,364
Trustees' fees .....	30,046
Accounting, administration and compliance expenses .....	47,976
Transfer agent fees .....	84,840
Other expenses .....	<u>60,037</u>
	974,263
Total liabilities .....	<u>570,579,307</u>
<b>Net Assets</b> .....	<u><u>\$ 928,093,191</u></u>

Net Assets consist of:

Capital paid-in .....	\$ 2,273,678,052
Undistributed net investment loss .....	(5,821,564)
Accumulated net realized losses on investments .....	(1,447,645,789)
Net unrealized appreciation on investments:	
Long positions .....	103,895,404
Short positions .....	<u>3,987,088</u>
<b>Net Assets</b> .....	<u><u>\$ 928,093,191</u></u>
Shares of beneficial interest outstanding, no par value .....	<u>19,877,027</u>
Net asset value per share* .....	<u><u>\$46.69</u></u>

\* Shares of the Fund are sold and redeemed at net asset value (\$928,093,191 ÷ 19,877,027).

## STATEMENT OF OPERATIONS

Six Months Ended June 30, 2017 (unaudited)

### Investment Income

Income:

Dividends (net of withholding tax of \$402,227) .....	\$ 8,949,322
Interest .....	<u>3,314</u>
	<u>8,952,636</u>

Expenses:

Management fees .....	4,640,802
Trustees' fees .....	61,322
Accounting, administration and compliance expenses .....	300,299
Custodian fees and expenses .....	69,610
Transfer agent fees .....	329,722
Audit and tax services .....	24,730
Legal .....	50,480
Printing .....	37,668
Registration fees .....	12,769
Interest expense on short sales .....	5,428,400
Dividend expense on short sales .....	3,801,850
Miscellaneous expenses .....	<u>16,548</u>
	<u>14,774,200</u>
Net investment loss .....	<u>(5,821,564)</u>

### Realized and Unrealized Gain (Loss) on Investments

Net realized gains on investments:	
Long transactions .....	142,400,268
Short transactions .....	<u>4,776,128</u>
	<u>147,176,396</u>
Net change in unrealized appreciation (depreciation) on investments:	
Long transactions .....	(66,754,344)
Short transactions .....	<u>10,347,888</u>
	<u>(56,406,456)</u>
Net realized and unrealized gains on investments .....	<u>90,769,940</u>

<b>Change in Net Assets from Operations</b> .....	<u><u>\$ 84,948,376</u></u>
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# CGM FOCUS FUND

## STATEMENT OF CHANGES IN NET ASSETS

	<b>Six Months Ended June 30, 2017 (unaudited)</b>	<b>Year Ended December 31, 2016</b>
<b>From Operations</b>		
Net investment loss .....	\$ (5,821,564)	\$ (9,969,392)
Net realized gains on investments .....	147,176,396	9,919,219
Net change in unrealized appreciation (depreciation) on investments .....	<u>(56,406,456)</u>	<u>61,347,617</u>
Change in net assets from operations .....	<u>84,948,376</u>	<u>61,297,444</u>
<b>From Capital Share Transactions</b>		
Proceeds from sale of shares .....	5,898,837	8,880,757
Cost of shares redeemed .....	<u>(99,599,793)</u>	<u>(198,259,157)</u>
Change in net assets derived from capital share transactions .....	<u>(93,700,956)</u>	<u>(189,378,400)</u>
Total change in net assets .....	<u>(8,752,580)</u>	<u>(128,080,956)</u>
<b>Net Assets</b>		
Beginning of period .....	936,845,771	1,064,926,727
End of period (including undistributed net investment loss of \$(5,821,564) and \$0 at June 30, 2017 and December 31, 2016, respectively) .....	<u>\$ 928,093,191</u>	<u>\$ 936,845,771</u>
<b>Number of Shares of the Fund:</b>		
Issued from sale of shares .....	129,662	248,932
Redeemed .....	<u>(2,171,060)</u>	<u>(5,497,232)</u>
Net change .....	<u>(2,041,398)</u>	<u>(5,248,300)</u>

See accompanying notes to financial statements.

# CGM FOCUS FUND

## FINANCIAL HIGHLIGHTS

	Six Months Ended June 30, 2017 (unaudited)	For the Year Ended December 31,				
		2016	2015	2014	2013	2012
For a share of the Fund outstanding throughout each period:						
Net asset value at beginning of period .....	\$ 42.74	\$ 39.20	\$ 40.88	\$ 40.31	\$ 29.30	\$ 25.65
Net investment loss (a)(b) .....	(0.28)	(0.41)	(0.52)	(0.64)	(0.40)	(0.10)
Net realized and unrealized gains (losses) on investments .....	4.23	3.95	(1.16)	1.21	11.41	3.75
Total from investment operations .....	3.95	3.54	(1.68)	0.57	11.01	3.65
Net increase (decrease) in net asset value .....	3.95	3.54	(1.68)	0.57	11.01	3.65
Net asset value at end of period .....	<u>\$ 46.69</u>	<u>\$ 42.74</u>	<u>\$ 39.20</u>	<u>\$ 40.88</u>	<u>\$ 40.31</u>	<u>\$ 29.30</u>
Total return (%) .....	9.3	9.0	(4.1)	1.4	37.6	14.2
Ratios:						
Operating expenses to average net assets (%) .....	1.17 *	1.20	1.13	1.10	1.09	1.10
Dividends and interest on short positions to average net assets (%) .....	1.94 *	1.25	1.09	1.16	0.91	0.24
Total expenses to average net assets (%) .....	<u>3.11 *</u>	<u>2.45</u>	<u>2.22</u>	<u>2.26</u>	<u>2.00</u>	<u>1.34</u>
Net investment loss to average net assets (%) .....	(1.22) *	(1.13)	(1.27)	(1.61)	(1.13)	(0.37)
Portfolio turnover (%) .....	404 (c) *	334 (c)	268 (c)	266 (c)	291 (c)	360
Net assets at end of period (in thousands) (\$) .....	928,093	936,846	1,064,927	1,326,978	1,642,133	1,441,596
(a) Net investment income (loss) per share excluding all related short sale income and expenses (\$) .....	0.16	0.04	(0.07)	(0.18)	(0.08)	(0.04)
(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.						

# CGM FOCUS FUND

## NOTES TO FINANCIAL STATEMENTS — June 30, 2017

(unaudited)

**1. Organization** — CGM Focus Fund (the "Fund") is a 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 other 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, 2017 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, 2017:

Classification	Valuation Inputs		
	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs
<b>Investments in Securities-Assets</b>			
Common Stocks* .....	\$ 975,983,760	—	—
Short-Term Investment			
Repurchase Agreement .....	—	\$ 11,705,000	—
Total .....	<u>\$ 975,983,760</u>	<u>\$ 11,705,000</u>	<u>—</u>
<b>Investments in Securities-Liabilities</b>			
Common Stocks* .....	\$ 256,763,400	—	—
Bonds			
United States Treasury Bonds .....	—	\$ 242,310,380	—
Total .....	<u>\$ 256,763,400</u>	<u>\$ 242,310,380</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, 2017, there were no transfers among Levels 1, 2 and 3.

# CGM FOCUS FUND

## NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

- 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 are reported on the trade date (date the order to buy or sell is executed). Dividend income and expense 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 and expense 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. Distributions from publicly traded partnerships are generally recorded based on the characterization reported on the Fund's schedule K-1 received from the partnership. 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, 2017, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	Undistributed Long-term Capital Gains	Net Unrealized Appreciation/ (Depreciation)
—	—	\$96,665,066

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, 2017 was as follows:

Identified Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
\$891,023,694	\$105,738,310	\$(9,073,244)	\$96,665,066

For the year ended December 31, 2016, 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	—	\$888,260,104	\$ 1,572,159,776	

## CGM FOCUS FUND

### NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

Capital losses may be utilized to offset future capital gains until expiration. Under the Regulated Investment Company Modernization Act of 2010, the Fund is 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.

As of December 31, 2016, the post-enactment capital loss carryforwards utilized 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:

Short-term Capital Loss Carryforward Utilized	Long-term Capital Loss Carryforward Utilized	Total	Remaining Short-term Capital Loss Carryforward	Remaining Long-term Capital Loss Carryforward	Total
\$10,736,266	—	\$10,736,266	\$17,899,500	—	\$17,899,500

Management has concluded that there are no significant uncertain tax positions for the open tax years as of December 31, 2016 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 and expiring capital loss carryforwards. 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, 2017, was \$271,724,200 and the value of cash held in a segregated account, a portion of which may have been restricted at June 30, 2017, was \$438,779,825.

# CGM FOCUS FUND

## NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

- 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 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.

At June 30, 2017, the Fund had an investment in a repurchase agreement with a gross value of \$11,705,000 on the Statement of Assets and Liabilities. The value of the related collateral consisting of cash and/or securities of \$11,873,110 exceeded the value of the repurchase agreement at June 30, 2017 by \$168,110.

- 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. Risks associated with focused investing** — The Fund, although diversified, takes a focused approach to investing within particular industries or sectors of the economy and may invest in a relatively small number of individual holdings. 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 than would a more diversified fund. In addition,

# CGM FOCUS FUND

## NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

funds that invest more heavily in certain industries, sectors or individual holdings are particularly susceptible to the impact of market, economic, regulatory and other factors affecting those investments.

- 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 U.S., 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 U.S. Additionally, because some foreign securities the Fund may acquire are purchased with and payable in foreign currencies, the value of these assets as 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, 2017, purchases and sales of securities other than U.S. Government or Agency obligations and short-term investments aggregated \$2,476,101,559 and \$2,587,396,056, respectively. Short sales for U.S. Treasury bonds for the period ended June 30, 2017 were \$48,910,938.
- 5. Fees and expenses**
- A. Management fees** — During the period ended June 30, 2017, the Fund incurred management fees of \$4,640,802, 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 Securities and Exchange Commission ("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 \$300,299, for the period ended June 30, 2017, 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 \$262,150 of the salaries of CGM employees who are officers of the Fund.

# CGM FOCUS FUND

## NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

- 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, 2017, each disinterested trustee will be compensated by the Trust with an annual fee of \$90,000 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 disinterested trustee to lead the Board’s efforts in overseeing 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.
- 6. Recent accounting pronouncement** — In October 2016, the SEC adopted new rules and forms and amended existing rules and forms (together, “final rules”) intended to modernize and enhance the reporting and disclosure of information by registered investment companies and to enhance liquidity risk management by open-ended mutual funds and exchange-traded funds. The final rules are designed to enhance the quality of information available to investors and to allow the SEC to more effectively collect and use data reporting by funds. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in the Fund’s financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X is August 1, 2017, while the compliance date for the new form types is June 1, 2018 and the compliance date for the liquidity risk management program requirements is December 1, 2018. Management is currently assessing the potential impact of these enhancements and their impact on the financial statement disclosures and reporting requirements.

## 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, 2017 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](http://www.cgmfunds.com), and the SEC's website, [www.sec.gov](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 [www.sec.gov](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 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](http://www.cgmfunds.com), and the SEC's website, [www.sec.gov](http://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 2017 and at a meeting of the full Board in April 2017. 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 a market index and three universes of other funds (multi-cap core funds, capital appreciation funds and multi-cap growth funds) provided by Broadridge, Inc., an independent provider of investment company data. The Board noted the above-average performance of the Fund for the one-year period ended December 31, 2016, as well as the below-average performance of the Fund for the three, five and ten-year periods ended December 31, 2016, in each case as compared with each Broadridge universe. The Board noted that CGM manages the Fund's investments with a long-term focus on global trends that may take time to develop and which carries a risk that expected developments may not occur or may be affected by unexpected events that would affect portfolio returns. However, the Board also observed that CGM's long-term focus had often proven its worth and that it offers Fund investors the potential for significant returns over longer periods of time.
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 a number of 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 2016, 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

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### 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. The Board also considered possible fall-out benefits to CGM from its relationship with the Fund. The Board did not find any such fall-out benefits to be unreasonable or inconsistent with CGM's role as investment adviser to the Fund.

# 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, 2017 to June 30, 2017.

### **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 01/01/17</i>	<i>Ending Account Value 06/30/17</i>	<i>Expenses Paid During Period* 01/01/17 - 06/30/17</i>
Actual	\$1,000.00	\$1,092.65	\$16.12
Hypothetical (5% return before expenses)	\$1,000.00	\$1,009.39	\$15.48

\* Expenses are equal to the Fund's annualized expense ratio of 3.11%, which includes expenses related to short sales activity, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

## **BOARD OF TRUSTEES**

PETER O. BROWN  
G. KENNETH HEEBNER  
MARK W. HOLLAND  
LESLIE A. LAKE  
J. BAUR WHITTLESEY

## **OFFICERS**

G. KENNETH HEEBNER, *Vice President*  
DAVID C. FIETZE, *President & Chief Compliance Officer*  
KATHLEEN S. HAUGHTON, *Vice President & Anti-Money Laundering Compliance Officer*  
JEM A. HUDGINS, *Treasurer*  
DEIDRA K. HEWARDT, *Assistant Treasurer*  
LESLIE A. LAKE, *Vice President and Secretary*  
MARTHA I. MAGUIRE, *Vice President*  
TONY FIGUEIREDO, *Vice President*  
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**

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

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