

### **INVESTMENT ADVISER**

CAPITAL GROWTH MANAGEMENT  
LIMITED PARTNERSHIP  
Boston, Massachusetts 02110

### **CUSTODIAN OF ASSETS**

STATE STREET BANK AND TRUST COMPANY  
Boston, Massachusetts 02111

### **TRANSFER AGENT**

DST ASSET MANAGER SOLUTIONS, INC.  
P.O. Box 219252  
Kansas City, Missouri 64121-9252

# CGM

# Focus Fund

84th Quarterly Report  
September 30, 2018

A No-Load Fund

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

FQR318

Printed in U.S.A.



*Investment Adviser*

**Capital Growth Management**  
*Limited Partnership*

## To Our Shareholders:

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CGM Focus Fund increased 11.1% during the third quarter of 2018 compared to a return of 7.7% for the Standard and Poor's 500 Index ("S&P 500 Index"). For the first nine months of the year, CGM Focus Fund decreased -9.1% while the S&P 500 Index increased 10.6%.

International trade issues have been at the forefront of the news for much of the year and continued to impact markets around the world into the third quarter. In early July the U.S. imposed a new round of tariffs on \$34 billion of Chinese goods and threatened additional charges in the months ahead. China retaliated with corresponding levies on U.S. goods and vowed to match all U.S. tariffs. Meanwhile, trade tensions between the U.S. and Europe subsided as the two economies agreed to refrain from new tariffs and to consider easing existing trade barriers. U.S. stocks reacted favorably to the economic truce between the U.S. and Europe and continued to rise through the quarter while markets around much of the rest of the world struggled. Inflationary pressures continued to build and the Labor Department reported its Consumer Price Index for June (released in July) reached its highest rate in more than six years, increasing 2.9% from the previous year. This followed the Labor Department's June Producer Price Index report (also released in July) which registered a 3.4% increase for the year, the largest annual increase in prices for goods and services since November 2011. Late in July the Commerce Department reported Gross Domestic Product increased at a 4.2% annual rate in the second quarter reflecting healthy consumer spending, strong business investment and rising

export activity that continues to fuel the U.S. economy.

By mid-August evidence of robust consumer spending was surfacing in solid quarterly retail sales reports. The Commerce Department confirmed the trend, reporting retail sales in July increased from the previous year by 6.4%. Consumer spending accounts for approximately two-thirds of U.S. economic output and rising employment and wages have contributed to the increase in spending. While wage growth has been modest throughout the economic expansion, in August the Labor Department reported the longest sustained stretch of increases in nine years, with growth at a 2.7% rate or better for three straight months. U.S. stocks briefly retreated on August 10 in response to a heightened economic crisis in Turkey that impacted markets around the world. A revised trade agreement between the U.S. and Mexico boosted stocks and the S&P 500 reached a new high on August 24, setting the record for the longest bull run ever. The Commerce Department's Personal Consumption Expenditures Index (which is the Federal Reserve's preferred inflation gauge) increased for the twelve months ended in July by 2.3%. This surpassed the Fed's 2% inflation target and is the largest annualized increase in more than six years. U.S. consumer confidence continued to improve in August and the Conference Board's Consumer Confidence Index rose to its highest level since October 2000.

In early September, the Labor Department reported the U.S. economy enjoyed a record 95<sup>th</sup> consecutive month of job growth in August with the addition of

## CGM FOCUS FUND

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201,000 jobs. The unemployment rate dropped to 3.9% and wages increased by 2.9% from a year earlier. This was the largest annualized wage increase since 2009 but also an indicator of increasing inflationary pressure. Inflation could also be seen in rising oil prices. In September, Brent crude, the global benchmark for oil, reached its highest settlement since November 2014, closing at \$81.20 a barrel. Oil prices steadily rose through September in response to a weakening dollar, impending U.S. sanctions that may curtail Iranian oil exports and the decision by OPEC and other major producers to refrain from increasing production. Rising inflation likely encouraged the Fed to raise short term interest rates by 0.25% on September 26 and to indicate that it anticipates gradually raising rates with one more increase in 2018 and additional increases through 2019. U.S. financial stocks dropped 1.3% on news of the rate increase. However overall, U.S. stocks enjoyed a strong third quarter with the Dow Jones Industrial Average, S&P 500 Index and NASDAQ all closing within 1% of their all-time highs.

The 10-year U.S. Treasury bond yielded 2.9% at the start of the quarter and 3.1% at the end. The yield moved slightly lower in August in response to uncertainty in emerging markets and trade tensions but gradually rose through the end of the quarter on mounting evidence of U.S. economic strength and improving conditions in the European economy. The S&P 500 Index was priced at 22.9 times the trailing twelve month earnings at the end of the third quarter. Stock valuations remain high, but we believe that positive corporate earnings and favorable economic data in the U.S. will continue to provide investment opportunities.

On September 30, 2018, CGM Focus Fund was 18.3% invested in leisure, 15.2% invested in oil - independent production and 11.2% invested in money center banks. The Fund's three largest holdings were Vale S.A. ADR (metals and mining), Royal Caribbean Cruises Ltd. (leisure) and Petroleo Brasileiro S.A. - Petrobras ADR (oil - independent production). At the end of the quarter approximately 6.4% of the portfolio was invested in equities sold short and 46.9% of the portfolio was invested in U.S. Treasury bonds sold short.



David C. Fietze  
President

October 1, 2018

# CGM FOCUS FUND

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## INVESTMENT PERFORMANCE

(unaudited)

Total Returns for Periods Ended September 30, 2018

	<b>The Fund's Cumulative Total Return (%)</b>	<b>The Fund's Average Annual Total Return (%)</b>
10 Years .....	+ 12.8	+ 1.2
5 Years .....	+ 33.2	+ 5.9
1 Year .....	- 5.7	- 5.7
3 Months .....	+ 11.1	—

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

The investment return and the principal value of an investment in the Fund will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted.

# CGM FOCUS FUND

## SCHEDULE OF INVESTMENTS as of September 30, 2018

(unaudited)

### INVESTMENTS HELD LONG — 103.0% OF TOTAL NET ASSETS

#### COMMON STOCKS — 102.0% OF TOTAL NET ASSETS

	Shares	Value (a)
<b>Banks - Money Center — 11.2%</b>		
Banco Bradesco S.A. ADR (b) .....	6,330,000	\$ 44,816,400
Itau Unibanco Holding S.A. ADR (b) .....	4,240,000	46,555,200
		91,371,600
<b>Chemicals - Specialty — 4.2%</b>		
Celanese Corporation (c) .....	300,000	34,200,000
<b>Commercial Banks — 7.4%</b>		
Bank of America Corporation .....	850,000	25,041,000
JPMorgan Chase & Co. ....	310,000	34,980,400
		60,021,400
<b>Drugs — 4.1%</b>		
Eli Lilly and Company .....	315,000	33,802,650
<b>Electronic and Communication Equipment — 6.0%</b>		
Zebra Technologies Corporation (c)(d) .....	275,000	48,628,250
<b>Leisure — 18.3%</b>		
Carnival Corporation (b)(c) .....	670,000	42,725,900
Norwegian Cruise Line Holdings Ltd. (b)(d) .....	865,000	49,676,950
Royal Caribbean Cruises Ltd. (b)(c) .....	440,000	57,173,600
		149,576,450
<b>Machinery — 4.9%</b>		
United Rentals, Inc. (d) .....	245,000	40,082,000
<b>Metals and Mining — 8.3%</b>		
Vale S.A. ADR (b)(c) .....	4,552,000	67,551,680

# CGM FOCUS FUND

## SCHEDULE OF INVESTMENTS as of September 30, 2018 (continued)

(unaudited)

### INVESTMENTS HELD LONG (continued)

#### COMMON STOCKS (continued)

<b>Oil - Independent Production — 15.2%</b>	<b>Shares</b>	<b>Value (a)</b>
Canadian Natural Resources Limited (b) .....	100,000	\$ 3,266,000
Concho Resources Inc. (d) .....	140,000	21,385,000
EOG Resources, Inc. ....	120,000	15,308,400
Petroleo Brasileiro S.A. - Petrobras ADR (b)(c) .....	4,500,000	54,315,000
Pioneer Natural Resources Company .....	110,000	19,160,900
Whiting Petroleum Corporation (d) .....	200,000	10,608,000
		<u>124,043,300</u>
<b>Oil Refining — 5.5%</b>		
Chevron Corporation .....	230,000	28,124,400
Marathon Petroleum Corporation .....	210,000	16,793,700
		<u>44,918,100</u>
<b>Railroad — 2.4%</b>		
CSX Corporation .....	270,000	19,993,500
<b>Retail — 5.2%</b>		
Tiffany & Co. ....	330,000	42,560,100
<b>Steel — 5.5%</b>		
Gerdau S.A. ADR (b) .....	10,700,000	45,047,000
<b>Textile and Apparel — 3.8%</b>		
V.F. Corporation .....	330,000	30,838,500
<b>TOTAL COMMON STOCKS</b> (Identified cost \$812,720,210) .....		<u>832,634,530</u>

#### SHORT-TERM INVESTMENT — 1.0% OF TOTAL NET ASSETS

	<b>Face Amount</b>	
Tri-party Repurchase Agreement with Fixed Income Clearing Corporation, dated 09/28/2018 at 0.42% to be repurchased at \$8,385,000 on 10/01/2018 collateralized by \$9,285,000 U.S. Treasury Bond, 2.75% due 08/15/2047 valued at \$8,535,306 including interest. (Cost \$8,385,000)(e) .....	\$ 8,385,000	<u>8,385,000</u>

# CGM FOCUS FUND

## SCHEDULE OF INVESTMENTS as of September 30, 2018 (continued)

(unaudited)

### INVESTMENTS HELD LONG (continued)

#### COMMON STOCKS (continued)

	Shares	Value (a)
<b>TOTAL INVESTMENTS HELD LONG — 103.0%</b> (Identified cost \$821,105,210)(f) .....		\$ 841,019,530
 <b>INVESTMENTS HELD SHORT — (53.3)% OF TOTAL NET ASSETS</b>		
 <b>COMMON STOCKS — (6.4)% OF TOTAL NET ASSETS</b>		
 <b>Leisure — (1.3%)</b>		
Netflix, Inc. (d) .....	(30,000)	(11,223,900)
 <b>Technology — (5.1%)</b>		
Snap Inc. (d) .....	(4,900,000)	(41,552,000)
<b>TOTAL COMMON STOCKS</b> (Proceeds \$78,832,945) .....		(52,775,900)
 <b>BONDS — (46.9)% OF TOTAL NET ASSETS</b>		
 <b>United States Treasury — (46.9%)</b>		
United States Treasury Bonds, 2.750%, 08/15/2042 .....	\$ (35,000,000)	(32,432,422)
United States Treasury Bonds, 2.750%, 11/15/2047 .....	(60,000,000)	(54,951,563)
United States Treasury Bonds, 2.875%, 11/15/2046 .....	(100,000,000)	(94,093,750)
United States Treasury Bonds, 3.000%, 02/15/2047 .....	(105,000,000)	(101,238,867)
United States Treasury Bonds, 3.000%, 02/15/2048 .....	(40,000,000)	(38,512,500)
United States Treasury Bonds, 3.125%, 02/15/2043 .....	(40,000,000)	(39,535,937)
United States Treasury Bonds, 3.750%, 11/15/2043 .....	(20,000,000)	(21,908,594)
<b>TOTAL BONDS</b> (Proceeds \$389,341,575) .....		(382,673,633)
 <b>TOTAL INVESTMENTS HELD SHORT — (53.3)%</b> (Proceeds \$468,174,520)(f) .....		(435,449,533)
Cash and receivables .....		448,326,875
Liabilities .....		(37,581,114)
<b>TOTAL NET ASSETS — 100.0%</b> .....		\$ 816,315,758

## CGM FOCUS FUND

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

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

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

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



## CGM FOCUS FUND

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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments as of September 30, 2018:

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* .....	\$ 832,634,530	—	—
Short-Term Investment			
Repurchase Agreement .....	—	\$ 8,385,000	—
Total: .....	\$ 832,634,530	\$ 8,385,000	—
<b>Investments in Securities-Liabilities</b>			
Common Stocks* .....	\$ 52,775,900	—	—
Bonds			
United States Treasury Bonds .....	—	\$ 382,673,633	—
Total: .....	\$ 52,775,900	\$ 382,673,633	—

\* 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 nine months ended September 30, 2018, there were no transfers among Levels 1, 2 and 3.

## CGM FOCUS FUND

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- (b) At September 30, 2018, the Fund had approximately 31.6% of net assets invested in companies incorporated in Brazil, approximately 7.0% of net assets invested in a company incorporated in Liberia, approximately 6.1% of net assets invested in a company incorporated in Bermuda, approximately 5.2% of net assets invested in a company incorporated in Panama and was less than 5% invested in a company incorporated in Canada.
- (c) A portion of this security has been segregated as collateral in connection with short sale investments. The market value of securities held in a segregated account at September 30, 2018 was \$233,155,000 and the value of cash held in a segregated account was \$416,031,957.
- (d) Non-income producing security.
- (e) 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 September 30, 2018, the Fund had an investment in a repurchase agreement for which the value of the related collateral exceeded the value of the repurchase agreement.
- (f) Federal Tax Information: At September 30, 2018, the net unrealized appreciation on investments, in securities and securities sold short, based on cost of \$371,799,069 for Federal income tax purposes was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost .....	\$ 84,111,187
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value .....	(50,340,259)
	<u>\$ 33,770,928</u>

The cost basis has been reduced by the proceeds of the short positions (\$468,174,520) at September 30, 2018. Since the cost basis includes the proceeds from short sales it may result in a net negative cost

## CGM FOCUS FUND

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

**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.

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## TELEPHONE NUMBERS

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*For information about:*

- Account Procedures
- Purchases
- Redemptions
- Exchanges

Call 800-343-5678

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

Call 800-345-4048

Proxy voting policies also appear in the Fund's Statement of Additional Information, which can be found on the CGM Fund's website, [www.cgmfund.com](http://www.cgmfund.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 Fund's Form N-PX filing.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

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## MAILING ADDRESS

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## WEBSITE

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