

CM LEGACY FUND

October 10, 2017

Dear Investor,

The U.S. and global equity markets continued to grind higher during the summer of 2017. During the 3rd quarter your investment in CM Legacy Partners LLC advanced 4.8% versus 4.0% for the S&P 500. Year to date the Fund is up net 11.6% which compares favorably with the average hedge fund return of 7.6% (Barkley Hedge Fund Index).

Most notable is the success of some of our long term investments. We execute a strategy of quickly trimming our losses and allowing the winning investments to continue growing over time. Holding unrealized capital gains in the portfolio has the added benefit of deferring taxes indefinitely. Many actively traded hedge funds realize hundreds of short term gains which incur a tax liability. Every time you sell a position with a capital gain you only have 75% of the realized gain to reinvest. The government is constantly skimming your profits. So far this year our investors have double digit returns and no tax liability reportable on their K-1.

The following positions are the most successful long term investments and each is still owned in the portfolio:

	Appreciation	Holding Period (Yrs)
Contellation Brands	120.3%	3.3
Facebook	92.8%	2.2
Johnson & Johnson	82.0%	9.2
Lockheed Martin	59.2%	3.5
Tencent	50.3%	0.6

The appreciation numbers do not include dividends. In the case of JNJ and LMT the annual dividend yield is close to 3.0%.

Charlie Munger once said about his partner Warren Buffett that "Warren made most of his money while sitting on his butt and reading a lot". Well, at least I read a lot! I am constantly searching for a few stocks that we can own for a long time and benefit from the internal compounding effect of their earnings and dividends. Then we leave them alone.

In addition, we have had success selling puts and collecting premiums on stocks that we would be happy to own at lower prices. As the market continues to climb we have been able to collect premiums on almost every put we have sold in 2017. We are hoping to add an incremental 1-2% per year from our put selling strategy.

If you have any questions, do not hesitate to contact me at 917-225-6002 or cam@kcorba.com. You can also review our website at www.cmlegacy.com.

Kenneth W. Corba
Portfolio Manager