

# CM LEGACY FUND

January 10, 2018

Dear Investor,

The U.S. and global equity markets continued higher in the fourth quarter of 2017. Your investment in CM Legacy Partners LLC advanced 5.4% for the quarter and had a net return of 17.6% during the year. The average hedge fund reported a 10.6% return for the year (Barkley Hedge Fund Index). Any efforts to “prudently” hold cash, hedges or short positions proved to be counterproductive as the market methodically worked its way higher on low volatility.

This equity market has been witnessed by a skeptical public with low participation and negative mutual fund flows. Quite a few pundits have been warning for years of a massive correction or bear market. Several of the most famous media anointed “investment gurus” have erroneously promoted an idea that investors should accept a “new normal” of equity returns in the range of 3-5%. We prefer to characterize this as a long, steady and cautious bull market. Although valuations are high, the only signs of mania have been in the cryptocurrency space.

The CM Legacy Fund was up over 22% as of Thanksgiving but during the last five weeks we had a significant sell-off in several of our best performers such as Tencent Holdings (a company with holdings in media, entertainment, payment systems and online advertising in China) and Square Inc. (a U.S. software and hardware company that enables mobile device payment systems). In a nice rebound, Square (SQ) advanced over 10% in the first week of January 2018, helping the Fund to a great start for the New Year!

With a disruptive new President we have probably never witnessed such a tumultuous and divisive year in U.S. politics. Despite the noise and media sound and fury, three important things have been accomplished for U.S. investors:

- The national narrative has changed from anti-business to pro-business.
- The regulatory state has been rolled back for the first time in a century.
- A much needed global corporate tax reform has been enacted.

Our core holdings continue to be Facebook, Constellation Brands, Johnson & Johnson, Lockheed Martin and Microsoft. As we enter the New Year we have added some additional commodity, cyclical exposure with Freeport-McMoRan Inc. and Glencore PLC. As hedges for a market correction we own two gold mining stocks: Agnico-Eagle and Franco Nevada. The Fund currently has 18 positions and is unleveraged with no short positions. With a strong start in January we are hopeful that the attractive returns we enjoyed in 2017 can continue!

If you have any questions, do not hesitate to contact me at 917-225-6002 or [cam@kcorba.com](mailto:cam@kcorba.com). You can also review our website at [www.cmlegacy.com](http://www.cmlegacy.com).

Kenneth W. Corba  
Portfolio Manager