

CM LEGACY FUND

April 10, 2018

Dear Investor,

After a year of steady progress, the U.S. equity markets turned extremely volatile during February and March with a 10% correction in each month and wild day to day price fluctuations. At the end of the quarter, the Dow Jones Industrial Average was down -2.5% and the S&P 500 was lower by -1.2%. The average Hedge Fund was +0.06. We managed to generate a modest but positive return of +2.83% in the CM Legacy Partners LLC.

Our best performers were defense industry stocks Lockheed Martin and Raytheon; as well as Interactive Brokers, JP Morgan and Microsoft. Also notable were two mobile payment companies: Square Inc. and World Pay. We currently have positions in three less conventional but very interesting international businesses: MercadoLibre Inc. (an e-commerce company serving Latin and South America), Sberbank Rossii (the largest retail bank in Russia) and Tencent (a dominant internet services company in China). Our investment in Sberbank is up 29.8% in six months and Tencent has appreciated 82.4% in just over one year.

The CM Legacy Fund is a private investment partnership that is designed for high net worth individuals looking to compound wealth over time with a concentrated tax efficient portfolio. In 2017 we had a capital appreciation of nearly 20% and also a loss deduction on each investor's Schedule K-1 tax return. We can't do that every year but it was a subtle benefit of our investment process in 2017!

I apologize for the delayed K-1's. Each investor should have received their documents by the first week in April. Our investment in the Blackstone partnership has held up our return each year. However, that investment was sold in November and with no other partnerships in the Fund, we anticipate that our K-1's will be distributed in February next year.

The market outlook is quite mixed as we enter the second quarter. This is reflected in recent volatility. Corporate profits are excellent and will be further assisted by the Trump tax cuts and a strong economy. However, for the first time in ten years we are facing higher interest rates as the Federal Reserve attempts to "normalize" policy. Also worrisome is the unprecedented levels of debt throughout our country, including massive federal deficits, unsustainable public pension liabilities and excessive student loan debt. Unabated and in denial, Congress continues their relentless expansion of spending levels throughout the government.

The best way to overcome these macro issues is to own a collection of superior and diversified businesses. We have many companies that are growing faster than 15% and generating lots of free cash flow with little or no debt. 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.

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Portfolio Manager