

CM LEGACY FUND

January, 2024

Dear

With the Federal Reserve signaling the end of interest rate hikes, equity and fixed-income markets lifted dramatically in the 4th quarter of 2023. Your investment in CM Legacy Partners LLC had a net return of +9.7% during the final three months and a full year return of +12.5%. The S&P 500 equal weighted index delivered a yearly gain of +11.6%. The average equity hedge fund HFR returned +8.4% during 2023. The capitalization weighted S&P 500 which was dominated by the "Magnificent Seven" tech stocks (Nvidia, Amazon, Meta Platforms, Google, Microsoft, Tesla and Apple) had a historic return of +24.2%.

Our performance this year with the stocks we owned could have been much higher. Our three core holdings of Blackstone, Costco and Microsoft all had excellent returns during 2023. However, we were too defensive in the first six months as we were managing a portfolio through aggressive interest rate hikes from the Fed, an ongoing war in Ukraine, a banking crisis and out of control debt in the U.S. In retrospect, we had too much cash, too many short positions and we were overweight energy and underweight technology. Our energy positions were particularly disappointing as energy stocks were down 5-10% for the year and instead of crude oil reaching \$100 a barrel as we expected, the price faded to the low 70's. Ironically, despite all the anti-fossil fuel rhetoric by the regulatory agencies and current administration; U.S. energy companies managed to produce record amounts of oil and gas. By the end of the year, we had a glut of natural gas and at the same time Russia was able to work around ineffective U.S. sanctions by exporting record amounts of oil to China and India.

We currently own three smaller speculations that were quite profitable for us last year and look very promising for 2024: bitcoin, gold and uranium. Both bitcoin and gold are outside government fiat currency systems and have no counter party risk. They are a hedge against U.S debt creation and money-printing that debases our currency. As the U.S. dollar weakened in the 4th quarter, gold finally breached \$2,000 an ounce and reached all-time highs. Bitcoin has the prospect of SEC approval for a spot ETF early in 2024 and the next "halving" of its limited supply in April.

With wind and solar hitting a wall of issues (cost, efficiency and storage) environmentalists are beginning to be more open to nuclear which is the cleanest and most efficient energy source. We own a Canadian company (Cameco) that is one of the largest uranium mining and processing companies in the world.

U.S. equities might feel overvalued or over bought after a big move up in 2023, but the market has only returned nearly to the levels of two years ago. On an inflation adjusted basis or in terms of gold we are still 15-20% below market highs. Valuations have improved because all of our companies have higher earnings today and many trade at lower levels than at their peak in 2021.

The year 2024 will be unpredictable with ongoing wars in Ukraine and the Middle East, a likely slowing economy, potential interest rate cuts and a tumultuous political season. However, we are optimistic that our current portfolio is well positioned and we have performance momentum heading into the New Year.

If you have any questions, please 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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