

# CM LEGACY FUND

October, 2023

Dear

During the 3rd quarter of 2023 CM Legacy Partners LLC had a net return of +2.8%, in a mostly negative market for stocks and bonds. The Federal Reserve continued to fight inflation with aggressive monetary tightening. The DJIA was down -2.7%, the S&P 500 -3.7% and Nasdaq -4.1% during the three months ending 9/30/23. A fixed-income portfolio of longer-term U.S Treasuries was -11.9%

The cornerstone of our portfolio are three exceptional companies: Blackstone (alternative asset management and real estate), Microsoft (software technology) and Costco (membership warehouse distribution). They are all debt-free, capital efficient and highly profitable compounding businesses. Our position in Microsoft is +427% above our cost, Blackstone is +155% and the more recently purchased Costco is +28%. They represent in total 32% of our CM Legacy Fund portfolio.

We also own three smaller positions in very interesting U.S. global manufacturing companies with excellent growth and profitability characteristics: Eaton (electrical equipment and power management), Ingersoll Rand (pumps and fluid management systems) and Parker-Hanifin (hydraulic and motion control technologies). Warren Buffett would love to own any or all three of these companies!

Our relative outperformance last quarter was due primarily to our investments in oil/natural gas production and transportation companies. There is a global supply-demand imbalance as Western nations mandate an energy transition that is not currently practical with wind, solar and battery storage capabilities. Despite expenditures of over \$4 trillion during the last decade to subsidize and develop sustainable alternative energy, the global demand for fossil fuels has only increased. At the same time our current government policy is to regulate and suppress supply. In this scenario prices will go up; most likely over \$100 for a barrel of crude oil, making our Fund's energy investments even more profitable.

The need for energy from all sources will continue to climb throughout the world. The greatest new demand for electricity in developed nations will come from AI (artificial intelligence) and EV's (electric vehicles). In addition, two billion people world-wide are living in poverty and require much more energy for economic development. So far wind and solar have not been cost effective or efficient enough without massive tax payer subsidies and fossil fuel back up.

Most of the climate hysteria is not even based on "settled" science, but on questionable computer models and political narratives that have taken hold in Western governments. Hurricanes and heat waves were more prevalent in the 1930's than in the 2000's. The earth has been very gradually warming for over a century. Global climate related deaths are down 98% during the last 100 years. And despite warnings from Al Gore 20 years ago, New York City is not underwater and the polar bear population is thriving!

If we wish to reduce carbon emissions the most modern, efficient and sustainable solution is nuclear. We have exposure in the portfolio with long-dated call options on Cameco (Canadian uranium mines) and an equity position in BWX Technologies (developer of nuclear technologies).

If you have any questions, please 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).

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