

CM LEGACY FUND

July, 2026

Dear

The 2nd quarter of 2026 was unusual and very volatile. While the S&P 500 broad market finished up +14.1% many of our long term, core holdings were severely out of favor. Blackstone and Microsoft were down -23.6% and -22.8% year-to-date. Gold ended the quarter -25% below the highs of January. All the Mag 7 stocks were down on the year and despite the Strait of Hormuz being closed leading to higher energy prices; our oil stocks (LNG, SLB and XOM) were all negative performers for the quarter.

Fortunately, these negative cross currents were counter balanced by the extraordinary returns of our AI related positions. They helped us to manage a small net gain of +1.85% during the 2nd quarter. Our annualized return for the last three years remains a very attractive +21.4%.

Our best performing stocks were AI infrastructure providers: Bloom Energy (clean energy converted from natural gas and hydrogen to power data centers), Corning Inc. (glass optical fibers and cables inside hyperscale data centers), Nebius (cloud company that builds and operates infrastructure for operating AI models), Nvidia (80% market share of all AI model chips, networking and software platforms and the world's most valuable company) and Taiwan Semiconductor (global leader for advance design semiconductor manufacturing).

We sold two of our oil companies and reduced our exposure to gold during the quarter but there are two reasons we never sold a share of Blackstone or Microsoft. The first reason is capital gains. All of our investors are high net worth individuals who would like to minimize their tax liabilities. We have held BX and MSFT for over fifteen years and they have accumulated almost \$1 million in unrealized capital gains. We prefer not to realize those gains and pay taxes to the government, only to buy back their stock at a later date. The second reason is that both companies continue to grow and generate attractive earnings. Microsoft reported earnings growth of 23% year over year and Blackstone continues to add AUM (assets under management), recurring revenues and distributable earnings every quarter. In fact, BX is larger and more profitable today at \$115 than it was eighteen months ago selling at \$200. MSFT has been "out of favor," because of a narrative that AI would disintermediate software companies and BX was oversold because of fears about their private credit business. In our opinion both narratives are overdone.

Another area that we disagree with the market is Federal Reserve policy. There is a widely held expectation that the new Fed chairman, Kevin Warsh will hike interest rates one or two times in 2026. We think there will either be no hike or perhaps he will cut rates in September. With oil prices falling rapidly and the disinflationary effects of new and more productive technology, inflation numbers will moderate and provide the back drop for an interest rate cut before the mid-term elections. Gold and silver dramatically corrected in the Spring due to fears of much higher interest rates. They have already benefited from a recent rotation. Gold seems to be recovering from a \$5,600 to \$4,000 selloff. It is currently at \$4,165 an ounce and continues to make our mining investments very profitable.

Although our relative results this quarter have been disappointing; a concentrated, thematic portfolio can have periods of under-performance. We fully expect to "bounce back" in the second half of 2026.

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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