

CM LEGACY FUND

October, 2026

Dear

With higher interest rates, higher energy costs, and the ongoing war in the Middle East, investment returns have been sluggish so far this year. During the 3rd quarter your investment in CM Legacy Partners had a net loss of -1.4%. The average return, this quarter for U.S. equity mutual funds and ETF's, was -2.4%. The three-year annualized return for the Fund is still an attractive +19.7%.

Our best performing positions were: Unity Software, Microsoft, Bitcoin, Agnico-Eagle and Wheaton Precious Metals. The worst performing positions during the quarter were: BWX Technologies, Goldman Sachs and Blackstone. Blackstone has had a dreadful year creating a significant drag on the portfolio performance. BX has been our largest position and best performer for over 15 years, but this year it is down -27.8% year to date. It has a premier "best in breed" brand and a business model that is a compounding machine but it has been hurt (along with all the other alternative asset companies) by rising interest rates and exposure to Private Lending and Private Equity. We have confidence Blackstone will recover, but with prudence, we reduced our position by one third at the end of the quarter.

Corporate earnings have been exceptional this year. There is strong growth in manufacturing and a capital spending boom in AI and data centers. However, people seem to revel in doomsday scenarios and the latest fashionable fear is that AI (Super Intelligence) will be unleashed to "destroy the human race." Irrational fear delayed development of clean and efficient nuclear energy for a generation. Y2K was predicted to "crash the world economy" and climate change was an "existential threat to mankind." Pipelines and fracking needed to be banned and fossil fuels eliminated. Covid required shutting down work, travel and schools even for the young and healthy. With each "end of the world" scenario, governments accumulate and centralize power under the guise of "protecting their citizens."

More worrisome than these doomsday scenarios are two very relevant issues: the growing national debt (now at \$40 trillion) and the rise of socialism in this country. Joseph Schumpeter, an Austrian economist in 1942, predicted that the success of capitalism would ultimately lead to its downfall. Prosperity created by capitalism would lead to a "parasitic" class of politicians, bureaucrats and lawyers that would "feed off the carcass." The business and creator class would only want to be left alone and would not do enough to defend the system. He appears to be prophetic nearly a century later!

Instead of an allocation to cash or bonds, we own 10-15% gold bullion/gold mining stocks and 5% bitcoin. Their limited supply and scarcity make them "hard" money and a store of value. The U.S. government spends about \$2 trillion each year more than it collects in taxes. The resulting money printing to make up the difference creates inflation and a gradual decline in the value of fiat/paper currency. Measured against CPI the U.S. dollar has lost nearly 50% of its value since the year 2000 and 94.3% of its value against gold. Gold has dramatically outperformed the S&P 500 since the turn of the century. Remarkably, most U.S. mutual funds and hedge funds have either zero or less than 2% exposure to gold or bitcoin.

Investment markets move in cycles and waves. So far, this year we have had a modest down cycle in the Fund, but we expect that a portfolio of 15 premier businesses and exposure to hard assets like gold, silver and Bitcoin will once again provide attractive and very superior returns in the future.

If you have any questions, please do not hesitate to contact me at 917-225-6002 or cam@kcorba.com.

Kenneth W. Corba
Portfolio Manager