

INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT
LIMITED PARTNERSHIP
Boston, Massachusetts 02110

CGM Focus Fund

43rd Quarterly Report
June 30, 2008

A No-Load Fund

TELEPHONE NUMBERS

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This report has been prepared for the shareholders of the Fund and is not authorized for distribution to current or prospective investors in the Fund unless it is accompanied or preceded by a prospectus.

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Investment Adviser
Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Focus Fund increased 27.0% during the second quarter of 2008 compared to the unmanaged Standard and Poor's 500 Index which declined -2.7% over the same period. For the first six months of the year, CGM Focus Fund returned 17.1% while the unmanaged S&P 500 Index fell -11.9%.

The first quarter of 2008 was marked by a consumer slowdown, a collapse in housing sales and prices, financial losses in the banking industry as a result of the continuing subprime mortgage crisis and rising commodity prices. Fortunately, the bad news was somewhat offset by strength in trade, agriculture and the manufacturing and oil industries which resulted in net economic growth for the quarter, albeit modest growth. During the second quarter of the year, consumers continued to suffer as they spent more and more disposable income on transportation and many struggled to make ends meet without the mortgage equity cushion enjoyed in years past. (Mortgage equity withdrawals or "MEWs", which were running at an annualized rate of \$800 billion in early 2006, fell to \$200 billion annualized in June of this year.) So, it comes as no great surprise that the Consumer Confidence Index fell to 50.4 in June, down from 58.1 in May and the lowest reading since 1992.

In an effort to spur consumer spending, the Federal government earmarked a \$140 billion payout to lower and middle income wage earners. The first installment was released in May (\$50 billion), another \$50 billion in June, and the remainder is to be disbursed in the third quarter. These "stimulus checks" are intended to reinvigorate consumer purchasing power eroded by rising gasoline prices. The Federal Reserve Board has been doing its part to address the slowing economy by easing monetary policy and reducing the Federal Funds rate from 5.25% one year ago to 2.0% today. While we believe the combination of these efforts should help rev up the economy in the coming year, for now we seem to be stuck in neutral.

A sputtering domestic economy notwithstanding, it is to a large extent world market forces that determine rising commodity prices, not solely U.S. consumer demand. Today, the industrial growth of countries such as Brazil, Russia, India and China is driving many commodity prices up and, as a consequence, the Fed's domestic policies have little influence on global commodity prices. Nonetheless, recent statements suggest that the Fed may be shifting from its more stimulative stance of

the past year to thinking about containing inflation at least on the domestic front. On June 25, the Board indicated that "uncertainty about the inflation outlook remains high" and held the Federal Funds rate at 2.0% rather than easing further.

The 10-year Treasury bond was yielding 5.05% one year ago and on June 30, 2008, only 3.97%, an extremely low rate especially in light of the level of inflation as measured by the nominal Consumer Price Index. Financial journalists have resurrected the so-called "Misery Index" of 25 years ago, which is a combination of the inflation rate (4.2% year over year through May 31, 2008) and unemployment rate (5.5% today, July 1, 2008) for a total of 9.7%, still a far cry from the 1980 high of 21.8%.

We believe the worst of the current financial ordeal is behind us though it is still too early to expect a broad recovery in the economy. Fortunately, we believe there are bright spots in the economy, areas of strength to provide select investment opportunities in an otherwise difficult market.

On June 30, 2008, CGM Focus Fund held significant long positions in the oil service, steel and independent oil production industries. The Fund's three largest long holdings were Weatherford International Ltd. (oil service), Schlumberger Limited (oil service) and United States Steel Corporation. The Fund was also approximately 14% (percentage of total net assets) invested in stocks sold short at the end of the second quarter. The largest short positions were in Wachovia Corporation (financial services) and Washington Mutual, Inc. (financial services).

On June 27, 2008, CGM Focus Fund acquired all of the assets and liabilities of CGM Capital Development Fund in a "tax-free" reorganization of that Fund, and shareholders of CGM Capital Development Fund became shareholders of CGM Focus Fund.



Robert L. Kemp
President

July 1, 2008

CGM FOCUS FUND

INVESTMENT PERFORMANCE

(unaudited)

Total Return for Periods Ended June 30, 2008

	<u>The Fund's Cumulative Total Return</u>	<u>The Fund's Average Annual Total Return</u>
10 Years	+936.1%	+26.3%
5 Years	+355.2	+35.4
1 Year	+ 70.7	+70.7
3 Months	+ 27.0	—

The performance data contained in this report represent past performance, which is no guarantee of future results. The table above does not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assumes the reinvestment of all Fund distributions. The investment return and principal value of an investment in the Fund will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

The adviser limited the Fund's total operating expenses to 1.20% of its average net assets exclusive of any dividend expense incurred on short sales through December 31, 2001. Otherwise, the Fund's cumulative total return and average annual total return for the ten year period would have been lower.

See the Schedule of Investments beginning on the next page for the percentage of net assets of the Fund invested in particular industries as of June 30, 2008.

CGM FOCUS FUND

INVESTMENTS as of June 30, 2008

(unaudited)

COMMON STOCKS — 94.0% OF TOTAL NET ASSETS

	Shares	Value(a)
Aluminum — 0.2%		
Century Aluminum Company (b)	380,000	\$ 25,266,200
Auto and Related — 2.7%		
Ford Motor Company (b)	58,883,000	283,227,230
Basic Materials — 10.1%		
CONSOL Energy Inc.	4,600,000	516,902,000
Peabody Energy Corporation	6,000,000	528,300,000
		1,045,202,000
Copper — 8.1%		
Freeport-McMoRan Copper & Gold Inc. (c)	4,453,700	521,929,103
Southern Copper Corporation	2,963,700	316,019,331
		837,948,434
Fertilizer — 2.0%		
Potash Corporation of Saskatchewan Inc.	890,000	203,427,300
Heavy Capital Goods — 4.6%		
Cummins Inc.	7,350,000	481,572,000
Metals and Mining — 0.2%		
Teck Cominco Limited	550,000	26,372,500
Miscellaneous — 4.0%		
Tenaris S.A. ADR (d)	5,550,000	413,475,000
Offshore Drilling — 5.3%		
Atwood Oceanics, Inc. (b)	230,000	28,598,200
Nabors Industries Ltd. (b)(e)	10,550,000	519,376,500
		547,974,700
Oil – Independent Production — 10.5%		
Berry Petroleum Company	430,000	25,318,400
Canadian Natural Resources Limited	550,000	55,137,500
Devon Energy Corporation	4,050,000	486,648,000
Petróleo Brasileiro S.A. — Petrobras ADR (c)(d)	7,414,700	525,183,201
		1,092,287,101
Oil Refining — 9.7%		
Hess Corporation	4,020,000	507,283,800
Suncor Energy Inc. (c)	8,550,000	496,926,000
		1,004,209,800
Oil Service — 18.6%		
Halliburton Company	9,270,000	491,958,900
National Oilwell Varco, Inc. (b)	4,130,000	366,413,600
Schlumberger Limited (c)	4,950,000	531,778,500
Weatherford International Ltd. (b)(c)(e)	11,000,000	545,490,000
		1,935,641,000

See accompanying notes to financial statements.

CGM FOCUS FUND

INVESTMENTS as of June 30, 2008 (continued)

(unaudited)

COMMON STOCKS (continued)

	Shares	Value(a)
On-line Services — 0.4%		
Priceline.com Incorporated (b)	330,000	\$ 38,101,800
Retail — 0.7%		
The Gymboree Corporation (b)	560,000	22,439,200
Tupperware Brands Corporation	670,000	22,927,400
Urban Outfitters, Inc. (b)	790,000	24,640,100
		70,006,700
Steel — 16.9%		
ArcelorMittal	4,920,000	487,424,400
Commercial Metals Company	440,000	16,588,000
Mechel OAO ADR (d)	4,690,000	232,342,600
Nucor Corporation (c)	6,442,500	481,061,475
United States Steel Corporation (c)	2,875,000	531,242,500
		1,748,658,975
TOTAL COMMON STOCKS (Identified cost \$8,490,315,234)		9,753,370,740

SHORT-TERM INVESTMENT — 1.7% OF TOTAL NET ASSETS

	Face Amount	
American Express Credit Corporation, 1.970%, 7/01/08 (Cost \$181,620,000) ...	\$181,620,000	181,620,000
TOTAL INVESTMENTS — 95.7% (Identified cost \$8,671,935,234)		9,934,990,740
Cash and receivables		2,299,286,932
Liabilities		(1,857,343,509)
TOTAL NET ASSETS — 100.0%		\$10,376,934,163

(a) See Note 1A.

(b) Non-income producing security.

(c) A portion of this security has been segregated as collateral in connection with short sale investments. (See Note 1E)

(d) An American Depositary Receipt (ADR) is a certificate issued by a U.S. bank representing the right to receive securities of the foreign issuer described. The values of ADRs are significantly influenced by trading on exchanges not located in the United States or Canada.

(e) The Fund has approximately 10% of its net assets at June 30, 2008 invested in companies incorporated in Bermuda.

SECURITIES SOLD SHORT (Proceeds \$1,964,148,903)

	Shares	Value(a)
Garmin Ltd.	4,950,000	\$ 212,058,000
General Motors Corporation	21,500,000	247,250,000
Wachovia Corporation	32,000,000	496,960,000
Washington Mutual, Inc.	100,000,000	493,000,000
		\$1,449,268,000

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2008

(unaudited)

Assets

Investments at value (Identified cost — \$8,671,935,234) . . .	\$	9,934,990,740
Cash		2,478
Deposits with brokers for short sales . .		1,930,678,945
Receivable for:		
Securities sold	\$254,181,931	
Shares of the Fund sold	103,703,566	
Dividends and interest	<u>10,720,012</u>	368,605,509
Total assets		<u>12,234,277,672</u>

Liabilities

Securities sold short at current market value (Proceeds \$1,964,148,903)		1,449,268,000
Payable for:		
Securities purchased	364,251,010	
Shares of the Fund redeemed	32,907,014	
Interest payable	2,556,683	
Tax withholding liability	<u>730,721</u>	400,445,428
Accrued expenses:		
Management fees	7,160,171	
Trustees' fees	53,738	
Accounting, administra- tion and compliance expenses	58,284	
Transfer agent fees	98,766	
Other expenses	<u>259,122</u>	7,630,081
Total liabilities		<u>1,857,343,509</u>

Net Assets \$10,376,934,163

Net assets consist of:		
Capital paid-in	\$	7,625,429,930
Undistributed net investment income		12,058,376
Accumulated net realized gains on investments		961,508,484
Net unrealized appreciation on investments:		
Long positions	1,263,056,470	
Short positions	<u>514,880,903</u>	

Net Assets \$10,376,934,163

Shares of beneficial interest outstanding, no par value	<u>168,877,904</u>
Net asset value per share*	<u>\$61.45</u>

*Shares of the Fund are sold and redeemed at net asset value (\$10,376,934,163 ÷ 168,877,904).

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2008

(unaudited)

Investment Income

Income:		
Dividends (net of withholding tax of \$3,312,438)	\$	47,441,093
Interest on restricted cash		4,081,891
Interest		<u>1,312,603</u>
		52,835,587

Expenses:

Management fees		31,152,071
Trustees' fees		72,854
Accounting, administration and compliance expenses		301,322
Custodian fees and expenses		353,430
Transfer agent fees		573,389
Audit and tax services		18,750
Legal		139,756
Printing		94,066
Registration fees		248,251
Line of credit commitment fee		20,332
Dividend on short sales		4,182,000
Interest related to short sales		3,615,980
Miscellaneous expenses		<u>5,010</u>
		40,777,211
Net investment income		<u>12,058,376</u>

Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Transactions

Net realized gain on investments and foreign currency transactions:		
Long transactions		649,747,237
Short transactions		<u>360,847,873</u>
Net unrealized appreciation on investments and foreign currency transactions:		
Long transactions		9,123,300
Short transactions		<u>276,356,798</u>

Net realized and unrealized gains on
investments and foreign currency
transactions 1,296,075,208

**Change in Net Assets from
Operations** \$1,308,133,584

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2008 (unaudited)	Year Ended December 31, 2007
From Operations		
Net investment income	\$ 12,058,376	\$ 4,578,837
Net realized gains on investments and foreign currency transactions	1,010,595,110	861,947,842
Net unrealized appreciation	285,480,098	1,197,002,190
Change in net assets from operations	<u>1,308,133,584</u>	<u>2,063,528,869</u>
From Distributions to Shareholders		
Net investment income	—	(4,608,973)
Net short-term realized capital gains on investments	—	(727,774,379)
Net long-term realized capital gains on investments	—	(150,234,755)
	<u>—</u>	<u>(882,618,107)</u>
From Capital Share Transactions		
Proceeds from sale of shares	3,827,623,073	2,144,201,168
Net asset value of shares issued in connection with the acquisition of assets from CGM Capital Development Fund (Note 8)	531,703,625	—
Net asset value of shares issued in connection with reinvestment of:		
Dividends from net investment income	—	3,733,219
Distributions from net short-term realized capital gains on investments	—	610,369,415
Distributions from net long-term realized capital gains on investments	—	126,003,069
	<u>4,359,326,698</u>	<u>2,884,306,871</u>
Cost of shares redeemed	(826,639,685)	(801,142,829)
Change in net assets derived from capital share transactions	<u>3,532,687,013</u>	<u>2,083,164,042</u>
Total change in net assets	<u>4,840,820,597</u>	<u>3,264,074,804</u>
Net Assets		
Beginning of period	<u>5,536,113,566</u>	<u>2,272,038,762</u>
End of period (including undistributed net investment income of \$12,058,376 and \$0 at June 30, 2008 and December 31, 2007, respectively)	<u>\$10,376,934,163</u>	<u>\$5,536,113,566</u>
Number of Shares of the Fund:		
Issued from sale of shares	70,860,692	43,255,062
Issued in connection with the acquisition of assets from CGM Capital Development Fund (Note 8)	8,723,604	—
Issued in connection with reinvestment of:		
Dividends from net investment income	—	70,845
Distributions from net short-term realized capital gains on investments	—	11,588,559
Distributions from net long-term realized capital gains on investments	—	2,392,312
	<u>79,584,296</u>	<u>57,306,778</u>
Redeemed	(16,177,420)	(17,341,601)
Net change	<u>63,406,876</u>	<u>39,965,177</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

FINANCIAL HIGHLIGHTS

	Six Months Ended June 30, 2008 (unaudited)	Year Ended December 31,				
		2007	2006	2005	2004	2003
For a share of the Fund outstanding throughout the period:						
Net asset value at beginning of period	<u>\$52.49</u>	<u>\$34.68</u>	<u>\$33.40</u>	<u>\$29.51</u>	<u>\$29.93</u>	<u>\$17.98</u>
Net investment income (loss) (a)	0.09(b)	0.06(b)	0.82(b)	0.52(b)	0.04(b)	(0.21)
Net realized and unrealized gains on investments and foreign currency transactions	<u>8.87</u>	<u>27.71</u>	<u>4.19</u>	<u>6.93</u>	<u>3.65</u>	<u>12.16</u>
Total from investment operations	<u>8.96</u>	<u>27.77</u>	<u>5.01</u>	<u>7.45</u>	<u>3.69</u>	<u>11.95</u>
Dividends from net investment income	—	(0.05)	(0.81)	(0.44)	(0.04)	—
Distribution from net short-term realized gains	—	(8.21)	—	(1.80)	—	—
Distribution from net long-term realized gains	—	(1.70)	(2.92)	(1.32)	(4.07)	—
Total distributions	<u>—</u>	<u>(9.96)</u>	<u>(3.73)</u>	<u>(3.56)</u>	<u>(4.11)</u>	<u>—</u>
Net increase (decrease) in net asset value	<u>8.96</u>	<u>17.81</u>	<u>1.28</u>	<u>3.89</u>	<u>(0.42)</u>	<u>11.95</u>
Net asset value at end of period	<u>\$61.45</u>	<u>\$52.49</u>	<u>\$34.68</u>	<u>\$33.40</u>	<u>\$29.51</u>	<u>\$29.93</u>
Total return (%)	17.1	80.0	15.0(c)	25.2	12.4	66.5
Ratios:						
Operating expenses to average net assets (%)	0.96*	0.99	1.02	1.07	1.12	1.18
Dividends and interest on short positions to average net assets (%)	<u>0.23*</u>	<u>0.28</u>	<u>0.18</u>	<u>0.15</u>	<u>0.09</u>	<u>—</u>
Total expenses to average net assets (%)	<u>1.19*</u>	<u>1.27</u>	<u>1.20</u>	<u>1.22</u>	<u>1.21</u>	<u>1.18</u>
Net investment income (loss) to average net assets (%)	0.35*	0.14	2.23	1.55	0.14	(0.92)
Portfolio turnover (%)	354*(d)	384	333	282	327	204
Net assets at end of period (in thousands) (\$)	10,376,934	5,536,114	2,272,039	1,641,143	918,837	775,499

- (a) Per share net investment income (loss) has been calculated using the average shares outstanding during the period.
- (b) Net investment income (loss) per share excluding all related short sale income and expenses for the period ended December 31, 2004 was \$0.06, for the period ended December 31, 2005 was \$0.23, for the period ended December 31, 2006 was \$0.36, for the period ended December 31, 2007 was (\$0.02) and for the period ended June 30, 2008 was \$0.12.
- (c) In 2006, the Fund's total return includes a voluntary reimbursement by the adviser for a realized investment loss. Excluding this item, the total return would have been 0.01% less.
- (d) Portfolio turnover excludes the impact of assets resulting from a merger with another fund. (See Note 8 of Notes to the Financial Statements.)
- * Computed on an annualized basis.

See accompanying notes to financial statements.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS — June 30, 2008

(unaudited)

1. The Fund is a non-diversified series of CGM Trust which is organized as a Massachusetts business trust under the laws of Massachusetts pursuant to an Agreement and Declaration of Trust. The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company. The Trust has two other funds whose financial statements are not presented herein. The Fund commenced operations on September 3, 1997. The Fund's investment objective is long-term growth of capital. The Fund intends to pursue its objective by investing in a smaller number of companies, and/or in a more limited number of sectors than diversified mutual funds. In addition, should the investment outlook of the Fund's investment manager so warrant, the Fund may engage in a variety of investment techniques including short sales designed to capitalize on declines in the market price of specific equity securities of one or more companies or declines in market indexes.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

- A. Security valuation** — Equity securities are valued on the basis of valuations furnished by a pricing service, authorized by the Board of Trustees. The pricing service provides the last reported sale price for securities listed on a national securities exchange or, in the case of the NASDAQ national market system, the NASDAQ official closing price. For securities with no sale reported and in the case of over-the-counter securities not so listed, the last reported bid price is used for long positions and the last reported ask price for short positions. Short-term investments having a maturity of sixty days or less are stated at amortized cost, which approximates value. Other assets and securities which are not readily marketable will be valued in good faith at fair value using methods determined by the Board of Trustees.
- B. Security transactions and related investment income** — Security transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date net of applicable foreign taxes. Interest income is recorded on the accrual basis and includes amortization of premium and discount. Net gain or loss on securities sold is determined on the identified cost basis.
- C. Federal income taxes** — It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute to its shareholders all of its taxable income and net realized capital gains, within the prescribed time period. Accordingly, no provision for federal income tax has been made. The Fund adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109 ("FIN 48"), on January 1, 2007. FIN 48 prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The implementation of FIN 48, which included a review of the Fund's tax return of each of the three open tax years, did not result in any unrecognized tax benefits in the accompanying financial statements. Management's conclusion regarding FIN 48 may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance expected from FASB, and ongoing analysis of tax laws, regulations and interpretations thereof.

At December 31, 2007, there were no capital loss carryovers available to offset future realized gains.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

As of December 31, 2007, the components of distributable earnings on a tax basis were as follows:

<u>Undistributed Ordinary Income</u>	<u>Undistributed Long-term Capital Gains</u>	<u>Net Unrealized Appreciation/ (Depreciation)</u>
\$ —	\$ —	\$1,410,622,895

The identified cost of investments in securities, held long by the Fund for federal income tax purposes and their respective gross unrealized appreciation and depreciation at June 30, 2008 was as follows:

<u>Identified Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
\$8,735,692,145	\$1,470,919,696	\$(271,621,101)	\$1,199,298,595

- D. Dividends and distributions to shareholders** — Dividends and distributions are recorded by the Fund on the ex-dividend date. The classification of income and capital gains distributions is determined in accordance with income tax regulations. Distributions from net investment income and short-term capital gains are treated as ordinary income for income tax purposes. Permanent book and tax differences relating to shareholder distributions may result in reclassifications to paid-in capital or accumulated realized gain/loss. These differences are primarily related to dividends on short positions which were held less than forty-five days. The Fund also utilized earnings and profits distributed to shareholders on redemption of shares as a part of the dividend deduction for income tax purposes. Undistributed net investment income or accumulated net investment loss may include temporary book and tax differences such as tax deferral of losses on wash sales, which will reverse in a subsequent period. Any taxable income or gain remaining at fiscal year end is distributed in the following year. The tax character of distributions paid during the years ended December 31, 2007 and 2006, were as follows:

<u>Year</u>	<u>Ordinary Income</u>	<u>Long-term Capital Gains</u>	<u>Total</u>
2007	\$732,383,352	\$150,234,755	\$882,618,107
2006	\$ 48,763,442	\$175,789,197	\$224,552,639

- E. Short sales** — The Fund may sell securities short. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund makes a short sale, it must borrow the security sold short to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The Fund is liable for any dividends or interest paid on securities sold short. While the short sale is outstanding, the Fund is required to collateralize its obligations, which has the practical effect of limiting the extent to which the Fund may engage in short sales. The market value of securities held in a segregated account at June 30, 2008 was \$1,821,322,000 and the value of cash held in a segregated account was \$1,930,678,945, a portion of which may have been restricted at June 30, 2008.
- F. Indemnities** — In the normal course of business, CGM Focus Fund may enter into contracts that provide indemnities to third parties for various potential losses and claims. CGM Focus Fund's maximum exposure under these arrangements is unknown as this would depend on future claims that may be made against CGM Focus Fund. The risk of material loss from such claims is considered remote.
- G. Foreign currency translation** — All assets and liabilities initially expressed in terms of foreign currencies are translated into U.S. dollars. Transactions affecting statement of operations accounts and net

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

realized gain/(loss) on investments are translated at the rates prevailing at the dates of the transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Reported net realized foreign exchange gains or losses arise from sales of foreign currency, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains or losses arise from changes in the value of assets and liabilities other than investments in securities at the end of the period, resulting from changes in the exchange rate.

2. Foreign investment risk — There are certain additional risks involved in investing in foreign securities that are not inherent in investments in domestic securities. These risks may involve adverse political and economic developments and the possible imposition of currency exchange blockages or other foreign governmental laws or restrictions. In addition, the securities of some foreign companies and foreign securities markets are less liquid and at times more volatile than securities of comparable U.S. companies and U.S. securities markets.

3. Diversification — The Fund is non-diversified, meaning it may invest a significant portion of its investments within a single industry, sector of the economy or fewer individual holdings than a diversified fund. Therefore, the Fund may be subject to greater price volatility or be adversely affected by the performance of particular industries, sectors, or individual holdings compared to the performance of a diversified fund.

4. Purchases and sales of securities — For the period ended June 30, 2008, purchases and sales of securities other than United States government obligations and short-term investments aggregated \$15,934,525,849 and \$12,535,863,843, respectively. There were no purchases or sales of long-term United States government obligations for the period ended June 30, 2008.

5. A. Management fees — During the period ended June 30, 2008, the Fund incurred management fees of \$31,152,071, paid or payable to the Fund's investment adviser, Capital Growth Management Limited Partnership (CGM), certain officers and directors of which are also officers and trustees of the Fund. The management agreement provides for a fee at the annual rate of 1.00% on the first \$500 million of the Fund's average daily net assets, 0.95% of the next \$500 million and 0.90% on amounts in excess of \$1 billion.

B. Other expenses — CGM performs certain administrative, accounting, compliance and other services for the Fund. The expenses of those services, which are paid to CGM by the Fund, include the following: (i) expenses for personnel performing bookkeeping, accounting and financial reporting functions and clerical functions relating to the Fund; (ii) expenses for services required in connection with the preparation of registration statements and prospectuses, shareholder reports and notices, proxy solicitation material furnished to shareholders of the Fund or regulatory authorities and reports and questionnaires for SEC compliance; (iii) registration, filing and other fees in connection with requirements of regulatory authorities; and (iv) compliance in connection to the Investment Company Act of 1940 and the Sarbanes Oxley Act of 2002. The accounting, administration and compliance expense of \$301,322, for the period ended June 30, 2008, is shown separately in the financial statements. These expenses include the reimbursement of a portion of the compensation expenses incurred by CGM for

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

its employees who provide these administrative, accounting, compliance, and other services to the Fund, some of whom are officers of the Fund. Of the total expense reimbursement, \$211,306 represented reimbursements by the Fund to CGM for a portion of the salaries of CGM employees who are officers of the Fund.

C. Trustees fees and expenses — The Fund does not pay any compensation directly to any trustees who are directors, officers or employees of CGM, or any affiliate of CGM (other than registered investment companies). For the period ending December 31, 2008, each disinterested trustee will be compensated by the three CGM Funds with an annual fee of \$70,000 plus travel expenses for each meeting attended. The disinterested trustees are responsible for the audit committee functions of the CGM Funds and have designated a chairman to oversee those functions who receives an additional \$30,000 annually. Of these amounts, CGM Focus Fund is responsible for \$18,000 per trustee annually, plus an annual variable fee calculated based on the proportion of each of the CGM Funds' average net assets relative to the aggregate average net assets of the CGM Funds.

6. Line of credit — The Fund has a \$40,000,000 committed, secured line of credit with State Street Bank and Trust Company. Borrowings under the line will be charged interest at 0.75% over the current Overnight Federal Funds Rate. The Fund will incur a commitment fee of 0.1% per annum on the unused portion of the line of credit, payable quarterly. There were no borrowings under the line of credit during the period ended June 30, 2008.

7. FASB 157 — In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, (FAS 157) "Fair Value Measurements", effective for fiscal years beginning after November 15, 2007. The Fund adopted the provisions of FAS 157 on January 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements.

In accordance with FAS 157, CGM Focus Fund may use valuation techniques consistent with the market, income, and cost approach to measure fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts (cash flows, earnings) to a single present amount. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset. To increase consistency and comparability in fair value measurements and related disclosure, CGM Focus Fund utilizes a fair value hierarchy which prioritizes the various inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 — Prices determined using: quoted prices in active markets for identical securities
- Level 2 — Prices determined using: other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)
- Level 3 — Prices determined using: significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect CGM Focus Fund's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available in the circumstances.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value CGM Focus Fund's investments and securities sold short as of June 30, 2008:

Valuation Inputs	Assets — Investments in Securities	Liabilities — Securities Sold Short	Other Financial Instruments
Level 1 – Quoted Prices	\$9,753,370,740	\$(1,449,268,000)	N/A
Level 2 – Other Significant Observable Inputs ..	181,620,000	none	N/A
Level 3 – Significant Unobservable Inputs	none	none	N/A
Total	<u>\$9,934,990,740</u>	<u>\$(1,449,268,000)</u>	<u>N/A</u>

When current market prices or quotations are not readily available or do not accurately reflect fair value, valuations may be determined in accordance with procedures adopted by the Board of Trustees. For example, when developments occur between the close of a market and the close of the NYSE that may materially affect the value of some or all the securities, or when trading in a security is halted, these procedures may be used. The frequency with which these procedures are used is unpredictable. These valuation procedures may result in a change to a particular security's assigned level within the fair value hierarchy described above. The value of securities used for NAV calculation under these procedures may differ from published prices for the same securities.

8. Acquisition of Fund — On June 27, 2008, CGM Focus Fund acquired all the net assets of CGM Capital Development Fund pursuant to a Plan of Reorganization approved by CGM Capital Development Fund shareholders on June 20, 2008. The acquisition was accomplished by a tax-free exchange of 8,723,604 shares of CGM Focus Fund (valued at \$60.95 per share) for the 20,485,043 shares of CGM Capital Development Fund outstanding on June 27, 2008 (an exchange ratio of 0.42585234). CGM Capital Development Fund's net assets at that date (\$531,703,625), including \$32,747,755 of unrealized appreciation, were combined with those of CGM Focus Fund. The aggregate net assets of CGM Focus Fund immediately before the acquisition were \$9,656,099,353. The combined net assets of CGM Focus Fund immediately following the acquisition were \$10,187,802,978.

CGM FOCUS FUND

FUND EXPENSES

As a shareholder of CGM Focus Fund, you incur two types of costs: (1) transaction costs, which could include, among other charges, wire fees and custodial maintenance fees for certain kinds of accounts and (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period January 1, 2008 to June 30, 2008.

Actual return and expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as any wire fees or custodial maintenance fees that may be payable. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<i>Beginning Account Value 1/01/08</i>	<i>Ending Account Value 6/30/08</i>	<i>Expenses Paid During Period* 1/01/08 – 6/30/08</i>
Actual	\$1,000.00	\$1,170.70	\$6.42
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.95	\$5.97

* Expenses are equal to the Fund's annualized expense ratio of 1.19%, which includes expenses related to short sales activity, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).

ADDITIONAL INFORMATION

(unaudited)

Availability of Proxy Voting Information:

Proxy voting policies and information regarding how the Fund voted proxies relating to portfolio securities during the twelve month period ended June 30, 2008 are available without charge, upon request by calling 1-800-345-4048. The policies also appear in the Fund's Statement of Additional Information, which can be found on the SEC's website, <http://www.sec.gov>. The voting records can also be found on the SEC's website on the Fund's Form N-PX filing.

Portfolio Holdings:

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Advisory Agreement Approval:

In considering renewal of the advisory agreement, during meetings held in March and April 2008, the Board of Trustees of the Fund (the "Board") considered the following factors and came to the following conclusions:

- 1.** The Board considered the nature, extent, quality and scope of the investment advisory and administrative services provided by CGM to the Fund. The Board agreed that the nature, extent, quality and scope of the CGM professional team working on the Fund was very high, and was satisfied with the quality of CGM's advisory and administrative services.
- 2.** The Board considered the investment performance of the Fund and CGM and reviewed information regarding the performance of the Fund as compared to market indices and a peer group of other capital appreciation funds selected and provided by Lipper, Inc., an independent provider of investment company data. The Board noted the strong performance of the Fund for the one-year, three-year, five-year and ten-year periods ended December 31, 2007 and that for such time period the Fund (a) exceeded the median performance for the other mutual funds included in the Lipper reports, and (b) outperformed the S&P 500 Index. The Board agreed that this performance reflected in large measure the focus of CGM on long-term performance in managing the Fund's assets, including taking advantage of strategic trends in the economy that might take some time to develop. The Board acknowledged that, while for some periods this focus on long-term performance might cause the Fund to lag other comparable mutual funds with a more short-term focus, over the longer term CGM's approach had proven its worth.
- 3.** The Board discussed the costs of the services provided and profits realized by CGM from the relationship with the mutual funds advised by CGM and each of the separate accounts managed by CGM, and found that the profit margins were reasonable and not excessive.
- 4.** The Board discussed with CGM whether economies of scale might be realized with growth in the Fund. The Board considered the Fund's ability to sell securities short and the increased efforts on the part of CGM required to carry out these activities as Fund assets increase. Given the Fund's investment style and performance, the Board determined that it would not be advisable at this time to seek to make adjustments to the break point structure of the advisory fees paid by the Fund.

CGM FOCUS FUND

ADDITIONAL INFORMATION (continued)

(unaudited)

5. The Board received and considered information comparing the advisory fees paid by the Fund and the overall expenses borne by the Fund with those of funds in the relevant expense universe as selected and provided by Lipper, Inc. The Board noted that the overall expense ratio of the Fund was below the median overall expense ratios of other mutual funds included in the Lipper reports. The Board also reviewed information regarding fees charged by CGM to its other clients, including its separate account clients. CGM reviewed with the Board the significant differences in scope of services provided to the Fund and to those other clients, noting that the Fund required a greater allocation of management's time as a result of its differing investment mandate and the fact that it is a publicly offered investment vehicle. The Board discussed the fee comparisons in light of the differences required to manage these different types of accounts. Based on these comparisons, the Board concluded that the advisory fees paid by the Fund and the overall expenses borne by the Fund were reasonable and competitive.

In addition to the foregoing, in light of the fact that CGM could potentially benefit from soft dollar arrangements of the Fund, the Board of Trustees reviewed the brokerage commissions of the Fund and concluded that the brokerage commissions were reasonable, particularly given the Fund's focus on best execution.

CGM FOCUS FUND

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INVESTMENT ADVISER

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Boston, Massachusetts 02110

TRANSFER AND DIVIDEND PAYING AGENT AND CUSTODIAN OF ASSETS

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Boston, Massachusetts 02111

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