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CAPITAL GROWTH MANAGEMENT
LIMITED PARTNERSHIP
Boston, Massachusetts 02110

TRANSFER AND DIVIDEND PAYING AGENT AND CUSTODIAN OF ASSETS

STATE STREET BANK AND TRUST COMPANY
Boston, Massachusetts 02111

SHAREHOLDER SERVICING AGENT FOR STATE STREET BANK AND TRUST COMPANY

BOSTON FINANCIAL DATA SERVICES, INC.
P.O. Box 8511
Boston, Massachusetts 02266-8511

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P.O. Box 8511
Boston, MA 02266-8511

CGM Focus Fund

11th Annual Report
December 31, 2007

A No-Load Fund

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.

FFAR 07

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Investment Adviser
Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Focus Fund returned 12.0% during the fourth quarter of 2007 compared to the unmanaged Standard and Poor's 500 Index which returned -3.3% over the same period. For the year just ended, CGM Focus Fund returned 80.0% and the S&P 500 Index, 5.5%.

The Year in Review and Economic Outlook

November marked the sixth anniversary of the U.S. economic expansion. Indeed, the longevity of the current economic cycle as well as the bull market in common stocks is testing historical records. Now, however, there are signs of slowdown on the business horizon as damage precipitated by past excesses in the housing market along with years of easy credit availability is corrected. Cheap money rates and the marketing of subprime mortgage loans mixed in with high-grade paper (packaged and sold as prime credits) have led to payment defaults on the consumer level and huge institutional losses. Home buyers were wooed with mortgages they couldn't afford, wrong-headedly assuming that rising home prices would bail them out. Instead home prices declined, loans went south and the financial institutions and investors who purchased mortgage-backed securities took the hit. Billions in assets have been and continue to be written off as worthless while many banks and other financial entities scramble to raise capital to shore up balance sheets. Well-publicized losses have already cost top jobs at both Citigroup and Merrill Lynch and still the full extent of the devastation is unclear since no one really knows the value of many of these esoteric packages of now delinquent mortgages. The Federal Reserve Board has taken several steps to encourage borrowing and inject liquidity into the market which we hope will stabilize the credit markets. For the moment though, the uncertainty has spawned a flight to quality in the bond market driving yields on the 10-year government bond from 5.04% in June to 4.03% at year end.

In addition to the credit crisis, a second troubling sign emerged today with the release of the Institute for Supply Management's index of manufacturing which dropped to 47.7 in December from 50.8 the month before, thereby confirming a slowdown. And, yet another uncertainty in the economic landscape is the enormous rise in the price of crude oil. The year began with crude at \$50 a barrel and ended with it at \$98. In the past, rising oil prices have acted like a large tax resulting in a pull back in consumer spending. This time around, the consumer appears to be a bit more resilient

and so far, despite some spending cuts, the dire consequences of past predictions have yet to materialize.

The credit crisis is serious and has wreaked havoc on many financial institutions. Manufacturing may well be slowing and the price of oil remains high. However, there are many sectors of the economy prospering at the same time. The annual GDP growth rate in the third quarter of 2007 was a hefty 4.9%. Businesses that supply global markets, rapidly developing countries like China, Brazil, Russia and India in particular, are faring well. The U.S. agricultural sector is booming and heavy capital industries, including aerospace and defense, are strong. The unemployment rate remains low, the S&P 500 Index closed the year off just 6% from its all-time high in October despite ongoing credit travails and the Fed continues to reduce short-term interest rates. We are hopeful the economy can weather current turbulence and resume a more measured growth pattern later in the new year.

Portfolio Strategy

CGM Focus Fund was fully invested throughout the year, reflecting our belief in continued global economic growth. The Fund focused on industries that profited from the increasing consumption of commodities in emerging economies including China, India, Brazil, and the Middle Eastern countries.

The Fund's largest sector positions were energy, industrial raw materials and fertilizer, which benefited from rising grain prices. An initial substantial position in investment banks was eliminated in the first half of the year when their prospects were diminished by the developing financial crisis in mortgage-related securities.

Five security holdings experienced well over 100% appreciation during the year and were major contributors to 2007 performance: fertilizer producers The Mosaic Company and Potash Corporation of Saskatchewan Inc., Brazilian nickel and iron ore producer Companhia Vale do Rio Doce ADR, Brazilian oil and gas company Petróleo Brasileiro S.A. - Petrobras ADR, and Russian cellular phone company Open Joint Stock Company "Vimpel-Communications" ADR. The Fund experienced losses in energy drink producer Hansen Natural Corporation and oil and gas producer PetroChina Company Limited ADR. Short selling contributed to the Fund's gains with significant profits earned in short sales of mortgage originators and a realized loss in an Amazon.com, Inc. short sale.

CGM FOCUS FUND

2007 results benefited from unusually large increases in oil and fertilizer prices which we believe are unlikely to recur in 2008.

At the end of the year, CGM Focus Fund held significant long positions in the steel, fertilizer and telephone industries. The Fund's three largest long holdings were The Mosaic Company, Petróleo Brasileiro S.A.- Petrobras ADR and Open Joint Stock Company "Vimpel-Communications" ADR. Approximately 8% of the Fund's total net assets were invested in securities sold short on December 31, 2007.

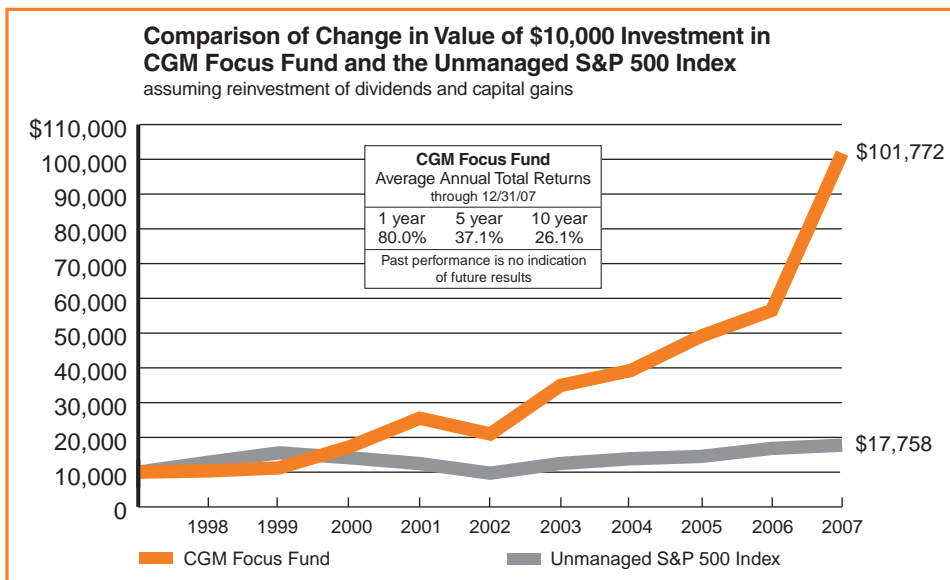


Robert L. Kemp
President



G. Kenneth Heebner
Portfolio Manager

January 2, 2008



CGM FOCUS FUND Portfolio Manager

G. Kenneth Heebner has managed CGM Focus Fund since its inception on September 3, 1997. In 1990, Mr. Heebner founded Capital Growth Management Limited Partnership with Robert L. Kemp. Prior to establishing the new company, Mr. Heebner managed mutual funds at Loomis, Sayles and Company. In addition to CGM Focus Fund, he currently manages CGM Capital Development Fund, CGM Mutual Fund and CGM Realty Fund.

See the Schedule of Investments on pages 4 and 5 for the percentage of net assets of the Fund invested in particular industries or securities as of December 31, 2007.

INVESTMENT PERFORMANCE

(unaudited)

Cumulative Total Return for Periods Ended
December 31, 2007

	CGM Focus Fund
10 Years	+917.1%
5 Years	+384.9
1 Year	+ 80.0
3 Months	+ 12.0

The performance data contained in the report represent past performance, which is no guarantee of future results. The graph and table above do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assume the reinvestment of all Fund distributions. The investment return and the 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.

CGM FOCUS FUND

INVESTMENTS as of December 31, 2007

COMMON STOCKS — 94.0% OF TOTAL NET ASSETS

	<u>Shares</u>	<u>Value(a)</u>
Banks – Money Center — 4.9%		
Banco Itaú Holding Financeira S.A. ADR (b)(c)	10,560,000	\$ 273,081,600
Copper — 5.0%		
Freeport-McMoRan Copper & Gold Inc.	2,700,000	276,588,000
Engineering — 4.3%		
Foster Wheeler Ltd. (d)	1,539,000	238,575,780
Fertilizer — 11.4%		
Potash Corporation of Saskatchewan Inc.	1,890,000	272,084,400
The Mosaic Company (d)	3,860,000	636,236,800
Financial Services — 3.5%		
Banco Bradesco S.A. ADR (b)(c)	6,030,000	192,960,000
Food – Agribusiness — 3.5%		
Monsanto Company	1,725,000	192,665,250
Machinery — 5.3%		
Deere & Company	3,150,000	293,328,000
Metals and Mining — 0.6%		
Mechel OAO ADR (b)(e)	320,000	31,084,800
Miscellaneous — 4.6%		
MEMC Electronic Materials, Inc. (d)	2,850,000	252,196,500
Offshore Drilling — 5.1%		
Transocean Inc. (d)	1,953,440	279,634,936
Oil – Independent Production — 6.5%		
Petróleo Brasileiro S.A. – Petrobras ADR (b)(c)(f)	3,140,000	361,853,600
Oil Refining — 5.7%		
Hess Corporation	3,000,000	302,580,000
Suncor Energy Inc.	100,000	10,873,000
		<u>313,453,000</u>
Oil Service — 7.1%		
Schlumberger Limited (f)	3,020,000	297,077,400
Weatherford International Ltd. (d)	1,400,000	96,040,000
		<u>393,117,400</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

INVESTMENTS as of December 31, 2007 (continued)

COMMON STOCKS (continued)

	<u>Shares</u>	<u>Value(a)</u>
Steel — 16.0%		
ArcelorMittal	3,750,000	\$ 290,062,500
Nucor Corporation	4,630,000	274,188,600
United States Steel Corporation (f)	2,680,000	324,038,800
		<u>888,289,900</u>
Technology — 1.2%		
Turkcell Iletisim Hizmetleri A.S. ADR (b)	2,410,000	66,443,700
Telephone — 9.3%		
Mobile Telesystems OJSC ADR (b)(e)	1,570,000	159,810,300
Open Joint Stock Company "Vimpel-Communications" ADR (b)(e)(f)	8,500,000	353,600,000
		<u>513,410,300</u>
TOTAL COMMON STOCKS (Identified cost \$3,981,734,151)		<u>5,202,919,566</u>

SHORT-TERM INVESTMENT — 1.4% OF TOTAL NET ASSETS

	<u>Face Amount</u>	
American Express Credit Corporation, 3.80%, 01/02/08 (Cost \$75,910,000)	\$75,910,000	75,910,000
TOTAL INVESTMENTS — 95.4% (Identified cost \$4,057,644,151)		5,278,829,566
Cash and receivables		812,376,200
Liabilities		<u>(555,092,200)</u>
TOTAL NET ASSETS — 100.0%		<u>\$5,536,113,566</u>

(a) See Note 1A.

(b) 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.

(c) The Fund had approximately 15% of its net assets at December 31, 2007 invested in companies incorporated in Brazil.

(d) Non-income producing security.

(e) The Fund had approximately 10% of its net assets at December 31, 2007 invested in companies incorporated in Russia.

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

SECURITIES SOLD SHORT (Proceeds \$666,272,355)

	<u>Shares</u>	<u>Value(a)</u>
Ambac Financial Group, Inc.	2,225,000	\$ 57,338,250
Countrywide Financial Corporation	30,000,000	268,200,000
Federal Home Loan Mortgage Corporation	3,000,000	102,210,000
		<u>\$ 427,748,250</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2007

Assets		
Investments at value (Identified cost — \$4,057,644,151)		\$5,278,829,566
Cash		2,472
Deposits with brokers for short sales		676,992,747
Receivable for:		
Securities sold	\$ 22,385,965	
Shares of the Fund sold	105,290,615	
Dividends and interest	<u>7,704,401</u>	<u>135,380,981</u>
Total assets		<u>6,091,205,766</u>
Liabilities		
Securities sold short at current market value (Proceeds \$666,272,355)		427,748,250
Payable for:		
Securities purchased	108,475,219	
Shares of the Fund redeemed	13,090,013	
Short dividends	750,000	
Tax withholding liability	<u>492,458</u>	<u>122,807,690</u>
Accrued expenses:		
Management fees	4,059,729	
Trustees' fees	22,111	
Accounting, administration and compliance expenses	31,087	
Transfer agent fees	111,948	
Other expenses	<u>311,385</u>	<u>4,536,260</u>
Total liabilities		<u>555,092,200</u>
Net Assets		<u><u>\$5,536,113,566</u></u>
Net Assets consist of:		
Capital paid-in		\$4,125,490,672
Accumulated net realized losses on investments		(49,086,626)
Net unrealized appreciation on investments:		
Long positions		1,221,185,415
Short positions		<u>238,524,105</u>
Net Assets		<u><u>\$5,536,113,566</u></u>
Shares of beneficial interest outstanding, no par value		<u>105,471,028</u>
Net asset value per share*		<u>\$52.49</u>

*Shares of the Fund are sold and redeemed at net asset value ($\$5,536,113,566 \div 105,471,028$).

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF OPERATIONS

Year Ended December 31, 2007

Investment Income

Income:

Dividends (net of withholding tax of \$2,187,626)	\$ 30,616,201
Interest on restricted cash	15,175,134
Interest	1,641,447
	<u>47,432,782</u>

Expenses:

Management fees	31,205,411
Trustees' fees	89,101
Accounting, administration and compliance expenses	373,040
Custodian fees and expenses	397,610
Transfer agent fees	783,170
Audit and tax services	38,500
Legal	87,199
Printing	127,781
Registration fees	340,814
Line of credit commitment fee	40,556
Dividends on short sales	9,368,000
Miscellaneous expenses	2,763
	<u>42,853,945</u>

Net investment income

	<u>4,578,837</u>
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Realized and Unrealized Gain (Loss) on Investments

Net realized gain on investments:

Long transactions	855,115,039
Short transactions	6,832,803

Net unrealized appreciation on investments:

Long transactions	914,016,881
Short transactions	282,985,309

Net realized and unrealized gains on investments

	<u>2,058,950,032</u>
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Change in Net Assets from Operations

	<u><u>\$2,063,528,869</u></u>
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See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2007	2006
From Operations		
Net investment income	\$ 4,578,837	\$ 49,456,211
Net realized gains from investments	861,947,842	173,863,900
Net unrealized appreciation	1,197,002,190	24,273,033
Change in net assets from operations	<u>2,063,528,869</u>	<u>247,593,144</u>
From Distributions to Shareholders		
Net investment income	(4,608,973)	(48,763,442)
Net short-term realized capital gains on investments	(727,774,379)	—
Net long-term realized capital gains on investments	(150,234,755)	(175,789,197)
	<u>(882,618,107)</u>	<u>(224,552,639)</u>
From Capital Share Transactions		
Proceeds from sale of shares	2,144,201,168	997,758,557
Net asset value of shares issued in connection with reinvestment of:		
Dividends from net investment income	3,733,219	40,066,125
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	148,382,402
	<u>2,884,306,871</u>	<u>1,186,207,084</u>
Cost of shares redeemed	(801,142,829)	(578,351,879)
Change in net assets derived from capital share transactions	<u>2,083,164,042</u>	<u>607,855,205</u>
Total change in net assets	<u>3,264,074,804</u>	<u>630,895,710</u>
Net Assets		
Beginning of period	2,272,038,762	1,641,143,052
End of period	<u>\$5,536,113,566</u>	<u>\$2,272,038,762</u>
Number of Shares of the Fund:		
Issued from sale of shares	43,255,062	26,593,050
Issued in connection with reinvestment of:		
Dividends from net investment income	70,845	1,150,667
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	4,261,150
	<u>57,306,778</u>	<u>32,004,867</u>
Redeemed	(17,341,601)	(15,631,438)
Net change	<u>39,965,177</u>	<u>16,373,429</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

Increase (Decrease) in Cash

Cash flows from operating activities:

Change in net assets resulting from operations	\$ 2,063,528,869
Adjustments to reconcile change in net assets resulting from operations to net cash provided by operating activities:	
Purchase of investment securities	(13,970,052,519)
Buy to cover investment securities held short	(999,559,363)
Proceeds from disposition of investment securities	12,819,850,470
Proceeds from short sales of investment securities	1,348,874,725
Sale of short-term investment securities, net	(56,245,000)
Increase in deposits with brokers for short sales	(332,810,380)
Increase in dividends and interest receivable	(4,904,849)
Decrease in receivables for securities sold	27,165,220
Increase in tax withholding liability	407,201
Increase in payable for short dividends	750,000
Increase in payable for securities purchased	57,837,675
Increase in accrued expenses	2,356,041
Mark to market on receivable and liabilities	105
Unrealized appreciation on securities	(1,197,002,190)
Net realized gain from investments	(861,947,842)
Net cash used in operating activities	<u>(1,101,751,837)</u>

Cash flows from financing activities:

Proceeds from shares sold	2,044,327,698
Payment on shares redeemed	(800,058,747)
Cash distributions paid	<u>(142,517,718)</u>
Net cash provided by financing activities	<u>1,101,751,233</u>
Net decrease in cash	(604)

Cash:

Beginning balance	<u>3,076</u>
Ending balance	<u>\$ 2,472</u>

Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consist of reinvestment of dividends and distributions of \$740,105,703.

See accompanying notes to financial statements.

CGM FOCUS FUND

FINANCIAL HIGHLIGHTS

	Year Ended December 31,				
	2007	2006	2005	2004	2003
For a share of the Fund outstanding throughout each period:					
Net asset value at the beginning of period	\$34.68	\$33.40	\$29.51	\$29.93	\$17.98
Net investment income (loss) (a)	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	27.71	4.19	6.93	3.65	12.16
Total from investment operations	27.77	5.01	7.45	3.69	11.95
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	(9.96)	(3.73)	(3.56)	(4.11)	—
Net increase (decrease) in net asset value	17.81	1.28	3.89	(0.42)	11.95
Net asset value at end of period	<u>\$52.49</u>	<u>\$34.68</u>	<u>\$33.40</u>	<u>\$29.51</u>	<u>\$29.93</u>
Total return (%)	80.0	15.0(c)	25.2	12.4	66.5
Ratios:					
Operating expenses to average net assets (%)	0.99	1.02	1.07	1.12	1.18
Dividends and interest on short positions to average net assets (%)	0.28	0.18	0.15	0.09	—
Total expenses to average net assets (%)	<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 (%)	0.14	2.23	1.55	0.14	(0.92)
Portfolio turnover (%)	384	333	282	327	204
Net assets at end of period (in thousands) (\$)	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 and for the period ended December 31, 2007 was (\$0.02).
- (c) In 2006, the Fund's total return consists of a voluntary reimbursement by the adviser for a realized investment loss. Excluding this item, the total return would have been 0.01% less.

See accompanying notes to financial statements.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS — December 31, 2007

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. Along with one other fund in a separate Massachusetts business trust, there are four CGM Funds. 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. At December 31, 2007, there were no capital loss carryovers available to offset future realized gains.

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

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

The identified cost of investments in securities, held long, owned by the Fund for federal income tax purposes, and their respective gross unrealized appreciation and depreciation at December 31, 2007 was as follows:

<u>Identified Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
\$4,088,546,900	\$1,197,052,171	\$(6,769,505)	\$1,190,282,666

- 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 December 31, 2007 was \$695,974,000 and the value of cash held in a segregated account was \$676,992,747, a portion of which may have been restricted at December 31, 2007.
- 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. Statement of cash flows** — Information on the Fund's financial transactions which have been settled through the receipt and disbursement of cash is presented in the financial statement entitled Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows at December 31, 2007 represents cash maintained by the custodian.
- H. 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)

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 December 31, 2007, purchases and sales of securities other than United States government obligations and short-term investments aggregated \$13,970,052,519 and \$12,819,805,591, respectively. There were no purchases or sales of long-term United States government obligations for the period ended December 31, 2007.
5. **A. Management fees** — During the period ended December 31, 2007, the Fund incurred management fees of \$31,205,411, 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 questionnaires for SEC compliance; (iii) registration, filing and other fees in connection with requirements of regulatory authorities; and (iv) compliance in connection with the Investment Company Act of 1940 and to Sarbanes Oxley Act of 2002. The accounting, administration and compliance expense of \$373,040, for the period ended December 31, 2007, is shown separately in the financial statements. These expenses include the reimbursement of a portion of the compensation expenses incurred by CGM for its employees who provide these administrative, accounting, compliance, and other services to the Fund, some of whom are officers of the Fund. Of

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

the total expense reimbursement, \$258,948 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 ended December 31, 2007, each disinterested trustee was compensated by the CGM Funds with an annual fee of \$50,000 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, each of the CGM Funds is responsible for \$7,000 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 are charged interest at 0.75% over the current Overnight Federal Funds Rate. The Fund incurred a commitment fee of 0.1% per annum on the unused portion of the line of credit, payable quarterly for the year 2007. There were no borrowings under the line of credit during the period ended December 31, 2007.

7. New accounting pronouncements — The Fund adopted the provisions of 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 did not result in any unrecognized tax benefits in the accompanying financial statements. Each of the Trust's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, (FAS 157) "Fair Value Measurements". 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. FAS 157 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact of adopting FAS 157.

8. Subsequent event — On January 31, 2008, the Trustees of CGM Trust, on behalf of its CGM Focus Fund series, approved an agreement and plan of reorganization pursuant to which all of the assets and liabilities of CGM Capital Development Fund will be acquired by CGM Focus Fund as part of a tax-free reorganization. This transaction is subject to approval by the shareholders of CGM Capital Development Fund.

CGM FOCUS FUND

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of CGM Trust and Shareholders of CGM Focus Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets and of cash flows and the financial highlights present fairly, in all material respects, the financial position of CGM Focus Fund (the "Fund", a series of CGM Trust) at December 31, 2007, the results of its operations, the changes in its net assets, its cash flows and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2007 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
February 15, 2008

CGM FOCUS FUND

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, 2007 are available without charge, upon request by calling 1-800-345-3048. 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 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.

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 types 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 July 1, 2007 to December 31, 2007.

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 7/01/07</i>	<i>Ending Account Value 12/31/07</i>	<i>Expenses Paid During Period* 7/01/07 – 12/31/07</i>
Actual	\$1,000.00	\$1,457.90	\$7.68
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.95	\$6.31

* Expenses are equal to the Fund's annualized expense ratio of 1.24%, which includes expenses related to short sales activity, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period)

TAX INFORMATION (unaudited) FOR THE TAX YEAR ENDED 12/31/2007

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

For the year ended December 31, 2007, the Fund designated \$152,215,238 as long-term capital dividends.

CGM FOCUS FUND

TRUSTEES AND OFFICERS

The Fund is supervised by the board of trustees (the “Board”) of the Trust. The Board is responsible for the general oversight of the Fund, including general supervision and review of the Fund’s investment activities. The Board, in turn, elects the officers who are responsible for administering the Fund’s day-to-day operations.

An asterisk in the table below identifies those trustees and officers who are “interested persons” of the Trust as defined in the Investment Company Act of 1940. Each trustee and officer of the Trust noted as an interested person is interested by virtue of that individual’s position with Capital Growth Management Limited Partnership (“CGM”), the Fund’s investment adviser, as described in the table below. Each trustee serves during the continued lifetime of the Trust or until he earlier dies, resigns or is removed, or if sooner, until the election and qualification of his successor. Each officer serves until his or her successor is elected or qualified or until the officer sooner dies, resigns, or is removed or becomes disqualified.

The trustees and officers of the Trust, their ages, their principal occupations during the past five years, the number of CGM Funds they oversee, and other directorships they hold are set forth below. Unless otherwise noted below, the address of each interested trustee and officer is One International Place, Boston, Massachusetts 02110. Correspondence intended for the trustees who are not “interested persons” of the Trust may be sent c/o Capital Growth Management, One International Place, Boston, Massachusetts 02110. The Statement of Additional Information for the Fund includes additional information about Fund trustees and is available, without charge, upon request by calling the CGM Marketing Department, toll free, at 800-345-4048.

<u>Name, Address and Age</u>	<u>Position Held and Length of Time Served</u>	<u>Principal Occupation During Past 5 Years and Other Directorships Held</u>	<u>Number of Funds in the CGM Funds Complex Overseen</u>
Interested Trustees			
G. Kenneth Heebner* age 67	Trustee since 1993	Co-founder and Employee, CGM; Controlling Owner, Kenbob, Inc. (general partner of CGM)	4
Robert L. Kemp* age 75	Trustee since 1990	Co-founder and Employee, CGM; Non-voting Owner, Kenbob, Inc. (general partner of CGM)	4
Disinterested Trustees			
Peter O. Brown age 67	Trustee since 1993	Counsel (formerly, Partner), Harter, Secrest & Emery LLP (law firm); formerly Executive Vice President and Chief Operating Officer, The Glenmeade Trust Company (from 1990 to 1993); formerly Senior Vice President, J.P. Morgan Chase Bank (from 1981 to 1990); Trustee, TT International U.S.A. Master and Feeder Trusts (four mutual funds) from 2000-2005	4

CGM FOCUS FUND

<u>Name, Address and Age</u>	<u>Position Held and Length of Time Served</u>	<u>Principal Occupation During Past 5 Years and Other Directorships Held</u>	<u>Number of Funds in the CGM Funds Complex Overseen</u>
Mark W. Holland age 58	Trustee since 2004	President, Wellesley Financial Advisors, LLC; formerly Vice President and Chief Operating Officer, Fixed Income Management, Loomis, Sayles & Company, L.P.; formerly Director, Loomis, Sayles & Company, L.P.	4
James Van Dyke Quereau, Jr. age 59	Trustee since 1993	Managing Partner and Director, Stratton Management Company (investment management); Director and Vice President, Semper Trust Co. until 2006	4
J. Baur Whittlesey age 61	Trustee since 1990	Member, Ledgewood, P.C. (law firm)	4
Officers			
G. Kenneth Heebner* age 67	Vice President since 1990	Co-founder and Employee, CGM; Controlling Owner, Kenbob, Inc. (general partner of CGM)	4
Robert L. Kemp* age 75	President since 1990	Co-founder and Employee, CGM; Non-voting Owner, Kenbob, Inc. (general partner of CGM)	4
David C. Fietze* age 38 address: 38 Newbury Street Boston, Massachusetts 02116	Chief Compliance Officer since 2004	Employee – Legal counsel, CGM; formerly counsel, Bartlett Hackett Feinberg, P.C.	4
Kathleen S. Haughton* age 47 address: 38 Newbury Street Boston, Massachusetts 02116	Vice President since 1992 and Anti-Money Laundering Compliance Officer since 2002	Employee – Investor Services Division, CGM	4
Jem A. Hudgins* age 44	Treasurer since 2004	Employee – CGM	4
Leslie A. Lake* age 62	Vice President and Secretary since 1992	Employee – Office Administrator, CGM	4
Martha I. Maguire* age 52	Vice President since 1994	Employee – Funds Marketing, CGM	4
Mary L. Stone* age 63	Assistant Vice President since 1990	Employee – Portfolio Transactions, CGM	4