

Item 1            Cover Page

CAPITAL GROWTH MANAGEMENT LIMITED PARTNERSHIP

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Form ADV, Part 2A (“Brochure”)

March 30, 2012

This Brochure provides information about the qualifications and business practices of Capital Growth Management Limited Partnership (“CGM”). If you have any questions about the contents of this Brochure, please contact us at (617) 737-3225. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about CGM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Item 2            Material Changes

The last annual update for this Brochure was March 30, 2011. This Brochure has been updated to reflect that CGM is not currently providing investment advisory services to institutional account clients. This Brochure has been updated to remove (1) the discussion in Item 5 regarding institutional account fees and compensation, (2) the discussion in Item 7 regarding the minimum investment for institutional accounts, (3) the discussion in Item 11 regarding the introduction of investment advisory clients to the Wayfarer Fund, (4) the discussion in Item 13 regarding institutional account written reports, (5) the discussion in Item 15 regarding custody as it applies to institutional accounts and (6) the references to and discussion of ERISA compliance in Item 17.

Item 4 has also been revised to remove the references to institutional accounts and to update the amount of client assets managed by CGM.

CGM will provide clients with a new Brochure, as necessary, based on changes or new information, at any time, without charge. Currently CGM’s Brochure may be requested by contacting CGM at 617-737-3225.

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#### Item 4            Advisory Business

CGM commenced operations in 1989. CGM is organized as a limited partnership. The principal owners of CGM are the general partner, Kenbob, Inc., which is owned by G. Kenneth Heebner and Robert L. Kemp, and a limited partner, Natixis Global Asset Management, L.P. (“Natixis L.P.”). Natixis L.P. is an indirect subsidiary of Natixis Global Asset Management (“NGAM”), an international asset group based in Paris, France. NGAM is in turn owned by Natixis, a French investment banking and financial services firm. Natixis is principally owned by BPCE, France’s second largest banking group.

CGM provides investment advisory services to registered investment companies (“mutual funds”) and one private fund (the “Wayfarer Fund”). All services are furnished on a continuous basis, taking into account the individual needs of each client based on the stated investment objective of the client account. Advice is limited to equity and fixed income securities with particular emphasis on growth stocks. A client may impose restrictions on investing in certain securities or types of securities provided the portfolio manager believes the client’s investment objective can still be obtained.

CGM does not provide portfolio management services to wrap fee programs.

CGM manages client assets on a discretionary basis only. As of December 31, 2011, CGM managed \$4,340,613,889.00 in client assets.

#### Item 5            Fees and Compensation

Fees charged to mutual funds are billed monthly and payable monthly in arrears. The fees payable to CGM include CGM’s management fee and CGM’s costs to administer the affairs of the mutual funds.

Fees charged to the Wayfarer Fund are billed monthly and payable monthly in advance at the beginning of each month. CGM also receives incentive compensation from the Wayfarer Fund.

#### Item 6            Performance-Based Fees and Side-By-Side Management

CGM receives incentive compensation from the Wayfarer Fund and receives asset-based fees from the other accounts it manages. These differing fee arrangements create a conflict of interest since the incentive compensation from the Wayfarer Fund creates an incentive to favor that client over the other clients advised by CGM. This conflict of interest is addressed by CGM in several ways. Although CGM’s portfolio manager is not required to devote a specific percentage of time to any particular client, he endeavors to allocate his time fairly among all of CGM’s clients. The portfolio manager applies his economic analysis and market outlook to all of CGM’s clients, which have differing investment objectives and investment strategies. In addition, CGM has adopted order aggregation, trade allocation and other policies and procedures to ensure that, among other things, accounts managed by CGM participate in trades in a fair way.

## Item 7           Types of Clients

CGM's clients include mutual funds and the Wayfarer Fund.

This Brochure may be provided to current or prospective investors in the Wayfarer Fund, together with the Wayfarer Fund's private placement memorandum ("PPM"), organizational documents and other related documents, prior to or in connection with such person's consideration or execution of an investment in the Wayfarer Fund, and may subsequently be provided in CGM's discretion or, annually, at the request of an investor in the Wayfarer Fund (each an "Investor"). Investors and other recipients should be aware that while the Brochure may include information about the Wayfarer Fund, as necessary or appropriate, it should not be considered to represent a complete discussion of the features, risks or conflicts associated with the Wayfarer Fund. More complete information about the Wayfarer Fund is included in the PPM, which may be provided to current and eligible prospective investors only by CGM or another authorized party.

**In no event should this Brochure be considered to be an offer of interests in the Wayfarer Fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.** Rather, this Brochure is designed solely to provide information about CGM for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940, as amended ("Advisers Act"), and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in the PPM. To the extent that there is any conflict between discussions herein and similar or related discussions in the PPM, the PPM shall govern.

## Item 8           Methods of Analysis, Investment Strategies and Risk of Loss

CGM's investment strategy is to employ a flexible approach to market analysis and seeks to take advantage of opportunities as they arise. In making an investment decision, CGM will generally employ the following method:

- a top-down approach, meaning that it first analyzes the overall economic factors that may affect a potential investment;
- a thorough analysis of certain industries and companies, evaluating the fundamentals of each on a case-by-case basis and focusing on companies that it determines are attractively valued; and
- a decision to sell a security if CGM determines that the security's investment expectations are not being met, better opportunities are available, or the security's price objective has been obtained.

CGM will sell any particular security and reinvest the proceeds when it is deemed prudent by the portfolio manager, regardless of the length of the holding period. Frequent trading involves

higher securities transaction costs, which may adversely affect performance. To the extent that this practice results in the realization of gains on investments, those gains will be distributed and those distributions are generally subject to taxes.

CGM generally invests in equity securities traded on U.S. exchanges and may also invest in fixed income securities. Equity securities may include ADR's (American Depositary Receipts), which are negotiable certificates issued by a U.S. bank representing a specified number of shares in a foreign stock that is traded on a U.S. exchange. CGM may also engage in short selling for one of its mutual fund clients and the Wayfarer Fund. Investing in securities involves risk of loss that clients should be prepared to bear.

The material risks related to CGM's methods of analysis and investment strategy are as follows:

**Market risk:** Investments may lose value due to a fall in prices of stocks or periods of below-average performance in the stock market or due to specific conditions that affect particular industries or issuers.

**Industry/sector exposure risk:** Performance may be negatively affected if an account invests heavily in an industry or in a sector that performs poorly.

**Fixed income investment risk:** Debt and fixed income securities are subject to risks, including credit risk (that the obligor may default), interest rate risk (that the value of securities will decline if interest rates increase), prepayment and extension risk (that the obligor will prepay payments due on a security when interest rates decrease or will extend payments when interest rates increase), and maturity risk (that the value of investments with long-term maturities will decline if long-term interest rates increase).

**Foreign securities risk:** Investments in foreign issuers are subject to risks of possible adverse political and economic developments abroad. Foreign securities markets may be less liquid and more volatile than U.S. markets. Foreign investments may also involve risks of changes in foreign currency exchange rates.

**Short sale risk:** Short sales can increase the volatility of an account and may lower the account's return or result in losses, which potentially may be unlimited.

Item 9            Disciplinary Information

Not applicable.

Item 10           Other Financial Industry Activities and Affiliations

Not applicable.

Item 11           Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CGM maintains a Code of Ethics (“Code”) adopted pursuant to Rule 204A-1 under the Advisers Act that every employee must agree in writing to abide by as a condition of employment. The Code addresses, among other things, the confidentiality of client information, the use of inside information, employee outside affiliations, gifts from third parties, publishing of articles or books and employee personal securities transactions.

The Code provides that each employee has the responsibility to be sure that they are not benefitting in any personal investments at the expense of clients, that the employee is not in any way taking advantage of or “trading on” knowledge of the impact of client transactions upon the market price of the employee’s own securities, and that the employee is not damaging the employee’s own or CGM’s reputation by trading on CGM’s recommendations to its clients.

In addition to this general requirement, the Code contains a series of restrictions against specific types of transactions by an employee, either for the employee’s own personal account or for any other account in which the employee is considered to have a beneficial interest and has influence or control over investments. The intent of the specific restrictions is to avoid practices and transactions which might be inconsistent with the basic investment philosophy of CGM or might conflict with the interests of clients. Among such restrictions are restrictions on transactions in securities being purchased or sold for clients until after such purchase or sale programs have been completed.

CGM will provide a copy of the Code to any client or prospective client upon request. CGM’s contact information appears on the cover page of this Brochure.

## Item 12      Brokerage Practices

When CGM has full discretion in the selection of brokers, it seeks to obtain quality execution for equity security transactions at favorable securities prices and at competitive commission rates through brokers and dealers who CGM believes are financially responsible. CGM may utilize the services of execution only brokers and electronic trading platforms when CGM believes it will provide the best execution for a transaction.

Fixed income securities will generally be purchased from the issuer or a primary market maker acting as principal on a net basis with no brokerage commission paid by the client.

CGM uses its best efforts to obtain information as to the general level of commission rates being charged by the brokerage community from time to time and evaluates the overall reasonableness of brokerage commissions paid on client portfolio transactions by reference to such data. In making such evaluation, all factors affecting liquidity and execution of the order, as well as the amount of the capital commitment by the broker, are taken into account.

CGM allocates trades to brokerage firms that it believes are financially responsible, will provide efficient and effective services in executing, clearing and settling an order and will charge commission rates which, when combined with the quality of the foregoing services, will produce

the best price and execution for the transaction. This means that the lowest available brokerage commission may not always be paid. However, CGM believes the commissions are competitive with generally prevailing rates.

Securities trades executed on behalf of the Wayfarer Fund are cleared by one or more prime brokers (each a “Prime Broker”). The Prime Broker also serves as the custodian to hold the securities acquired by the Wayfarer Fund. The Wayfarer Fund reserves the right to enter into additional or alternative relationships with other clearing brokers, as determined by CGM in its sole discretion. The Wayfarer Fund may use other custodians in the future to hold both U.S. and non-U.S. securities.

Transactions for the Wayfarer Fund not executed by the Prime Broker may be executed through other clearing brokers for settlement at the Prime Broker. CGM will negotiate the commission rates for such transactions. Such other brokers, as well as the Prime Broker, will be selected by CGM in the manner set forth above.

Receipt of research services from brokers may sometimes be a factor in selecting a broker that CGM believes will provide the best price and execution for a transaction. When CGM enters into any soft dollar arrangement with a broker, it intends to do so only to the extent the arrangement is consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended. The research services received from brokers include not only a wide variety of reports on such matters as economic and political developments, industries, companies, securities, portfolio strategy, account performance, daily prices of securities, stock and bond market conditions and projections, but also meetings with management representatives of issuers and with other analysts and specialists. Each of these research services were obtained from brokers within the last fiscal year. Although it is not possible to assign an exact dollar value to these services because they are not produced or paid for by CGM, they may, to the extent used, tend to benefit CGM by reducing its expenses. CGM may have an incentive to select or recommend a broker based on its interest in receiving such services rather than on its clients’ interests in receiving most favorable execution.

Discretionary brokerage may be utilized to acquire brokerage research services that have potential application to all client portfolios or to acquire such services that will be applied in the management of a certain group of client accounts. In the latter event, commissions will normally be paid by the accounts for whose benefit the services are obtained. On occasion, however, the services may not be used in connection with the management of some of the accounts which paid commissions to the broker providing the services.

CGM does not and generally will not have an agreement or understanding with a broker which might be construed by the broker as a fixed dollar commitment in return for research services, but in certain instances brokers may set commission minimums which must be met within a specified time period in return for research services.

While CGM does not “pay up” when it pays commissions to a broker in a soft dollar arrangement (i.e. pay in excess of what CGM believes is the best price and execution for a

transaction) CGM may have an interest in selecting a broker based on CGM's interest in receiving research services from the broker.

CGM clears trades for the Wayfarer Fund through a Prime Broker which may introduce investors to the Wayfarer Fund. While CGM will endeavor to obtain the best price and execution for a transaction, this relationship creates an incentive for CGM to select a Prime Broker for the Wayfarer Fund's transactions. This conflict of interest is addressed by CGM's brokerage allocation procedures, which apply to all brokers utilized by CGM for all of its client accounts. CGM's brokerage allocation procedures provide that CGM will use its best efforts to select brokers or automated trading systems that will execute securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances and, in selecting such broker or automated trading systems, CGM will consider all factors it deems relevant, including: (a) the nature and character of the security or instrument being traded and the markets on which it is purchased or sold; (b) the desired timing of the transaction; (c) CGM's knowledge of negotiated commission rates and spreads currently available; (d) the activity existing and expected in the market for the particular security or instrument; (e) the full range of brokerage services provided; (f) the broker's capital strength and stability, including the willingness to commit capital with respect to a particular transaction, as well as its execution, clearance and settlement capabilities; (g) the quality of the research and research services provided; (h) the reasonableness of the commission or its equivalent for the specific transaction; and (i) CGM's knowledge of any actual or apparent operational problems of a broker. The determinative factor in the selection of a broker will not be the lowest possible commission cost but whether CGM reasonably believes that the broker's likely execution of the transaction represents the best qualitative execution for the client's account. In addition, CGM will not "pay up" when it pays commissions to a Prime Broker for the Wayfarer Fund.

CGM permits clients to direct their brokerage to a particular broker or brokers. If a client directs CGM to use a particular broker, the client generally will be responsible for negotiating commission rates with that broker. In such circumstances, CGM may be unable to achieve most favorable execution of the client's transactions and the client may pay higher commissions than would have been paid if CGM had full discretion in the selection of brokers. The client may also receive less favorable prices or may forego any benefit from savings on execution costs that CGM could obtain for its clients through negotiating volume discounts. In particular, if a client directs commissions to a specific broker, the client may not be able to participate in aggregated trades with other clients' accounts. The client may direct CGM to use a particular broker from whom CGM may receive referrals and CGM may derive a benefit from this.

CGM may, but is not obligated to, aggregate into a single trade order several individual contemporaneous client trade orders for a single security. In general, CGM attempts to combine multiple orders for the purchase or sale of the same security into aggregate transactions whenever CGM believes that this will benefit the participating client accounts, provided the following conditions are met:

- Aggregating the transactions does not favor any client account over any other client account;



- When an aggregated order is filled in its entirety, each participating account will participate at the average share price for the aggregated order, and transaction costs shall be shared proportionately based on each client's participation in the aggregated order;
- Partially filled orders will be allocated proportionately among the participating client accounts subject to rounding in order to achieve "round lots"; and
- CGM does not receive any additional compensation or remuneration of any kind as a result of the aggregation.

Subsequent purchase and sell orders will generally be aggregated with any prior trades in the same security if the trades have not been completed when subsequent orders are placed.

With respect to all aggregate trades, CGM remains responsible for:

- seeking best execution in accordance with CGM's best execution policies;
- acting consistent with the terms of investment management and investment advisory agreements and any legal requirements applicable to a particular client account; and
- ensuring that no client account is consistently favored over any other client account.

Orders for a client account will not be aggregated if: (i) CGM believes that aggregation is not consistent with the best interests of that client account; (ii) aggregation would be inconsistent with an investment management agreement, statute or regulation (to the extent that the client has notified CGM in writing); (iii) a client has directed CGM in writing to execute all or a portion of the trades for that client's account through a particular broker; or (iv) aggregation is impractical, such as when a security is included with a program trade, basket trade or index trades.

### Item 13      Review of Accounts

CGM's portfolio manager confers with CGM's clients in the development of appropriate investment objectives and guidelines and supervises the investment of each account in accordance with those objectives and guidelines.

Client accounts are reviewed by CGM's portfolio manager on a continuing basis rather than on an arbitrary periodic schedule. Any development affecting the portfolio structure or an existing holding will trigger a review and appropriate action. Review of the portfolio structure will involve an analysis of the securities held in an account against that account's objective and guidelines, including proper diversification.

Certain investments may be appropriate for several accounts. Investment decisions for such accounts are made with a view to achieving their respective investment objectives and after

consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. CGM may give advice and take action with respect to any of its client accounts which may differ from the advice given or timing or nature of action taken with respect to any other account. For example, frequently, a particular security may be bought or sold for only one client or in different amounts and at different times for more than one but less than all clients. Because client accounts contain different securities, performance will vary between client accounts.

It is CGM's policy, to the extent practical, to allocate investment opportunities to such client accounts over a period of time on a fair and equitable basis. Securities may be purchased or sold at different times during the day for different accounts at varying prices. In cases of simultaneous purchases or sales in two or more accounts, the amount of shares and cost will be allocated among those client accounts.

Mutual fund clients receive semi-annual written reports in accordance with the Investment Company Act of 1940, as amended, and may also receive first and third quarter written reports containing CGM's discussion of fund performance and the quarter-end securities holdings in the mutual fund account. Wayfarer fund clients receive monthly written account statements and periodic written discussions of the fund's performance from the portfolio manager.

#### Item 14            Client Referrals and Other Compensation

CGM intends to pay compensation to employees who are not portfolio managers for new business that they bring to the firm. The compensation will be a specified percentage of the first year's revenues received by CGM from the new account.

CGM's use of a Prime Broker with respect to the Wayfarer Fund may yield increased administrative ease and, therefore, increased profitability for CGM. A Prime Broker may introduce investors to the Wayfarer Fund. Because an increase in the size of the Wayfarer Fund would likely result in additional compensation to a Prime Broker, that Prime Broker may receive a benefit from introducing investors to the Wayfarer Fund.

#### Item 15            Custody

Because an affiliate of CGM serves as general partner of the Wayfarer Fund, CGM is deemed to have "custody" over the Wayfarer Fund within the meaning of Rule 206(4)-2. To comply with this Rule, CGM provides each investor in the Wayfarer Fund audited financial statements within 120 days following the Wayfarer Fund's fiscal year end. If a client has invested in the Wayfarer Fund and has not received audited financial statements timely, the client should contact CGM immediately.

#### Item 16            Investment Discretion

CGM will accept discretionary authority to manage securities accounts on behalf of a client upon execution of an investment advisory agreement acceptable to CGM. A client may impose

restrictions on investing in certain securities or types of securities provided the portfolio manager believes the client's investment objective can still be obtained.

#### Item 17      Voting Client Securities

CGM maintains written policies and procedures regarding its authority to vote client securities. CGM's policy is to vote – not abstain from voting – on all issues presented on portfolio securities held for its clients. All issues presented for securityholder vote are considered from an investment point of view and voted in the best investment interests of the beneficial owners of the client account holding the securities that are being voted, with the goal of maximizing the long-term value of the client account. Generally, votes covering routine matters are voted in favor of management proposals, subject to the duty to act solely in the best interest of the beneficial owners of accounts holding the securities that are being voted. Votes involving non-routine matters generally will be voted as recommended by management, but will be voted against management if CGM believes that the management recommendation is not in the best interest of the beneficial owners of accounts holding the securities that are being voted.

All employees of CGM have a duty to report any potential conflict of interest of which they become aware regarding voting on behalf of client accounts. CGM will consider all potential conflicts of interest brought to its attention, or otherwise coming to its attention, and will determine whether there exists a material conflict of interest with respect to the vote in question. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence CGM's decision-making regarding the vote. Where it is deemed that a material conflict of interest does not exist, CGM may cast such vote, subject to the duty to act solely in the best interest of the beneficial owners of accounts holding the securities that are being voted.

Where it is determined that a material conflict of interest does exist, the material conflict shall be disclosed to the applicable client and their consent shall be solicited on whether the vote may be cast in the manner recommended by CGM. If the client consents, then the vote shall be cast in such a manner. If the client does not consent, CGM shall (i) vote in the manner directed by the client or, lacking such direction, (ii) not vote.

A client may direct CGM to vote in a particular manner pursuant to the client's contractual arrangement with CGM.

Clients may obtain information about how CGM voted with respect to their securities and a copy of CGM's Proxy Voting Policies and Procedures by contacting CGM at 617-737-3225.

#### Item 18      Financial Information

CGM has discretionary authority over its clients' securities and is not aware of any financial condition that is reasonably likely to impair CGM's ability to meet its contractual advisory commitments to its clients.