



# CEDAR FUND

7327 FYXEN RUN, ROANOKE IN 46783-9328

MARK W. HARRIS • (765) 277-1710

EMAIL: [CEDARFUND@HARFAM.ORG](mailto:CEDARFUND@HARFAM.ORG)

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Dear Fellow Partner:

Cedar Fund finished 2019:

- return for the year of 15.6% compared to the Russell 3000 Value index's 26.6%;
- per unit value \$4,746.06; and
- cumulative return since inception of 1,795.4%, (10% annualized), meaning a \$100,000 investment in 1989 would have grown to \$1,895,363 by the end of 2019.

## YOUR INVESTMENT INTEREST

Cedar Fund is pleased to provide you with the following information concerning the value of your partnership interest:

<u>Partner</u>	<u># of Units</u>	<u>Cost Basis</u>	<u>Market Value</u>
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## COMMENTARY

Cedar Fund's stock exposure is spread across the market and includes a mix of small, medium, and large companies, as well as interests in both what are considered conservatively priced value stocks and high-flying growth stocks. We believe maintaining such broad-based market exposure is a prudent way to invest.

Cedar Fund's investments are comprised of three core components: Berkshire Hathaway stock (31.8%), Harfam Partners (17.5%), and six mutual funds (50.7%). We will discuss each in turn. Elsewhere in this letter are pie graphs showing the underlying allocations of Cedar Fund and Harfam Partners.

## BERKSHIRE HATHAWAY

Berkshire Hathaway, Cedar Fund's largest holding is a holding company run by the famed investor, Warren Buffett, with a wide array of subsidiaries engaged in diverse activities. The firm's core business segment is insurance, run primarily through Geico, Berkshire Hathaway Reinsurance Group and Berkshire Hathaway Primary Group. The company's other holdings include manufacturing, service, and retailing operations.

The value of Berkshire's investments in equity securities (excluding Kraft Heinz) rose 14.6% to \$237.7 billion, driven by strength in Apple and Bank of America.

Berkshire's book value rose 14.6% in the 4th quarter and is up 38% for 2019, significantly beating the S&P 500's 29% book value return. Berkshire's stock price increased 11% in 2019.

A common thought among investors and analysts is that Berkshire remains an outstanding value in today's market. Berkshire's businesses and investments continue to perform well and generate significant amounts of cash.

The big question is its cash position, which at \$128 Billion is equal to 23% of Berkshire's market value, and how it will be used.

## PERFORMANCE AS OF 12/31/19

Investment	2019	5 Year	10 Year
Cedar Fund	15.6%	4.8%	7.9%
Harfam Partners	20.8%	4.3%	7.1%
Berkshire Hathaway	11.0%	8.5%	13.1%
First Eagle Global	20.5%	6.7%	8.2%
FPA Crescent	20.0%	5.8%	8.2%
IVA Worldwide	12.7%	4.4%	6.3%
Longleaf Small Cap	19.7%	6.7%	12.0%
Sequoia Fund	29.1%	5.4%	11.4%
Tweedy Browne Global	14.6%	5.1%	7.3%
Russell 3000 Value	26.3%	8.2%	11.7%
S&P 500 Index	31.5%	11.7%	13.6%
MSCI ACWI Index	26.6%	8.4%	8.8%

## HARFAM PARTNERS

Harfam Partners is a limited partnership consisting of a global investment partnership, a separately managed account, four mutual funds and an individual stock. Harfam's 2019 return was 20.8%.

Ruane, Cunniff & Goldfarb, which manages a separate account for Harfam, has been transformed since its 2015-16 disaster with Valeant Pharmaceuticals. That event spurred the firm to add checks and balances to its investment process, risk management, and governance. The firm's newly structured investment committee consists of four co-managers who have over 15 years of experience with the firm. Our recent conference call with the managers of Ruane reinforced our confidence in the firm's restructuring and vision going forward.

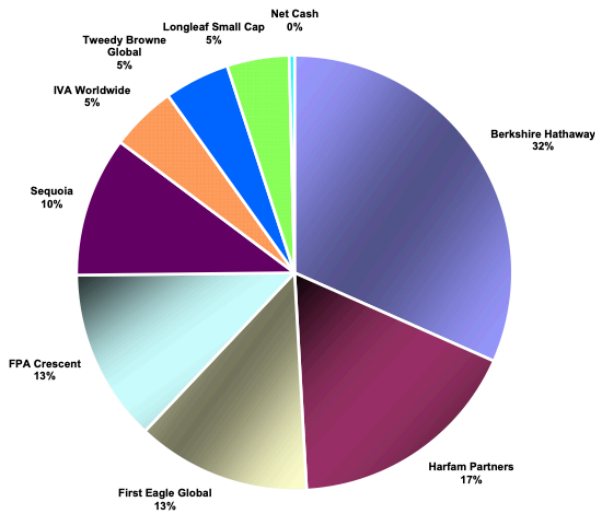
Semper Vic Partners, a global value investment partnership in Harfam, returned 24.4% in 2019. Semper Vic invests in leading global consumer products companies whose brands enjoy growing market shares in parts of the world undergoing economic growth and enjoying increasing political stability. Investments have included branded food and beverage, luxury goods, and advertising-supported media.

## MUTUAL FUNDS

Of Cedar Fund's six mutual funds, the star performer for 2019 was Sequoia Fund with a 29.1% return. The fund's results have certainly improved after Valeant detonated its results in 2015-16. The fund has minimal exposure to basic materials, energy, or utilities. Two thirds of the fund's portfolio are consumer discretionary, financials, technology and communications stocks.

## Cedar Fund Holdings

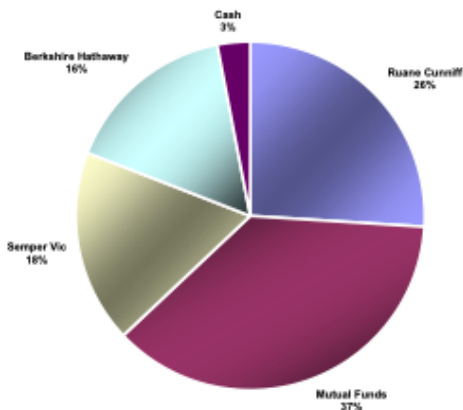
December 31, 2019



% of Portfolio	Manager	Amount
32%	Berkshire Hathaway	7,131,390
17%	Harfam Partners	3,937,682
13%	First Eagle Global	2,911,079
13%	FPA Crescent	2,883,755
10%	Sequoia	2,348,844
5%	IVA Worldwide	1,102,568
5%	Tweepy Browne Global	1,094,244
5%	Longleaf Small Cap	1,039,158
0%	Net Cash	87,404
		<b>\$22,536,124</b>

## Harfam Partners Holdings

December 31, 2019



% of Portfolio	Manager	Amount
26%	Ruane Cunniff	2,195,594
37%	Mutual Funds	3,122,954
16%	Semper Vic	1,513,528
16%	Berkshire Hathaway	1,358,360
3%	Cash	255,732
		<b>\$8,446,168</b>

The remaining five mutual funds showed solid returns for 2019: First Eagle Global (20.5%); FPA Crescent (20.0%); IVA Worldwide (12.7%); Longleaf Small Cap (19.7%); Tweepy Browne Global (14.6%). We are pleased with the strong performance of our group of funds as a whole.

## OUTLOOK

The market boon in 2019 was driven by positive economic news regarding job growth, positive consumer confidence levels, low unemployment, deregulation, expanding businesses, and optimism on the trade front.

The analysis and predictions of many economists indicate the current market is quite challenging. Although we believe it is wise to assess and try to understand the current market environment, our strong conviction is that true value is added by investing in financially sound companies. We believe Cedar Fund's managers are some of the very best in the field.

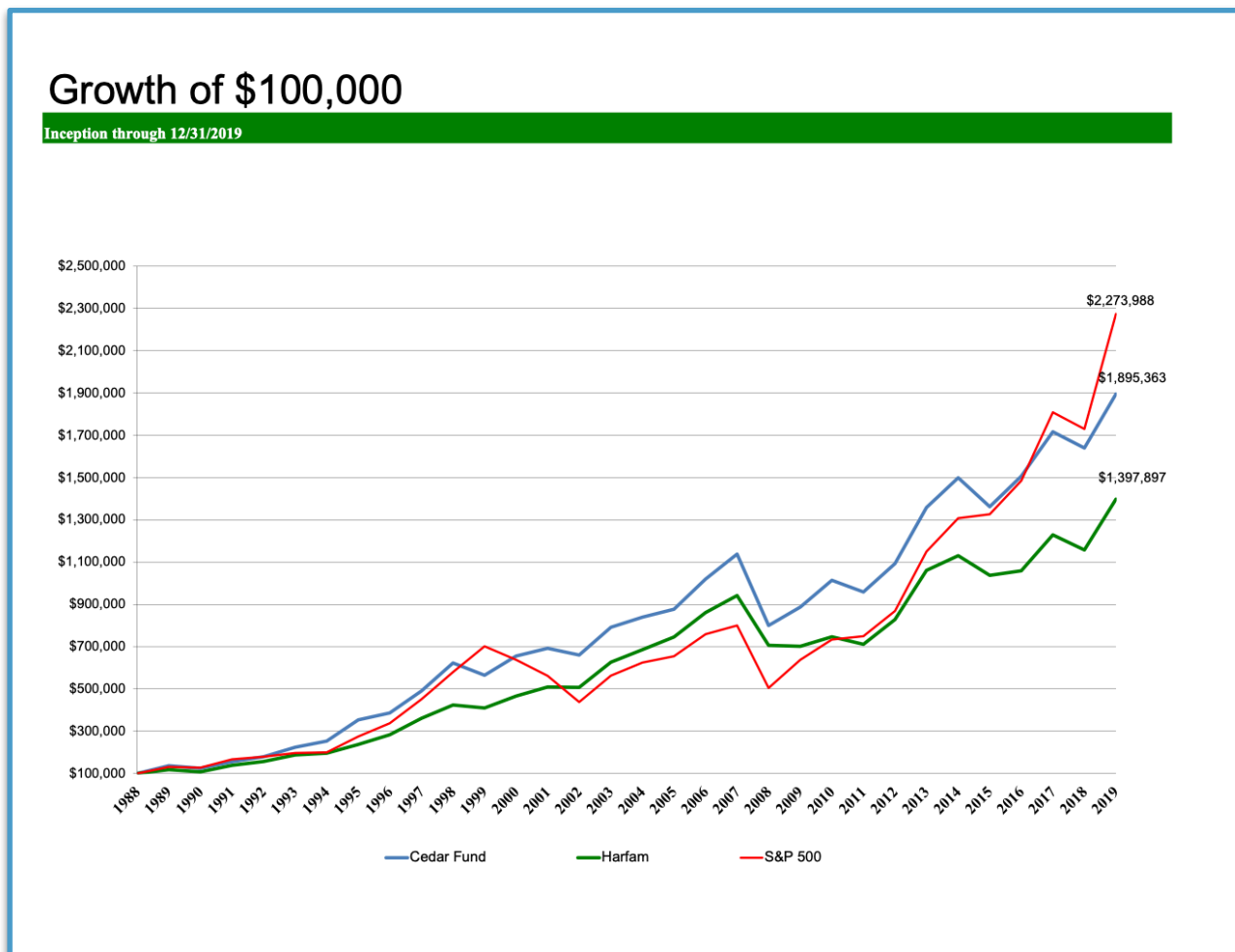
In times like these, our focus is on the following fundamental and important principles of conservative and prudent investing:

- Never try to predict the direction of the stock market. It is impossible to anticipate what the market is going to do in the immediate future.

- Invest for the long term, that is, five years and beyond. We are investors, not traders. Using a patient, disciplined approach allows one to succeed over market cycles. Value is found wherever it may live, even when contrary to general opinion. This requires sound judgment, discipline and focus on absolute (not relative) returns.

- As consumers we seek discounts to purchase a product for less than

its value. This is a trait that prevails when we go to the grocery store, eating out at a restaurant or buying that important item we feel we need. As investors we favor active managers who buy stocks selling at discounts to their perceived value. This is an important way active managers seek to reduce their risks.



## PERSPECTIVE

Our vision is to serve others by implementing an investment philosophy that entails:

- a prudent approach to invest capital and provide the opportunity for superior returns over the long-term;
- placing your interests above our own;
- during times of volatility and uncertainty, a patient, disciplined approach focused on long term financial needs and goals.

We are deeply grateful for your confidence and trust in our stewardship of your investments over many years. I remain committed to watching closely the activities of the different managers in Cedar Fund.

## **OTHER INFORMATION**

- In February you will receive by email a Form K-1 for tax reporting purposes.
- In April you will receive by email a link to Cedar Fund's audited financial statements.

If you have relocated or changed your mailing address, please let us know your new address via email as soon as possible so that we can include the correct address on your K-1.

Cedar Fund's website ([www.cedarfund.harfam.org](http://www.cedarfund.harfam.org)) provides access to current charts, past annual reports and past financial statements.

I welcome any comments or questions you have about Cedar Fund, its holdings and its investment philosophy. I can be reached by phone at (765) 277-1710 or by e-mail at [Mark@harfam.org](mailto:Mark@harfam.org).

Regards,

A handwritten signature in black ink, appearing to read "Mark W. Harris". The signature is written in a cursive, flowing style.

Mark W. Harris, President, Harris Harper Counsel Inc.  
General Partner, Cedar Fund L.P.