



Cedar's of Lebanon
Baskin 11: Symbol of majesty and strength.

March 27, 1991

1990 A Difficult Year

Cedar Fund	-8.9%
S & P 500	-3.1%

Investors found 1990 to be the most difficult in many years. This is especially true for value managers who seek to buy companies selling below their intrinsic worth. The Cedar Fund was no exception as it experienced a decline of 8.9% for the year compared to -3.2% for the S & P 500. On December 31, 1990 the value of a unit of the Cedar Fund was \$31,332 compared to \$34,398 at the end of 1989. Since its inception at the end of 1988, the Fund is up about 12% on an annualized basis (25.1% cumulative). This is below our objective of achieving a 15% return per year for our partners.

The good news is that the Cedar Fund recovered all of that loss, and then some, through the first two months of 1991 as the surging stock market soared near its all-time high of 3,000. As of February 28, 1991 the Cedar Fund is up 13% since the end of 1990.

Last year the stock market was characterized by two things: volatility and uncertainty (the Gulf war and the recession). In the first quarter of 1991 volatility remains but uncertainty is evaporating with the ending of the war and with the fear of a strong recession fading. This causes us to recall two important principles of conservative, prudent investing:

- 1. 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. Therefore, we will continue to stay fully invested and will not raise or lower our cash positions in response to a questionable guess at the market. If our cash position is changed it will be because we see the lack or abundance of good bargains available.
- 2. Always invest for the long term; that is, look beyond five years. Ignore short-term market fluctuations.** Therefore, in order to avoid the temptation to get caught up in the emotion of short-term market swings, our reporting to you will continue to be occasional. If you wish to know the value of your account or the performance of the Cedar Fund during the year, feel free to call us. We will be happy to talk to you. The fund's unit value is computed at the end of each month and we usually have those results by the middle of the following month.

The Cedar Fund's decline is attributed largely to a 23% drop in Berkshire Hathaway stock after Warren Buffett observed that Berkshire's price was reaching "nosebleed levels." This was offset somewhat by a 40% increase in Centel (between January 1990 and March, 1991) after a merger with GTE was announced. Centel was purchased in Cedar Fund in January, 1990, so the merger was a pleasant surprise. In the meantime, Berkshire continues to recover and is up 20% since the end of 1990.

Despite the recent euphoria of the markets, we remain concerned about earnings outlook of many companies. Some industries, such as newspapers, are experiencing the most difficult business conditions in many decades and, in some cases, like Gannett, in the history of their company. In light of these conditions we are comfortable with the companies in our portfolio. Like Berkshire, most of our companies have a high quality of earnings.

Therefore, we will continue the portfolio mix with which we began the Fund: about one-third in Berkshire Hathaway, one-third with other money managers both through mutual funds and direct

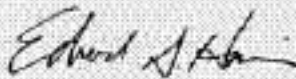
placement (through Harfam Partners) and one-third in selected stocks. The large position in Berkshire reflects our confidence in Warren Buffet as the best money manager in the country. Berkshire is essentially a surrogate mutual fund.

Below is a comparison of performance (total return) of mutual funds and money managers (and the funds they manage) that we follow. All are represented in Cedar Fund except for Sequoia Fund (which is closed).

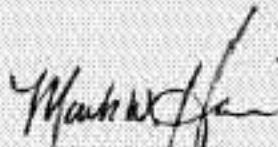
<u>90</u>	<u>89-90*</u>	<u>Mutual Fund</u>
-1.9	37.9	Gabelli Growth
-5.6	20.6	Sequoia
-5.9	19.7	Gabelli Asset
-9.7	3.6	Mutual Shares
		*Annualized
<u>89</u>		<u>Manager</u>
18.5		Emerald Partners
-7.5		Eliz. Bramwell (Gabelli Growth)
-12.4		Ruane Curran (Sequoia)
-12.8		Harris Harper Counsel, Inc.
-16.2		Mario Gabelli (Gabelli Asset)
		<u>Indices</u>
-3.2		S & P 500
-17.8		NASDAQ (OTC)

The mutual funds performed better because of their larger cash positions.

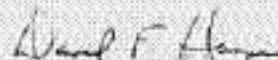
This past year the name of our investment management company was changed to Harris Harper Counsel, Inc. to reflect the addition of David F. Harper. Previously a CPA with Geo. S. Olive & Co., Dave brings a welcomed expertise in accounting, tax planning and investments. Enclosed is a recent newspaper article on Dave with more information on his background.



Edward S. Harris



Mark W. Harris



David F. Harper