

Cedar Fund, L.P.

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Cedars of Lebanon • Ezekiel 41
Symbol of majesty and strength

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To the Limited Partners of the Cedar Fund:

April 2, 1993

In 1992 the Cedar Fund unit value increased **15.04%** compared to 7.6% for the S&P 500 Index. Anytime we can double the market index we are pleased with the performance. The value of a unit of the Cedar Fund increased to **\$44,873** from \$39,007 a year ago. This is an **80%** increase since the Fund started four years ago. This represents a **15.8%** annual rate of return.

Like last year, Berkshire Hathaway, our largest holding, accounted for much of Cedar Fund's increase. The stock surged 29.8% last year with most of it coming in the final months. While Berkshire's stock probably is no longer selling at a discount but may be fairly priced, investors continue to be enthusiastic about the company's underlying investment portfolio as well as a possible turn in the insurance cycle.

What is the future prospect for continuing these superior returns with Berkshire as well as with stocks in general? Warren Buffett, the legendary chairman of Berkshire Hathaway, offers a cautious answer in his 1992 annual report of Berkshire Hathaway, just recently released. Buffett is "virtually certain that the return over the next decade from an investment in the S&P index will be far less than that of the past decade, and we are dead certain that the drag exerted by Berkshire's expanding capital base will substantially reduce our historical advantage relative to the index" (page 6). Buffett is concerned that stocks cannot continue to overperform the earnings of the underlying businesses as they have done for the past 10 years or so. He is confident "the rewards from investing in stocks over the next decade will be significantly smaller than they were in the last." We have extra copies of Buffett's report and will send you one if you write or call us.

We would further add that the election of Bill Clinton as president brings some uncertainty to the stock market. Historically stocks bring a lower real rate of return under Democrats than under Republicans. (The real rate of return is the absolute return minus the rate of inflation). Inflation is usually higher under the Democrats because they increase the level of government spending.

By its participation in Harfam Partners, the Cedar Fund also has money managed by outside investment managers. The 1992 performance of these managers is:

20.7 %	Emerald Partners
13.5 %	Semper Vic Partners - Tom Russo
5.0 %	Elizabeth Bramwell
11.0 %	Ruane Cunniff

Enclosed is the 1992 financial statement for the Cedar Fund prepared by the CPA firm of Geo. S. Olive & Co. Please let us know if you have any questions or comments. We appreciate your continued confidence in us to invest your valuable assets.

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