



CEDAR FUND

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Dear Fellow Partner:

Through June 30, 2020, Cedar Fund had a return of -13.7% and a June 30th per unit value of \$4,093.73. For comparison purposes, year-to-date returns were -16.7% for the Russell 3000 Value index, -3.1% for the S&P 500 index and -6.3% for the MSCI ACWI index.

YTD PERFORMANCE

Investment	12/31/2019	March 2020	June 2020	6/30/2020 Mkt. Value	Holdings %
Berkshire Hathaway	11%	-19.9%	-21.3%	\$5,613,300	29.8%
Harfam Partners	20.8%	-22.0%	-12.6%	\$3,441,749	18.3%
First Eagle Global	20.5%	-19.4%	-7.5%	\$2,598,742	13.8%
FPA Crescent	20%	-20.5%	-8.6%	\$2,546,358	13.5%
Sequoia Fund	29.1%	-22.2%	-1.0%	\$2,231,041	11.8%
IVA Worldwide	12.7%	-19.1%	-12.5%	\$877,206	4.7%
Tweedy Browne Global	14.6%	-21.4%	-13.6%	\$858,703	4.6%
Longleaf Small Cap	19.7%	-35.9%	-27.5%	\$678,582	3.6%
Cedar Fund	15.6%	-20.7%	-13.7%	\$18,845,681	
Russell 3000 Value	26.3%	-27.3%	-16.7%		
S&P 500 Index	31.5%	-19.6%	-3.1%		
MSCI ACWI Index	20.6%	-21.4%	-6.3%		

Definitions:

RUSSELL 3000 VALUE FUND: is a capitalization-weighted stock market index, maintained by FTSE Russell, that seeks to be a benchmark of the entire U.S. stock market. It measures the performance of the 3,000 largest publicly held companies incorporated in America as measured by total market capitalization, and represents approximately 98% of the American public equity market;

S&P 500 INDEX: is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States;

MSCI ACWI (NET): captures large and mid cap representation across 23 Developed Markets (DM) and 26 Emerging Markets (EM) countries*. With 2,988 constituents, the index covers approximately 85% of the global investable equity opportunity set.

COMMENTARY

The above performance chart shows that all of Cedar Fund's holdings have improved since the first quarter (March) with the exception of Berkshire Hathaway.

Berkshire Hathaway consists of a collection of business operations in industries ranging from property-casualty insurance to railroads, utilities and pipelines, manufacturing, service, and retailing. Berkshire's current investment portfolio amounts to \$207 Billion. The total value of Berkshire Hathaway (as of 6/30/20) is \$788 Billion.

Berkshire has returned an annual average of 20.5% since it began trading in 1965. Over the last ten years Berkshire has actually underperformed the S&P 500 on a total return basis of about 4.5%.

Jeremy Bowman, a Motley Fool contributor, gives five reasons for the lagging performance over the last 10 years:

- Growth Stocks outperformed value stocks in the last 10 years;
- Berkshire's assets essentially mirror the S&P 500. Because Berkshire is exposed to the many different sectors of the economy, its performance is much more likely to reflect that of the broader stock market, no matter how much value you're able to add or how good you are at finding bargains;
- The company's cash balance has ballooned, a reflection of Buffett's inability to work in today's market environment. In his most recent letter to shareholders this past February, Buffett said, "Prices are sky-high for businesses possessing decent long-term prospects";
- Berkshire has gotten too big. For years, Buffett has warned that Berkshire's returns would decline as it got bigger. It's a reflection of the law of large numbers.
- No deal is perfect, misfired deals don't just hurt Berkshire's integrity, instead the company loses money. Buffett admitted that he overpaid for the acquisition of Heinz. IBM's transition to a software and services model did not provide the results Buffett had hoped it would.

Berkshire has deployed capital in new investments in the energy pipeline, Dominion Energy, as well as additional purchases of Bank of America, and made a disclosure that implied a sizable stock buyback of about \$5 billion in the second quarter.

Berkshire's stake in Apple, its largest equity holding as of this writing, is up about 54% so far this year. At the end of June Berkshire was off 21% for the year. The rise in the market and Apple's outstanding performance are the largest contributing factors in improving Berkshire's performance through August 7th down 7.4% for the year. By comparison, the S&P 500 is up 3.7% for the year. In late March the S&P 500 Index bottomed out at 34%.

One of the principles that was taught by Ben Graham is the value of patience. Buffett has exhibited this attribute in the last few years by not being reactionary but being patient in his allocation of capital. Buffett has built Berkshire to be what it is today but will be 90 years old this year. Those who will eventually take Buffett's roles are likely to be present-

ed a whole new set of challenges for one of the greatest success stories in American business.

Morningstar has reported that the current recovery is a reminder that the economy and markets don't always move in tandem. Large numbers of coronavirus cases, struggling small businesses, civil unrest, and the highest rates of unemployment since the Great Depression plagued the nation, and yet, U.S. stocks continued to rise.

The current rise in the market is fueled by increased retail spending resulting from eased lockdown restrictions and technology-enabled remote work. Healthcare firms may be getting close to a coronavirus vaccine, but estimates of when one will be publicly available still vary. While energy's strong performance didn't make up for its first-quarter losses, oil prices are working their way back to pre-virus levels.

Benjamin Graham has said that "The most realistic distinction between the investor and the speculator is found in their attitude toward stock-market movements....". Shorter periods of relative underperformance are part of achieving long-term goals. A patient, disciplined approach allows one to succeed over market cycles.

OTHER INFORMATION

In the middle of July, you should have received an updated accounting of your investment in Cedar Fund via email. The plan is to continue to provide this information to you on a monthly basis with a full report of Cedar Fund's investments and commentary each quarter.

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 annual K-1.

Cedar Fund's website (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.

Regards,



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