Cedar Fund

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Cedars of Lebanon • Ezekiel 31
Symbol of majesty and strength

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Dear Fellow Partners:

We are pleased with the Cedar Fund return of 11. 7% for 2007, which more than doubled the S&P 500 Index. The value of your Cedar Fund unit increased to $2,850. The five year annual average return for the Fund trailed the Index return slightly. But the ten-year average return is the opposite, with the Cedar Fund outperforming by nearly 3% per year, which is a significant advantage. This illustrates an anomaly in mutual fund comparison this year. Normally, the five-year annual average return is the best figure for comparing mutual funds because it usually covers both an up and down cycle in the stock market. But in a rare occurrence the 2007 five-year return has no down cycle. For only the second time in stock market history there were five consecutive years of positive returns. Therefore, we have to go to the ten-year figure to find out how a particular fund performs in both positive and negative markets. Your Fund's outperformance over the longer period demonstrates it's long-term value.

	2007	5 Year	10 Year	Inception
Cedar Fund	11.7%	11.5%	8.8%	13.7%
S & P 500	5.5%	12.8%	5.9%	11.6%

CEDAR FUND	RETURN
Berkshire Hathaway	28.7%
Fairholme	12.3%
First Eagle Global	9.9%
Harfam Partners	9.3%
Tweedy Browne Global	7.5%
FPA Crescent	6.8%
Longleaf Small Cap	2.8%
FPA Capital	-0.4%
Artisan International	-0.7%
Private Capital Mgmt	-1.8%

The sub-prime credit crisis has sent the stock market into decline and most likely will contribute to a slowing economy. Fortunately, and not surprisingly, your mutual funds largely avoided the credit crisis. Due to your managers' deep research skills, they stayed away from such troublesome companies as Citicorp, Wachovia, Countrywide and Merrill Lynch. Interestingly, they have not started buying these beaten down stocks yet, which indicates they believe the bottom is still a ways off.

For the second year in a row, Berkshire Hathaway was the star performer in Cedar Fund, soaring to 28.7%. This is nearly a 60% increase for Berkshire over two years. Berkshire is also performing well this year as investors seek quality companies in a nervous market. The surge in stock price has moved Berkshire from being an undervalued stock to within 7% of its fair value.

Harfam Partners advanced 9.3% in 2007, well above the Index. For more than ten years Harfam significantly outperformed the Index. The primary holding is a separate account, managed by Ruane, Cunniff & Goldfarb, who also manages the Sequoia Fund. The stocks in the separate account are similar to the ones held in Sequoia. In recent years it appears the performance of the Ruane Firm and Sequoia have lagged. This deserves a closer look.

There are two features of Sequoia, complexity and low correlation, that make analysis difficult. Sequoia is a unique mutual fund that is hard to place within the arbitrary definitions of either growth or value. Morningstar classifies Sequoia as a large blend fund but notes that its portfolio contains stocks with growth attributes. Out of its top ten stocks, four are Aggressive Growth and four are Classic Growth companies. This could explain why Sequoia, which sometimes acts like a growth fund, underperformed in the past several years. In 2007 growth funds returned to favor. Similarly, Sequoia performed well in 2007, and is doing very well this year, ranking in the top 1% of its peers.

	2007	5 Year	10 Year	Inception
Harfam Partners	9.3%	13.2%	10.1%	12.5%
S & P 500 Index	5.5%	12.8%	5.9%	11.6%

The second feature that sets it apart from nearly all other mutual funds is that Sequoia has a low correlation to the stock market, which means it tends to go in the opposite direction of the market. In other words, Sequoia goes up when the market goes down. In 2001 and 2002, when the stock market plunged, Sequoia was ranked in the top 1% or 2% of its category. Over the past ten years Sequoia was ranked in the top 10% among its peers with an average annual return of 8.5%, compared to the Index's 5.9%.

HARFAM PARTNERS	RETURN
Berkshire Hathaway	28.7%
Community Bankshares	22.1%
Ruane Cunniff Goldfarb	9.0%
Sequoia Fund	8.4%
Semper Vic Partners	7.7%
Eagle Capital	0.4%
FPA Capital	-0.4%
Legg Mason Opportunity	-1.6%
Century Management	-4.9%

Despite these positives, Sequoia continues to trail among our money managers. The question is whether the underperformance is temporary or permanent. All money managers, even good ones, suffer temporary poor performance. However, if the decline is permanent, we would either substantially reduce or terminate the account. Needless to say, this is a critical decision about a firm who has been our primary money manager for nearly thirty years. We will continue to evaluate and monitor Sequoia."

Investing is a long-term process and we appreciate your commitment to it through the Cedar Fund. If you have any questions or comments, feel free to call or write any one of us. The Fund will open for additional money on April 1, and every calendar quarter thereafter.

Enclosed are: (1) 2007 Cedar Fund financial statements audited by CPA firm Ramsey, Rodefeld, Kassens & North, LLP, which list our investments and (2) our privacy policy that explains the confidentially of your personal information.

The holdings of both Cedar Fund and Harfam Partners may be found on our web site, www.cedarfund.harfam.org using user name: *Cedar Fund* and password: *43091*. The following is available upon request: (1) Printed copies of any document on the web site and (2) Form ADV, Investment Advisor Registration, which the Indiana Securities Division requires be made available to investors upon written request.

HARRIS HARPER COUNSEL, INC., *General Partner*
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PRIVACY POLICY

To the clients of Harris Harper Counsel Inc. and Cedar Fund L.P.:

Harris Harper Counsel and Cedar Fund L.P. does not disclose nonpublic personal information about our clients/investors or former clients/former investors to third parties other than as described below.

We collect information about you (such as your name, address, email address, social security number, assets and income) from our discussions with you, from documents that you may deliver to us and in the course of providing services for you. We may use this information to provide services to you, to open an account for you, to process a transaction for your account or otherwise in furtherance of our business. In order to service your account and effect your transactions, we may provide your personal information to firms, such as financial institutions, that assist us in servicing your account and have a need for such information. We require arrangements to protect the confidentiality of your information and to use the information only for the purposes for which we disclose the information to them. We do not otherwise provide information about you to outside firms, organizations or individuals except to our attorneys, accountants and auditors and as permitted by law.

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