



CEDAR FUND

3464 BOSTON TWP. LINE ROAD • RICHMOND IN 47374-9421

PHONE: (765) 962-3431

EDWARD S. HARRIS • (314) 579-0154

MARK W. HARRIS • (765) 277-1710

EMAIL: CEDARFUND@HARFAM.ORG

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Dear Cedar Fund Partner:

Last year the Cedar Fund climbed 14.1%, increasing the value of your partner unit to \$2,738. The S&P 500 Index increased 16.0% as stock markets rose around the world. While the Cedar Fund trails the S&P 500, which is an all-equity index, it did compare favorably with similar portfolios that focused on downside protection. Investor sentiment seemed to turn optimistic toward the end of 2012 and continued into the new year, with the S&P 500 Index recording its best January in nearly twenty years.

Several of our managers posted strong performance in 2012. In one of its periodic bursts, Berkshire Hathaway rose 16.8% and added another nearly 9% in January this year. Besides the improving economy, Berkshire's strength may also be attributed to the announcement by Warren Buffett, its chairman, that the company increased the price threshold for the buy back of its own stock to 120% of book value from 110%. For all practical purposes, this helps establish a floor under Berkshire's stock price. Berkshire will also benefit should its housing-related businesses begin to contribute to company earnings.

Harfam Partners, the second largest holding in Cedar Fund, increased a solid 16.4%. Within Harfam, Semper Vic Partners (Tom Russo) soared 24.2% followed by Kingstown Partners at 20.0%. Harfam's separate account with Ruane, Cunniff and Goldfarb, managers of the Sequoia Fund, posted a return of 17.9%.

In the mutual fund portion of Cedar Fund, Longleaf Small Cap led with a 23.0% return. Tweedy Browne Global and Tilson Dividend followed at 18.4% and 17.9%, respectively. The laggards were IVA Worldwide at 6.9% and FPA Capital at 9.7%. We added the Sequoia Fund as a core holding in the Cedar Fund portfolio. Sequoia focuses on buying growing companies with a solid franchise at reasonable prices. Run by co-managers Robert Goldfarb and David Poppe, the Sequoia Fund has posted solid returns over the past five years that have significantly outpaced the majority of its peers. We are encouraged by the Cedar Fund's strong stable of investment managers that apply our core principle of value investing using a diversity of approaches and styles.

We appreciate your continued confidence in our management. The following page includes additional details about the Cedar Fund. Please feel free to contact us with any questions you may have about the Cedar Fund.

HARRIS HARPER COUNSEL, INC., General Partner

Edward S. Harris, President

Mark W. Harris, Secretary-Treasurer

Information Available to Cedar Fund Partners

Included along with this Annual Letter, sent by email:

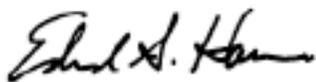
- 2012 Cedar Fund financial statements audited by CPA firm Ramsey, Rodefeld, Kassens & North, LLP (includes list of Cedar Fund investments)
- Our privacy policy that explains the confidentiality of your personal information

On our website, www.cedarfund.harfam.org:

- Cedar Fund holdings
- Harfam Partners holdings
- Bear market chart
- Growth of \$100,000 chart

Upon request:

- Our website user name and password



- Printed copies of any document on our website
- Form ADV, *Investment Advisor Registration*, (required by the Indiana Securities Division to be made available to investors upon written request)
- Form ADV Brochure (required by the Indiana Securities Division to be made available to investors upon written request)

Schedule of Regular Communication Sent by Email

February – Form K-1 sent to partners

March – Annual Letter, Audited Financial Statements, Privacy Policy

Quarterly (mid-April, mid-July, mid-October, mid-January)

- Performance results
- Value of your account