



# CEDAR FUND

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Dear Fellow Partner:

## COMMENTARY

Cedar Fund finished 2016 with a positive 10.5% return compared to the S&P 500 index increase of 12%. The per unit value of Cedar Fund is \$3,771.59.

Equity markets continue to extend gains in the third quarter on the strength of the US economy and corporate earnings. For example:

- Corporate earnings are showing positive business growth;
- August's unemployment rate was 3.9%, a low not seen since December 2000;
- Despite increasing a quarter point in September, interest rates are still at its lowest historically;
- US economy continues its upward run it started in September of 2008.

Looking forward to the fourth quarter, the results of the mid-term election will have a significant influence on whether Congress will be able to support its positive impact on fiscal policies toward increasing business growth and consumer confidence.

What does Benjamin Graham, Warren Buffett and other value investment managers have in common? DISCIPLINE AND PATIENCE! The hype leading up to and after the mid-term election will be a challenge emotionally to understand the impact that it will have on the future of the economy and fiscal policies. What we have learned as investors over the years is that staying the course, disciplined and patience in the midst of uncertainty will bring future opportunity!

## YOUR INVESTMENT INTEREST

Cedar Fund is pleased to provide you with the following information concerning the value of your partnership interest:

<u>Partner</u>	<u># of Units</u>	<u>Cost Basis</u>	<u>Market Value</u>
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## CAPITAL GAINS AND UNREALIZED GAINS

Since its inception Cedar Fund has accumulated unrealized capital gains of roughly \$8 million through year end 2016. This demonstrates how successful the managers and

funds in Cedar Fund have been. These capital gains are shared by 44 partners (with assets totaling \$22 million) consisting of an aging generation that has invested their life earnings, as well as a younger generation who have invested their hard earned savings and inheritances.

In 2016 partners have withdrawn money from the Cedar Fund to meet changing spending needs, to adapt to changes in family structure due to deaths, to invest in other tangible assets. Cedar Fund maintains a cash reserve of roughly 3%. When the call for withdrawals is more than 3% in a given year, this causes us to tap into the unrealized capital gains that have built up over the years. In 2016 increased withdrawals compared to 2015 required a significant recognition of gains. You will notice these realized gains on the K-1 you receive in February.

## **OTHER INFORMATION**

- In February you will receive by email a K-1 statement.
- In March you will receive by email Cedar Fund's audited financial statements.  
(A printed copy can be provided at your request.).

***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 K-1.***

In closing, please rest assured that I continue to be engaged in Cedar Fund, working closely with Corey Harper, our consultant, and watching closely the activities of the different managers in Cedar Fund.

As always, I look forward to hearing from you regarding your direct holdings in Cedar Fund and/or regarding investments in general. I can be reached by phone at (765) 277-1710 or by e-mail at [Mark@harfam.org](mailto:Mark@harfam.org).

Regards,



*Mark W. Harris, President, Harris Harper Counsel Inc.  
General Partner, Cedar Fund L.P.*