FEBRUARY 6, 2021

CEDAR FUND ANNUAL REPORT

Cedar Fund Investor,

First and foremost, my hope and prayer for each of you and your families is that you are healthy and safe. Judy and I are healthy and diligently work at making the most prudent decisions in navigating our way through wearing masks, social distancing and choices in our activities. 2020 was a year of challenges in many areas of our lives. The devastating pandemic brought life changing experiences for the whole world, U.S. election chaos, and change in U.S. government leadership and direction, to name a few. We long for some normalcy. This year we are bringing you information about Cedar Fund in a new fresh format. I hope you like it. Let me know what you think.

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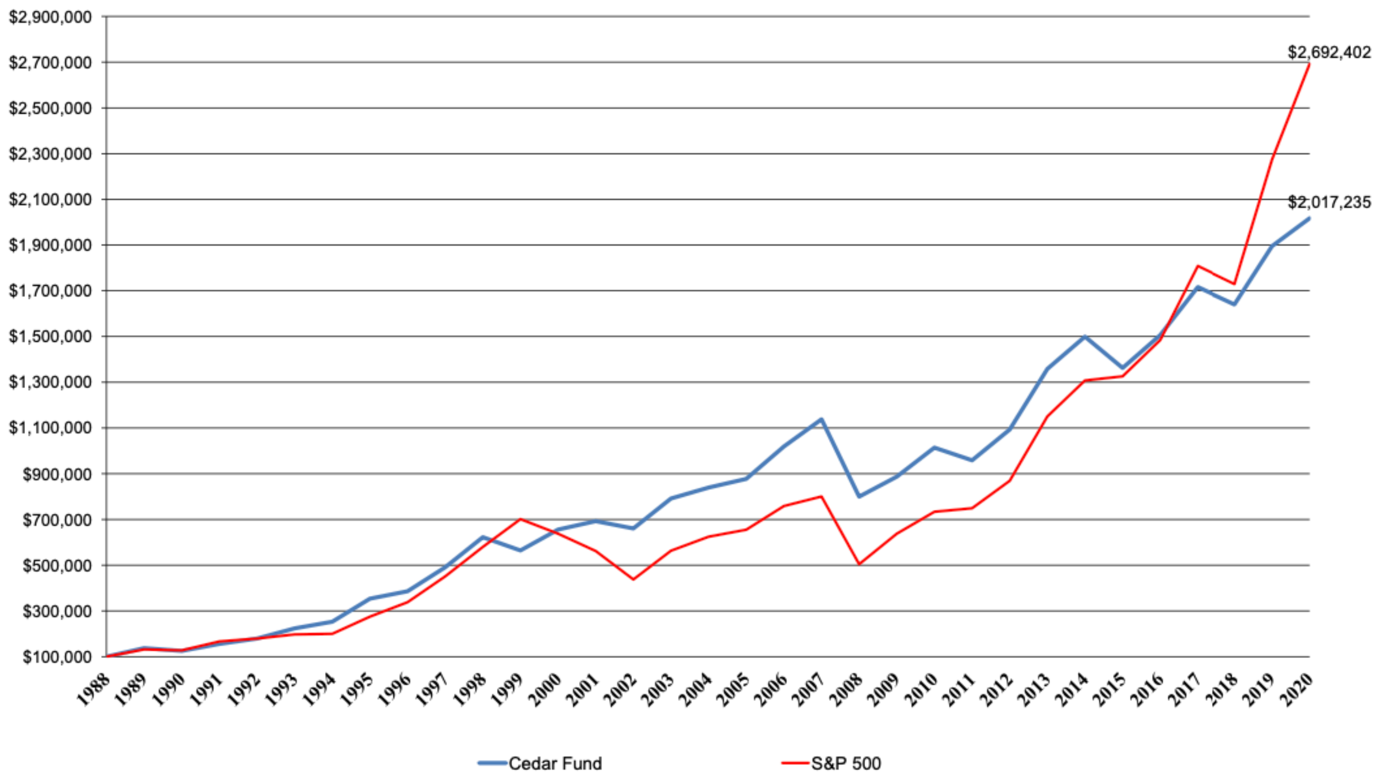

GROWTH OF $100,000

The above chart reflects a 32-year annualized rate of return of 9.8% for Cedar Fund and 10.8% for the S&P 500 Index. Looking at these numbers, I am pleased with the progression of Cedar Fund's strategy over the long term.

I believe the Russell 3000 Value Index is a good barometer for Cedar Fund's performance. It is a market-capitalization weighted index reflecting the broad value segment of the 3,000 largest U.S. stocks. By contrast, the S&P 500 Index consists of only the 500 largest U.S stocks and does not differentiate based on style (growth or value).

One of the principles that we outline on our website is **Preservation of Capital**: *Cedar Fund seeks to offer our investors a prudent place to invest their capital, and to provide them superior returns over the long-term, while emphasizing preservation of capital. After 32 years of seeking to both grow and preserve capital, the current unrealized capital gains of Cedar Fund's portfolio stands at $8.9 million.*

CEDAR FUND INVESTMENT SUMMARY - 12/31/2020

Investment	12/31/2020 Market Value	2020 Perform-ance	Holding%	Categories
Berkshire Hathaway	7,304,115	2.4%	32%	Diversified Core
Harfam Partners	4,226,655	7.3%	19%	Diversified Value
FPA Crescent	3,122,848	12.1%	14%	Large Blend Allocation
First Eagle Global	3,051,494	8.6%	13%	World Allocation
Sequoia	2,610,279	23.3%	12%	Large Growth
IVA Worldwide	787,663	-0.4%	4%	World Large Value
Tweedy Browne Global	760,714	-1.0%	3%	Foreign Large Value
Longleaf Small Cap.	749,581	4.1%	3%	Mid-Cap Blend
Net Cash	63,720			
Total Portfolio	22,677,069			

INVESTMENT SUMMARY

In its x-ray interpreter tool, Morningstar describes Cedar Fund's portfolio is measured with equity spread evenly across the market and includes a good mix of small, medium, and large companies, as well as a fairly even mix of conservatively priced value stocks and growth stocks. This type of strategy mixes are for investors who have investment horizons longer than 10 years, have need for high returns, and are comfortable with a high level of risk.

Berkshire's holdings are a spread among the following sectors: financial services, communications services, industrials, technology, healthcare and consumer cyclical.

The combined mutual fund holdings are spread among the following sectors: basic materials, consumer cyclical, financial services, real estate, communication services, energy, industrials, technology, consumer defense, healthcare and utilities.

STOCK AND FUND ANALYSIS

BERKSHIRE HATHAWAY'S 2020 overall performance marks another disappointing year. Berkshire operates a broadly diversified conglomerate, with a collection of businesses in industries ranging from property-casualty insurance to railroads, utilities and pipelines, and manufacturing, service, and retailing. Many analysts and a wide range of managers continue to believe in Berkshire operations. As the economy opens more, Berkshire's businesses should show improvement going forward. Apple, Berkshire's largest investment portfolio holding advanced 80% in 2020. Without Apple, Berkshire would have underperformed by 25% or more. Seventy percent of the investment portfolio is still concentrated in four companies: American Express, Apple, Bank of America, and Coca-Cola.

The shining light in Cedar Fund's portfolio was **SEQUOIA'S** 23.3% return in a such a difficult and eventful year. Since its 2016 reorganization of the team managing the Fund, it has seen a cumulative total return of 100%, versus 96% for the Index. With the team's new vision and strategy, it expects many opportunities will be available in the coming years. Advancing contributors during 2020 included Alphabet, Arista, Constellation, Eurofins, Facebook and Prosus, all of which returned 30-45%. Amazon, Taiwan Semiconductor and Wayfair each returned between 75% and 150%. The team continues to believe that their strategy of a diligent evaluation of potential investments is the key to their success.

Tom Russo of Semper Vic Partners, **HARFAM PARTNERS'** global manager, says that global financial markets experienced unprecedented volatility during 2020. When the volatility dust settled, the net moves of global financial markets were relatively modest for those who stayed the course through year-end. During the fourth quarter, Semper Vic Partners performance was driven largely from the following major international holdings: CIE Richemont, Pernod Ricard, Heineken Holding N.V., Anheuser-Busch InBev, and Philip Morris International. Only Nestlé SA and Unilever PLC, declined or remained flat. Alphabet Inc. and JPMorgan Chase were positive contributions for 2020.

The returns for **IVA Worldwide and Tweedy Browne Global Value** were disappointing in 2020. International indices were hit harder initially this year and have not bounced back with as much enthusiasm as their U.S. counterparts. To a large extent this is due to the makeup of the indices. Outside of the U.S. there are fewer technology companies (Technology makes up 27.5% of the S&P 500 compared to just 7.5% of the S&P Europe 350). Conversely, the largest weighting in Europe is Financials at 15.1% of the index vs. 10.3% in the U.S.

GROWTH VS VALUE

Growth stocks are expected to grow faster than the average stock. Better defined as stocks exhibiting fast growth in metrics like sales, earnings, book value and cash flow. They have high price-to-earnings ratios and often have low dividend yields. Often identified in fast growing industries.

A few examples of Growth Stocks are Microsoft, Apple, Amazon, Alphabet (Google), Visa, MasterCard, The Home Depot and Comcast.

Value stocks are less expensive or are growing at a slower rate than the average stock. They generally show slower growth in sales, earnings, and cash flow. Dividend yields are higher than the average stock while their price-to-earnings ratio is often lower.

A few examples of Value Stocks are Berkshire Hathaway, Johnson & Johnson, JP Morgan Chase & Co., Proctor & Gamble Co., Exxon Mobil, AT&T and Verizon.

Both growth and value stocks can have a place in an investor's portfolio. The combination of the two types of stocks, across the range of domestic and foreign stocks, as well as across market cap ranges, are the building blocks of the equity portion of a diversified portfolio.

Which type of stock performs better over time? There have been several studies on this question and again the results are mixed. There are periods where growth has outperformed value and vice versa.

Howard Marks, co-founder and co-chairman for Oaktree Capital Management says *"I don't believe the famous value investors who so influenced the field intended for there to be such a sharp delineation between value investing, with its focus on the present day, low price and predictability, and growth investing, with its emphasis on rapidly growing companies, even when selling at high valuations. Nor is the distinction essential, natural or helpful, especially in the complex world in which we find ourselves today."*

REGARDING GROWTH VERSUS VALUE

In 2016, Bank of America/Merrill Lynch released a report that analyzed the performance of growth stocks and value stocks over a 90-year period (1926-2015).

- For 90 years, growth stocks averaged an annual return of 12.6%, whereas value stocks returned 17% per year;
- Assuming a $100 investment in growth stocks and value stocks in 1926, the growth stock investment would have been worth about $4.4 million by 2015, while the value stock investment would be worth a $137 million. That's the difference between a 12.6% annualized return and 17% per year;
- BofA/Merrill Lynch analysts noted that growth stocks have historically performed best when the economy is growing slowly, whereas value stocks performed best when the U.S. economy was running on all cylinders;
- With lending rates being pushed to record-low levels, growth stocks have been given the ability to cheaply borrow and expand their businesses. As long as access to cheap capital persists, growth stocks may be standout investments relative to value stocks;
- Data pretty clearly favors value stocks, which have outperformed growth stocks in approximately three out of five years over the analyzed period;

Conclusion: the choice to focus on growth or value really depends on whether you're investing for the next five to 10 years, or perhaps the next 30 to 50 years.

MR. MARKET, WHO IS HE?

Mr. Market is best described in Benjamin Graham's book, The Intelligent Investor, as an image of one's moods from optimism to pessimism. Mr. Market approaches investing as a reaction to his mood rather than making rational decisions.

The lesson learned from Mr. Market is how investors should make rational decisions in regard to investment activities instead of allowing emotions to play a deciding role. The key is not making decisions based on emotions or what everyone else is doing, but on sound investing principles.

The managers in Cedar Fund put this into practice by assessing business values through fundamental analysis, understanding the specifics of how a business operates, and projecting the future prospects of a business.

Over 32 years of being involved investing in the market, challenges have abounded. We have experienced many ups and downs in the market, seen how greed and fear can lead to extremes and witnessed how some have come to "play" the market, seeking to find new ways of investing through index funds which are more passively managed than actively managed. All of these challenges demand a more diligent and prudent assessment when making investment decisions.

Now more than ever, I am convinced that taking the time to understand money managers and their methodology is critical in being successful in today's market. Money managers live the market day in and day out.

This may seem harsh, but as investors, if the expectation is to earn 15% or 20% compounded on blue-chip stock investments over the long term, one might be expecting too much. By keeping your return assumptions conservative, undoubtedly your investing experiences will be less stressful.

"Investing is not a game where the guy with the 160 IQ beats the guy with the 130 IQ. Once you have ordinary intelligence, what you need is the temperament to control the urges that get other people into trouble in investing." - Warren Buffett

CONCLUSION

My first 17 years in the newspaper business brought many new challenges in learning new processes through technology. I was involved with implementing a paid in advance computerized subscription service, seeing technology change the process of producing and delivering newspapers on a daily basis, designing a building that housed a new innovating way of delivering news to our community, and then eventually the sale to and working for a large newspaper chain.

In 1982, I was challenged to enter a new career - investments! I spent many hours dialoguing with my brother, who also had been studying different concepts of investments. We visited many different money managers in New York and read "The Intelligent Investor" by Ben Graham and books on well-known investor Warren Buffett. Value investing was a concept that was well accepted among money managers.

"Fast forward to today, and everything has changed. The investment industry is wildly competitive, with tens of thousands of funds managing trillions of dollars. Investment management is one of the most desirable careers." - Howard Marks

Technology has emerged to bring new, innovating ways of obtaining just about anything that is desired for living in a world that is fast changing. It has transformed the way we get information on just about anything you want to know.

As a person living in his 7th decade, I have wondered how these new ways have impacted you and me. What are the objectives and strategies for our purchasing power and investments?

This last November, a 23 year Cedar Fund partner passed away. This investor's initial investment of $1,750,000, without any withdrawals or additional contributions at the time of passing had grown nearly four-fold. This is a humbling testimony to this investor's vision of long-term investment and preservation of capital.

In a new world of opportunities, we care about how many cheeseburgers, cars, pianos, computers and pairs of shoes we can buy. As well we are concerned about saving to fund for our retirement or to share our wealth with family and personal charity interests.

In 2021 Cedar Fund will have the opportunity to reallocation some positions which is a work in progress. This opportunity will strengthen some of the holdings we have and allow us to purchase some new investments.

OTHER INFORMATION

In February you will receive by email a Form K-1 for tax reporting purposes. If you have changed your email address or want it to be delivered to a different address, please let me know as soon as possible.

In April you will receive by email a link to Cedar Fund's audited financial statements.

If you have relocated or changed your snail 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.

Cedar Fund's website (www.cedarfund.harfam.org) provides access to current charts, past annual reports and past financial statements.

I am deeply grateful for your confidence and trust in our stewardship of your investments over many years. I remain committed to watching closely the activities of the different managers in Cedar Fund.

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.

Mark W. Harris

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