

MARCH 2022

CEDAR FUND

ANNUAL REPORT



***WE DON'T HAVE TO BE SMARTER THAN THE REST:
WE HAVE TO BE MORE DISCIPLINED THAN THE
REST. — Warren Buffett***

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INVESTMENT SUMMARY

Dear Fellow Partners:

Pandemic! Government chaos! Issues of race and inequality! Inflation! Energy crisis! A war that is churning people's lives! The last several years have been most unusual.

As for the investing in the market, according to global investment bank Goldman Sachs, 10-year stock market returns have averaged 9.2% over the past 140 years. Between 2011 and 2021, however, the S&P 500 has done better than the historic 10-year average, with an annual average return of 16.6% in the past 10 years.

Berkshire Hathaway has tracked S&P 500 data back to 1965. According to the company's data, the compounded annual gain in the S&P 500 between 1965 and 2020 was 10.2%. For stock mutual funds, a "good" long-term return (annualized, for 10 years or more) is 8% to 10%.

Since inception in 1988, Cedar Fund's growth of \$100,000 has grown to \$2,401,922. That's an annual return of 10.1% over 33 years.

Investing experts, including Warren Buffett and investing author and economist Benjamin Graham, say the best way to build wealth is to keep investments for the long term, a strategy called buy-and-hold investing. Keeping investments for the long term could help investments and their returns get closer to the average.

Long Term Perspective! Never try to predict the direction of the stock market. It is impossible to anticipate what the market is going to do in the immediate future. Long term the market is going to be higher. Taking the position to stay fully invested and not raise or lower cash positions in response to a questionable guess at the market is a sound decision. One notable feature of Cedar Fund's portfolio over the years is how rarely we have changed the holdings.

A study showed how the changing of investments can hurt performance. For stock mutual funds, a "good" long-term return (annualized, for 10 years or more) is 8% to 10%. The average individual stock investor, who changes investments frequently, achieved an average annual return of 2.6% over those years. The average investor tends to chase performance and switch funds, which causes inferior results. Investing in a mutual fund or stock, do so with the intention of holding it at least ten years.



PERFORMANCE

	2021	3 Years	5 Years	10 Years	15 Years
Cedar Fund	19.1%	13.6%	9.8%	9.6%	5.9%
Russell 3000 Value	25.4%	17.7%	11.0%	12.9%	7.5%
S&P 500 Index	28.7%	26.1%	18.5%	16.6%	10.7%

In 2021 Cedar Fund increased 19.1% compared to 28.7% for the S&P 500 Index. The other index we keep a close eye on is the Russell 3000 Value Index which finished 25.4% in 2021, The value of your Cedar Fund per unit climbed to \$6,014.1450.

All of the Cedar Fund's holdings had double figure increases in 2021, led by Berkshire Hathaway's 29.6%. 2020 being a dismal year with lower net earnings, 2021 showed marked improvements in it's various operations. Berkshire has entered 2022 with a solid investment portfolio and operations.

Behind Berkshire was Sequoia Fund finishing at 25.5%. In 2016 Sequoia moved from an individual manager having full say in a strategy to an investment committee strategy. The committee consists of individuals who have worked together for over a decade to bring a prudent approach and knowledge of its holdings in its portfolio. Over the five years Sequoia has shown steady increases in its performance as a result of this change.

2021 PERFORMANCE		
	2021	\$ Value
Berkshire Hathaway	29.6%	\$6,309,268
Sequoia	25.5%	\$3,275,294
Tweedy Brown Inter.	15.6%	\$879,312
FPA Crescent	15.2%	\$3,255,041
First Eagle Global	12.5%	\$3,084,848
Longleaf Small Cap.	11.2%	\$833,409

Cedar Fund eliminated two holdings during 2021:

- Harfam Partners, a partnership between the Harris and Harper Families, terminated the partnership.
- IVA Worldwide, an International Value Fund, decided to liquidate its fund. There was no other explanation other than all personnel but one left and there had been a large amount of withdrawals in recent years. The funds from these two holdings were reallocated to other Cedar Fund holdings and cash.



ALLOCATIONS

One of the areas I spend a lot of time watching is Cedar Fund's allocation of holdings. Asset allocation is an investment strategy that adjusts the percentage of each holding in an investment portfolio taking in consideration risk tolerance, goals and investment time frame.

Reviewing a portfolio periodically is important. I review our portfolio monthly with our consultant, Corey Harper, to keep in line with our allocation goals and to minimize realized capital gains. I refrain from looking at the portfolios daily and feel that rebalancing too frequently may do more harm than good. Reacting to every movement in the market is at odds with the benefits of taking a long-term approach to investing.

The discipline that an asset allocation target brings to investing is that as one or more investment grows to a level that exceeds the target allocation by the stated percentage, a portion of the holdings are then sold to bring the overall asset allocation back to within the target allocation range. This helps maintain the balance between the portfolio's upside potential and its downside risk.

Last summer Berkshire Hathaway's allocation in Cedar Fund had reached a high of 35%. As a result and keeping with the principle I explained above we sold 7 shares of Berkshire to bring it back into balance with our allocations goals. This created some unusual high level of realized capital gains that you saw on your K-1 this year.

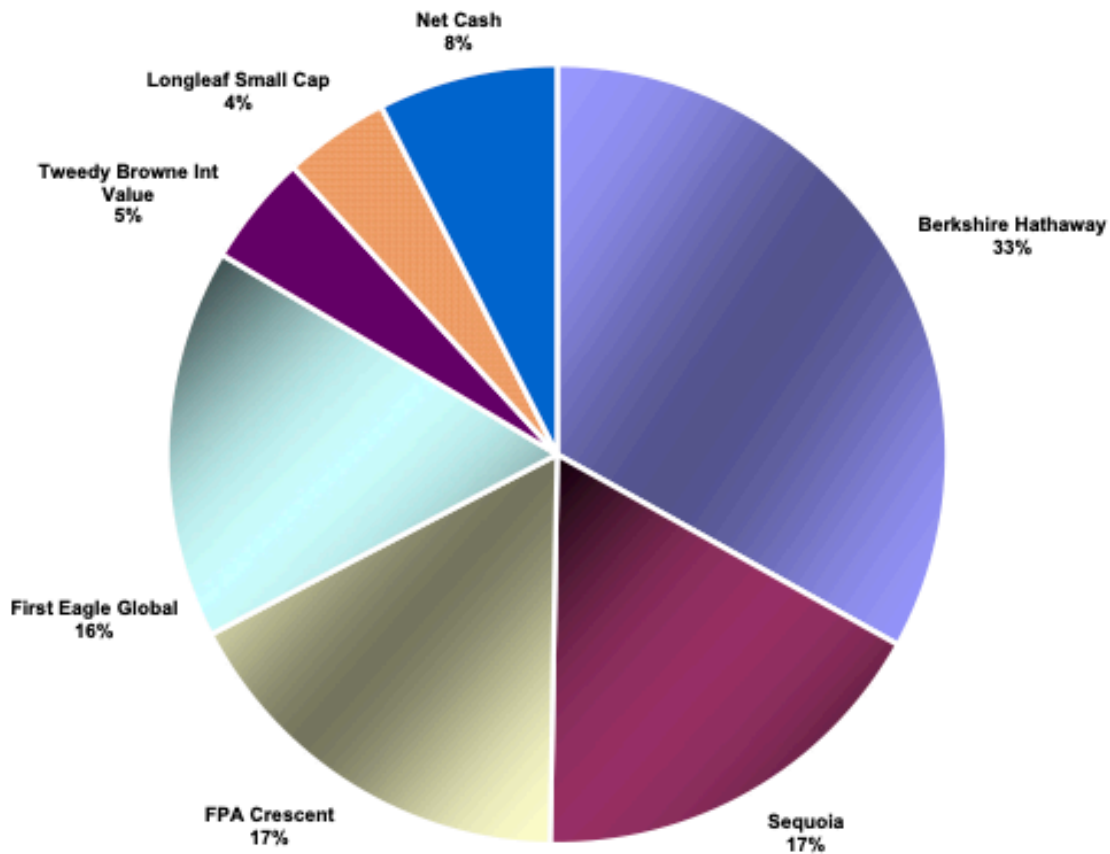
At year end 2021, the unrealized capital gains in Cedar Fund was \$5.7 million.

ALLOCATION TABLE			
HOLDINGS	12/31/20 TARGET	12/31/2021 TARGET	CURRENT ALLOCATION
Berkshire Hathaway	30%	30%	33.1%
Sequoia	15%	20%	17.2%
Harfam Partners	15%	0%	0%
First Eagle Global	12.5%	15%	16.2%
FPA Crescent	12.5%	15%	17.1%
IVA Worldwide	5%	0%	0%
Longleaf Small Cap.	5%	5%	4.4%
Tweedy Brown Inter.	5%	5%	4.6%
Cash	0%	10%	7.5%



Cedar Fund Holdings

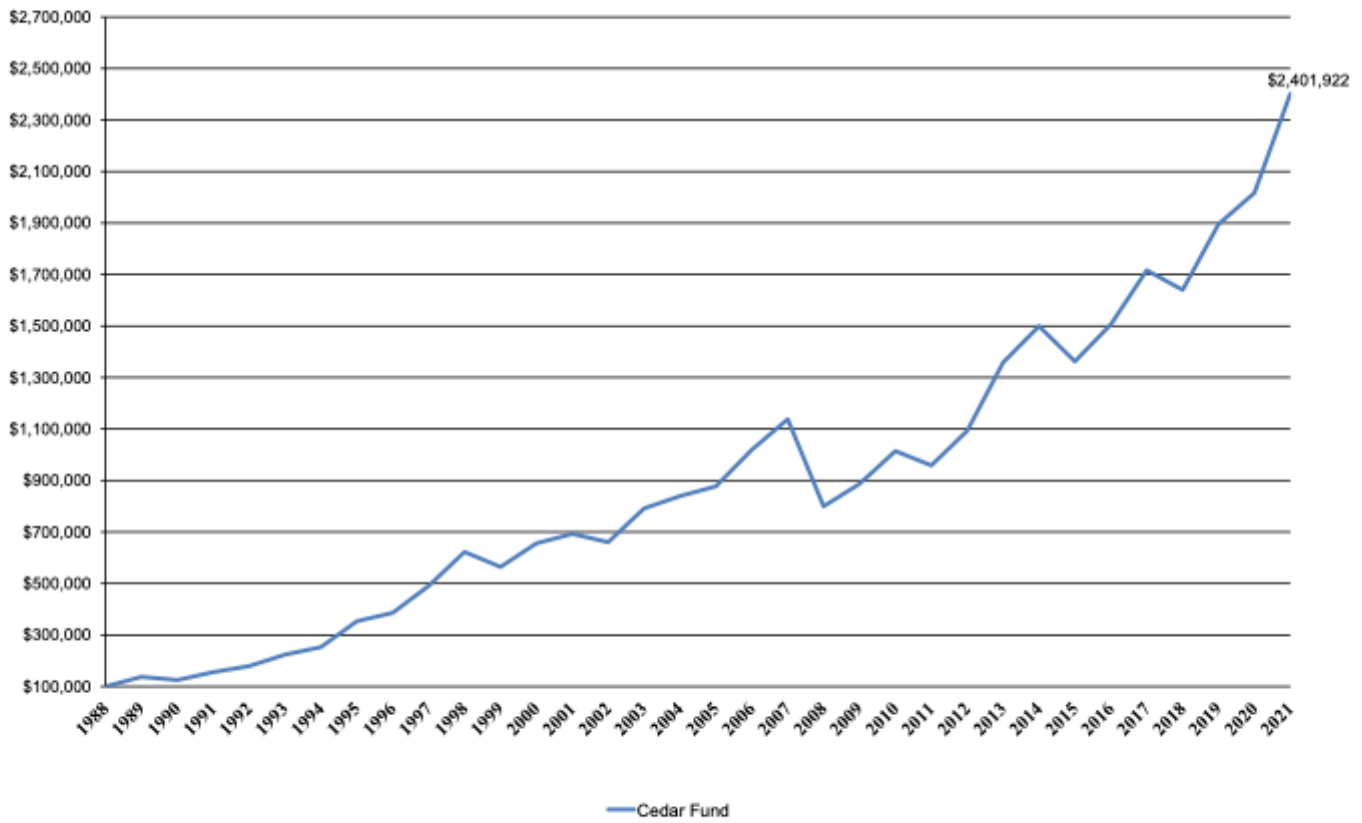
December 31, 2021



% of Portfolio	Manager	Amount
33%	Berkshire Hathaway	6,309,268
17%	Sequoia	3,275,294
17%	FPA Crescent	3,255,040
16%	First Eagle Global	3,084,848
5%	Tweedy Browne Int Value	879,312
4%	Longleaf Small Cap	833,409
8%	Net Cash	1,420,342
		<u>\$19,057,513</u>

Growth of \$100,000

Inception through 12/31/2021



DESCRIPTION OF MANAGERS AND MUTUAL FUNDS

Berkshire Hathaway — Holding company owning subsidiaries engaged in a number of diverse business activities, including property and casualty insurance and reinsurance, railroad, utilities and energy, finance, manufacturing, service and retailing. Warren Buffet is the CEO of the company.

First Eagle Global — a mutual fund managed by a team led by Matthew McLennan and Kimball Brooker, Jr. The fund invests in a range of asset classes in the United States and countries around the world using a highly disciplined, bottom-up approach with fairly broad diversification.

FPA Crescent — A contrarian value mutual fund managed by Steve Romick, Mark Landecker and Brian Selmo. The fund's primary focus is on protecting capital by vigilantly managing downside risk. It follows a broad mandate to invest across company capital structure, asset classes, sizes of companies, industries and location, giving it attributes similar to a hedge fund. The fund tends to be fairly concentrated and can hold a significant allocation to cash.

Longleaf Small Cap — Concentrated, small-cap mutual fund managed by Mason Hawkins, Staley Cates and Ross Glotzbach. The fund's approach is focused on buying companies at substantial discounts to their assessed values. The fund has an absolute performance goal equal to the rate of inflation plus 10%, and all fund company employees must utilize the Longleaf Funds for all of their publicly-held investments.

Sequoia — Growth-oriented, large-cap mutual fund managed by four individuals, Arman Gokgol-Kline, John Harris, Trevor Magyar and Chase Sheridan. The fund focuses on companies with strong balance sheets, sustainable competitive advantages and talented management teams that are effective capital allocators. The fund can be quite concentrated and invests sizable portions of the fund in its top holdings. The fund regularly holds large cash stakes when attractively priced stocks are unavailable.

Tweedy Browne International Value — Global equity mutual fund managed by its Management Committee, which is led by Jay Hill, Thomas H. Shrager, John D. Spears and Robert Q. Wyckoff, Jr. The fund has historical connections to Benjamin Graham and follows a version of Graham's investment approach. It typically holds at least 80% of its assets in non-US companies but attempts to hedge its foreign currency risk back into the US dollar.



DIVIDENDS/CAPITAL GAINS

As mentioned before, 2021 resulted in a larger than normal dividend and capital gains distribution. There were three primary reasons for these gains.

Capital gains occurs when mutual fund managers decides to sell stock due to the changing market outlook, or even if the fund must simply raise cash for shareholder redemptions. IRS requires mutual funds to distribute at least 95% of its gains and resulting taxes to shareholders. In 2021 the funds held by Cedar Fund distributed over \$840,000 in realized capital gains.

Because of the liquidation of Harfam Partners, \$900,000 in realized gains flowed through to Cedar Fund.



In 2021 two significant partner interest liquidations occurred because of death.

Due to Federal Securities Exchanges rules, one account was moved from Cedar Fund to a self managed account with Harris Harper Counsel.

A buy-and-hold strategy is sometimes pursued by investors who are seeking to avoid paying taxes. A buy-and-hold strategy offers far more than just tax avoidance. It provides holdings with sufficient time to deliver on their strategy

and may take many years to materialize. It may take even longer for it to be evident in improving investor sentiment that lifts a company's stock price.

Berkshire Hathaway provides the option to shareholders of Class A shares to convert each share of a Class A common stock at any time to 1,500 shares of Class B common stock. This option has no significant impact on performance nor creates a taxable event.

This option allows for flexibility in adjusting the stake in Berkshire in a more granular way. With an equivalent investment in Class B shares, an investor has the opportunity to sell off a portion of their holdings in order to better balance a portfolio.

In 2022 we took advantage of this option with half of the number of class A shares and converted them to class B shares.



PERSPECTIVE: STONE AGE VERSUS FUTURE

In the early 1960s I remember watching with interest two animated sitcoms. The Flintstones who lived in a world which was a comical version of the Stone Age, with machines powered by birds and dinosaurs. The Jetsons lived in a comical version of a century in the future with elaborate robotic contraptions, aliens, holograms, and whimsical inventions.

Publishing of newspapers early on was a manufacturing process with moveable type. It was a real breakthrough in technology, permitting the piecing together of hundreds of letters into a single page and wedged into a wood frame. After impressions were made from that frame, the pieces could be used again and again for additional pages.



When I first started working at our family newspaper in the mid 1960's, I was introduced to a machine called a Linotype machine, which tripled the speed of typesetting. On this machine I would type out reporters' stories line by line into rectangular pieces of molten metal piecing together entire lines, stacked together to form columns to form pages.



When I left the newspaper business in 1982 the process of producing the newspaper had progressed with reporters typing their stories into computers that were transmitted electronically to the production department and converted in negatives that were "burned" onto flexible metal plates and put on a press to print multiple copies of newspapers.

Today journalists gather news and digitally transmit the information to computers that then transform the information into webpages or online apps and TV viewing in lightening speed. This method of presenting news for consumer consumption has changed the way in which we are informed.

For investors, there's a new world order. Words like "stable," "defensive" and "moat" will be less relevant in the future. Much of investing will require more technological expertise than it did in the past. And investments made on the assumptions that tomorrow will look like yesterday must be subject to vastly increased scrutiny. — Howard Marks, "The Winds of Change", November 23, 2021

Today we are experiencing a changing world order that is impacted virtually, digitally and being more information-oriented. These changes will have a profound impact on what our world will look like ten or twenty years from now.

Some food for thought for our children, grandchildren and generations to come, listen to learn, learn by asking questions, understand the questions to gain knowledge and use that knowledge to be empowered of opportunities that come before you!



OTHER INFORMATION

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, President
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