

FEBRUARY 2025

# **CEDAR FUND 2024 ANNUAL REPORT**



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

# INVESTMENT SUMMARY

	2024	3 YEARS	5 YEARS	10 YEARS	15 YEARS
<b>Cedar Fund</b>	<b>17.4%</b>	<b>7.2%</b>	<b>9.3%</b>	<b>7.0%</b>	<b>8.4%</b>
<b>S&amp;P 500</b>	<b>25.0%</b>	<b>8.9%</b>	<b>14.5%</b>	<b>13.1%</b>	<b>13.9%</b>
<b>Russell 3000 Value</b>	<b>14.0%</b>	<b>5.4%</b>	<b>8.6%</b>	<b>8.4%</b>	<b>10.7%</b>

Dear Fellow Partners:

In 2024, Cedar Fund investments increased \$1.8 million on the performance rate strength of 17.4%. S&P 500 performance was 25.0%, and the Russell 3000 Value Index rose 14.0%. The value of your Cedar fund per unit finished at \$7,413. During 2024, Cedar Fund eliminated its interest in Longleaf Small Caps and replaced it with FPA Queens Road Small Capital Value.

Morningstar encapsulates the essence of 2024 as a year of exceptional performance, driven by robust economic growth, declining inflation, interest rate cuts by the Federal Reserve, and robust corporate earnings. Moreover, the artificial intelligence revolution catalyzed a second consecutive year of substantial gains for Big Tech stocks, which, in turn, propelled the overall market upward.

In 2024, the stock market's gains were primarily attributed to a select group of mega-cap tech companies, even as the rally gradually expanded and earnings demonstrated growth across various sectors. However, with tech valuations now appearing stretched, analysts anticipate a gradual shift into other sectors in 2025.

As President Trump continues to adopt an unconventional approach to addressing governmental regulations and wasteful spending, 2025 promises to be a year of challenges that could potentially have a positive impact on the markets.

One of Cedar Fund's guiding principles is a long-term perspective. We refrain from attempting to predict the short-term trajectory of the stock market. It is virtually impossible to anticipate the market's immediate actions. However, in the long run, the market is expected to continue its upward trajectory. Therefore, we maintain a fully invested position and do not adjust our cash positions in response to speculative market predictions. Any changes in our cash positions are made only when we perceive the absence or abundance of promising investment opportunities.

A notable aspect of our portfolio over the years is the rarity of changes in holdings. A study revealed that frequent investment changes can negatively impact performance. For instance, from 1984 to 2002, the average annual return for stock mutual funds was 10.2%, while the average annual return for individual stock investors who frequently changed investments was only 2.6%. The tendency of investors to chase performance and switch funds often leads to inferior results. When we invest in a new mutual fund or stock, we commit to holding it for at least ten years.

I often get asked about the future of Berkshire Hathaway. Over the past year, Warren Buffett has shared his vision for the succession of leadership at the company. He acknowledged that CEO transitions are complex, even in ideal circumstances with a well-thought-out succession plan. Leaders, after all, are individuals with ideas, agendas, and different leadership styles. Following a



leader as successful and closely connected to their company as Buffett is to Berkshire Hathaway adds an extra layer of complexity.

Buffett is widely regarded as the most successful investor of all time. He currently serves as both CEO and Chairman of Berkshire, and it's understandable for investors and employees to be concerned about the company's future after his passing.

Buffett has made it clear that after his death, he would prefer Greg Abel to become the CEO and his son, Howard, to become the Chairman of the Board. Over the years, Buffett has gradually delegated more responsibilities to Abel, who has demonstrated capable leadership qualities. Even after Buffett's departure, Berkshire will remain committed to its principles.

As Buffett said, "I care more about the future of Berkshire after I die than during my lifetime. It's my creation. What I want is a company that's successful and also reflects the values of its shareholders."

Berkshire Hathaway Class A & B represents 46.9% of Cedar Fund's total portfolio.

### 2024 PORTFOLIO SUMMARY

	PERFORMANCE	DOLLAR AMOUNT	ALLOCATION	
<b>Berkshire Hathaway Cl. B</b>	<b>27.1%</b>	<b>\$4,759,440</b>	<b>25.2%</b>	
<b>Berkshire Hathaway Cl. A</b>	<b>25.5%</b>	<b>\$4,085,520</b>	<b>21.7%</b>	
<b>Sequoia Fund</b>	<b>20.8%</b>	<b>\$937,285</b>	<b>5.0%</b>	
<b>Akre Focus</b>	<b>18.3%</b>	<b>\$711,902</b>	<b>3.8%</b>	
<b>FPA Crescent</b>	<b>14.0%</b>	<b>\$3,490,819</b>	<b>18.5%</b>	
<b>First Eagle Global</b>	<b>12.0%</b>	<b>\$3,515,880</b>	<b>18.6%</b>	
<b>FPA Queens Road Small Cap.</b>	<b>10.9%</b>	<b>\$276,525</b>	<b>1.5%</b>	
<b>Tweedy Browne International</b>	<b>2.5%</b>	<b>\$863,488</b>	<b>4.6%</b>	
<b>NET CASH</b>		<b>\$211,200</b>	<b>1.1%</b>	
<b>TOTAL ASSETS</b>		<b>\$18,852,059</b>		



## MANAGER'S HIGHLIGHTS (insights from Manager's year end reports)

- From **Akre Focus Fund** — We strive to accumulate capital over several decades at an exceptionally high rate of return while minimizing the level of risk involved. Our investment strategy is meticulously designed to be as “businesslike” as possible, avoiding any unnecessary abstraction. Our goal is to foster the enduring and optimistic expectations that we believe are essential for achieving this objective. From Visa, a prominent company at the larger end of the size spectrum, to CCC Intelligent Solutions, a smaller company at the other end, our Fund owns numerous exceptional businesses that are experiencing steady growth at attractive rates. We will continue to prioritize store quality, business performance, and value as our guiding principles.
- From **Berkshire Hathaway** — reflecting on Berkshire Hathaway's journey through 2024, it is evident that the company has adeptly navigated a landscape marked by both opportunity and challenge. The record cash reserve of \$325.2 billion not only underscores Berkshire's commitment to financial resilience but also positions it strategically to capitalize on potential market dislocations as they arise. This substantial liquidity echoes Warren Buffett's historical prudence during periods of economic uncertainty, reminiscent of his cautious maneuvers during the 2007-2008 financial crisis.
- From **FPA Crescent** — “Rudyard Kipling’s poem *Brother Square Toes* encourages the reader to maintain their values despite adversity. Looking past its antiquated male-centric view, its message emphasizes the virtues of humility, integrity, and self-belief that embody a good leader (and hopefully portfolio manager). It begins, “If you can keep your head when all about you are losing theirs...” which is what we have done in the past and hope to continue to do with the expectation that it should help your portfolio’s performance. Thoughtful stock selection by your portfolio managers, ever mindful of what can go wrong, will hopefully translate into a better and smoother journey than holding the cult stocks that seem to worry very few..”
- From **FPA Queens Road Small Cap. Value** — The strategy’s portfolio analysis reveals a substantial overweight position in both quality exposure and liquidity exposure compared to its category peers. Quality exposure involves holding stocks that consistently generate profits, exhibit growth, and possess robust balance sheets. Conversely, low liquidity exposure pertains to stocks with lower trading volumes, which restricts managers’ flexibility.
- From **First Eagle Global** — “As investors whose definition of risk is centered on avoiding the permanent impairment of capital rather than tracking error against a benchmark, the Global Value team remains focused on building portfolios that offer truly differentiated sources of risk and return and demonstrate perennial relevance. Selectivity is at the heart of our value-oriented investment process, and the flexibility of our mandate allows us to apply this selectivity to the global opportunity set from the bottom up. We look for assets we believe demonstrate scarce quality and value and invest in them only when we can do so at a “margin of safety.”<sup>17</sup> Our stock selection often is complemented by a structural allocation to gold—a store of value for millennia—as a potential hedge against extreme market outcomes.” While we remain concerned about the many risks facing investors in the current environment, we also see opportunity. But rather than making concentrated bets on



the direction of markets, we have continued to focus on investing in a diversified basket of individual assets we believe have the potential to demonstrate resilience across multiple states of the world.

- From **Tweedy Browne International** — ““TWEEDY, BROWNE ENTERS THE ETF MARKET. Entering the ETF space is a natural extension of our business and affords taxpaying investors access to our actively managed strategies within a tax-efficient ETF structure. We are attempting to address the growing demand for value-oriented investment options in these innovative investment vehicles,” said Jason Minard, Managing Director and head of client services at Tweedy, Browne.”
- From **Sequoia** — “We remain 100% focused on making sound assessments of individual businesses and investments. We pay little attention to whether we are “underweight” or “overweight” this or that sector, and we certainly do not target exposure to the Magnificent Seven or whatever the market leaders of the day might be. We are also realistic about long-term returns. Making predictions about the market is dangerous, but we are willing to make this one: in the longest term, it will not compound at over 25%, as it has over the past two years. We will go further: in the longest term, it will not compound at 15%, as it has since June 2016, and which puts it roughly 20% above its 50-year annualized return. The market’s compound is ultimately constrained by the growth of corporate profits and, even more fundamentally, the growth of the economy..”



## DESCRIPTION OF STOCKS AND MUTUAL FUNDS

**Akre Focus** — Targets stocks with ample free cash flows, sustainable competitive advantages, and strong records of cash reinvestment and management decisions, choosing to own just a relatively small number that the managers consider great companies. The Fund is managed by John Neff and Chris Cerrone.

**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.

**FPA Queens Road Small Cap Value** — The Fund aims to generate substantial long-term capital growth. To achieve its investment objective, it primarily invests in the equity securities of small-capitalization U.S. companies. Typically, the Fund allocates at least 80% of its assets to equity securities of companies with a small market capitalization.

**Sequoia** — Growth-oriented, large-cap mutual fund managed by three individuals, Arman Gokgol-Kline, John Harris and Trevor Magyar. 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.

**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, Roger R. deBree, Frank H. Hawrylak, Andrew Ewert 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.

## OTHER INFORMATION

As I've mentioned in my previous letters, reviewing a portfolio regularly is crucial. I meet with our consultant, Corey Harper, monthly to align our portfolio with our allocation goals and minimize realized capital gains. I avoid daily portfolio monitoring, believing that frequent rebalancing might cause more harm than good. Reacting to every market movement contradicts the advantages of adopting a long-term investing strategy.

Cedar Fund's website ([www.cedarfund.harfam.org](http://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.

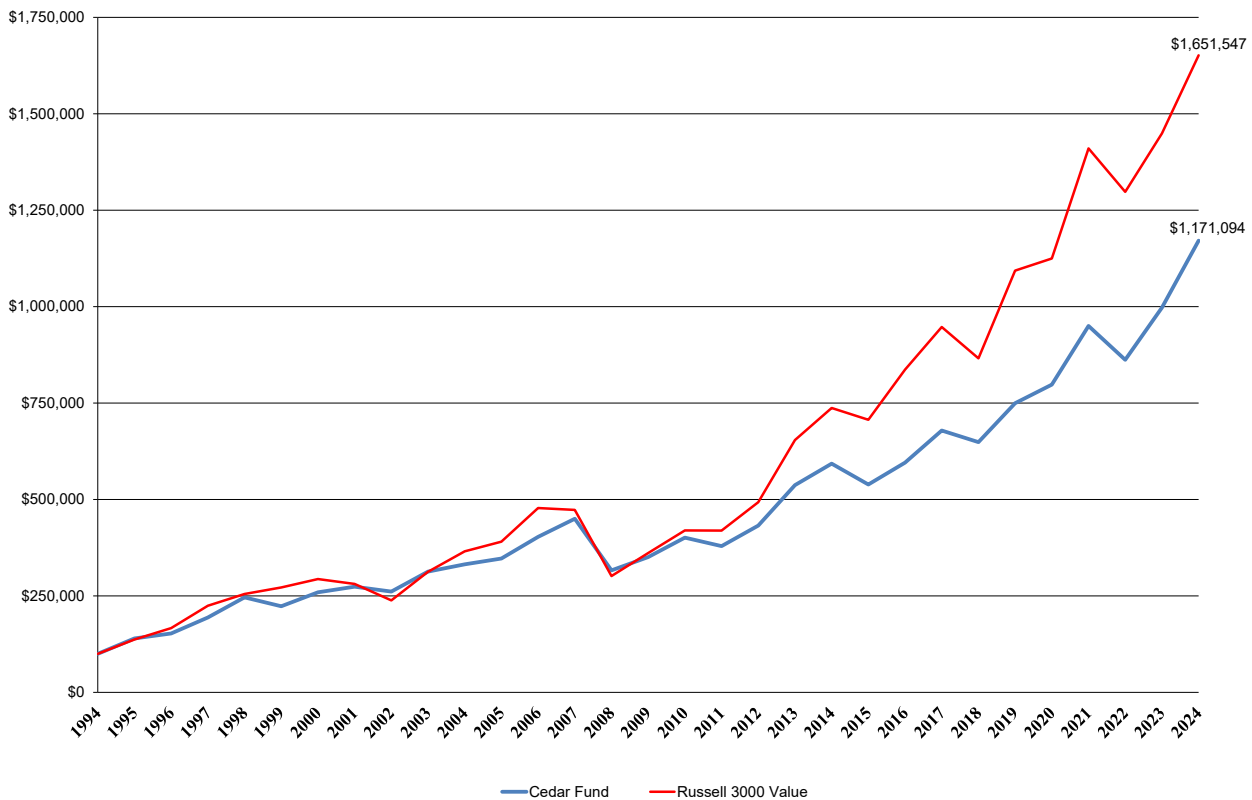
I welcome any comments or questions you have about Cedar Fund, its holdings and its investment philosophy. I can be reached by phone at (765) 277-1710 or by e-mail at [mark@harfam.org](mailto:mark@harfam.org).



Mark W. Harris, President  
Harris Harper Counsel Inc., Cedar Fund's General Partner

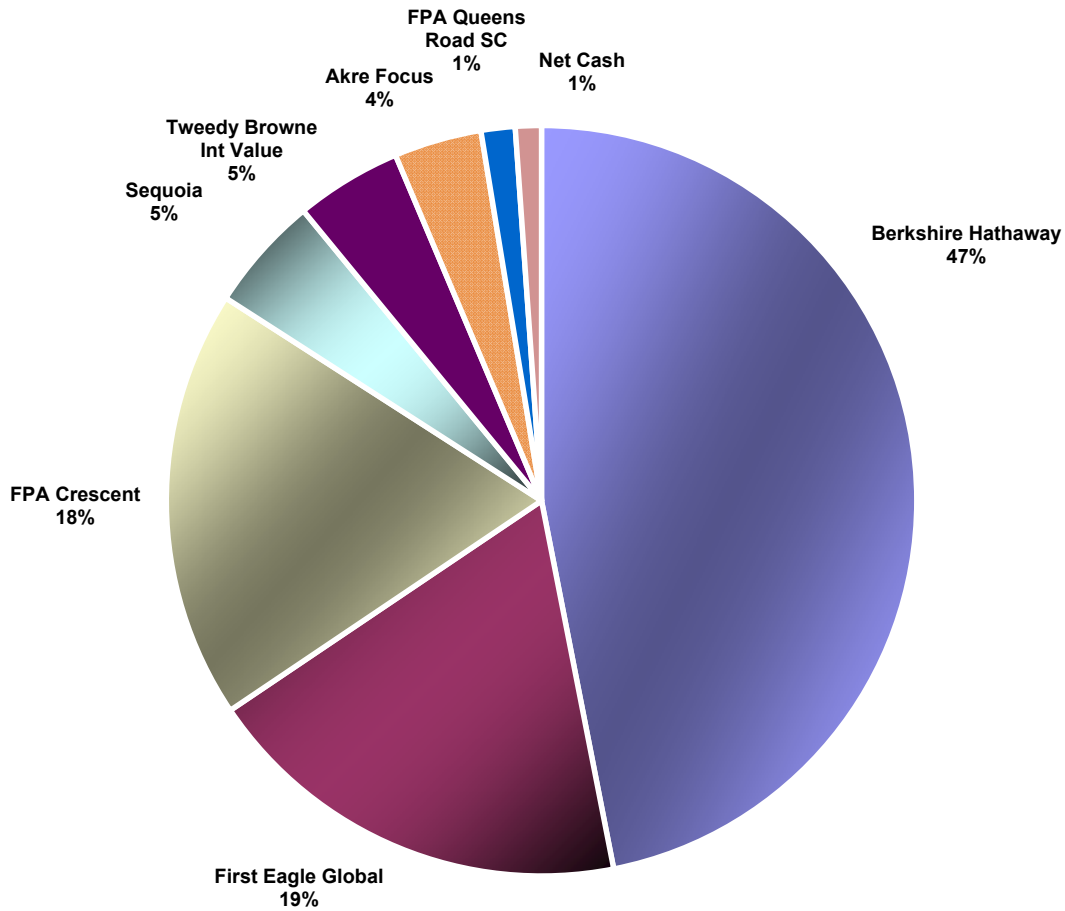
## Growth of \$100,000

1/1/1995 through 12/31/2024



# Cedar Fund Holdings

December 31, 2024



<u>% of Portfolio</u>	<u>Manager</u>	<u>Amount</u>
47%	Berkshire Hathaway	8,844,960
19%	First Eagle Global	3,515,880
18%	FPA Crescent	3,490,819
5%	Sequoia	937,285
5%	Tweedy Browne Int Value	863,488
4%	Akre Focus	711,902
1%	FPA Queens Road SC	276,525
1%	Net Cash	211,200
		<u>\$18,852,059</u>

