Sequoia Fund, Inc.

ANNUAL REPORT
DECEMBER 31, 2000

SEQUOIA FUND, INC.
ILLUSTRATION OF AN ASSUMED INVESTMENT OF $10,000
With Income Dividends Reinvested and Capital Gains Distributions Accepted in Shares

The table below covers the period from July 15, 1970 (the date Fund shares were first offered to the public) to December 31, 2000. This period was one of widely fluctuating common stock prices. The results shown should not be considered as a representation of the dividend income or capital gain or loss which may be realized from an investment made in the Fund today.

PERIOD ENDED:	Value of Initial $10,000 Investment	Value of Cumulative Capital Gains Distributions	Value of Cumulative Reinvested Dividends	Total Value of Shares
July 15, 1970	$ 10,000	$ —	$ —	$ 10,000
May 31, 1971	11,750	—	184	11,934
May 31, 1972	12,350	706	451	13,507
May 31, 1973	9,540	1,118	584	11,242
May 31, 1974	7,530	1,696	787	10,013
May 31, 1975	9,490	2,137	1,698	13,325
May 31, 1976	12,030	2,709	2,654	17,393
May 31, 1977	15,400	3,468	3,958	22,826
Dec. 31, 1977	18,420	4,617	5,020	28,057
Dec. 31, 1978	22,270	5,872	6,629	34,771
Dec. 31, 1979	24,300	6,481	8,180	38,961
Dec. 31, 1980	25,040	8,848	10,006	43,894
Dec. 31, 1981	27,170	13,140	13,019	53,329
Dec. 31, 1982	31,960	18,450	19,510	69,920
Dec. 31, 1983	37,110	24,919	26,986	89,015
Dec. 31, 1984	39,260	33,627	32,594	105,481
Dec. 31, 1985	44,010	49,611	41,354	134,975
Dec. 31, 1986	39,290	71,954	41,783	153,027
Dec. 31, 1987	38,430	76,911	49,020	164,361
Dec. 31, 1988	38,810	87,760	55,946	182,516
Dec. 31, 1989	46,860	112,979	73,614	233,453
Dec. 31, 1990	41,940	110,013	72,633	224,586
Dec. 31, 1991	53,310	160,835	100,281	314,426
Dec. 31, 1992	56,660	174,775	112,428	343,863
Dec. 31, 1993	54,840	213,397	112,682	380,919
Dec. 31, 1994	55,590	220,943	117,100	393,633
Dec. 31, 1995	78,130	311,266	167,129	556,525
Dec. 31, 1996	88,440	397,099	191,967	677,506
Dec. 31, 1997	125,630	570,917	273,653	970,200
Dec. 31, 1998	160,700	798,314	353,183	1,312,197
Dec. 31, 1999	127,270	680,866	286,989	1,095,125
Dec. 31, 2000	122,090	903,255	289,505	1,314,850

The total amount of capital gains distributions accepted in shares was $575,095, the total amount of dividends reinvested was $106,028.

No adjustment has been made for any taxes payable by shareholders on capital gain distributions and dividends reinvested in shares.

To the Shareholders of Sequoia Fund, Inc.

Dear Shareholder:

Sequoia Fund's results for the fourth quarter and full year 2000 are shown below with comparable results for the leading market indexes:

2000	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
Fourth Quarter	+8.4%	+1.7%	−7.8%
Year	+20.1	−4.7	−9.1

The new millenium came in with a bang and for the first two months seemed intent on blasting Sequoia and its classic 20th century stocks into oblivion. During that brief period, Sequoia dropped 18% while stocks of the 21st century, as measured by the NASDAQ Index, soared 24%, leaving us lying in the dust. If anyone had told us on March 10th that the year would end with Sequoia up 20% and the NASDAQ down 39%, we would have come out from underneath our desks, kissed them and then called the man with the white coat. Once again we thank our loyal shareholders who remained with us through this hurricane of a period. We repeat our past advice that the best prescription for calm behavior in a difficult stock market is to maintain a comfortable reserve in short term treasuries or other high quality cash equivalents.

The year 2000 was characterized by extreme volatility created by thousands of hyperactive money managers and individual traders swarming from the tech to the non-tech and from sector to sector looking for escape from punishment and hoping to get aboard the latest momentum favorite. This volatility created periodic opportunities for us to purchase stock in a number of fine companies at attractive prices, but the chance to buy significant amounts under our price discipline was often fleeting.

One new position, Ethan Allen, is one of the country's finest furniture companies. CEO Farooq Kathwari has transformed what was a respected, if somewhat sleepy, manufacturer and retailer of colonial furniture into a larger and more dynamic company offering a much wider line of high quality furniture and accessories, sold by designers in over 300 stores. While not immune from cyclical influences, Ethan Allen should continue to demonstrate good earnings growth in the years to come. We were able to buy an interest in this highly regarded company at depressed prices during 2000.

The largest new position, TJX, may be more familiar to astute shoppers as the owner of TJ Maxx and Marshalls. We were attracted by the company's overwhelming dominance in the retailing of off-price apparel and other merchandise such as home accessories. As the old saying in the apparel business goes, ''when people don't want Nehru jackets, you have no idea how many Nehru jackets they don't want!'' TJX leads the industry in successfully distributing the ''excesses'' which are a fact of life in the apparel business. TJX has expanded into Canada and the United Kingdom and management believes there is room for another 500 TJ Maxx and Marshalls in the United States. In addition, the company has a couple of newer formats that offer opportunity for future growth. TJX is a prodigious cash generator and in recent years has used much of that cash to repurchase shares. Its past record of growth and return on capital rank it with the top companies of size in the country.

We have held the opinion for years that Carol Loomis of **Fortune Magazine** is one of the finest financial reporters of our era. We would like to recommend two of her recent articles. In her February 5th article, *The 15% Delusion*, she writes that ''serial grandstanding about goals and targets has somehow become accepted executive behavior. The most common goal articulated among good-sized companies is annual growth in earnings per share of 15%.'' However, citing two studies, she points out how rare it is that large companies actually succeed in achieving 15% growth over long periods of time.

In our opinion, investors should be very wary of falling for the touted ''15% (or 20%) delusion'' and paying prices for stocks predicated on assumed future growth rates that are highly unlikely to be realized over the long term. Investors should also be wary of the quality of earnings of these companies, which may go to all lengths in order to sustain the ''15% delusion'' for as long as possible. Ms. Loomis elaborates: ''The record shows that ambitious goals, often combined with incentive compensation plans that encourage unwise behavior, have time and time again led corporations to ''manage'' earnings in unfortunate ways. Sometimes their behavior is simply uneconomical, as when they aggressively peddle cut-price merchandise at the end of a quarter, thereby stealing from full-price business down the road. Or they may use capital poorly, buying themselves earnings in the short run but creaming their returns on capital. Worse, they may cook the books, letting their zeal for making the numbers push them over the legal line.''

In the cover story in the February 19th issue of **Fortune**, Ms. Loomis writes about Warren Buffett and Berkshire Hathaway, which has once again been voted into the top 10 of ''America's Most Admired (Companies)''. The article provides a lucid overview of Berkshire — Sequoia's largest portfolio position — and how it has evolved over the years. Ms. Loomis observes that, while widely known for his public stock picking prowess, Mr. Buffett has a decided preference for acquiring entire businesses rather than parts of businesses. In 2000, Buffett continued to make progress in investing Berkshire's significant cash hoard with $8 billion in acquisitions of a number of companies, including several companies in the building field. These include Benjamin Moore (paint), Shaw Industries (carpet), Justin Industries (bricks) and Johns Manville (insulation and roofing products). Berkshire also purchased shares constituting a 15% interest in the nation's largest producer of wallboard. The aggregate consideration for these five investments totaled about $6 billion and, we believe, should yield roughly $500 million of annual earnings to Berkshire, approximately doubling the returns from the fixed income securities which were sold to fund the deals. Even after completing all of its 2000 transactions, Berkshire will still have over $30 billion in cash available for the purchase of entire businesses and/or parts of businesses through the stock market.

Ms. Loomis' articles may be accessed on **Fortune's** website, or, for those of you with no tech capability, we will be happy to send you copies of these articles if you request them by mail to Sequoia Fund at our New York offices.

We suspect that the future will provide us with greater challenges than those of the last decade but it will undoubtedly provide opportunities for gain as well. We again recommend more strongly than ever that you keep your expectations low and we will continue to try to exceed them.

Sincerely,

Carley Cunniff
Executive Vice President

Richard T. Cunniff
Vice Chairman

Robert D. Goldfarb
President

William J. Ruane
Chairman

February 21, 2001

SEQUOIA FUND, INC.
Schedule of Investments
December 31, 2000

COMMON STOCKS (75.21%)

Shares		Cost	Value (Note 1)
	BANK HOLDING COMPANIES (14.56%)		
8,710,393	Fifth Third Bancorp	$ 87,194,981	$ 520,445,982
243,300	Mercantile Bankshares Corporation	2,547,217	10,507,519
1,597,200	National Commerce Bancorp	14,662,488	39,530,700
		104,404,686	570,484,201
	CHEMICAL PRODUCTS (0.70%)		
1,439,800	MacDermid Inc.	41,509,367	27,356,200
	DEPARTMENT STORES (5.59%)		
7,893,800	TJX Companies, Inc.	170,148,431	219,052,950
	DIVERSIFIED COMPANIES (35.64%)		
19,661	Berkshire Hathaway Inc. Class A*	157,992,830	1,395,931,000
	HOME FURNISHINGS (2.06%)		
2,414,000	Ethan Allen Interiors, Inc.†	61,511,689	80,869,000
	INDUSTRIAL & COMMERCIAL MACHINERY (3.20%)		
3,087,350	Dover Corporation	109,217,300	125,230,634
	INSURANCE (6.43%)		
2,430,500	Progressive Corporation†	81,538,669	251,860,562
	MANUFACTURING-MOTORCYCLES (0.78%)		
772,900	Harley Davidson, Inc.	5,075,237	30,722,775
	PERSONAL CREDIT (2.15%)		
1,532,200	Household International Inc.	19,301,397	84,271,000
	Miscellaneous Securities (4.10%)	130,023,754	160,528,000
	TOTAL COMMON STOCKS	880,723,360	2,946,306,322
Principal Amount			
	U.S. GOVERNMENT OBLIGATIONS (24.79%)		
$ 32,000,000	U.S. Treasury Bills due 2/01/01 through 2/15/01	31,811,379	31,811,379
745,500,000	U.S. Treasury Notes, 6 1/8% due 12/31/2001	743,203,427	749,926,406
187,500,000	U.S. Treasury Notes, 6 3/8% due 01/31/2002	187,071,303	189,228,516
	TOTAL U.S. GOVERNMENT OBLIGATIONS	962,086,109	970,966,301
	TOTAL INVESTMENTS (100%)††	$1,842,809,469	$3,917,272,623

†† The cost for federal income tax purposes is identical.
* Non-income producing.
† Refer to Note 6.

The accompanying notes form an integral part of these Financial Statements

SEQUOIA FUND, INC.
Statement of Assets and Liabilities
December 31, 2000

ASSETS:

Investments in securities, at value (cost $1,842,809,469) (Note 1)	$3,917,272,623
Cash on deposit with custodian	973,750
Receivable for capital stock sold	735,828
Dividends and interest receivable	30,183,147
Other assets	43,635
Total assets	3,949,208,983

LIABILITIES:

Payable for capital stock repurchased	2,252,844
Accrued investment advisory fee	2,972,089
Accrued other expenses	105,166
Total liabilities	5,330,099
Net assets applicable to 32,303,312 shares of capital stock outstanding (Note 4)	$3,943,878,884
Net asset value, offering price and redemption price per share	$122.09

The accompanying notes form an integral part of these Financial Statements.

SEQUOIA FUND, INC.
Statement of Operations
Year Ended December 31, 2000

INVESTMENT INCOME:	
Income:	
Dividends:	
Unaffiliated companies	$ 16,721,577
Affiliated companies (Note 6)	1,179,851
Interest	63,862,375
Other Income	70,808
Total income	81,834,611
Expenses:	
Investment advisory fee (Note 2)	36,687,368
Legal and auditing fees	82,555
Stockholder servicing agent fees	370,768
Custodian fees	80,000
Directors fees and expenses (Note 5)	186,905
Other	120,804
Total expenses	37,528,400
Less expenses reimbursed by Investment Adviser (Note 2)	691,000
Net expenses	36,837,400
Net investment income	44,997,211
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Realized gain on investments:	
Unaffiliated companies	862,104,690
Affiliated companies (Note 6)	80,139,155
Net realized gain on investments	942,243,845
Net decrease in unrealized appreciation on:	
Investments	(315,156,819)
Net realized and unrealized gain (loss) on investments	627,087,026
Increase in net assets from operations	$ 672,084,237

The accompanying notes form an integral part of these Financial Statements.

SEQUOIA FUND, INC.
Statements of Changes in Net Assets

	Year Ended December 31, 2000	1999
INCREASE (DECREASE) IN NET ASSETS:		
From operations:		
Net investment income	$ 44,997,211	$ 25,437,067
Net realized gains	942,243,845	146,273,356
Net (decrease) in unrealized appreciation	(315,156,819)	(969,232,109)
Net increase/(decrease) in net assets from operations	672,084,237	(797,521,686)
Distributions to shareholders from:		
Net investment income	(45,137,144)	(26,006,104)
Net realized gains	(761,659,017)	(204,435,454)
Capital share transactions (Note 4)	181,707,472	(77,044,856)
Total increase/(decrease)	46,995,548	(1,105,008,100)
NET ASSETS:		
Beginning of year	3,896,883,336	5,001,891,436
End of year	$3,943,878,884	$3,896,883,336
NET ASSETS CONSIST OF:		
Capital (par value and paid in surplus)	$1,794,951,606	$1,506,881,082
Undistributed net investment income	39,460	179,393
Undistributed net realized gains	74,424,664	202,888
Unrealized appreciation	2,074,463,154	2,389,619,973
Total Net Assets	$3,943,878,884	$3,896,883,336

The accompanying notes form an integral part of these Financial Statements.

SEQUOIA FUND, INC.
Notes To Financial Statements

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES:

Sequoia Fund, Inc. is registered under the Investment Company Act of 1940, as amended, as a non-diversified, open-end management company. The investment objective of the Fund is growth of capital from investments primarily in common stocks and securities convertible into or exchangeable for common stock. The following is a summary of significant accounting policies, consistently followed by the Fund in the preparation of its financial statements.

A. *Valuation of investments:* Investments are carried at market value or at fair value as determined by the Board of Directors. Securities traded on a national securities exchange are valued at the last reported sales price on the principal exchange on which the security is listed on the last business day of the period; securities traded in the over-the-counter market are valued at the last reported sales price on the NASDAQ National Market System on the last business day of the period; listed securities and securities traded in the over-the-counter market for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices; U.S. Treasury Bills with remaining maturities of 60 days or less are valued at their amortized cost. U.S. Treasury Bills that when purchased have a remaining maturity in excess of sixty days are stated at their discounted value based upon the mean between the bid and asked discount rates until the sixtieth day prior to maturity, at which point they are valued at amortized cost.

B. *Accounting for investments:* Investment transactions are accounted for on the trade date and dividend income is recorded on the ex-dividend date. The net realized gain or loss on security transactions is determined for accounting and tax purposes on the specific identification basis.

C. *Federal income taxes:* It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its stockholders. Therefore, no federal income tax provision is required.

D. *Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

E. *General:* Dividends and distributions are recorded by the Fund on the ex-dividend date. Interest income is accrued as earned.

NOTE 2—INVESTMENT ADVISORY CONTRACTS AND PAYMENTS TO INTERESTED PERSONS:

The Fund retains Ruane, Cunniff & Co., Inc. as its investment adviser. Ruane, Cunniff & Co., Inc. (Investment Adviser) provides the Fund with investment advice, administrative services and facilities.

Under the terms of the Advisory Agreement, the Investment Adviser receives a management fee equal to 1% per annum of the Fund's average daily net asset values. This percentage will not increase or decrease in relation to increases or decreases in the net asset value of the Fund. Under the Advisory Agreement, the Investment Adviser is obligated to reimburse the Fund for the amount, if any, by which the operating expenses of the Fund (including the management fee) in any year exceed the sum of 1-1/2% of the average daily net asset values of the Fund during such year up to a maximum of $30,000,000, plus 1% of the average daily net asset values in excess of $30,000,000. The expenses incurred by the Fund exceeded the percentage limitation during the year ended December 31, 2000 and the Investment Adviser reimbursed the Fund $691,000.

For the year ended December 31, 2000, there were no amounts accrued to interested persons, including officers and directors, other than advisory fees of $36,687,368 and brokerage commissions of $1,804,650 to Ruane, Cunniff & Co., Inc. Certain officers of the Fund are also officers of the Investment Adviser and the Fund's distributor. Ruane, Cunniff & Co., Inc., the Fund's distributor, received no compensation from the Fund on the sale of the Fund's capital shares during the year ended December 31, 2000.

NOTE 3—PORTFOLIO TRANSACTIONS:

The aggregate cost of purchases and the proceeds from the sales of securities, excluding U.S. government obligations, for the year ended December 31, 2000 were $456,142,778 and $1,179,737,594, respectively. Included in proceeds of sales is $142,126,372 representing the value of securities disposed of in payment of redemptions in-kind, resulting in realized gains of $106,363,052. As a result of the redemptions in-kind, net realized gains differ for financial statement and tax purposes. These realized gains have been reclassified from undistributed realized gains to paid in surplus in the accompanying financial statements.

At December 31, 2000 the aggregate gross unrealized appreciation and depreciation of securities were $2,088,616,321 and $14,153,167, respectively.

NOTE 4—CAPITAL STOCK:

At December 31, 2000 there were 100,000,000 shares of $.10 par value capital stock authorized. Transactions in capital stock were as follows:

	2000		1999	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold	715,998	$ 90,211,693	1,202,565	$176,388,982
Shares issued to stockholders on reinvestment of:				
Net investment income	184,579	22,203,418	145,003	18,304,561
Net realized gain on investments	5,443,920	654,982,903	1,296,655	184,338,802
	6,344,497	767,398,014	2,644,223	379,032,345
Shares repurchased	4,659,821	585,690,542	3,151,477	456,077,201
Net Increase/(Decrease)	1,684,676	$ 181,707,472	(507,254)	$ (77,044,856)

NOTE 5—DIRECTORS FEES AND EXPENSES:

Directors who are not deemed "interested persons" receive fees of $6,000 per quarter and $2,500 for each meeting attended, and are reimbursed for travel and other out-of-pocket disbursements incurred in connection with attending directors meetings. The total of such fees and expenses paid by the Fund to these directors for the year ended December 31, 2000 was $186,905.

NOTE 6—AFFILIATED COMPANIES:

Investment in portfolio companies 5% or more of whose outstanding voting securities are held by the Fund are defined in the Investment Company Act of 1940 as ''affiliated companies.'' The total value and cost of investments in affiliates at December 31, 2000 aggregated $80,869,000 and $61,511,689, respectively. The summary of transactions for each affiliate during the period of their affiliation for the year ended December 31, 2000 is provided below:

	Purchases		Sales			
Affiliate	Shares	Cost	Shares	Cost	Realized Gain	Dividend Income
Progressive Corporation	—	—	1,370,400	$47,611,815	$79,864,935	$1,001,015
Ethan Allen Interiors, Inc.	2,477,100	63,027,932	63,100	$ 1,516,243	274,220	178,836
					$80,139,155	$1,179,851

NOTE 7—FINANCIAL HIGHLIGHTS:

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Per Share Operating Performance (for a share outstanding throughout each year)					
Net asset value, beginning of year	$ 127.27	$ 160.70	$ 125.63	$ 88.44	$ 78.13
Income from investment operations:					
Net investment income	1.66	0.84	0.39	0.08	0.38
Net realized and unrealized gains (losses) on investments	23.33	(26.83)	43.07	38.10	16.41
Total from investment operations	24.99	(25.99)	43.46	38.18	16.79
Less distributions:					
Dividends from net investment income	(1.66)	(0.85)	(0.37)	(0.08)	(0.38)
Distributions from net realized gains	(28.51)	(6.59)	(8.02)	(0.91)	(6.10)
Total distributions	(30.17)	(7.44)	(8.39)	(0.99)	(6.48)
Net asset value, end of year	$ 122.09	$ 127.27	$ 160.70	$ 125.63	$ 88.44
Total Return	20.1%	−16.5%	35.3%	43.2%	21.7%
Ratios/Supplemental data					
Net assets, end of year (in millions)	$3,943.9	$3,896.9	$5,001.9	$3,672.6	$2,581.0
Ratio to average net assets:					
Expenses	1.0%	1.0%	1.0%	1.0%	1.0%
Net investment income	1.2%	0.6%	0.3%	0.1%	0.4%
Portfolio turnover rate	36%	12%	21%	8%	23%

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Sequoia Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Sequoia Fund, Inc. (the ''Fund'') at December 31, 2000, the results of its operations for the year then ended, and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as ''financial statements'') are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2000 by correspondence with the custodian, provide a reasonable basis for our opinion. The financial highlights for each of the three years in the period ended December 31,1998 were audited by other independent accountants whose report dated January 15, 1999 expressed an unqualified opinion on those statements.

PricewaterhouseCoopers LLP
New York, New York
January 19, 2001

SEQUOIA FUND, INC.
767 Fifth Avenue, Suite 4701
New York, New York 10153-4798
Website: *www.sequoiafund.com*

DIRECTORS

William J. Ruane
Richard T. Cunniff
Robert D. Goldfarb
Carol L. Cunniff
John M. Harding
Roger Lowenstein
Francis P. Matthews
C. William Neuhauser
Robert L. Swiggett

OFFICERS

William J. Ruane	— *Chairman of the Board*
Richard T. Cunniff	— *Vice Chairman*
Robert D. Goldfarb	— *President*
Carol L. Cunniff	— *Executive Vice President*
Joseph Quinones, Jr.	— *Vice President, Secretary & Treasurer*

INVESTMENT ADVISER & DISTRIBUTOR

Ruane, Cunniff & Co., Inc.
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New York, New York 10153-4798

CUSTODIAN

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REGISTRAR AND SHAREHOLDER SERVICING AGENT

DST Systems, Inc.
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This report has been prepared for the information of shareholders of Sequoia Fund, Inc.