Sequoia
Fund, Inc.

ANNUAL
REPORT
December 31, 2004

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

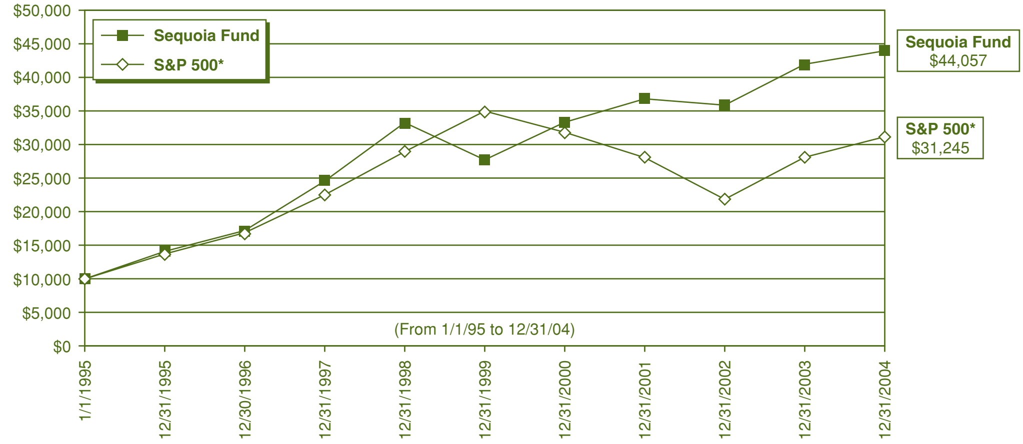
The table below covers the period from July 15, 1970 (the date Fund shares were first offered to the public) to December 31, 2004. This period was one of widely fluctuating common stock prices. The results shown should not be considered as a representation of the dividend income or capital gain or loss 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
Dec. 31, 2001	130,240	1,002,955	319,980	1,453,175
Dec. 31, 2002	126,630	976,920	311,226	1,414,776
Dec. 31, 2003	147,610	1,146,523	362,790	1,656,923
Dec. 31, 2004	154,270	1,200,687	379,159	1,734,116

The total amount of capital gains distributions accepted in shares was $622,656, the total amount of dividends reinvested was $116,740.

No adjustment has been made for any taxes payable by shareholders on capital gain distributions, dividends reinvested in shares or sale of fund shares.

Comparison of a change in value of a $10,000 Investment in Sequoia Fund and the S&P 500 Index*



* The S&P 500 Index is an unmanaged, capitalization-weighted index of the common stocks of 500 major US corporations.

The information presented for the Fund assumes reinvestment of dividends and capital gains distributions and does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Past performance is not indicative of future results.

To the Shareholders of Sequoia Fund, Inc.

Dear Shareholder:

Sequoia Fund's results for the quarter and year ended December 31, 2004 appear below along with comparable results for the major market indexes:

To December 31, 2004	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
Fourth Quarter	3.83%	7.55%	9.22%
1 Year	4.66%	5.34%	10.92%
5 Years (Annualized)	9.65%	0.67%	–2.33%
10 Years (Annualized)	16.02%	13.13%	12.07%

The S&P 500 Index is an unmanaged, capitalization-weighted index of the common stocks of 500 major US corporations. The Dow Jones Industrial Average is an unmanaged, price-weighted index of 30 actively traded blue chip stocks. The performance data quoted represents past performance and assumes reinvestment of dividends. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

We do not normally provide you with an early estimate of Sequoia's year-end capital gains distributions. However, due to the magnitude of this distribution in 2005, we felt we should alert our tax-paying shareholders that it is likely to be approximately $10 per share. We recommend that you keep this in mind for your tax planning. We will provide updated information in our March report.

Sincerely,

Richard T. Cunniff
Vice Chairman

David M. Poppe
Executive Vice President

William J. Ruane
Chairman

Robert D. Goldfarb
President

February 18, 2005

Management's Discussion of Fund Performance

The Fund's total return for the year 2004 was 4.7%, including reinvestment of dividends. This compares to the 10.9% return of the S&P 500. Our investment philosophy is to make concentrated investments in a limited number of companies that have superior long-term economic prospects and that sell at what we believe are attractive prices. We do not own a broad basket of stocks, and as a result the performance of the Fund will often vary significantly from that of the overall market in any given year.

The table below shows the stock price performance of the Fund's major positions for 2004:

Position	% of assets 12/31/03	Price Change	% of assets 12/31/04
Berkshire Hathaway	34.7%	4.3%	35.2%
Progressive Corp.	12.8%	1.5%	12.6%
Mohawk Industries	6.6%	29.4%	8.4%
TJX	7.2%	14.0%	8.0%
Fifth Third Bancorp	10.8%	–20.0%	5.6%
Fastenal	2.9%	23.7%	3.6%
Top six positions	75.0%		73.4%

We're less concerned with the annual movement in share prices than we are with the earnings progress exhibited by our holdings. If earnings grow, the stock price eventually follows.

We expect Berkshire Hathaway will turn in satisfactory results for 2004 that were somewhat obscured by several one-time events. In the third quarter, the Florida hurricanes produced $816 million after-tax in losses in the insurance businesses. Berkshire also booked a one-time non-cash charge of $255 million, its share of a write-down taken by MidAmerican in connection with the termination of a mineral extraction project. And a number of high-yield and investment grade securities matured in 2004, with the proceeds going into low-yielding cash. Berkshire's reported earnings took a short-term hit, but its earning power didn't change. It's worth noting that Berkshire also earned significant foreign currency trading profits in 2004, as it did on fixed-income arbitrage in 2003. Accounting conventions do not allow including these gains in operating earnings.

Despite the downward pressures on reported profits this year, we believe that Berkshire is continuing to make steady progress in increasing its earning power over the long run. One measure of that growth is the burgeoning investment portfolio at Berkshire's insurance subsidiaries: At September 30, it was $97.0 billion, up nearly 30% over the last two years. Additionally if there were ever a significant stress in the financial system, Berkshire, with its ample liquidity, has the potential to step its current earnings power up even higher than the current trend line.

Progressive's operating results were strong in 2004. Net premiums earned rose 16% for the year and the company's underwriting margin was an impressive 14.9%. Earnings per share rose 34% to $7.63. To be sure, growth in premiums decelerated during the year and the underwriting margin is not likely to remain so robust in 2005. The auto insurance industry is cyclical. Rates inevitably tend to soften in response to improving underwriting margins. Still, we believe Progressive's margins will remain healthy and written premiums will keep growing, albeit at a slower pace. The company recently bought back 8% of its shares outstanding, which will also boost earnings per share this year. Progressive has just 7% of the U.S. car insurance market, and over time we believe consumers will find Progressive a great value and drive its market share higher.

The third-largest position in the Fund is now Mohawk Industries, the country's largest flooring business. Mohawk and its rival, Shaw Industries, which is owned by Berkshire Hathaway, have spent many years consolidating a highly fragmented and inefficient industry down to two strong players. Simultaneously, Mohawk has benefited from the U.S. housing boom, which has kept demand for flooring products quite high. As a result, Mohawk's results over the past few years have been terrific. It earned $3.00 per share in 2000. In 2005, we believe earnings per share could exceed $6. That 15% growth rate has come despite big increases in the price of oil, the main source of raw material for carpet. Mohawk's management has wisely deployed its growing earnings back into the business, buying up other flooring companies and some suppliers. We believe Mohawk has a bright future.

TJX continues to perform as we expected when we bought the stock in 2000. Since then, its earnings per share have grown at a 10% annual rate. The stock has appreciated faster than earnings, but still trades at a discount to the S&P 500. The retail apparel business is difficult. Over the past four years, the number of units sold in the U.S. has barely risen, while pricing has declined slightly. The result is a stagnant industry. Indeed, several U.S. department stores earned less in 2004 than they did four years earlier. That makes TJX's steady growth look even better.

That said, TJX is at something of a crossroads. Its core Marmaxx business, which consists of TJ Maxx and Marshalls stores, continues to perform well but is clearly maturing. The same is true of the Canadian division, Winners. In coming years, investors will need to see better performance at the company's younger divisions, which include TK Maxx in the UK and Ireland, HomeGoods and AJ Wright. All three younger concepts stumbled in 2004, which is worrisome. We expect to see significant progress in 2005.

Fifth Third Bancorp represented a major drag on results at the Fund in both 2003 and 2004, coming after years of stalwart performance. What went wrong? As interest rates reached generational lows, Fifth Third could not reduce its already low cost of deposits. Yet to stay competitive with other lenders it had to reduce the interest rates it charged borrowers. Inevitably, its net interest margin tightened. This is an obvious problem. In an attempt to preserve its net interest income, it entered into a series of off-balance sheet interest rate swaps to protect it against the possibility that the Federal Reserve would lower interest rates still further. When the Fed began raising short-term rates during the year, the bank paid a dear price to terminate the swaps.

The bank's unsuccessful effort to acquire National Commerce Financial as well as its successful effort to acquire First National Bankshares of Florida highlighted the challenge of continuing to grow rapidly in the mature markets of the Midwest.

We sold a substantial portion of the Fund's position, but we regret that we didn't act sooner. Nevertheless, over our 11-year holding period, Fifth Third provided us with a compound annual total return of 17.8%. We want to thank George Schaefer, Neal Arnold and their hard-working team for enriching our shareholders.

Fastenal continues to impress us with its culture of enterprise and hard work. Sales rose by 24.5% and earnings per share by 55.0% for the year. The stock currently trades for nearly 30 times this year's estimated earnings. At times, it can be tempting to sell shares at such lofty levels. But we continue to believe that Fastenal has very significant long-term growth opportunities. We also have great respect for management's capabilities and integrity. These factors give us the confidence to maintain our holdings.

We could make similar remarks about Expeditors International and Walgreen. Both stocks trade at high price-to-earnings ratios. But both companies have uniquely competitive cultures and strong market positions. Expeditors has an exceptionally strong presence in the surging trade lane between China and the U.S. Walgreen fills more daily prescriptions per store than any other major retailer, giving it significant economies of scale. For the year, Expeditors rose 48.4% and Walgreen 5.5%.

One of our most disappointing stocks in 2004 was Tiffany & Co. It lost 29.3% of its value during the year, and it continues to struggle to reverse declining earnings in its highly profitable Japanese business.

During the year, the Fund reduced its holdings in Fifth Third Bancorp from 10.8% of assets to 5.6%. The Fund added to three positions: Gtech Holdings, Walgreen and Idexx Laboratories. The Fund initiated three small positions, Wal-Mart Stores, Petsmart and O'Reilly Automotive. The Fund also bought and sold two small positions during the year, AutoZone and Jacobs Engineering. The Fund suffered losses on both stocks.

At the end of the year, Sequoia was 90.8% invested in stocks, compared to 85.6% a year earlier. In both years, the remainder of Sequoia's assets was held in cash and cash equivalents.

Shareholder Expense Example

As a shareholder of the Fund, you incur ongoing costs, including management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period (July 1, 2004 to December 31, 2004).

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and will not help you determine the relative total costs of owning different funds.

	Beginning Account Value July 1, 2004	Ending Account Value December 31, 2004	Expenses Paid During Period* July 1, 2004 to December 31, 2004
Actual	$1,000	$1,014.13	$5.06
Hypothetical (5% return per year before expenses)	$1,000	$1,020.11	$5.08

** Expenses are equal to the Fund's annualized expense ratio of 1.00%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).*

SEQUOIA FUND, INC.
Schedule of Investments
December 31, 2004

COMMON STOCKS (90.79%)

Shares		Value (Note 1)
	AUTO & HOME SUPPLY STORES (1.07%)	
896,915	O'Reilly Automotive Inc.*	$ 40,406,021
	BANK HOLDING COMPANIES (5.62%)	
4,455,511	Fifth Third Bancorp	210,656,560
9,921	Mercantile Bankshares Corporation	517,876
		211,174,436
	BUILDING MATERIALS (3.56%)	
2,175,067	Fastenal Company	133,897,125
	COMPUTER PROGRAMMING SERVICES (1.52%)	
2,203,879	GTECH Holdings Corporation	57,190,660
	CHEMICAL DIAGNOSTIC SUBSTANCES (2.31%)	
1,589,551	IDEXX Laboratories Inc*	86,773,589
	DIVERSIFIED COMPANIES (35.31%)	
15,104	Berkshire Hathaway Inc. Class A*	1,327,641,600
126	Berkshire Hathaway Inc. Class B*	369,936
		1,328,011,536
	FREIGHT TRANSPORTATION (2.83%)	
1,905,533	Expeditors International of Washington, Inc.	106,481,184
	HOME FURNISHINGS (1.97%)	
1,855,059	Ethan Allen Interiors, Inc.†	74,239,461
	INSURANCE AGENTS & BROKERS (1.76%)	
1,524,207	Brown & Brown Inc.	66,379,215
	INSURANCE (12.64%)	
5,603,253	Progressive Corporation — Ohio	475,379,985
	MANUFACTURING (0.51%)	
314,531	Harley Davidson, Inc.	19,107,758
	MEDICAL & HOSPITAL EQUIPMENT (0.15%)	
126,726	Patterson Companies Inc.*	5,498,641
	TEXTILE — CARPETS (8.38%)	
3,455,247	Mohawk Industries Inc.†*	315,291,289

Shares		Value (Note 1)
	PROCESS CONTROL INSTRUMENTS (0.62%)	
405,360	Danaher Corporation	$ 23,271,718
	RETAILING (12.54%)	
42,001	Costco Wholesale Corporation	2,033,268
97,260	Petsmart Inc	3,455,648
1,229,591	Tiffany & Company	39,310,024
12,042,702	TJX Companies, Inc.	302,633,101
724,603	Wal-Mart Stores Inc	38,273,530
2,237,113	Walgreen Company	85,838,026
		471,543,597
	TOTAL COMMON STOCKS (COST $1,068,684,011)	$3,414,646,215
Principal Amount		
	U.S. GOVERNMENT OBLIGATIONS (9.21%)	
$347,000,000	U.S. Treasury Bills due 01/13/05 through 02/10/05	346,596,120
	TOTAL U.S. GOVERNMENT OBLIGATIONS (Cost $346,596,120)	346,596,120
	TOTAL INVESTMENTS (100%)†† (Cost $1,415,280,131)	$3,761,242,335

†† The cost for federal income tax purposes is identical.
* Non-income producing.
† Refer to Note 7.

SEQUOIA FUND, INC.
Statement of Assets and Liabilities
December 31, 2004

ASSETS:

Investments in securities, at value (cost $1,415,280,131) (Note 1)	$3,761,242,335
Cash on deposit with custodian	6,254,519
Receivable for capital stock sold	590,714
Dividends receivable	1,764,016
Receivable for investments securities sold unsettled	11,338,360
Other assets	40,605
Total assets	3,781,230,549

LIABILITIES:

Payable for capital stock repurchased	485,896
Payable for investments securities purchased unsettled	4,990,319
Accrued investment advisory fee	3,214,319
Accrued other expenses	157,114
Total liabilities	8,847,648
Net assets applicable to 24,452,419 shares of capital stock outstanding (Note 4)	$3,772,382,901
Net asset value, offering price and redemption price per share	$154.27

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

SEQUOIA FUND, INC.
Statement of Operations
Year Ended December 31, 2004

INVESTMENT INCOME:	
Income:	
Dividends:	
Unaffiliated companies	$ 14,651,546
Affiliated companies (Note 7)	6,828,323
Interest	4,010,882
Other income	7,309
Total income	25,498,060
Expenses:	
Investment advisory fee (Note 2)	39,539,826
Legal and auditing fees	168,623
Stockholder servicing agent fees	441,850
Custodian fees	80,000
Directors fees and expenses (Note 6)	194,565
Other	195,936
Total expenses	40,620,800
Less expenses reimbursed by Investment Adviser (Note 2)	931,000
Net expenses	39,689,800
Net investment (loss)	(14,191,740)
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:	
Realized gain on investments:	
Unaffiliated companies	283,983,148
Affiliated companies (Note 7)	12,785,984
Net realized gain on investments	$ 296,769,132
Net (decrease) in unrealized appreciation on investments	(106,708,915)
Net realized and unrealized gain on investments	190,060,217
Increase in net assets from operations	$ 175,868,477

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

SEQUOIA FUND, INC.
Statements of Changes in Net Assets

	Year Ended December 31, 2004	Year Ended December 31, 2003
INCREASE (DECREASE) IN NET ASSETS:		
From operations:		
Net investment (loss)	$ (14,191,740)	$ (16,725,720)
Net realized gains	296,769,132	308,007,558
Net (decrease)/increase in unrealized appreciation	(106,708,915)	292,183,274
Net increase/(decrease) in net assets from operations	175,868,477	583,465,112
Distributions to shareholders from:		
Net investment income	0	0
Net realized gains	(5,637,360)	(16,944,455)
Capital share transactions (Note 4)	(371,435,383)	(498,069,470)
Total (decrease)/increase	(201,204,266)	68,451,187
NET ASSETS:		
Beginning of year	3,973,587,167	3,905,135,980
End of year	$3,772,382,901	$3,973,587,167
NET ASSETS CONSIST OF:		
Capital (par value and paid in surplus)	$1,347,326,752	$1,515,277,416
Undistributed net realized gains (Note 5)	79,093,945	5,638,632
Unrealized appreciation	2,345,962,204	2,452,671,119
Total Net Assets	$3,772,382,901	$3,973,587,167

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 investment 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 in accordance with NASDAQ Official Closing Price 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. Interest income is accrued as earned. Premiums and discounts on fixed income securities are amortized over the life of the respective security. 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 to shareholders are recorded by the Fund on the ex-dividend date.

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

The Fund retains Ruane, Cunniff & Goldfarb Inc., (formerly Ruane, Cunniff & Co., Inc.), as its investment adviser. Ruane, Cunniff & Goldfarb 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 investment advisory 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, 2004 and the Investment Adviser reimbursed the Fund $931,000. Such reimbursement is not subject to recoupment by the Investment Adviser.

For the year ended December 31, 2004, there were no amounts accrued or paid to interested persons, including officers and directors, other than advisory fees of $39,539,826 to Ruane, Cunniff & Goldfarb Inc. and brokerage commissions of $336,123 to Ruane, Cunniff & Goldfarb LLC. Certain officers of the Fund are also officers of the Investment Adviser and the Fund's distributor. Ruane, Cunniff & Goldfarb LLC, 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, 2004.

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, 2004 were $361,180,596 and $537,871,098, respectively. Included in proceeds of sales is $307,677,376 representing the value of securities distributed as in-kind payment of redemptions, resulting in realized gains of $217,676,459.

At December 31, 2004 the aggregate gross unrealized appreciation of securities was $2,345,962,204.

NOTE 4—CAPITAL STOCK:

At December 31, 2004 there were 100,000,000 shares of $.10 par value capital stock authorized. Transactions in capital stock were as follows:

	2004		2003	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold	937,018	$ 142,174,969	1,275,248	$ 166,839,514
Shares issued to stockholders on reinvestment of:				
Net investment income	—	—	—	—
Net realized gain on investments	31,351	4,737,104	111,262	14,470,754
	968,369	146,912,073	1,386,510	181,310,268
Shares repurchased	3,435,889	518,347,456	5,304,441	679,379,738
Net (decrease)	(2,467,520)	$(371,435,383)	(3,917,931)	$(498,069,470)

NOTE 5—DISTRIBUTIONS TO SHAREHOLDERS:

Distributions to shareholders are determined in accordance with federal tax regulations and may differ from those determined for financial statement purposes. To the extent these differences are permanent such amounts are reclassified within the capital accounts based on federal tax regulations. During the year ended December 31, 2004 permanent differences due to a net investment loss not deductible for tax purposes and realized gains on redemptions in kind not recognized for tax purposes resulted in a net decrease in net accumulated investment loss of $14,191,740 and undistributed net realized gains of $217,676,459 with a corresponding increase in paid in surplus of $203,484,719. These reclassifications had no effect on net assets.

The tax character of distributions paid during 2003 and 2004 was as follows:

	2004	2003
Distributions paid from:		
Ordinary income	$ —	$ —
Long-term capital gains	5,637,360	16,944,455
Total distributions	$5,637,360	$16,944,455

As of December 31, 2004, the components of distributable earnings on a tax basis were as follows:

Undistributed long-term gain	$ 79,093,945
Unrealized appreciation	2,345,962,204
	$2,425,056,149

NOTE 6—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, 2004 was $194,565.

NOTE 7—AFFILIATED COMPANIES:

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, 2004 aggregated $389,530,750 and $206,205,899, respectively. The summary of transactions for each affiliate during the period of their affiliation for the year ended December 31, 2004 is provided below:

	Purchases		Sales			
Affiliate	Shares	Cost	Shares	Cost	Realized Gain	Dividend Income
Ethan Allen Interiors, Inc.	22,500	$838,700	175,181	$ 4,377,572	$ 2,178,762	$6,828,323
Mohawk Industries Inc.	—	—	284,386	$12,780,080	10,607,222	—
					$12,785,984	$6,828,323

NOTE 8—FINANCIAL HIGHLIGHTS:

	Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance (for a share outstanding throughout each year)					
Net asset value, beginning of year	$ 147.61	$ 126.63	$ 130.24	$ 122.09	$ 127.27
Income from investment operations:					
Net investment (loss)/income	(0.58)	(0.62)	(0.41)	0.97	1.66
Net realized and unrealized gains (losses) on investments	7.45	22.21	(3.03)	11.52	23.33
Total from investment operations	6.87	21.59	(3.44)	12.49	24.99
Less distributions:					
Dividends from net investment income	(0.00)	(0.00)	(0.01)	(0.97)	(1.66)
Distributions from net realized gains	(0.21)	(0.61)	(0.16)	(3.37)	(28.51)
Total distributions	(0.21)	(0.61)	(0.17)	(4.34)	(30.17)
Net asset value, end of year	$ 154.27	$ 147.61	$ 126.63	$ 130.24	$ 122.09
Total Return	4.7%	17.1%	–2.6%	10.5%	20.1%
Ratios/Supplemental data					
Net assets, end of year (in millions)	$3,772.4	$3,973.6	$3,905.1	$4,230.1	$3,943.9
Ratio to average net assets:					
Expenses	1.0%	1.0%	1.0%	1.0%	1.0%
Net investment income (loss)	–0.4%	–0.5%	–0.3%	0.8%	1.2%
Portfolio turnover rate	6%	3%	8%	7%	36%

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards 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, 2004 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
February 22, 2005

Information about Sequoia Fund Officers and Directors:

The SAI includes additional information about Fund directors and is available, without charge, upon request. You may call toll-free 1-800-686-6884 to request the SAI.

Name, Age, and Address	Position Held with Fund	Term of Office and Length of Time Served	Principal Occupation during Past 5 Years	Other Directorships Held by Director
William J. Ruane, 79 767 Fifth Avenue New York, NY 10153	Chairman of the Board & Director	Term — 1 Year & Length of Time served — 34 Years	Chairman of the Board & Director of Ruane, Cunniff & Goldfarb Inc.	None
Richard T. Cunniff, 81 767 Fifth Avenue New York, NY 10153	Vice Chairman & Director	Term — 1 Year & Length of Time served — 34 Years	Vice Chairman & Director of Ruane, Cunniff & Goldfarb Inc.	Sturm, Ruger & Company, Inc.
Robert D. Goldfarb, 60 767 Fifth Avenue New York, NY 10153	President & Director	Term — 1 Year & Length of Time served — 26 Years	President & Director of Ruane, Cunniff & Goldfarb Inc.	None
David M. Poppe, 40 767 Fifth Avenue New York, NY 10153	Executive Vice President & Director	Term — 1 Year & Length of Time served — 2 Years	Research Analyst of Ruane, Cunniff & Goldfarb Inc.; Business reporter Miami Herald	None
Joseph Quinones, Jr., 59 767 Fifth Avenue New York, NY 10153	Vice President, Secretary, Treasurer & Chief Compliance Officer	Term — 1 Year & Length of Time served — 9 Years	Vice President, Secretary, Treasurer & Chief Compliance Officer of Ruane, Cunniff & Goldfarb Inc.	None
Francis P. Matthews, 82 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 32 Years	Retired	None
C. William Neuhauser, 78 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 30 Years	Retired	None
Robert L. Swiggett, 82 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 34 Years	Retired	None
Sharon Osberg, 55 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 0 Years	Consultant Internet Mobile Technology	None

Name, Age, and Address	Position Held with Fund	Term of Office and Length of Time Served	Principal Occupation during Past 5 Years	Other Directorships Held by Director
Roger Lowenstein, 50 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 6 Years	Writer major Financial and News Publications	None
Vinod Ahooja, 53 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 4 Years	Retired	None

Other information

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is available on the SEC's web site at http://www.sec.gov. The Fund's Form N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. For information regarding the operation of the SEC's Public Reference Room, call 1-800-SEC-0330. For a complete list of the Fund's portfolio holdings, view the most recent quarterly, semiannual or annual report on Sequoia Fund's web site at http://www.sequoiafund.com/fund_reports.htm.

You may obtain a description of the Fund's proxy voting policies and procedures, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Visit Sequoia Fund's web site at www.sequoiafund.com and use the "Shareholder Information" link to obtain all proxy information. This information may also be obtained from the Securities and Exchange Commission's web site at www.sec.gov.

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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
David M. Poppe
Vinod Ahooja
Roger Lowenstein
Francis P. Matthews
C. William Neuhauser
Sharon Osberg
Robert L. Swiggett

OFFICERS

William J. Ruane	— *Chairman of the Board*
Richard T. Cunniff	— *Vice Chairman*
Robert D. Goldfarb	— *President*
David M. Poppe	— *Executive Vice President*
Joseph Quinones, Jr.	— *Vice President, Secretary, Treasurer & Chief Compliance Officer*

INVESTMENT ADVISER

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REGISTRAR AND SHAREHOLDER SERVICING AGENT

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LEGAL COUNSEL

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New York, New York 10004

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