Sequoia
Fund, Inc.

ANNUAL
REPORT
DECEMBER 31, 2009

SEQUOIA FUND, INC.
ILLUSTRATION OF AN ASSUMED INVESTMENT OF $10,000
With Income Dividends and Capital Gains Distributions Reinvested 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, 2009. 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
Dec. 31, 2005	155,450	1,331,529	382,059	1,869,038
Dec. 31, 2006	152,750	1,496,788	375,422	2,024,960
Dec. 31, 2007	139,120	1,713,258	342,768	2,195,146
Dec. 31, 2008	95,270	1,265,238	241,397	1,601,905
Dec. 31, 2009	109,900	1,459,533	278,860	1,848,293

The total amount of capital gains distributions reinvested in shares was $1,413,907, the total amount of dividends reinvested was $124,788.

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 quarter and year ended December 31, 2009 appear below with comparable results for the leading market index:

To December 31, 2009	Sequoia Fund	Standard & Poor's 500*
Fourth Quarter	0.63%	6.04%
1 Year	15.38%	26.46%
5 Years (Annualized)	1.28%	0.42%
10 Years (Annualized)	5.37%	–0.95%

The performance shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown.

**The S&P 500 Index is an unmanaged, capitalization-weighted index of the common stocks of 500 major US corporations. 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. Year to date performance as of the most recent month end can be obtained by calling DST Systems, Inc. at (800) 686-6884.*

The Fund significantly underperformed the S&P 500 Index for both the fourth quarter and the year, as the stock market rebounded vigorously from its lows in March and seemed by year-end to anticipate a full-throttled recovery from the financial crisis that caused the worst recession in this country in 70 years. After a horrible year in 2008, when the Index lost 37.0% of its value, the first quarter of 2009 began ominously, with the Index declining another 10.9%. Sequoia, meanwhile, lost 27.0% of its value in 2008 and another 8.4% in the first quarter of 2009.

Subsequently, the market rose 42.0% over the next nine months, while Sequoia lagged, rising 25.9%. Altogether the Fund's trough was shallower than the market decline but our bounce off the bottom was less pronounced. Ultimately, the Fund lost 15.81% of its value over two years while the S&P Index lost 20.33%.

The federal government's massive intervention in the economy staved off what might well have been another Depression. As financial institutions were recapitalized, investors grew more confident the banking system would not collapse and, not incidentally, Wall Street was flooded with cheap capital. Not surprisingly, the price of stocks soared. Still, we found aspects of the rally curious. The stocks that performed best in 2009 often seemed to have depressed earnings, or no earnings, and no prospects of imminent recovery. The Fund owned its share of cyclical companies with collapsing earnings, including Martin Marietta Materials, Mohawk, Caterpillar and Cummins. As the rally in cyclical stocks intensified, we sold a portion or, in some cases, all of these positions.

Meanwhile, the stocks that performed worst in 2009 often had stable, predictable earnings and strong balance sheets. Wal-Mart's earnings rose during the year but its stock price declined. Berkshire Hathaway's balance sheet is so strong that in the depths of the crisis some of the country's best-known corporations turned to it for financing. Yet investors accorded it little respect. Berkshire shares declined 31.8% in 2008 and barely rebounded in 2009, rising 2.7%.

Berkshire has an extremely diverse stream of earnings, with roughly half tied to economically insensitive businesses like insurance and utilities. The market generally discounted these kinds of stable earnings last year. But Berkshire also gets about half its earnings in normal times from a number of cyclical businesses that should enjoy substantial earnings growth as the economy recovers. The market bid up all manner of cyclicals last year, but not Berkshire.

Berkshire's decision to sell equity option puts in 2008 put it at financial risk if world equity markets suffered severe long-term price declines. This led to anxiety during the crisis. As stock prices rose in 2009, those equity puts began to look like winners. Again, this wasn't reflected in Berkshire's share price. In any event, Berkshire began 2009 as 22.8% of the Fund's portfolio and its weak performance was a major factor in the Fund's lagging result.

The second important reason for our 2009 underperformance was the Fund's large cash balance. For the year, cash averaged 16.5% of the Fund's assets. It was not our goal to hold this much cash. In fact, we purchased 10 new positions during the year, which qualifies as a lot for us. But we were too tentative in allocating capital and failed to invest enough in new ideas to offset our consistent sales of cyclical stocks. The Berkshire and cash positions amounted to nearly 40% of the Fund's assets when the year began and account for nearly all of the Fund's underperformance in 2009.

Given the low stock prices available at the bottom of the market last spring and the subsequent ferocity of the rally our failure to deploy capital warrants criticism. We found plenty of good ideas, but we were extremely cautious buyers and sometimes ended up with tiny positions in stocks like Canadian Natural Resources, Mettler-Toledo and Verisk that we purchased near 52-week lows (Verisk was an initial public offering and we were allocated a minuscule number of shares. The stock opened well above the IPO price). These three performed very well after our purchases, but at year-end amounted to just 0.3% of the Fund's assets. In retrospect, we should have paid higher prices to own more shares of Canadian Natural or Mettler-Toledo.

Our larger purchases included Advance Auto Parts, Becton Dickinson, Omnicom, Praxair, Precision Castparts and W.R. Berkley. To be sure, some of these businesses suffered earnings declines in 2009, but in nearly every case we paid a low multiple of our estimate of 2009 earnings. Omnicom, for example, saw earnings per share decline from $3.14 in 2008 to $2.53 in 2009, down 19%. The Fund paid $25.03 for shares in the business. The world's largest advertising agency network, Omnicom generates enormous amounts of free cash flow and requires very little capital reinvestment. We paid a low multiple of trough earnings and, more importantly, of free cash flow. We are pleased with the performance so far of the 'Class of 2009' and already regret not buying more shares at the prices offered to us last year.

We think the new additions to Sequoia will generate more predictable cash flows than the positions we exited with less economic sensitivity. Importantly, we believe demand across the U.S. economy is currently bolstered by a need to restock inventories after a dramatic destocking last year. That phenomenon creates a temporary burst of economic activity, but once inventories reach equilibrium we are not sure natural demand will be strong enough to propel the kind of earnings recovery the market seems to expect. Caterpillar, for example, says that in a strong economic environment it should earn $8 to $10 per share. Management suggests this could happen as soon as 2012. For 2010, however, Caterpillar expects to earn about $2.50 per share amid anemic demand. With the stock price above $50 recently, investors seem to believe a demand-driven recovery is coming fairly soon. While we have great respect for the CAT franchise, we do not expect strong demand for CAT machines and engines by 2012 and this informed our decision to sell the stock. We made a similar decision to reduce our exposure to Cummins Engine, Knight Transportation, Martin Marietta Materials and Mohawk Industries. We believe earnings will recover for these businesses, but question whether the magnitude of recovery will justify the prices at which we sold shares.

Perhaps counter intuitively, some of our best performing positions in 2009 were retailers. While high unemployment, declining home prices and tighter credit continue to weigh on the U.S. consumer, the Fund tends to favor retailers with extremely strong value propositions, including TJX, Wal-Mart, Target and Costco. These value-oriented stores for the most did well in 2009.

As of this writing, TJX has not reported full-year results, but earnings per share likely rose 45%-50% for the year. The stock returned more than 80%, including the dividend. Yet TJX still trades for a forward price-to-earnings multiple of less than 13 times, well below the multiple for the Index overall. It is one of very few retailers aggressively opening stores right now and it has a huge budget for buying back stock in 2010.

Target shares rose 40% in 2009 as its earnings soundly exceeded expectations. While Target suffered from weak customer traffic all year, it managed expenses exceptionally well and by year-end started to see renewed shopper interest. Its stock also trades well below the market multiple. As mentioned, Wal-Mart generated a predictable earnings increase in the high-single digits and saw its stock decline a bit. With a tremendous competitive position in all three North American countries and a growing overseas business, Wal-Mart trades for 13.5 times the consensus 2010 earnings estimate, which calls for 10% growth. In an uncertain world, this price seems quite attractive.

We get a good question from time to time asking why we don't simply own blue chips. Clearly, stocks like Johnson & Johnson, Procter & Gamble, Coca-Cola and Exxon are attractive relative to the Index. Our stock selection tends to be driven by research, and we strongly prefer to own businesses where we believe — not always correctly — that we have an edge in information. Simply put, we try to know more about our portfolio companies than other investors do. That helps us make good decisions. We don't own many mega-cap businesses in large part because we don't think we could have an advantage in research. Johnson & Johnson has 22 businesses that generate more than $1 billion a year in revenue. It would be nearly impossible for us to know more than "Mr. Market" does about JNJ, and so we tend to avoid the stock (we avoid technology stocks for similar set of reasons). This is not a commentary on JNJ so much as on our investment process. Even when blue chips are tempting, we know that our discipline has helped us avoid mistakes over the years. We might in the future own specific blue chip stocks, just as we own Berkshire or Wal-Mart, but we probably won't ever buy a basket of stocks because they appear cheap.

Looking ahead, we believe we have positioned Sequoia to perform well in an uncertain world. If the U.S. economy turns robust, our reduced exposure to cyclical stocks, avoidance of leveraged financial companies and large cash balance could all hurt performance. But most of the positions in the portfolio today generate high returns on capital even in weak economic environments. They generate free cash flows sufficient to self-fund growth and then return excess cash to owners in the form of dividends or repurchase. Most of our companies are gaining market share in their industries. We continue to believe that we are with few exceptions invested alongside high quality management teams.

While our 2009 results were disappointing, we know that a concentrated portfolio of stocks will not track the results of the S&P Index closely from year to year. Over time, a well selected portfolio should outperform the Index. We believe the current portfolio will generate satisfactory future returns for Sequoia shareholders.

Sincerely,

Richard T. Cunniff
Vice Chairman

Robert D. Goldfarb
President

David M. Poppe
Executive Vice President

February 12, 2010

THE RUANE, CUNNIFF & GOLDFARB INC./SEQUOIA FUND, INC. ANNUAL INVESTOR DAY WILL BE HELD AT 10A.M., NEW YORK CITY TIME, ON FRIDAY, MAY 14, 2010 AT THE ST. REGIS HOTEL, TWO EAST 55TH STREET, NEW YORK, NEW YORK 10022.

Management's Discussion of Fund Performance (Unaudited)

The total return for the Sequoia Fund was 15.4% in 2009. This compares with the 26.5% return of the S&P 500. Our investment philosophy is to make concentrated commitments of capital in a limited number of companies that have superior long-term economic prospects and that sell at what we believe are attractive prices. Because Sequoia is deliberately not representative of the overall market, in any given year the performance of the Fund may vary significantly from that of the broad market indices.

The table below shows the 12-month stock total return for the Fund's major positions at the end of 2009.

Position	% of assets 12/31/09	Total return	% of assets 12/31/08
Berkshire Hathaway	20.2%	2.7%	22.8%
Idexx Laboratories	6.8%	48.1%	5.3%
TJX	6.3%	80.5%	4.1%
Fastenal	5.1%	21.9%	5.7%
Mohawk	4.4%	10.8%	5.7%
Martin Marietta	4.0%	–6.1%	6.9%

The lower relative performance in 2009 vs. the Index was driven largely by two factors: 1) the Fund's large cash position throughout the year, which averaged 16.5% of the portfolio during the period and produced a negligible return; and 2) the Fund's large investment in Berkshire Hathaway, which averaged 21.6% of the portfolio during the period and generated a modest 2.7% return.

The last twelve months have been eventful for Berkshire Hathaway. After seeing the value of its equity portfolio and book value severely pressured in the first quarter, it likely finished the year with $85,000 per share of book value and $94,000 of securities per share, both records. It purchased a 10% share of BYD, the fastest growing and fourth largest auto manufacturer in China, quadrupling the value of its investment in a matter of months. It announced the largest acquisition in corporate history — a $26 billion buyout of the 77% of Burlington Northern that it didn't already own — adding another wholly owned large business with a deep and durable competitive moat to its portfolio. During the tight credit conditions of the first quarter, Berkshire privately negotiated $4 billion of high-yielding loans with strong corporate borrowers such as Tiffany, Harley Davidson, Sealed Air, Swiss Re, and Vulcan Materials. Berkshire replaced the CEO of its troubled fractional jet subsidiary and aims to return that unit to profitability as soon as this year. And in one of the worst years for the US and global economy, it managed to post look through earnings of about $10 billion, as solid results from its large stable of recession resistant businesses kept overall earnings healthy. In 2010 and 2011, we expect continued steady results from those businesses while the more cyclical businesses, whose earnings were compressed in 2009, should see a profit rebound, driving double-digit annual earnings growth for Berkshire over the next two years.

Pet spending by consumers was affected by the global recession in 2009, impacting Idexx's customer base of veterinarians. While veterinary clinic revenues grew in the mid-to-high single digits for most of the last decade, they declined about 2% last year. Despite this weakness in its core companion animal health market, Idexx still grew its overall revenues 5% in 2009 (after adjusting for currency changes and the divestment of its pharmaceutical business in 2008). This was driven by relatively strong results in the company's companion animal instruments business, helped by the launch of the company's new Catalyst Dx in-clinic blood chemistry analyzer, and reference laboratory services business. Earnings at Idexx grew 6% in 2009.

A year ago we worried that the weak economy would pressure earnings at TJX in 2009. We couldn't have been more wrong. After a modest start to the year, TJX quickly gained momentum. It received increasingly good deals on branded merchandise from vendors, enabling it to offer exceptional values to shoppers. Growth in customer traffic accelerated as the year progressed, and it appears TJX will report an earnings increase of nearly 50% for 2009, including a gain of more than 90% for the fourth quarter. The stock returned 80% this year, but remains attractively priced at roughly 13 times the estimate of 2010 earnings. TJX has an extremely strong balance sheet and ample free cash flows, which should allow it to grow its store base by about 5% in 2010 while also buying back $1 billion in stock.

In late 2008 and much of 2009, falling industrial production resulted in a sharp contraction in demand for Fastenal's products, which caused the company's earnings to decline for the first time since 2001. Fastenal management responded with admirable alacrity by slowing new store growth, reducing headcount, and reining in other costs. Despite its cyclical exposure, Fastenal remains a secular growth company, and management is already responding to the easing of pressures in the industrial economy. In December 2009, Fastenal opened 15 new stores, more than the combined total for the previous six months.

Management at Mohawk Industries continued to manage well through the very difficult conditions in its end markets. During 2009, the company further reduced its work force, managed its expenses tightly, and cut its working capital. While the company reported losses during the year, in large part due to charges from restructuring actions and asset write downs, the free cash it produced rose smartly. Management used the cash to invest judiciously in the business and pay down debt. As a result, Mohawk entered 2010 with a sturdier capital structure, promising new products, and more efficient manufacturing operations. While the commercial construction and remodeling business continues to be weak, the residential housing market, Mohawk's largest source of demand, appears to have bottomed out.

Demand for crushed stone and sand in the United States continued to decline in 2009, which reduced Martin Marietta's shipment volume by 22.6% and significantly impacted the company's earnings. Martin Marietta owns well located quarries that generally face limited competition, and as a result the company managed to raise prices by an average of 2%, even while facing the most severe contraction in demand for aggregate this country has seen since the Great Depression. However, production levels in the industry are now far below capacity, and we expect that both pricing and earnings will remain under pressure until construction activity normalizes. We reduced the size of this position during the year but continue to believe Martin Marietta owns an irreplaceable collection of quarries that should generate earnings for many decades.

Porsche's core business sold 75,000 cars and earned a 10% operating margin in 2010, making it once again the world's most profitable car maker. But Porsche's relatively good results were a sideshow compared to the drama involving Volkswagen. Porsche intended to take over Volkswagen and accumulated options that would give it 75% control of a company ten times its size. Porsche borrowed heavily to buy the options and, after the car market crashed, it lacked the wherewithal to pay off its debt. Unable to find a partner to assist it with financing the takeover, it chose to surrender to Volkswagen rather than unwind its ownership stake. It sold half of its car making business to Volkswagen and agreed to sell the rest, as well as some other assets, in 2011. If the merger goes through as planned, Porsche shareholders should end up with about 30% ownership of Volkswagen. We certainly never invested in Porsche in the hopes that our stock in one of the world's great brands would one day convert to an interest in a volume car company. But Volkswagen was the world's most profitable volume car maker in 2009 and in a recovery its earnings should grow rapidly. The current price of Porsche seems to discount any hope of a recovery at Volkswagen.

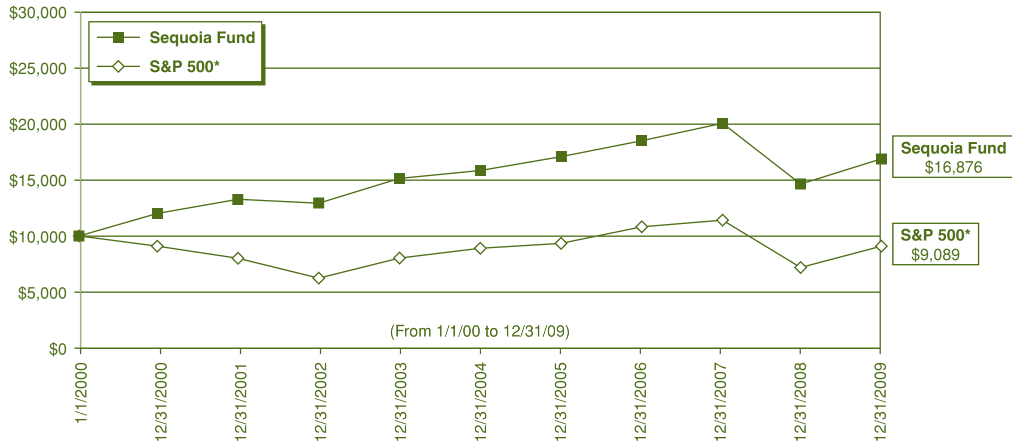
Precision Castparts is a global maker of complex metal components (including castings, forgings and fasteners) that are used in aerospace, power generation and other industrial applications. Aerospace is the company's largest end market and, in 2009, in anticipation of a decline in aircraft builds, aerospace suppliers reduced orders to those further down the supply chain. Since Precision's sales foreshadow aircraft builds by 6-12 months, the company experienced a steep decline in revenues. But its results defied gravity thanks to cost cutting and efficiency gains that pushed the recent operating margin to an all-time high of close to 26%. Consensus earnings expectations are for earnings to fall only 10% in the current fiscal year (ending March 31, 2010). Inventory destocking has run its course and normalized order patterns should combine with incremental orders from Boeing's new 787 to bring improved earnings in fiscal 2011. Precision's other markets also showed weakness although sales of seamless extruded pipes to Chinese makers of power plants held up because of a strong

backlog. Precision made two major acquisitions in recent months that strengthen its competitive position. It bought Carlton Forge, a leader in ring rolled forging for the aerospace industry, and a 49% interest in Chengdu, a Chinese maker of boiler pipe.

Rolls-Royce performed well in a tough civil aviation market in 2009, growing its order book, revenue and earnings. Rolls' civil aerospace business posted stable results with higher engine deliveries offsetting lower aftermarket revenues. The company's non-civil aerospace businesses continued to perform strongly, with exceptional revenue and profit growth in the company's energy businesses and strong growth in its defense aerospace and marine businesses.

We made a number of new investments in 2009, including Advance Auto Parts, Becton Dickinson, Canadian Natural Resources, Mettler Toledo, Omnicom, Praxair, Precision Castparts, Verisk Analytics and W.R. Berkley. With the exception of Advance Auto Parts and Precision Castparts, each of these was a relatively small investment (about 1% or less). Advance Auto Parts is a distributor of automotive aftermarket products to the consumer and commercial markets. The company operates over 3,300 stores in the U.S. and should benefit from the growing desire of many Americans to drive their cars longer than in the past.

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.*

SECTOR BREAKDOWN (UNAUDITED)

As of December 31, 2009	Percent of Net Assets
Diversified Companies	20.23
U.S. Government Obligations	15.17
Retailing	13.16
Aerospace/Defense	7.02
Veterinary Diagnostics	6.78
Industrial & Construction Supplies	5.05
Building Materials	4.80
Auto Parts	4.44
Flooring Products	4.41
Automotive Manufacturing	3.78
Information Processing	2.66
Freight Transportation	1.89
Advertising	1.27
Miscellaneous Securities	1.24
Construction Equipment	1.19
Healthcare	1.15
Printing	1.06
Truck Manufacturing	1.06
Industrial Gases	1.01
Other	2.63
	100.00

FEES AND EXPENSES OF THE FUND (UNAUDITED)

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees (fees paid directly from your investment)

The Fund does not impose any sales charges, exchange fees or redemption fees.

Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

Annual Fund Operating Expenses	
Management Fees	1.00%
Other Expenses	0.05%
Total Annual Fund Operating Expenses	1.05%
Expense Reimbursement*	0.04%
Net Expenses	1.01%

** Reflects Ruane, Cunniff & Goldfarb Inc.'s ("Ruane, Cunniff & Goldfarb") contractual reimbursement of a portion of the Fund's operating expenses. This reimbursement is a provision of Ruane, Cunniff & Goldfarb's investment advisory agreement with the Fund and the reimbursement will be in effect only so long as that investment advisory agreement is in effect.*

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, 2009 to December 31, 2009).

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, 2009	Ending Account Value December 31, 2009	Expenses Paid During Period* July 1, 2009 to December 31, 2009
Actual	$1,000	$1,129.30	$5.42
Hypothetical (5% return per year before expenses)	$1,000	$1,020.11	$5.14

** Expenses are equal to the Fund's annualized expense ratio of 1.01%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

SEQUOIA FUND, INC.
Schedule of Investments
December 31, 2009

COMMON STOCKS (84.74%)

Shares		Value (Note 1)
	ADVERTISING (1.27%)	
933,743	Omnicom Group Inc.	$ 36,556,038
	AEROSPACE/DEFENSE (7.02%)	
947,406	Precision Castparts Corp.	104,546,252
12,376,114	Rolls-Royce Group plc (United Kingdom)	96,694,579
		201,240,831
	AUTO PARTS (4.44%)	
1,549,400	Advance Auto Parts, Inc.	62,719,712
1,694,139	O'Reilly Automotive Inc. *	64,580,579
		127,300,291
	AUTOMOTIVE MANUFACTURING (3.78%)	
1,729,657	Porsche Automobil Holding SE (Germany) (a)	108,292,095
	BUILDING MATERIALS (4.80%)	
1,293,000	Martin Marietta Materials Inc.	115,607,130
418,626	Vulcan Materials Company	22,049,031
		137,656,161
	CONSTRUCTION EQUIPMENT (1.19%)	
1,520,736	Ritchie Bros. Auctioneers Incorporated	34,110,108
	CRUDE OIL & GAS PRODUCTION (0.23%)	
89,754	Canadian Natural Resources Limited	6,457,800
	DIVERSIFIED COMPANIES (20.23%)	
5,776	Berkshire Hathaway Inc. Class A *	572,979,200
2,220	Berkshire Hathaway Inc. Class B *	7,294,920
		580,274,120
	DIVERSIFIED MANUFACTURING (1.00%)	
382,832	Danaher Corporation	28,788,966
	FLOORING PRODUCTS (4.41%)	
2,657,723	Mohawk Industries Inc. *	126,507,615
	FREIGHT TRANSPORTATION (1.89%)	
1,560,933	Expeditors International Inc.	54,211,203
	HEALTHCARE (1.15%)	
418,000	Becton, Dickinson and Company	32,963,480

Shares		Value (Note 1)
	INDUSTRIAL & CONSTRUCTION SUPPLIES (5.05%)	
3,475,384	Fastenal Company	$ 144,714,990
	INDUSTRIAL GASES (1.01%)	
359,017	Praxair, Inc.	28,832,655
	INFORMATION PROCESSING (2.66%)	
298,457	MasterCard Inc.	76,399,023
	INSURANCE BROKERS (0.70%)	
1,124,830	Brown & Brown Inc.	20,213,195
	LABORATORY SUPPLIES (0.07%)	
19,247	Mettler-Toledo International Inc. *	2,020,743
	PRINTING (1.06%)	
1,912,072	De La Rue plc (United Kingdom)	30,526,229
	PROPERTY AND CASUALTY INSURANCE (0.54%)	
605,000	W. R. Berkley Corporation	14,907,200
21,000	Verisk Analytics, Inc. *	635,880
		15,543,080
	RETAILING (13.16%)	
39,666	Costco Wholesale Corporation	2,347,037
1,368,875	Target Corporation	66,212,484
4,934,190	TJX Companies, Inc.	180,344,645
2,112,783	Walgreen Company	77,581,392
949,032	Wal-Mart Stores, Inc.	50,725,760
		377,211,318
	TRUCK MANUFACTURING (1.06%)	
838,277	PACCAR Inc.	30,404,307
	VETERINARY DIAGNOSTICS (6.78%)	
3,636,178	Idexx Laboratories Inc. † *	194,317,352
	Miscellaneous Securities (1.24%) (b)	35,586,689
	TOTAL COMMON STOCKS (Cost $1,517,261,928)	$2,430,128,289

Principal Amount		Value (Note 1)
	U.S. GOVERNMENT OBLIGATIONS (15.17%)	
$435,000,000	U.S. Treasury Bills, 0.005% due 2/18/2010 through 2/25/2010	$ 434,996,789
	TOTAL U.S. GOVERNMENT OBLIGATIONS (Cost $434,996,789)	434,996,789
	TOTAL INVESTMENTS (99.91%) (Cost $1,952,258,717) ††	2,865,125,078
	OTHER ASSETS LESS LIABILITIES (0.09%)	2,646,885
	NET ASSETS (100.00%)	$2,867,771,963

† Refer to Note 7.

†† The cost for federal income tax purposes is identical.

* Non-income producing.

(a) The Fund is invested in preference shares of Porsche Automobil Holding SE which possess the same economic interest as Porsche common stock but have no voting rights.

(b) "Miscellaneous Securities" include holdings in their initial period of acquisition that have not previously been publicly disclosed.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2009:

Valuation Inputs	Common Stocks	U.S. Government Obligations	Total
Level 1 – Quoted Prices	$2,430,128,289	—	$2,430,128,289
Level 2 – Other Significant Observable Inputs *	—	$434,996,789	434,996,789
Total	$2,430,128,289	$434,996,789	$2,865,125,078

** Represents U.S. Treasury Bills with remaining maturities of 60 days or less which are valued at their amortized cost.*

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

SEQUOIA FUND, INC.
Statement of Assets and Liabilities
December 31, 2009

ASSETS

Investments in securities, at value (Note 1)	
Unaffiliated companies (cost $1,861,102,327)	$2,670,807,726
Affiliated companies (cost $91,156,390) (Note 7)	194,317,352
Total investments in securities (cost $1,952,258,717)	2,865,125,078
Cash on deposit with custodian	1,259,453
Receivable for capital stock sold	1,524,833
Dividends receivable	2,341,204
Receivable for investment securities sold	1,543,404
Other assets	35,555
Total assets	2,871,829,527

LIABILITIES

Payable for capital stock repurchased	814,349
Payable for investment securities purchased	650,911
Accrued investment advisory fee	2,426,268
Accrued other expenses	166,036
Total liabilities	4,057,564
Net assets applicable to 26,095,503 shares of capital stock outstanding (Note 4)	$2,867,771,963
Net asset value, offering price and redemption price per share	$109.90

NET ASSETS CONSIST OF

Capital (par value and paid in surplus) $.10 par value capital stock, 100,000,000 shares authorized	$2,022,784,060
Accumulated net realized losses on investments (Note 5)	(67,878,458)
Unrealized appreciation	912,866,361
Total Net Assets	$2,867,771,963

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

SEQUOIA FUND, INC.
Statement of Operations
Year Ended December 31, 2009

INVESTMENT INCOME	
Income	
Dividends, net of $996,884 foreign tax withheld	$ 25,685,066
Interest	585,466
Total income	26,270,532
Expenses	
Investment advisory fee (Note 2)	25,947,249
Legal and auditing fees	204,083
Stockholder servicing agent fees	520,999
Custodian fees	80,000
Directors fees and expenses (Note 6)	255,399
Other	181,270
Total expenses	27,189,000
Less expenses reimbursed by Investment Adviser (Note 2)	1,091,000
Net expenses	26,098,000
Net investment income	172,532
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS	
Realized gain on	
Investments	
Unaffiliated companies	7,155,159
Affiliated companies (Note 7)	296,217
Foreign currency transactions	202,173
Net realized gain on investments and foreign currencies	7,653,549
Net increase in unrealized appreciation on	
Investments	
Unaffiliated companies	307,991,811
Affiliated companies (Note 7)	62,977,969
Net increase in unrealized appreciation on investments	370,969,780
Net realized and unrealized gain on investments and foreign currencies	378,623,329
Net increase in net assets from operations	$378,795,861

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

SEQUOIA FUND, INC.
Statements of Changes in Net Assets

	Year Ended December 31,	
	2009	2008
INCREASE/(DECREASE) IN NET ASSETS		
From operations		
Net investment income	$ 172,532	$ 10,236,582
Net realized gain on investments and foreign currencies	7,653,549	239,644,000
Net increase (decrease) in unrealized appreciation on investments	370,969,780	(1,186,236,559)
Net increase (decrease) in net assets from operations	378,795,861	(936,355,977)
Distributions to shareholders from		
Net investment income	(582,316)	(10,628,918)
Net realized gains	(5,604)	(168,718,205)
Capital share transactions (Note 4)	3,371,424	88,409,150
Total increase (decrease)	381,579,365	(1,027,293,950)
NET ASSETS		
Beginning of period	2,486,192,598	3,513,486,548
End of period (including undistributed net investment income of $0 and $180,925, respectively)	$2,867,771,963	$ 2,486,192,598

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. (the "Fund") 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 under the supervision of 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 the NASDAQ Official Closing Price on the last business day of the period; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices.

Securities traded on a foreign exchange are valued at the last reported sales price on the principal exchange on which the security is primarily traded. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the New York Stock Exchange on that day.

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.

When reliable market quotations are insufficient or not readily available at time of valuation or when the Investment Adviser determines that the prices or values available do not represent the fair value of a security, such security is valued as determined in good faith by the Investment Adviser, in conformity with guidelines adopted by and subject to review by the Board of Directors.

Foreign currencies: Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of foreign portfolio securities are translated into U.S. dollars at the rates of exchange prevailing when such securities are acquired or sold. Income and expenses are translated into U.S. dollars at the rates of exchange prevailing when accrued. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Reported net realized foreign exchange gains or losses arise from the sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

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 of America 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.

F. *Indemnification:* The Fund's officers, directors and agents are indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss thereunder to be remote.

NOTE 2—INVESTMENT ADVISORY CONTRACTS AND PAYMENTS TO INTERESTED PERSONS

The Fund retains Ruane, Cunniff & Goldfarb Inc. as its investment adviser. Ruane, Cunniff & Goldfarb Inc. (the "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, 2009 and the Investment Adviser reimbursed the Fund $1,091,000. Such reimbursement is not subject to recoupment by the Investment Adviser.

For the year ended December 31, 2009, there were no amounts accrued or paid to interested persons, including officers and directors, other than advisory fees of $25,947,249 to Ruane, Cunniff & Goldfarb Inc. and brokerage commissions of $391,202 to Ruane, Cunniff & Goldfarb LLC, the Fund's distributor. Certain officers of the Fund are also officers of the Investment Adviser and the Fund's distributor. Ruane, Cunniff & Goldfarb LLC received no compensation from the Fund on the sale of the Fund's capital shares during the year ended December 31, 2009.

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, 2009 were $318,789,920 and $310,351,737, respectively. Included in proceeds of sales is $78,607,277 representing the value of securities disposed of in payment of redemptions in-kind, resulting in realized gains of $56,678,988.

At December 31, 2009 the aggregate gross tax basis unrealized appreciation and depreciation of securities were $1,064,223,733 and $151,357,372, respectively.

NOTE 4—CAPITAL STOCK

At December 31, 2009 there were 100,000,000 shares of $.10 par value capital stock authorized. Transactions in capital stock for the years ended December 31, 2009 and 2008 were as follows:

	2009		2008	
	Shares	Amount	Shares	Amount
Shares sold	3,033,183	$296,063,317	2,890,902	$341,191,851
Shares issued to stockholders on reinvestment of				
Net investment income	4,351	463,286	81,004	7,832,313
Net realized gains on investments	35	3,490	1,157,417	128,898,150
	3,037,569	296,530,093	4,129,323	477,922,314
Shares repurchased	3,039,271	293,158,669	3,287,506	389,513,164
Net increase (decrease)	(1,702)	$ 3,371,424	841,817	$ 88,409,150

NOTE 5—FEDERAL INCOME TAXES

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, 2009 permanent differences primarily due to realized gains on redemptions in kind not recognized for tax purposes and different book and tax treatment of net realized gains on foreign currency transactions resulted in a net decrease in undistributed net realized gains of $56,904,161 with a corresponding increase in paid in surplus of $56,675,302, and an increase to undistributed net investment income of $228,859. These reclassifications had no effect on net assets.

The tax character of distributions paid during 2009 and 2008 was as follows:

	2009	2008
Distributions paid from		
Ordinary income	$583,480	$ 10,628,918
Long-term capital gains	4,440	168,718,205
Total distributions	$587,920	$179,347,123

As of December 31, 2009, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ —
Capital loss carryovers	(61,261,516)
Deferred post-October losses	(6,616,942)
Unrealized appreciation	912,866,361
	$844,987,903

The difference between book basis and tax basis distributions is a result of different book and tax treatments of short-term capital gain distributions. As of December 31, 2009, the Fund had $61,261,516 of capital loss carryforwards for federal income tax purposes. These capital loss carryforwards may be utilized in future years to offset net realized capital gains, if any, prior to distributing such gains to shareholders and expire December 31, 2017. The Fund had net realized losses of $6,616,942 during the period November 1, 2009

through December 31, 2009, which are treated for federal income tax purposes as arising during the Fund's tax year ending December 31, 2010. These "post-October" losses may be utilized in future years to offset net realized capital gains, if any, prior to distributing such gains to shareholders.

The Fund recognizes the tax benefits or expenses of uncertain tax positions only when the positions are "more likely than not" to be sustained assuming examination by tax authorities. Management has reviewed the Fund's tax positions taken on federal income tax returns for all open years (tax years ended December 31, 2006 through December 31, 2009) and has concluded that no provision for unrecognized benefits or expenses is required in these financial statements.

NOTE 6—DIRECTORS FEES AND EXPENSES

Directors who are not deemed "interested persons" receive fees of $10,000 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, 2009 was $255,399.

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, 2009 aggregated $194,317,352 and $91,156,390, respectively. The summary of transactions for each affiliate during the period of their affiliation for the year ended December 31, 2009 is provided below:

	Purchases		Sales		Realized	Dividend
Affiliate	Shares	Cost	Shares	Cost	Gain	Income
Idexx Laboratories Inc. . . .	—	—	9,956	$213,132	$296,217	—

NOTE 8—SUBSEQUENT EVENTS

Accounting principles generally accepted in the United States of America require the Fund to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed as of the date of the Statement of Assets and Liabilities. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Fund is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. Management has evaluated subsequent events through the issuance of these financial statements on February 17, 2010 and has noted no such events.

NOTE 9—NEW ACCOUNTING PRONOUNCEMENT

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements." ASU No. 2010-06 clarifies existing disclosure and requires additional disclosures regarding fair value measurements. Effective for interim and annual reporting periods beginning after December 15, 2009, entities will be required to disclose significant transfers into and out of Level 1 and 2 measurements in the fair value hierarchy and the reasons for those transfers. Effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years, entities will need to disclose information about purchases, sales, issuances and settlements of Level 3 securities on a gross basis, rather than as a net number as currently required. Management is currently evaluating the impact ASU No. 2010-06 will have on its financial statement disclosures.

NOTE 10—FINANCIAL HIGHLIGHTS

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Per Share Operating Performance (for a share outstanding throughout the period)					
Net asset value, beginning of period	$ 95.27	$ 139.12	$ 152.75	$ 155.45	$ 154.27
Income from investment operations					
Net investment income (loss)	0.00(a)	0.40	0.46	(0.70)	(0.75)
Net realized and unrealized gains (losses) on investments	14.65	(37.11)	13.48	13.60	12.57
Total from investment operations	14.65	(36.71)	13.94	12.90	11.82
Less distributions					
Dividends from net investment income	(0.02)	(0.42)	(0.45)	(0.00)	(0.00)
Distributions from net realized gains	(0.00)(a)	(6.72)	(27.12)	(15.60)	(10.64)
Total distributions	(0.02)	(7.14)	(27.57)	(15.60)	(10.64)
Net asset value, end of period	$ 109.90	$ 95.27	$ 139.12	$ 152.75	$ 155.45
Total Return	15.38%	–27.03%	8.40%	8.34%	7.78%
Ratios/Supplementary data					
Net assets, end of period (in millions)	$2,867.8	$2,486.2	$3,513.5	$3,599.8	$3,573.3
Ratio of expenses to average net assets					
Before expense reimbursement	1.05%	1.04%	1.03%	1.03%	1.03%
After expense reimbursement	1.01%	1.00%	1.00%	1.00%	1.00%
Ratio of net investment income (loss) to average net assets	0.01%	0.33%	0.29%	–0.46%	–0.47%
Portfolio turnover rate	15%	12%	13%	14%	8%

(a) Represents less than $0.01 per share.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying statement of assets and liabilities of Sequoia Fund, Inc. (the "Fund"), including the schedule of investments, as of December 31, 2009, the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two year period then ended and the financial highlights for each of the years in the three year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the years in the two year period ended December 31, 2006 were audited by other auditors whose report dated February 21, 2007 expressed an unqualified opinion on such financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2009 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Sequoia Fund, Inc. as of December 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two year period then ended, and its financial highlights for each of the years in the three year period then ended, in conformity with accounting principles generally accepted in the United States of America.

BBD, LLP
Philadelphia, Pennsylvania
February 17, 2010

APPROVAL OF ADVISORY CONTRACT
(UNAUDITED)

At a meeting held on December 7, 2009, the Board of Directors of Sequoia Fund, Inc. (the "Fund"), including a majority of the independent directors, evaluated and approved the renewal of the advisory contract between the Fund and Ruane, Cunniff & Goldfarb Inc. (the "Investment Adviser"). In approving the renewal of the advisory contract, the directors considered all information they deemed reasonably necessary to evaluate the terms of the contract.

Nature and Quality of Services. The directors reviewed the nature, extent and quality of the services provided by the Investment Adviser to the Fund. They considered the personnel responsible for the day-to-day management of the Fund, the Investment Adviser's existing and planned staffing levels and the Investment Adviser's research capability and overall reputation. The directors considered the Investment Adviser's representation that it had no current plans to change the manner in which it managed the Fund. They considered information concerning the Investment Adviser's compliance policies and procedures, which are designed, among other things, to ensure the Fund's compliance with its investment objective, policies and restrictions and those regulatory requirements applicable to the Fund and to address the Investment Adviser's conflicts of interest in providing services to the Fund and its other advisory clients. Based on these factors, the directors concluded that they were satisfied with the nature, extent and quality of services provided to the Fund by the Investment Adviser under the advisory contract.

Investment Performance. The directors reviewed the Fund's performance under the Investment Adviser's management. They considered the Fund's performance and the performance of the S&P 500 Index for the first 10 months of 2009. They noted that for the first 10 months of 2009, the Fund generated a return of 12.0% versus a return for the S&P 500 Index of 17.1%. They discussed the current market conditions and the Fund's performance in respect of those conditions. They also considered the Fund's performance compared to the performance of peer-group funds for the year-to-date, 5-year and 10-year periods ended October 31, 2009.

The directors reviewed specific securities that contributed positively and negatively to the Fund's performance. The directors considered the Fund's performance in light of information provided by the Investment Adviser concerning the performance of the Investment Adviser's other advisory accounts. They also considered the Fund's performance in light of the Fund's compliance with its investment policies and legal and regulatory requirements. The directors concluded that the Fund's overall performance was satisfactory.

Fees. Next, the directors examined the fees paid to the Investment Adviser under the advisory contract and the Fund's overall expense ratio. They considered the advisory fee compared to the fees charged by two sets of peer-group funds. They noted that the Fund's expense ratio of 1.00% compared favorably with the average expense ratio of both sets of peer-group funds (1.24% for one set and 1.06% for the other set). They considered the Investment Adviser's obligation under the contract to reimburse the Fund for the excess, if any, in any year of the Fund's operating expenses over 1-1/2 % of the Fund's average daily net asset values up to a maximum of $30 million, plus 1% of the Fund's average daily net asset values in excess of $30 million. The directors did not compare the fees charged to the Fund by the Investment Adviser with the fees charged by the Investment Adviser to its other advisory accounts because the services provided by the Investment Adviser to its other advisory accounts are materially different from the services provided by the Investment Adviser to the Fund. Based on these factors, the directors determined that the fees charged to the Fund by the Investment Adviser under the advisory contract were reasonable in light of the services provided by the Investment Adviser and the fees charged by other advisers to similar funds offering similar services.

Profitability and Other Benefits to the Investment Adviser. The directors considered the income and expenses of the Fund and the profitability of the Fund to the Investment Adviser. They reviewed a written analysis of the profitability of the Fund to the Investment Adviser for the ten months ended October 31, 2009. They also considered other benefits to the Investment Adviser and its affiliates as a result of their relationship with the Fund, including a written analysis of the amounts and rates of brokerage commissions paid by the Fund to Ruane, Cunniff & Goldfarb LLC, a broker-dealer affiliate of the Investment Adviser, during those months. Based on these factors, the directors concluded that the Investment Adviser's profitability was not such as to prevent them from approving the renewal of the contract.

Economies of Scale. The directors considered information concerning economies of scale and whether the existing fees might require adjustment in light of any economies of scale. The directors determined that no modification of the existing fee level was necessary in light of the fact that, among other things, the Fund's total annual expense ratio was less than the average expense ratio of the mutual funds included in two different sets of peer-group funds.

In light of the Fund's performance, the Investment Adviser's provision of advisory and other services, and the reasonableness of the Fund's overall expenses compared to the expenses of the peer-group funds, the directors concluded that retention of the Investment Adviser was in the best interest of the Fund and its stockholders. Based upon such conclusions, the directors, including a majority of the independent directors, approved the renewal of the advisory contract.

Information about Sequoia Fund Officers and Directors:
(Unaudited)

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
Richard T. Cunniff, 86 767 Fifth Avenue New York, NY 10153	Vice Chairman & Director	Term — 1 Year & Length of Time served — 39 Years	Vice Chairman & Director of Ruane, Cunniff & Goldfarb Inc.	None
Robert D. Goldfarb, 65 767 Fifth Avenue New York, NY 10153	President & Director	Term — 1 Year & Length of Time served — 31 Years	Chairman & Director of Ruane, Cunniff & Goldfarb Inc.	None
David M. Poppe, 44 767 Fifth Avenue New York, NY 10153	Executive Vice President & Director	Term — 1 Year & Length of Time served — 6 Years	President & Director of Ruane, Cunniff & Goldfarb Inc.	None
Joseph Quinones, Jr., 64 767 Fifth Avenue New York, NY 10153	Vice President, Secretary, Treasurer & Chief Compliance Officer	Term — 1 Year & Length of Time served — 14 Years	Vice President, Secretary, Treasurer & Chief Compliance Officer of Ruane, Cunniff & Goldfarb Inc.	None
Michael Valenti, 40 767 Fifth Avenue New York, NY 10153	Assistant Secretary	Term — 1 Year & Length of Time served — 3 Years	Administrator of Ruane, Cunniff & Goldfarb Inc.	None
C. William Neuhauser, 83 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 35 Years	Retired	None
Robert L. Swiggett, 87 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 39 Years	Retired	None
Sharon Osberg, 60 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 6 Years	Consultant Internet Mobile Technology	None
Roger Lowenstein, 55 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 11 Years	Writer major Financial and News Publications	None
Vinod Ahooja, 58 767 Fifth Avenue New York, NY 1015	Director — Chairman of the Board	Term — 1 Year & Length of Time served — 9 Years	Retired	None

Other information (Unaudited)

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 Forms 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 or by calling DST Systems, Inc. at (800) 686-6884.

SEQUOIA FUND, INC.
767 Fifth Avenue, Suite 4701
New York, New York 10153-4798
(800) 686-6884
Website: *www.sequoiafund.com*

DIRECTORS

Richard T. Cunniff
Robert D. Goldfarb
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INVESTMENT ADVISER

Ruane, Cunniff & Goldfarb Inc.
767 Fifth Avenue, Suite 4701
New York, New York 10153-4798

DISTRIBUTOR

Ruane, Cunniff & Goldfarb LLC
767 Fifth Avenue, Suite 4701
New York, New York 10153-4798

CUSTODIAN

The Bank of New York
MF Custody Administration Department
One Wall Street, 25th Floor
New York, New York 10286

REGISTRAR AND SHAREHOLDER SERVICING AGENT

DST Systems, Inc.
P.O. Box 219477
Kansas City, Missouri 64121

LEGAL COUNSEL

Seward & Kissel LLP
One Battery Park Plaza
New York, New York 10004