Sequoia Fund, Inc.

ANNUAL REPORT
DECEMBER 31, 2010

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, 2010. 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 Reinvested 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
Dec. 31, 2010	129,290	1,745,828	333,509	2,208,627

The total amount of capital gains distributions reinvested in shares was $1,469,368. The total amount of dividends reinvested was $130,082, including return of capital distributions reinvested of $5,294.

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, 2010 appear below with comparable results for the S&P 500 Index:

To December 31, 2010	Sequoia Fund	Standard & Poor's 500*
Fourth Quarter	6.16%	10.76%
1 Year	19.50%	15.06%
5 Years (Annualized)	3.40%	2.29%
10 Years (Annualized)	5.32%	1.41%

The performance shown above represents past performance and does not guarantee future results. The table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. 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 U.S. corporations. The performance data quoted represents past performance and assumes reinvestment of distributions. 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 outperformed the S&P 500 Index for the year, though it underperformed during the fourth quarter. For the second consecutive year, the stock market posted significant gains as the economy recovered from the financial crisis of 2008. After losing 37% of its value in 2008, the S&P 500 gained 26.5% in 2009 and 15.1% in 2010, meaning an investor in the Index who stayed the course over three years would have lost about 8 cents on every dollar invested at the end of 2007. An investor in Sequoia would have had a fractional gain over the same three-year period, net of fees.

In 2010, Sequoia generated a 19.5% return despite holding a large cash balance all year. Indeed, we ended the year 79% invested in equities and 21% in cash. Had we been more fully invested in the stocks we already own, performance would have been better.

A lot happened at Sequoia in 2010. Most notably, we sold nearly half the Fund's holding in Berkshire Hathaway. After comprising more than 30% of Sequoia's assets as recently as 2006, Berkshire amounted to 10.6% of assets at the end of 2010.

In the same year we sold so much Berkshire, we bought a large position in Valeant Pharmaceuticals and a smaller one in Biovail, a Canadian pharmaceuticals manufacturer. Valeant and Biovail merged during the year, and on December 31 the combined company, called Valeant, was our second largest holding. In recent weeks, rapid appreciation in Valeant shares caused it to surpass Berkshire and become Sequoia's largest holding. It is the first time in nearly 20 years that Berkshire has not been the largest investment in the Fund.

At the time we sold Berkshire we felt the buyers would probably end up earning reasonable returns on their investment. That's not a typical sentiment for a seller. But our sale of Berkshire was unusual in several ways.

At the heart of the matter, we continue to believe that Berkshire Hathaway represents an excellent collection of businesses helmed by the best capital allocator in America. But in recent years Warren Buffett has announced loudly and clearly that the law of large numbers is working against Berkshire. That is, as the company's market capitalization has grown to $200 billion and its shareholders' equity to $150 billion, it has become harder for Berkshire to grow organically at a fast rate or to make investments large enough to propel earnings rapidly forward. When Warren Buffett tells the public that Berkshire's growth rate will slow in the future, it behooves one to listen.

Our feeling is that Berkshire is a very fine holding. It delivers to an investor a diversified earnings stream, a fortress-like balance sheet and a CEO who has the courage to make opportunistic investments when others are fearful. But to justify a 20% weighting in the Fund, we must believe a business trading at Berkshire's valuation level can compound its earnings at a fast rate for a long time. We think Berkshire's growth rate will be respectable in the future, but not torrid. As a consequence, we believe it makes more sense for Berkshire to be a large, but not outsized, percentage of Sequoia.

Of course, cash currently delivers a negligible return these days and as we sold Berkshire we effectively increased our cash position. But timing also played a role in our decision to sell shares. The entry of Berkshire into the S&P 500 index, and later into the Russell 1000 and 3000, created enormous demand for shares by index funds. We took advantage of this demand by selling a large volume of shares as Berkshire entered these indices.

Valeant is a pharmaceutical company that doesn't spend much money on research and development. Over the years it has acquired a stable of older branded drugs that often are off-patent, plus a portfolio of generic and OTC drugs. Many of its drugs are steady sellers in niche categories of dermatology or neurology. Valeant also focuses on markets such as Mexico, Brazil and Poland, where market dynamics are different than in the U.S. In Mexico, for example, there is little government regulation of pharmaceutical products and most people pay for medicine out of pocket. There are lots of dubious products on the market and low trust in prescription medication. Given this, Valeant has been able to brand generic drugs. The patient trusts a branded generic more than a no-name generic, and is willing to pay a premium for it. Valeant then is able to command a good price for what is a low-cost product.

While Valeant doesn't spend much money on R&D, it does invest heavily in its sales force. Often, it is able to buy older drugs for low multiples of operating profit and then expand distribution fairly quickly. The company made 14 small acquisitions in 2009 before embarking on its transforming merger with Biovail last year. In that deal, Valeant obtained some tax shields in Barbados that should enable it to lower its corporate tax rate dramatically. In the first five weeks of 2011, Valeant has announced two more sizable acquisitions.

The CEO of Valeant, Mike Pearson, strikes us as exceptionally capable and shareholder focused. For many years, Mr. Pearson ran the pharmaceutical consulting practice at McKinsey, where his clients included several of the best drug companies in the world. We think he is ideally suited to run a business that is at heart a value investor in pharmaceutical products.

The Fund began buying Valeant last spring and as of early February had earned roughly a 100% return in the stock. That pace of growth can't continue, but we remain confident in Valeant's prospects.

One thing that didn't change in 2010 was our continued ownership of long-time holdings TJX, Fastenal, Idexx Laboratories and Mohawk. Those four stocks made up 23% of Sequoia's assets at year-end. The worst performing stock of the group was Mohawk, which rose 19.2% for the year. In all, our top six holdings made up 43% of assets at year end and substantially outperformed the Index. Our founder Bill Ruane liked to say that his top six ideas would do better than all his other ideas, so best to concentrate in them. We still adhere to that advice, and in 2010 the top six delivered terrific results.

That said, another gradual change at Sequoia has been an increase in the number of holdings. At the end of 2010, we held 34 stocks in the Fund, which we believe is an all-time high. A decade ago, we finished 2001 with

17 stocks (five of which are still in the Fund). Every year, it seems, there are a few more stocks in the Fund than the year before.

This isn't really part of an effort to diversify away from our core belief in the benefits of concentration. The top six holdings remain disproportionately large. But in recent years, we've been adding steadily to our research team, and this talented group has broadened our reach without sacrificing any of the rigor we've always demanded. In recent years, we've looked at scores of European stocks for the first time. We've looked selectively at technology stocks we thought we could understand, like IBM and Google. We've looked for health care stocks that aren't subject to reimbursement pressure and ended up owning Valeant and private label over-the-counter drug maker Perrigo.

Our goal will always be to concentrate an outsized portion of our capital in a relatively small number of businesses that we've studied intensively. We believe the best way to outperform the market index while reducing risk is to have a deep understanding of a group of high-quality companies that have been carefully purchased. We have a great degree of confidence in our research team and believe we will uncover more than six good ideas in the future. As we move into an era where we no longer have 30% of assets in a single security, investors should expect Sequoia to own more stocks than in the past.

At the same time, we would point out that the eight smallest positions in Sequoia at year-end cumulatively represented 1.0% of assets. This is not an ideal way to construct a portfolio, but in the tumult of the past 2 1/2 years, we've tried to buy some stocks that moved out of our price range very quickly. Rather than give up and sell the positions we've opted to hold them. This requires us to keep an eye on them. Hopefully, we will have an opportunity to add to some of these positions in the future.

Looking ahead, we regret that our crystal ball is never very helpful. A year ago we told you that in a robust economic recovery, Sequoia would probably lag the market. We lacked exposure to cyclicals or leveraged financials, which we presumed would lead a recovery. We also carried a large cash balance at the end of 2009 that would act as a drag on results in a bull market. So what happened? The economy proceeded to grow better than many prognosticators forecast and the S&P rose 15%, with cyclical stocks in particular performing well. Yet we beat the Index.

Rather than try to guess at what might happen in 2011, we'll just remind you that the Sequoia portfolio is dominated by market leading companies that earn high returns on capital, boast extremely strong balance sheets and self-fund their growth. Our companies are run by high quality management teams. Speaking very broadly, the kinds of companies Sequoia owns tend to outperform the market during downturns as investors seek quality and safety. Our portfolio has sometimes underperformed in upturns, as investors focus on stocks that get greater leverage from a growing economy.

If the stock market continues its upward march, our large cash position will hurt investment results. Conversely, in a market correction we would have the flexibility to make new investments. We do not lack for ideas.

We were extremely gratified and humbled to be chosen by Morningstar as domestic stock fund managers of the year for 2010. While we had a fine year, a number of other managers did as well or better than we did. In making the announcement, Morningstar said it views the manager of the year as akin to a Hall of Fame election recognizing a long career rather than as an All-Star selection for a single great year. We wish Bill Ruane could have enjoyed this recognition in his lifetime, but are honored to enter Morningstar's Hall of Fame with him. However, we are not hanging up our spikes! We intend to keep improving and hopefully making more All-Star teams in the future. We have a young and talented research team propelling us forward and we aim to build a track record in the '10s worthy of the record Sequoia achieved in its first 40 years. Please visit our website at www.sequoiafund.com for more information on the award, and to view video clips of the analyst interviews.

In closing, we remind you 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 returns over time for Sequoia shareholders.

Sincerely,

Richard T. Cunniff
Vice Chairman

Robert D. Goldfarb
President

David M. Poppe
Executive Vice President

February 7, 2011

THE RUANE, CUNNIFF & GOLDFARB INC./SEQUOIA FUND, INC. ANNUAL INVESTOR DAY WILL BE HELD AT 10 A.M., NEW YORK CITY TIME, ON FRIDAY, MAY 20, 2011 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 19.5% in 2010. This compares with the 15.1% return of the S&P 500 Index. 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 2010.

Position	% of assets 12/31/10	Total return	% of assets 12/31/09
Berkshire Hathaway	10.6%	21.4%	20.3%
Valeant Pharmaceuticals	9.2%	78.9%*	0.0%
Idexx Laboratories Inc.	6.4%	29.5%	6.8%
TJX Companies, Inc.	6.3%	23.1%	6.3%
Fastenal Company	6.0%	47.7%	5.1%
Mohawk Industries, Inc.	4.3%	19.2%	4.4%

** Performance from 4/28/10, date of first purchase of Valeant shares.*

The outperformance vs. the Index in 2010 was driven by strong performance of the Fund's equity holdings, partially offset by a large cash position maintained throughout the year which produced a negligible return. Each of the Fund's six largest holdings outperformed the Index during the year, as shown in the table above.

We believe Berkshire Hathaway achieved record earnings per share in 2010, a pleasing result considering the depth of the recent downturn. The Burlington Northern Santa Fe railroad has vastly outperformed expectations since Berkshire acquired it in early 2010. We believe BNSF's 2010 net income should exceed original estimates by 40%, as strong volume gains, firm pricing and good cost control drive record earnings. We expect continued volume and earnings growth at the railroad to boost Berkshire's after tax return on the acquisition to 10% by 2012. Meanwhile, insurance profits are still high despite declining rates and the profits of most of the other non-insurance businesses are recovering nicely.

In 2010, Berkshire spent $2 billion for 10% of Munich Re at a price of eight times 2011 earnings estimates. It added to its Wells Fargo stake at a similar multiple. In recent months, Berkshire subsidiaries have made such diverse bolt-on acquisitions as a jewelry designer, a tester of moisture content for grain, two liquor distributors, and a brick maker. Berkshire is also scheduled in 2011 to purchase minority interests in majority-owned affiliates Marmon and Wesco.

We sold nearly half of the Fund's shares in Berkshire Hathaway in 2010. Berkshire remained our largest holding at the end of the year, and we have great confidence in the company's outlook. However, given Berkshire's valuation and comments from management about the difficulty of maintaining a high growth rate given the company's size, we felt it prudent to reduce Berkshire from 20.3% of the Fund's assets at the end of 2009.

Valeant caught our eye last year for its approach to the pharmaceutical business. In an industry marked by heavy spending on research and development, Valeant over a period of years has acquired a stable of older branded drugs that often are off-patent, plus a diverse portfolio of generic and OTC drugs. Many of its drugs are steady sellers in niche categories of dermatology or neurology. Valeant also focuses on markets such as Mexico, Brazil and Poland, where market dynamics are different than in the U.S.

In our view, Valeant is essentially a value investor in pharmaceutical products. Because it has a large sales force in numerous countries, it is often able to buy older drugs for low multiples of operating profit and then expand distribution. The company made 14 small acquisitions in 2009 before embarking on its transforming merger with Biovail last year. In that deal, Valeant obtained some tax shields in Barbados that should enable it to lower its corporate tax rate dramatically. In the first five weeks of 2011, Valeant has announced two more sizable acquisitions.

The Fund began buying Valeant in April and earned a 79% return on its original purchases by year-end. Valeant continued to appreciate in the first weeks of 2011 and as of this writing is now the largest holding in

Sequoia. This marks the first time in 19 years that Berkshire Hathaway is not the largest holding in the Fund.

Veterinary clinic revenues followed their first drop in more than a decade in 2009 with a worse mid-single digit fall in 2010. It has become clear to us that pet healthcare spending is tied closely to employment and we suspect that spending in the industry will not recover materially until employment levels in the U.S. improve. Despite continued market weakness, Idexx Labs managed to grow revenue by 6% and earnings per share by 18%. These results were driven by new companion animal products, stronger international markets (which now drive over a third of revenues) and market share gains in its important reference laboratories business. While Idexx is an extremely strong and well-managed franchise, we sold some shares during the year based on the stock's valuation coupled with our concerns about the outlook for pet healthcare spending.

We have held shares of TJX in the Fund for 10 years. The company has been a very good performer for a long time, but earnings growth has accelerated in recent years. TJX is the largest off-price apparel and home goods retailer in the United States, Canada and the UK, and now has a growing presence in Germany and Poland. After the 2008 financial crisis, TJX benefited from large levels of high quality surplus in the marketplace. But more than two years after the crisis began, TJX continues to source high-quality goods and to report increasing levels of customer traffic in stores. In 2007, TJX earned $1.68 per share. For the 2010 fiscal year, which has not yet been reported, it appears TJX will earn about $3.47 per share, marking a three-year compound growth rate for earnings of 27%. TJX earns extremely high returns on capital, enjoys ample free cash flows and returns most of that free cash to its owners in the form of dividends and stock buybacks. We believe it can grow its store base by roughly 5% per year and repurchase 4%-6% of its shares annually.

Fastenal turned in a very impressive year. 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 in 2009 for the first time since 2001. Fastenal management responded by slowing new store growth, reducing headcount, and reining in other costs. In 2010, the industrial economy improved and Fastenal saw its growth and profitability accelerate dramatically. The company entered 2011 with considerable sales momentum and we believe it has an opportunity to grow at a rapid rate for years to come.

End markets for Mohawk Industries' floor covering products remained difficult during 2010. Despite showing signs of improvement early in the year, residential and commercial construction contracted further. Remodeling spending, which is more important to Mohawk overall than new construction, rose only modestly from depressed levels. Total sales for the company were essentially flat with the year before, but management's restructuring efforts moved the business solidly back into profitability. The company continued to produce enough cash for management to retire $200 million of debt, establish a promising joint venture in China and boost capital spending in preparation of a rebound in U.S. demand. Mohawk begins 2011 with a leaner cost structure, innovative new products and significant potential for profitable growth in new markets.

We sold several large positions during 2010. In the case of Martin Marietta Materials, demand for crushed stone and sand in the United States shows no sign of recovering, as construction and infrastructure spending remains depressed. While Martin Marietta owns well located quarries that generally face limited competition, demand in some of its key states is down 50% from the peak. We believe earnings will remain under pressure until construction activity normalizes. The company's net income has dropped by 63% since 2007 and we are not confident we know when demand will stabilize. Yet the stock market is valuing Martin Marietta as if a robust construction recovery were imminent. We elected to sell the stock in 2010.

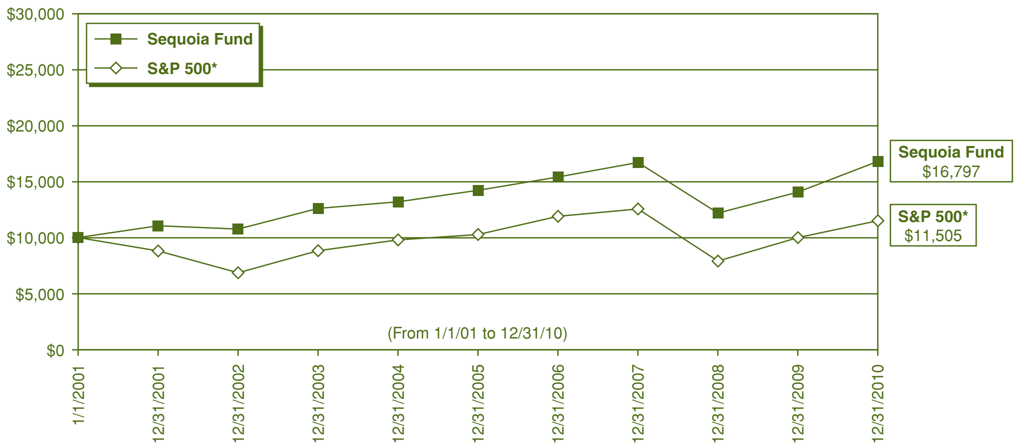
Porsche remains the world's most profitable car maker and one of the best luxury brands in the world. Alas, the company's stock price no longer seems related to its performance selling cars but to speculation about the nature and timing of its pending acquisition by Volkswagen. In what has become a long-running melodrama, Porsche attempted to take over Volkswagen a few years ago in part by borrowing heavily to accumulate options to buy VW stock. When the financial crisis hit, Porsche was unable to refinance its options and was unable to find a partner to assist it with a takeover. Ultimately, the families that control Porsche agreed to sell the company to Volkswagen. We never invested in Porsche in the hopes that our stock in this world-class luxury brand would one day convert to an interest in a volume car company, even one as well-run as Volkswagen. Last year we exited the position.

We also sold our long-time holding in Walgreen during 2010. Simply put, we believe the economics of the drug store business have deteriorated in recent years as the pharmacy benefit managers, or PBMs, have been successful at reducing the reimbursement paid to pharmacies for dispensing prescriptions, and at enticing patients to fill long-term prescriptions via mail order services operated by the PBMs. Despite consistent sales growth in recent years, Walgreen's operating margin has steadily receded since 2007 and its earnings have barely grown. The company should benefit in the short-term from a wave of new generic drug introductions. New generic drugs are initially quite profitable for pharmacies as payers offer incentives to convert patients from branded medicines. In the longer-term, however, it must find a way to stop the slide in its operating margin.

We made a number of new investments in 2010, including Valeant, Goldman Sachs, Google, IBM and Perrigo. We thought Goldman Sachs, Google and IBM were premier franchises trading at sizable discounts to their earnings power as investors seemed to shun blue chip stocks early in the year. Perrigo makes private label over-the-counter drugs and has an enormous market share in the U.S. for widely-used products like omeprazole and loratidine. Consumers increasingly seem willing to trade down from branded OTC drugs to store brands, such that Perrigo has nearly doubled EPS over the past two years. With a strong pipeline of prescription medication scheduled to move to OTC, including the allergy drug Allegra, we believe Perrigo has bright prospects.

In addition to sales of Berkshire and Idexx discussed above, we also sold shares in De la Rue, Expeditors International and Paccar. In the case of De la Rue, a scandal that resulted in the resignation of the CEO caused us to lose faith in management. Expeditors is a marvelous business but we believed the shares were expensive relative to our growth expectations for earnings. We still own some Expeditors. At Paccar, we greatly admire the company but felt the stock was expensive relative to our outlook for the heavy duty truck market.

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



The performance shown above represents past performance and does not guarantee future results. The graph does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. 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.*

SECTOR BREAKDOWN
(UNAUDITED)

As of December 31, 2010	Percent of Net Assets
U.S. Government Obligations	21.87
Healthcare	11.16
Diversified Companies	10.63
Retailing	10.19
Aerospace/Defense	8.58
Veterinary Diagnostics	6.43
Industrial & Construction Supplies	5.97
Auto Parts	5.81
Flooring Products	4.32
Internet Software & Services	2.22
Investment Banking & Brokerage	2.10
IT Consulting & Other Services	2.01
Information Processing	1.92
Miscellaneous Securities	1.49
Advertising	1.23
Diversified Manufacturing	1.04
Construction Equipment	1.00
Other	2.03
	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%

** Does not reflect 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. For the year ended December 31, 2010, the Fund's annual operating expenses net of such reimbursement was 1.00%.*

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, 2010 to December 31, 2010).

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, 2010	Ending Account Value December 31, 2010	Expenses Paid During Period* July 1, 2010 to December 31, 2010
Actual	$1,000	$1,148.90	$5.47
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, 2010

COMMON STOCKS (78.69%)

Shares		Value (Note 1)
	ADVERTISING (1.23%)	
933,743	Omnicom Group Inc.	$ 42,765,429
	AEROSPACE/DEFENSE (8.58%)	
947,406	Precision Castparts Corp.	131,888,389
23,161,200	Qinetiq Group plc (United Kingdom)	46,970,914
12,376,114	Rolls-Royce Group plc (United Kingdom)	120,271,076
		299,130,379
	AUTO PARTS (5.81%)	
1,549,400	Advance Auto Parts, Inc.	102,492,810
1,656,139	O'Reilly Automotive Inc. *	100,063,918
		202,556,728
	CONSTRUCTION EQUIPMENT (1.00%)	
1,520,736	Ritchie Bros. Auctioneers Incorporated	35,052,965
	CRUDE OIL & GAS PRODUCTION (0.23%)	
179,508	Canadian Natural Resources Limited	7,973,745
	DIVERSIFIED COMPANIES (10.63%)	
3,055	Berkshire Hathaway Inc. Class A *	367,974,750
33,000	Berkshire Hathaway Inc. Class B *	2,643,630
		370,618,380
	DIVERSIFIED MANUFACTURING (1.04%)	
765,664	Danaher Corporation	36,116,371
	ELECTRONIC MANUFACTURING SERVICES (0.09%)	
77,500	Trimble Navigation Limited *	3,094,575
	FLOORING PRODUCTS (4.32%)	
2,656,923	Mohawk Industries Inc. *	150,806,949
	FREIGHT TRANSPORTATION (0.42%)	
271,300	Expeditors International Inc.	14,812,980
	HEALTHCARE (11.16%)	
418,000	Becton, Dickinson and Company	35,329,360
529,800	Perrigo Company	33,552,234
11,320,000	Valeant Pharmaceuticals International Inc.	320,242,800
		389,124,394

Shares		Value (Note 1)
	INDUSTRIAL & CONSTRUCTION SUPPLIES (5.97%)	
3,475,384	Fastenal Company	$ 208,210,255
	INDUSTRIAL GASES (0.98%)	
359,017	Praxair, Inc.	34,275,353
	INFORMATION PROCESSING (1.92%)	
298,457	MasterCard Inc.	66,887,198
	INSURANCE BROKERS (0.77%)	
1,124,830	Brown & Brown Inc.	26,928,430
	INTERNET SOFTWARE & SERVICES (2.22%)	
130,571	Google Inc. *	77,555,257
	INVESTMENT BANKING & BROKERAGE (2.10%)	
435,000	The Goldman Sachs Group Incorporated	73,149,600
	IT CONSULTING & OTHER SERVICES (2.01%)	
477,000	International Business Machines Corp.	70,004,520
	LABORATORY SUPPLIES (0.08%)	
19,247	Mettler-Toledo International Inc. *	2,910,339
	PROPERTY AND CASUALTY INSURANCE (0.02%)	
21,000	Verisk Analytics, Inc. *	715,680
	RETAILING (10.19%)	
39,666	Costco Wholesale Corporation	2,864,282
1,368,875	Target Corporation	82,310,454
4,934,190	TJX Companies, Inc.	219,028,694
949,032	Wal-Mart Stores, Inc.	51,181,296
		355,384,726
	VETERINARY DIAGNOSTICS (6.43%)	
3,240,578	Idexx Laboratories Inc. † *	224,312,809
	Miscellaneous Securities (1.49%) (a)	51,989,261
	TOTAL COMMON STOCKS (Cost $1,425,410,960)	$2,744,376,323

Principal Amount		Value (Note 1)
	U.S. GOVERNMENT OBLIGATIONS (21.87%)	
$763,000,000	U.S. Treasury Bills, 0.08%-0.13% due 1/13/2011 through 2/24/2011	$ 762,950,799
	TOTAL U.S. GOVERNMENT OBLIGATIONS (Cost $762,950,799)	762,950,799
	TOTAL INVESTMENTS (100.56%) (Cost $2,188,361,759) ††	3,507,327,122
	LIABILITIES LESS OTHER ASSETS (–0.56%)	(19,612,483)
	NET ASSETS (100.00%)	$3,487,714,639

† Refer to Note 7.

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

* Non-income producing.

(a) "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, 2010:

Valuation Inputs	Common Stocks	U.S. Government Obligations	Total
Level 1 – Quoted Prices	$2,744,376,323	—	$2,744,376,323
Level 2 – Other Significant Observable Inputs *	—	$762,950,799	762,950,799
Total	$2,744,376,323	$762,950,799	$3,507,327,122

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

SEQUOIA FUND, INC.
Statement of Assets and Liabilities
December 31, 2010

ASSETS	
Investments in securities, at value (Note 1)	
Unaffiliated companies (cost $2,107,610,650)	$3,283,014,313
Affiliated companies (cost $80,751,109) (Note 7)	224,312,809
Total investments in securities (cost $2,188,361,759)	3,507,327,122
Cash on deposit with custodian	3,347,275
Receivable for capital stock sold	4,493,855
Dividends receivable	1,867,419
Receivable for investment securities sold	4,335,150
Other assets	34,074
Total assets	3,521,404,895
LIABILITIES	
Payable for capital stock repurchased	26,772,978
Payable for investment securities purchased	3,789,150
Accrued investment advisory fee	2,961,099
Accrued other expenses	167,029
Total liabilities	33,690,256
Net assets applicable to 26,976,872 shares of capital stock outstanding (Note 4)	$3,487,714,639
Net asset value, offering price and redemption price per share	$129.29
NET ASSETS CONSIST OF	
Capital (par value and paid in surplus) $.10 par value capital stock, 100,000,000 shares authorized	$2,168,782,276
Accumulated net realized losses on investments (Note 5)	(33,000)
Unrealized appreciation	1,318,965,363
Total Net Assets	$3,487,714,639

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

SEQUOIA FUND, INC.
Statement of Operations
Year Ended December 31, 2010

INVESTMENT INCOME	
Income	
Dividends, net of $2,114,683 foreign tax withheld	$ 30,945,101
Interest	535,678
Total income	31,480,779
Expenses	
Investment advisory fee (Note 2)	31,360,973
Legal and auditing fees	156,000
Stockholder servicing agent fees	577,938
Custodian fees	80,000
Directors fees and expenses (Note 6)	284,128
Other	160,144
Total expenses	32,619,183
Less expenses reimbursed by Investment Adviser (Note 2)	1,110,000
Net expenses	31,509,183
Net investment loss	(28,404)
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS	
Realized gain (loss) on	
Investments	
Unaffiliated companies	140,218,063
Affiliated companies (Note 7)	14,043,184
Foreign currency transactions	(30,323)
Net realized gain on investments and foreign currencies	154,230,924
Net increase in unrealized appreciation on	
Investments	
Unaffiliated companies	365,698,264
Affiliated companies (Note 7)	40,400,738
Net increase in unrealized appreciation on investments	406,099,002
Net realized and unrealized gain on investments and foreign currencies	560,329,926
Net increase in net assets from operations	$560,301,522

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

SEQUOIA FUND, INC.
Statements of Changes in Net Assets

	Year Ended December 31,	
	2010	**2009**
INCREASE/(DECREASE) IN NET ASSETS		
From operations		
Net investment income (loss)	$ (28,404)	$ 172,532
Net realized gain on investments and foreign currencies	154,230,924	7,653,549
Net increase in unrealized appreciation on investments	406,099,002	370,969,780
Net increase in net assets from operations	560,301,522	378,795,861
Distributions to shareholders from		
Net investment income	—	(582,316)
Net realized gains	(43,650,447)	(5,604)
Return of capital	(8,344,749)	—
Capital share transactions (Note 4)	111,636,350	3,371,424
Total increase	619,942,676	381,579,365
NET ASSETS		
Beginning of period	2,867,771,963	2,486,192,598
End of period (including undistributed net investment income of $0 and $0, respectively)	$3,487,714,639	$2,867,771,963

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 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 contractually 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, 2010 and the Investment Adviser reimbursed the Fund $1,110,000. Such reimbursement is not subject to recoupment by the Investment Adviser.

For the year ended December 31, 2010, there were no amounts accrued or paid to interested persons, including officers and directors, other than advisory fees of $31,360,973 to Ruane, Cunniff & Goldfarb Inc. and brokerage commissions of $545,394 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, 2010.

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, 2010 were $567,738,908 and $757,968,488, respectively. Included in proceeds of sales is $52,896,079 representing the value of securities disposed of in payment of redemptions in-kind, resulting in realized gains of $42,755,343.

At December 31, 2010 the aggregate gross tax basis unrealized appreciation and depreciation of securities were $1,328,535,552 and $9,570,189, respectively.

NOTE 4—CAPITAL STOCK

At December 31, 2010 there were 100,000,000 shares of $.10 par value capital stock authorized. Transactions in capital stock for the years ended December 31, 2010 and 2009 were as follows:

	2010		2009	
	Shares	Amount	Shares	Amount
Shares sold	3,352,182	$406,319,850	3,033,183	$296,063,317
Shares issued to stockholders on reinvestment of.				
Net investment income	—	—	4,351	463,286
Net realized gains on investments	283,070	35,256,313	35	3,490
Return of capital	53,730	6,750,472	—	—
	3,688,982	448,326,635	3,037,569	296,530,093
Shares repurchased	2,807,613	336,690,285	3,039,271	293,158,669
Net increase (decrease)	881,369	$111,636,350	(1,702)	$ 3,371,424

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, 2010 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 $42,735,019 with a corresponding increase in paid in surplus of $42,706,615, and an increase to undistributed net investment income of $28,404. These reclassifications had no effect on net assets.

The tax character of distributions paid during 2010 and 2009 was as follows:

	2010	2009
Distributions paid from		
Ordinary income	$ —	$583,480
Long-term capital gains	43,650,447	4,440
Return of capital	8,344,749	—
Total distributions	$51,995,196	$587,920

As of December 31, 2010, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ —
Undistributed long-term gain	—
Deferred post-October losses	(33,000)
Unrealized appreciation	1,318,965,363
	$1,318,932,363

As of December 31, 2009, the Fund had $61,261,515 of capital loss carryforwards for federal income tax purposes. These capital loss carryforwards were fully utilized during the year ended December 31, 2010 to offset net realized capital gains 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, 2007 through December 31, 2010) 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, 2010 was $284,128.

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, 2010 aggregated $224,312,809 and $80,751,109, respectively. The summary of transactions for this affiliate during the period of its affiliation for the year ended December 31, 2010 is provided below:

	Purchases		Sales			
Affiliate	**Shares**	**Cost**	**Shares**	**Cost**	**Realized Gain**	**Dividend Income**
Idexx Laboratories Inc.	—	—	395,600	$10,405,281	$14,043,184	—

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 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 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,				
	2010	2009	2008	2007	2006
Per Share Operating Performance (for a share outstanding throughout the period)					
Net asset value, beginning of period	$ 109.90	$ 95.27	$ 139.12	$ 152.75	$ 155.45
Income from investment operations					
Net investment income (loss)	(0.00)(a)	0.00(a)	0.40	0.46	(0.70)
Net realized and unrealized gains (losses) on investments	21.35	14.65	(37.11)	13.48	13.60
Total from investment operations	21.35	14.65	(36.71)	13.94	12.90
Less distributions					
Dividends from net investment income	—	(0.02)	(0.42)	(0.45)	(0.00)
Distributions from net realized gains	(1.65)	(0.00)(a)	(6.72)	(27.12)	(15.60)
Return of capital	(0.31)	—	—	—	—
Total distributions	(1.96)	(0.02)	(7.14)	(27.57)	(15.60)
Net asset value, end of period	$ 129.29	$ 109.90	$ 95.27	$ 139.12	$ 152.75
Total Return	19.50%	15.38%	(27.03)%	8.40%	8.34%
Ratios/Supplementary data					
Net assets, end of period (in millions)	$3,487.7	$2,867.8	$2,486.2	$3,513.5	$3,599.8
Ratio of expenses to average net assets					
Before expense reimbursement	1.04%	1.05%	1.04%	1.03%	1.03%
After expense reimbursement	1.00%	1.01%	1.00%	1.00%	1.00%
Ratio of net investment income (loss) to average net assets	(0.00)%	0.01%	0.33%	0.29%	(0.46)%
Portfolio turnover rate	23%	15%	12%	13%	14%

(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, 2010, 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 four 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 the year 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, 2010 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, 2010, 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 four year period then ended, in conformity with accounting principles generally accepted in the United States of America.

BBD, LLP
Philadelphia, Pennsylvania
February 18, 2011

APPROVAL OF ADVISORY CONTRACT
(UNAUDITED)

At a meeting held on December 6, 2010, 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 information describing 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 reasonably designed to, among other things, prevent violations of the Investment Advisers Act of 1940 and 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 2010. They noted that for the first 10 months of 2010, the Fund generated a total return of 15.8% versus a return for the S&P 500 Index of 7.8%. They reviewed information concerning those portfolio holdings that contributed most to the Fund's performance during that period. They also considered the Fund's performance compared to the performance of peer-group funds for the year-to-date, 3-year, 5-year and 10-year periods ended November 4, 2010. They considered the source of the information and discussed performance of certain funds included in the peer group. 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. 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 reviewed information provided by the Investment Adviser comparing the Fund's advisory fee and expense ratio to the advisory fees charged by, and the expense ratios of, peer-group funds. They reviewed information showing that the Fund's expense ratio was 1.01% and that the average expense ratio for the peer-group funds was 1.12%. 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 also considered information regarding the fees charged by the Investment Adviser to its other advisory accounts. Based on these and other 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.

Profitability and Other Benefits to the Investment Adviser. The directors considered the profitability of the Fund to the Investment Adviser for the ten months ended October 31, 2010. 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 would not 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 paid by the Fund to the Investment Adviser might require adjustment in light of any economies of scale. The directors determined that no modification of the existing fee level was necessary because, among other things, the Fund's total annual expense ratio was comparable to the average expense ratio of the peer-group funds.

In light of the Fund's performance, the extent and quality of the Investment Adviser's provision of advisory and other services, the reasonableness of the Fund's advisory fee compared to the advisory fee of peer-group funds and other factors, the directors concluded that retention of the Investment Adviser was in the best interest of the Fund and its stockholders. This conclusion was not based on any single factor, but on an evaluation of the totality of factors and information reviewed and evaluated by the directors. 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, 87 767 Fifth Avenue New York, NY 10153	Vice Chairman & Director	Term — 1 Year & Length of Time served — 40 Years	Vice Chairman & Director of Ruane, Cunniff & Goldfarb Inc.	None
Robert D. Goldfarb, 66 767 Fifth Avenue New York, NY 10153	President & Director	Term — 1 Year & Length of Time served — 32 Years	Chairman & Director of Ruane, Cunniff & Goldfarb Inc.	None
David M. Poppe, 45 767 Fifth Avenue New York, NY 10153	Executive Vice President & Director	Term — 1 Year & Length of Time served — 7 Years	President & Director of Ruane, Cunniff & Goldfarb Inc.	None
Joseph Quinones, Jr., 65 767 Fifth Avenue New York, NY 10153	Vice President, Secretary, Treasurer & Chief Compliance Officer	Term — 1 Year & Length of Time served — 15 Years	Vice President, Secretary, Treasurer & Chief Compliance Officer of Ruane, Cunniff & Goldfarb Inc.	None
Michael Valenti, 41 767 Fifth Avenue New York, NY 10153	Assistant Secretary	Term — 1 Year & Length of Time served — 4 Years	Administrator of Ruane, Cunniff & Goldfarb Inc.	None
C. William Neuhauser, 84 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 36 Years	Retired	None
Robert L. Swiggett, 88 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 40 Years	Retired	None
Sharon Osberg, 61 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 7 Years	Consultant Internet Mobile Technology	None
Roger Lowenstein, 56 767 Fifth Avenue New York, NY 10153	Director	Term — 1 Year & Length of Time served — 12 Years	Writer major Financial and News Publications	None
Vinod Ahooja, 59 767 Fifth Avenue New York, NY 10153	Director — Chairman of the Board	Term — 1 Year & Length of Time served — 10 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.

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DIRECTORS

Richard T. Cunniff
Robert D. Goldfarb
David M. Poppe
Vinod Ahooja, Chairman of the Board
Roger Lowenstein
C. William Neuhauser
Sharon Osberg
Robert L. Swiggett

OFFICERS

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*
Michael Valenti	— *Assistant Secretary*

INVESTMENT ADVISER

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