Sequoia Fund, Inc.

SEMI-ANNUAL REPORT

JUNE 30, 2000

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

The table below covers the period from July 15, 1970 (the date Fund shares were first offered to the public) to June 30, 2000. This period was one of widely fluctuating common stock prices. The results shown should not be considered as a representation of the dividend income or capital gain or loss which may be realized from an investment made in the Fund today.

PERIOD ENDED:	Value of Initial $10,000 Investment	Value of Cumulative Capital Gains Distributions	Value of Cumulative Reinvested Dividends	Total Value of Shares
July 15, 1970	$ 10,000	$ —	$ —	$ 10,000
May 31, 1971	11,750	—	184	11,934
May 31, 1972	12,350	706	451	13,507
May 31, 1973	9,540	1,118	584	11,242
May 31, 1974	7,530	1,696	787	10,013
May 31, 1975	9,490	2,137	1,698	13,325
May 31, 1976	12,030	2,709	2,654	17,393
May 31, 1977	15,400	3,468	3,958	22,826
Dec. 31, 1977	18,420	4,617	5,020	28,057
Dec. 31, 1978	22,270	5,872	6,629	34,771
Dec. 31, 1979	24,300	6,481	8,180	38,961
Dec. 31, 1980	25,040	8,848	10,006	43,894
Dec. 31, 1981	27,170	13,140	13,019	53,329
Dec. 31, 1982	31,960	18,450	19,510	69,920
Dec. 31, 1983	37,110	24,919	26,986	89,015
Dec. 31, 1984	39,260	33,627	32,594	105,481
Dec. 31, 1985	44,010	49,611	41,354	134,975
Dec. 31, 1986	39,290	71,954	41,783	153,027
Dec. 31, 1987	38,430	76,911	49,020	164,361
Dec. 31, 1988	38,810	87,760	55,946	182,516
Dec. 31, 1989	46,860	112,979	73,614	233,453
Dec. 31, 1990	41,940	110,013	72,633	224,586
Dec. 31, 1991	53,310	160,835	100,281	314,426
Dec. 31, 1992	56,660	174,775	112,428	343,863
Dec. 31, 1993	54,840	213,397	112,682	380,919
Dec. 31, 1994	55,590	220,943	117,100	393,633
Dec. 31, 1995	78,130	311,266	167,129	556,525
Dec. 31, 1996	88,440	397,099	191,967	677,506
Dec. 31, 1997	125,630	570,917	273,653	970,200
Dec. 31, 1998	160,700	798,314	353,183	1,312,197
Dec. 31, 1999	127,270	680,866	286,989	1,095,125
June 30, 2000	123,600	661,313	282,339	1,067,252

The total amount of capital gains distributions accepted in shares was $329,005, the total amount of dividends reinvested was $95,580.

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 second quarter of 2000 are shown below with comparable results for the leading market indexes:

To June 30, 2000	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3 months	−2.6%	−4.0%	−2.7%
6 months	−2.6	−8.4	−0.4

The first six months of 2000 were certainly a bizarre period for the shareholders and management of the Sequoia Fund. From January 1st to March 10th of 2000, the Fund declined by 18%, while the technology-laden NASDAQ rose 24%. However, from March 10th through the date of this letter, Sequoia rebounded by 29%, while the NASDAQ declined by 26%. In our 30-year history, this is far and away the most dramatic divergence between Sequoia and such a large sector of the market over such a short period of time. Today, most of our holdings have returned to what we believe are more sensible levels. Lo and behold, as we write this letter, the Fund is up 4.9% year-to-date. This compares to the S&P at +0.1%, the Dow at −4.3% and the NASDAQ at −7.5%.

The Fund is currently in a conservative posture, with about 30% of our investments in two-year Treasuries yielding about 6¼%. This is certainly not the first time we have held a sizeable cash reserve for future investments. Indeed, we held large cash reserves during much of the 1980s and the early 1990s. Over the years we have found that investment patience is eventually rewarded. At year-end 1993, for example, about one third of our assets were in Treasuries and cash. This allowed us to make an aggressive move into financial services stocks in 1994 when they became very attractively priced. These positions were strong contributors to the Fund's performance in the latter half of the 1990s.

Our current conservative posture is in no way an attempt to time the market. It is simply the result of our usual stock-by-stock evaluation that has led us to be sellers more often than buyers during the past several quarters. After a bull market of unprecedented duration, stock market investors increasingly demand that their funds remain fully invested in equities regardless of market opportunities. In this environment, it is perhaps ironic (and certainly little remarked) that, so far in 2000, cash has outperformed all the major stock market indexes.

We believe the recipe for delivering superior long-term performance requires equal parts of picking the right stocks and avoiding the wrong ones. We were not even tempted to join the recent speculative frenzy in the dot.com sector. But avoiding other, more subtle value traps is also critical, as well as more analytically taxing. Today's volatile and multi-tiered market offers us a variety of possible strategies for new investments.

Searching among the "old economy" stocks, we have identified and studied a number of companies with fine historical track records selling at apparently modest valuations. We have not infrequently concluded that, due to product maturity, technological change or other competitive factors, these companies are unlikely to sustain their enviable track records. As a result, their current stock prices may appropriately reflect limited prospects for growth in value over the long term. However, we have also identified companies with very low price/earnings multiples, limited growth prospects (but also minimal downside), earnings that are mostly cash, and the ability and willingness to return this cash to shareholders through dividends or share repurchases. While these companies may not be glamorous, the mathematics of their current valuations can provide very attractive returns over time.

Our large cash reserve may permit us to capitalize on other occasionally dysfunctional aspects of the current market environment. Investors often dump the shares of a company or an entire industry sector indiscriminately based on fears of an economic slowdown or in the wake of a strong company's shortfall, however modest, from analysts' expectations. This can create potential buying opportunities, although in any number of cases, even after severe price declines, we have found these to be surprisingly marginal rather than compelling opportunities, and often of very brief duration. Nevertheless, this price volatility has permitted us to establish some new positions over the past several quarters.

We do not normally provide you with an early estimate of Sequoia's year-end capital gains distribution. However, due to the magnitude of this distribution in 2000, we felt we should alert our tax-paying shareholders that it is likely to be in excess of $20 per share, payable in December. At the 20% federal tax rate on long-term capital gains, the federal tax due on a $20 capital gains distribution, for example, would be $4.00 per share. We recommend that you keep this in mind for your tax planning.

In closing, we highly recommend to our shareholders who are interested in the general investment scene that you add *Pioneering Portfolio Management* by David F. Swensen to your summer reading list. Swensen, Chief Investment Officer at Yale University, provides a thoughtful and provocative overview of the investment management process.

Sincerely,

Carley Cunniff   Richard T. Cunniff

Robert D. Goldfarb   William J. Ruane

August 10, 2000

SEQUOIA FUND, INC.
Schedule of Investments
June 30, 2000 (Unaudited)

COMMON STOCKS (66.11%)

Shares		Cost	Value (Note 1)
	BANK HOLDING COMPANIES (13.71%)		
5,958,662	Fifth Third Bancorp	$ 89,279,910	$ 376,885,372
249,700	Mercantile Bankshares Corporation	2,610,505	7,444,181
1,145,900	National Commerce Bancorp	7,110,847	18,406,019
3,799,700	U.S. Bancorp	48,179,594	73,144,225
		147,180,856	475,879,797
	DIVERSIFIED COMPANIES (31.26%)		
20,175	Berkshire Hathaway Inc. Class A*	160,993,354	1,085,415,000
	HOME FURNISHINGS (1.46%)		
2,115,500	Ethan Allen Interiors Inc.†	53,478,605	50,772,000
	INSURANCE (8.10%)		
3,800,900	Progressive Corporation†	129,150,484	281,266,600
	INDUSTRIAL AND COMMERCIAL MACHINERY (2.53%)		
2,163,400	Dover Corporation	72,424,416	87,752,913
	MANUFACTURING-MOTORCYCLES (1.32%)		
1,191,850	Harley Davidson, Inc.	7,824,981	45,886,225
	PERSONAL CREDIT (2.00%)		
1,667,200	Household International, Inc.	21,044,799	69,293,000
	SERVICES (3.90%)		
3,344,600	Freddie Mac	13,263,099	135,456,300
	Miscellaneous Securities (1.83%)	63,842,533	63,696,212
	TOTAL COMMON STOCKS	669,203,127	2,295,418,047
Principal Amount			
	U.S. GOVERNMENT OBLIGATIONS (33.89%)		
$ 42,000,000	U.S. Treasury Bills due 7/06/00 through 8/17/00	41,776,181	41,776,181
242,000,000	U.S. Treasury Notes, 5 1/2% due 08/31/01	241,375,418	239,428,750
763,500,000	U.S. Treasury Notes, 6 1/8% due 12/31/01	760,055,090	760,159,687
135,500,000	U.S. Treasury Notes, 6 3/8% due 01/31/02	134,864,463	135,351,797
	TOTAL U.S. GOVERNMENT OBLIGATIONS	1,178,071,152	1,176,716,415
	TOTAL INVESTMENTS (100%)††	$1,847,274,279	$3,472,134,462

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

The accompanying notes form an integral part of these Financial Statements

SEQUOIA FUND, INC.
Statement of Assets and Liabilities
June 30, 2000 (Unaudited)

ASSETS:	
Investments in securities, at value (cost $1,847,274,279) (Note 1)	$3,472,134,462
Cash on deposit with custodian	399,136
Receivable for investment securities sold	15,011,547
Receivable for capital stock sold	320,476
Dividends and interest receivable	10,270,841
Other assets	24,946
Total assets	3,498,161,408
LIABILITIES:	
Payable for capital stock repurchased	260,418
Accrued investment advisory fee	3,161,349
Accrued other expenses	88,066
Total liabilities	3,509,833
Net assets applicable to 28,274,033 shares of capital stock outstanding (Note 4)	$3,494,651,575
Net asset value, offering price and redemption price per share	$123.60

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

SEQUOIA FUND, INC.
Statement of Operations
Six Months Ended June 30, 2000 (Unaudited)

INVESTMENT INCOME:	
Income:	
Dividends:	
Unaffiliated companies	$ 9,472,261
Affiliated companies (Note 6)	494,117
Interest	28,624,881
Total income	38,591,259
Expenses:	
Investment advisory fee (Note 2)	17,991,351
Legal and auditing fees	42,808
Stockholder servicing agent fees	193,641
Custodian fees	40,000
Directors fees and expenses (Note 5)	97,538
Other	84,162
Total expenses	18,449,500
Less expenses reimbursed by Investment Adviser (Note 2)	383,000
Net expenses	18,066,500
Net investment income	20,524,759
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:	
Realized gain on investments:	
Unaffiliated companies	630,629,484
Net realized gain on investments	630,629,484
Net decrease in unrealized appreciation on:	
Investments	(764,759,790)
Net realized and unrealized (loss) on investments	(134,130,306)
Decrease in net assets from operations	$(113,605,547)

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

SEQUOIA FUND, INC.
Statements of Changes in Net Assets

	Six Months Ended 6/30/00 (Unaudited)	Year Ended 12/31/99
INCREASE (DECREASE) IN NET ASSETS:		
From operations:		
Net investment income	$ 20,524,759	$ 25,437,067
Net realized gain	630,629,484	146,273,356
Net (decrease) in unrealized appreciation	(764,759,790)	(969,232,109)
Net (decrease) in net assets from operations	(113,605,547)	(797,521,686)
Distributions to shareholders from:		
Net investment income	(12,811,957)	(26,006,104)
Net realized gains	(284,685)	(204,435,454)
Capital share transactions (Note 4)	(275,529,572)	(77,044,856)
Total (decrease)	(402,231,761)	(1,105,008,100)
NET ASSETS:		
Beginning of period	3,896,883,336	5,001,891,436
End of period	$3,494,651,575	$3,896,883,336
NET ASSETS CONSIST OF:		
Capital (par value and paid in surplus)	$1,275,454,512	$1,506,881,082
Undistributed net investment income	7,892,195	179,393
Undistributed net realized gains (Note 3)	586,444,685	202,888
Unrealized appreciation	1,624,860,183	2,389,619,973
Total Net Assets	$3,494,651,575	$3,896,883,336

SEQUOIA FUND, INC.
Notes to Financial Statements

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

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

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

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

Under the terms of the Advisory Agreement, the Investment Adviser receives a management fee equal to 1% per annum of the Fund's average daily net asset values. This percentage will not increase or decrease in relation to increases or decreases in the net asset value of the Fund. Under the Advisory Agreement, the Investment Adviser is obligated to reimburse the Fund for the amount, if any, by which the operating expenses of the Fund (including the management fee) in any year exceed the sum of 1½% 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 six months ended June 30, 2000 and the Investment Adviser reimbursed the Fund $383,000.

For the six months ended June 30, 2000, there were no amounts accrued to interested persons, including officers and directors, other than advisory fees of $17,991,351 and brokerage commissions of $844,288 to Ruane, Cunniff & Co., Inc. Certain officers of the Fund are also officers of the Investment Adviser and the Fund's distributor. Ruane, Cunniff & Co., Inc., the Fund's distributor, received no compensation from the Fund on the sale of the Fund's capital shares during the six months ended June 30, 2000.

NOTE 3—PORTFOLIO TRANSACTIONS:

The aggregate cost of purchases and the proceeds from the sales of securities, excluding U.S. government obligations, for the six months ended June 30, 2000 were $112,425,607 and $734,616,740, respectively. Included in proceeds of sales is $57,679,644 representing the value of securities disposed of in payment of redemptions in-kind resulting in realized gains of $44,103,002. As a result of the redemptions in-kind, net realized gains differ for financial statements and tax purposes. These realized gains have been reclassified from undistributed realized gains to paid in surplus in the accompanying financial statements.

At June 30, 2000 the aggregate gross unrealized appreciation and depreciation of securities were $1,637,151,367 and $12,291,184, respectively.

NOTE 4—CAPITAL STOCK:

At June 30, 2000 there were 100,000,000 shares of $.10 par value capital stock authorized. Transactions in capital stock for the six months ended June 30, 2000 and the year ended December 31, 1999 were as follows:

	2000		1999	
	Shares	Amount	Shares	Amount
Shares sold	362,887	$ 44,802,729	1,202,565	$176,388,982
Shares issued to stockholders on reinvestment of:				
Net investment income	66,535	8,782,617	145,003	18,304,561
Net realized gains on Investments	1,900	250,835	1,296,655	184,338,802
	431,322	53,836,181	2,644,223	379,032,345
Shares repurchased	2,775,925	329,365,753	3,151,477	456,077,201
Net (decrease)	(2,344,603)	$(275,529,572)	(507,254)	$ (77,044,856)

NOTE 5—DIRECTORS FEES AND EXPENSES:

Directors who are not deemed "interested persons" receive fees of $6,000 per quarter and $2,500 for each meeting attended, and are reimbursed for travel and other out-of-pocket disbursements incurred in connection with attending directors meetings. The total of such fees and expenses paid by the Fund to these directors for the six months ended June 30, 2000 was $97,538.

NOTE 6—AFFILIATED COMPANIES:

Investment in portfolio companies 5% or more of whose outstanding voting securities are held by the Fund are defined in the Investment Company Act of 1940 as ''affiliated companies.'' The total value and cost of investments in affiliates at June 30, 2000 aggregated $332,038,600 and $182,629,089, respectively. The summary of transactions for each affiliate during the period of their affiliation for the six months ended June 30, 2000 is provided below:

	Purchases		Sales		Realized	Dividend
Affiliate	Shares	Cost	Shares	Cost	Gain	Income
Progressive Corporation	—	—	—	—	—	$494,117
Ethan Allen Interiors	2,115,500	$53,478,605	—	—	—	—
						$494,117

NOTE 7—The interim financial statements have not been examined by the Fund's independent accountants and accordingly they do not express an opinion thereon.

NOTE 8—FINANCIAL HIGHLIGHTS:

	Six Months Ended June 30,	Year Ended December 31,				
	2000	1999	1998	1997	1996	1995
Per Share Operating Performance (for a share outstanding throughout the period)						
Net asset value, beginning of Period	$ 127.27	$ 160.70	$ 125.63	$ 88.44	$ 78.13	$ 55.59
Income from investment operations:						
Net investment income	0.72	0.84	0.39	0.08	0.38	0.31
Net realized and unrealized gains (losses) on investments	(3.93)	(26.83)	43.07	38.10	16.41	22.62
Total from investment operations	(3.21)	(25.99)	43.46	38.18	16.79	22.93
Less distributions:						
Dividends from net investment income	(0.45)	(0.85)	(0.37)	(0.08)	(0.38)	(0.31)
Distributions from net realized gains	(0.01)	(6.59)	(8.02)	(0.91)	(6.10)	(0.08)
Total distributions	(0.46)	(7.44)	(8.39)	(0.99)	(6.48)	(0.39)
Net asset value, end of period	$ 123.60	$ 127.27	$ 160.70	$ 125.63	$ 88.44	$ 78.13
Total Return	−2.6%†	−16.5%	35.3%	43.2%	21.7%	41.4%
Ratios/Supplemental data						
Net assets, end of period (in millions)	$3,494.7	$3,896.9	$5,001.9	$3,672.6	$2,581.0	$2,185.5
Ratio to average net assets:						
Expenses	1.0%*	1.0%	1.0%	1.0%	1.0%	1.0%
Net investment income	1.1%*	0.6%	0.3%	0.1%	0.4%	0.5%
Portfolio turnover rate	52%*	12%	21%	8%	23%	15%

† Not annualized

* Annualized

SEQUOIA FUND, INC.
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DIRECTORS

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

OFFICERS

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

INVESTMENT ADVISER & DISTRIBUTOR

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LEGAL COUNSEL

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