Sequoia Fund, Inc.

SEMI-ANNUAL REPORT
JUNE 30, 2001

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, 2001. 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
June 30, 2001	123,920	942,526	294,011	1,360,457

The total amount of capital gains distributions accepted in shares was $599,919, the total amount of dividends reinvested was $106,189.

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 2001 are shown below with comparable results for the leading market indexes:

To June 30, 2001	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3 Months	7.85%	6.71%	5.83%
6 Months	3.47	−1.83	−6.72
1 Year	27.62	2.21	−14.85
5 Years (Annualized)	18.32	15.17	14.47
10 Years (Annualized)	17.79	16.31	15.09

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

As we write, the Fund is up 4.8% compared to a decline of 11.3% in the S&P 500 Index.

We are always on the lookout for factors in the economic landscape which may be changing in ways that will impact corporate prospects and profitability, and, therefore, stock values. One issue with immediate consequences for American business and our social fabric is the rising cost trend in health care. Medical costs, as reported by large managed health care and indemnity insurers, are increasing at very high single digit or low double digit rates (although Aetna, the country's largest health insurer, recently reported that medical costs in its HMO business increased an astonishing 17-18% from last year's second quarter). *The Wall Street Journal* notes that ''employee benefit managers across the country report that they have been getting higher-than-expected premium rate increases for next year from various health plans. Some HMOs are asking for increases in excess of 20%.''

A number of companies have recently cited rising health care costs as a source of earnings pressure. With almost all of American industry having zero pricing power in the current environment, if this trend does not abate materially, it will exert noticeable downward pressure on corporate profit margins. In addition, double digit rates of increase in the costs of Medicare and Medicaid will have national budget-busting consequences with or without a prescription drug benefit.

Another issue, the consequences of which may take more time to become apparent, is the threat to American manufacturing posed by the increase in low cost, high quality Chinese manufacturing. One of our companies, Ethan Allen, recently announced a joint venture with a Chinese manufacturer, Markor, under which Markor will manufacture furniture for Ethan Allen and the two companies will co-develop stores in China that will sell both Ethan Allen and Markor brand furniture. We consider this arrangement a modest win for Ethan Allen since it will secure lower cost manufacturing capability in China as well as gain a market in China for its own product. However, to the extent that Ethan Allen closes American plants, this move will be a loss for American labor and for our balance of payments. Ethan Allen is following a number of American furniture companies that have closed plants in the U.S. in order to secure cheaper product in China. A second Sequoia-owned company has told us that the very high quality American-sourced product it has been buying from another of our portfolio companies is now very close to being matched in quality at a much lower price by a Chinese company.

China possesses a potent combination of highly educated and skilled engineers, an endless supply of very low paid workers, a huge domestic market for some goods and services and a large potential market for others, an entrepreneurial culture and a strong work ethic. In addition, its legal system offers little protection for patents and copyrights. While this combination has different implications for specific American companies, it is overwhelmingly negative for American labor and for our already unbalanced balance of payments, and its net impact is negative for American capital. Also unsettling, as pointed out in a recent article in *The New York Times*, is the fact that the result of the ongoing shift in technology manufacturing from Taiwan to China will be that ''the United States' main supplier of PCs [personal computers] and other info technology gear will be its main strategic adversary.''

The near term outlook for the U.S. economy is very uncertain. American industry's 2001 earnings are plunging 20% to 30% depending on how one factors in restructurings. (Definition of restructuring: the CEO says, ''The dog ate my homework last year, teacher, and it cost my stockholders a fortune.'') It is clear to us that expectations remain too high and shareholders maintain a certain complacency about the safety of their capital. Perhaps given a rear-view mirror approach, the most important reason for complacency is that ''old economy'' stocks as a sub-group of the S&P 500 are selling near an all time high and even the average technology stock is selling at almost twice its January 1998 price. Moreover, anyone who simply bought an S&P 500 index fund in 1991 would now have over three times his or her original investment. Not bad!

However, we suspect the climate is changing. Stocks are down 19% since the beginning of the Millennium. Earnings may be reverting to some norm in the wake of the Wall Street-funded technology boom in capital expenditures. We believe that stocks as a group are generously valued at about 28 times current earnings, even when low interest rates are considered. We are confident that our economy is basically sound and that the current slowdown will end, but unlike the Wall Street strategists on CNBC we haven't the slightest idea when that will occur. We are also confident that we will find some attractive stocks to buy with our substantial cash reserve but at the present moment we are finding little of interest. We will be patient and wait until we find stocks we believe will offer above average returns. Meanwhile we expect our present holdings to provide us with a decent return over the next five years. It is a time to look forward and not backward, and plan carefully for the future. If you think you will need money in the next few years for tuition, to buy a home or just as a reserve for the unforeseen, we suggest you maintain that amount in U.S. Treasuries with a maturity of perhaps two to four years. It's the mature thing to do.

Sincerely,

Carley Cunniff
Executive Vice President

Richard T. Cunniff
Vice Chairman

Robert D. Goldfarb
President

William J. Ruane
Chairman

August 17, 2001

SEQUOIA FUND, INC.
Schedule of Investments
June 30, 2001 (Unaudited)

COMMON STOCKS (77.24%)

Shares		Cost	Value (Note 1)
	BANK HOLDING COMPANIES (13.28%)		
8,710,393	Fifth Third Bancorp	$ 87,194,981	$ 523,059,100
243,300	Mercantile Bankshares Corporation	2,547,217	9,520,329
		89,742,198	532,579,429
	CHEMICAL PRODUCTS (0.46%)		
1,030,700	MacDermid Inc.	26,961,830	18,552,600
	DIVERSIFIED COMPANIES (34.03%)		
19,661	Berkshire Hathaway Inc. Class A*	157,992,830	1,364,473,400
	ELECTRONIC PRODUCTS (1.01%)		
1,355,000	Molex Inc. Class A	38,929,333	40,406,100
	HOME FURNISHINGS (1.96%)		
2,414,000	Ethan Allen Interiors, Inc.†	61,511,689	78,455,000
	INSURANCE (8.20%)		
2,430,500	Progressive Corporation	81,538,669	328,579,295
	LAUNDRY SERVICES (0.48%)		
414,400	Cintas Corporation	11,070,348	19,166,000
	MANUFACTURING (3.80%)		
3,087,350	Dover Corporation	109,217,300	116,238,728
500,000	Harley Davidson, Inc.	3,282,441	23,540,000
193,300	Illinois Tool Works	10,197,580	12,235,890
		122,697,321	152,014,618
	PERSONAL CREDIT (2.55%)		
1,532,200	Household International, Inc.	19,301,397	102,197,740
	PROCESS CONTROL INSTRUMENTS (0.37%)		
263,700	Danaher Corporation	9,877,812	14,767,200
	RACETRACKS (1.06%)		
1,015,300	International Speedway Corp. Class A	32,739,003	42,642,600
	RETAILING (6.27%)		
7,893,800	TJX Companies, Inc.	170,148,431	251,575,406

Shares		Cost	Value (Note 1)
	Miscellaneous Securities (3.77%)	134,498,318	151,175,163
	TOTAL COMMON STOCKS	957,009,179	3,096,584,551
Principal Amount			
	U.S. GOVERNMENT OBLIGATIONS (22.76%)		
$ 89,500,000	U.S. Treasury Bills due 7/12/01 through 8/16/01	89,155,737	89,155,737
625,500,000	U.S. Treasury Notes, 6 1/8% due 12/31/01	624,414,761	633,123,281
187,500,000	U.S. Treasury Notes, 6 3/8% due 01/31/02	187,267,834	190,341,797
	TOTAL U.S. GOVERNMENT OBLIGATIONS	900,838,332	912,620,815
	TOTAL INVESTMENTS (100%)††	$1,857,847,511	$4,009,205,366

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

* Non-income producing.

† Refer to Note 6.

SEQUOIA FUND, INC.
Statement of Assets and Liabilities
June 30, 2001 (Unaudited)

ASSETS:

Investments in securities, at value (cost $1,857,847,511) (Note 1)	$4,009,205,366
Cash on deposit with custodian	1,130,067
Receivable for investment securities sold	4,598,421
Receivable for capital stock sold	493,190
Dividends and interest receivable	26,463,095
Other assets	28,164
Total assets	4,041,918,303

LIABILITIES:

Payable for capital stock repurchased	115,211
Accrued investment advisory fee	3,293,535
Accrued other expenses	124,671
Total liabilities	3,533,417
Net assets applicable to 32,588,698 shares of capital stock outstanding (Note 4)	$4,038,384,886
Net asset value, offering price and redemption price per share	$123.92

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

SEQUOIA FUND, INC.
Statement of Operations
Six Months Ended June 30, 2001 (Unaudited)

INVESTMENT INCOME:	
Income:	
Dividends:	
Unaffiliated companies	$ 6,786,898
Affiliated companies (Note 6)	193,120
Interest	29,522,492
Other Income	13,895
Total income	36,516,405
Expenses:	
Investment advisory fee (Note 2)	19,347,670
Legal and auditing fees	74,551
Stockholder servicing agent fees	190,239
Custodian fees	40,000
Directors fees and expenses (Note 5)	87,037
Other	99,503
Total expenses	19,839,000
Less expenses reimbursed by Investment Adviser (Note 2)	417,000
Net expenses	19,422,000
Net investment income	17,094,405
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:	
Realized gain on investments:	
Unaffiliated companies	40,812,389
Net realized gain on investments	40,812,389
Net increase in unrealized appreciation on:	
Investments	76,894,701
Net realized and unrealized gain on investments	117,707,090
Increase in net assets from operations	$134,801,495

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

SEQUOIA FUND, INC.
Statements of Changes in Net Assets

	Six Months Ended 6/30/01 (Unaudited)	Year Ended 12/31/00
INCREASE IN NET ASSETS:		
From operations:		
Net investment income	$ 17,094,405	$ 44,997,211
Net realized gain	40,812,389	942,243,845
Net increase (decrease) in unrealized appreciation	76,894,701	(315,156,819)
Net increase in net assets from operations	134,801,495	672,084,237
Distributions to shareholders from:		
Net investment income	(484,103)	(45,137,144)
Net realized gains	(74,376,108)	(761,659,017)
Capital share transactions (Note 4)	34,564,718	181,707,472
Total increase	94,506,002	46,995,548
NET ASSETS:		
Beginning of period	3,943,878,884	3,896,883,336
End of period	$4,038,384,886	$3,943,878,884
NET ASSETS CONSIST OF:		
Capital (par value and paid in surplus)	$1,832,425,461	$1,794,951,606
Undistributed net investment income	16,649,762	39,460
Undistributed net realized gains (Note 3)	37,951,808	74,424,664
Unrealized appreciation	2,151,357,855	2,074,463,154
Total Net Assets	$4,038,384,886	$3,943,878,884

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

SEQUOIA FUND, INC.
Notes To Financial Statements

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

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

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

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

Under the terms of the Advisory Agreement, the Investment Adviser receives a management fee equal to 1% per annum of the Fund's average daily net asset values. This percentage will not increase or decrease in relation to increases or decreases in the net asset value of the Fund. Under the Advisory Agreement, the Investment Adviser is obligated to reimburse the Fund for the amount, if any, by which the operating expenses of the Fund (including the management fee) in any year exceed the sum of 1-1/2% of the average daily net asset values of the Fund during such year up to a maximum of $30,000,000, plus 1% of the average daily net asset values in excess of $30,000,000. The expenses incurred by the Fund exceeded the percentage limitation during the six months ended June 30, 2001 and the Investment Adviser reimbursed the Fund $417,000.

For the six months ended June 30, 2001, there were no amounts accrued to interested persons, including officers and directors, other than advisory fees of $19,347,670 and brokerage commissions of $53,740 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, 2001.

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, 2001 were $175,328,462 and $138,149,322, respectively. Included in proceeds of sales is $3,446,770 representing the value of securities disposed of in payment of redemptions in-kind, resulting in realized gains of $2,909,137. 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, 2001 the aggregate gross unrealized appreciation and depreciation of securities were $2,159,767,085 and $8,409,230, respectively.

NOTE 4—CAPITAL STOCK:

At June 30, 2001 there were 100,000,000 shares of $.10 par value capital stock authorized. Transactions in capital stock for the six months ended June 30, 2001 and the year ended December 31, 2000 were as follows:

	2001		2000	
	Shares	Amount	Shares	Amount
Shares sold	495,382	$ 59,124,719	715,998	$ 90,211,693
Shares issued to stockholders on reinvestment of:				
Net investment income	2,861	342,056	184,579	22,203,418
Net realized gains on investments	548,304	65,549,783	5,443,920	654,982,903
	1,046,547	125,016,558	6,344,497	767,398,014
Shares repurchased	761,161	90,451,840	4,659,821	585,690,542
Net Increase	285,386	$ 34,564,718	1,684,676	$181,707,472

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, 2001 was $87,037.

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, 2001 aggregated $78,455,000 and $61,511,689, respectively. The summary of transactions for each affiliate during the period of their affiliation for the six months ended June 30, 2001 is provided below:

	Purchases		Sales		Realized	Dividend
Affiliate	Shares	Cost	Shares	Cost	Gain	Income
Ethan Allen Interiors, Inc.	—	—	—	—	—	$193,120

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,				
	2001	2000	1999	1998	1997	1996
Per Share Operating Performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$ 122.09	$ 127.27	$ 160.70	$ 125.63	$ 88.44	$ 78.13
Income from investment operations:						
Net investment income	0.52	1.66	0.84	0.39	0.08	0.38
Net realized and unrealized gains (losses) on investments	3.63	23.33	(26.83)	43.07	38.10	16.41
Total from investment operations	4.15	24.99	(25.99)	43.46	38.18	16.79
Less distributions:						
Dividends from net investment income	(0.02)	(1.66)	(0.85)	(0.37)	(0.08)	(0.38)
Distributions from net realized gains	(2.30)	(28.51)	(6.59)	(8.02)	(0.91)	(6.10)
Total distributions	(2.32)	(30.17)	(7.44)	(8.39)	(0.99)	(6.48)
Net asset value, end of period	$ 123.92	$ 122.09	$ 127.27	$ 160.70	$ 125.63	$ 88.44
Total Return	3.5%†	20.1%	−16.5%	35.3%	43.2%	21.7%
Ratios/Supplemental data						
Net assets, end of period (in millions)	$4,038.4	$3,943.9	$3,896.9	$5,001.9	$3,672.6	$2,581.0
Ratio to average net assets:						
Expenses	1.0%*	1.0%	1.0%	1.0%	1.0%	1.0%
Net investment income	0.9%*	1.2%	0.6%	0.3%	0.1%	0.4%
Portfolio turnover rate	9%*	36%	12%	21%	8%	23%

† Not annualized

* Annualized

SEQUOIA FUND, INC.
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DIRECTORS

William J. Ruane
Richard T. Cunniff
Robert D. Goldfarb
Carol L. Cunniff
Vinod Ahooja
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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New York, New York 10153-4798

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REGISTRAR AND SHAREHOLDER SERVICING AGENT

DST Systems, Inc.
P.O. Box 219477
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LEGAL COUNSEL

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

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