



**Sequoia  
Fund, Inc.**

**SEMI-ANNUAL  
REPORT  
JUNE 30, 2003**

**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, 2003. 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.

<b>PERIOD ENDED:</b>	<b>Value of Initial \$10,000 Investment</b>	<b>Value of Cumulative Capital Gains Distributions</b>	<b>Value of Cumulative Reinvested Dividends</b>	<b>Total Value of Shares</b>
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
June 30, 2003 . . . . .	130,370	1,012,616	320,418	1,463,404

The total amount of capital gains distributions accepted in shares was \$620,263, the total amount of dividends reinvested was \$116,740.

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 2003 are shown below with comparable results for the leading market indexes:

To June 30, 2003	<u>Sequoia Fund</u>	<u>Dow Jones Industrials</u>	<u>Standard &amp; Poor's 500</u>
3 Months	11.73%	12.94%	15.39%
6 Months	3.44%	9.03%	11.76%
1 Year	2.34%	-0.50%	0.25%
5 Years (Annualized)	3.24%	1.89%	-1.61%
10 Years (Annualized)	14.59%	12.12%	10.04%

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

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Once again we have combined the first and second quarter reports so that we might provide you with a transcript of the Sequoia Fund annual meeting which was held on May 9<sup>th</sup>.

As so often happens, Sequoia's results varied significantly from those of the general market and its first half return of 3.4% lagged the S&P by about 7.5%. Because our performance is strongly influenced by our heavy concentration in Berkshire, Fifth Third,

Mohawk, Progressive and TJX, we underperformed the S&P 500, as all but Progressive had little change in price in the first half. Our 20% investment in short-term U.S. Treasuries, as expected, also showed little change in value. Our confidence in the long-term prospects of these excellent companies remains unchanged.

Furthermore, we believe that the investment climate is such that it is important to maintain a reserve for future purchasing power in the safest of securities, i.e., short-term U.S. Treasuries, even though they currently yield barely 1%. We think there is a high probability that this will be a prudent policy through the unpredictable markets of the next five years. In this regard, you should not assume that our reserve in Treasuries achieves that goal since we can readily invest this money any time attractive opportunities may arise.

Sincerely,



Richard T. Cunniff



Robert D. Goldfarb



David M. Poppe



William J. Ruane

July 17, 2003

**SEQUOIA FUND, INC.**  
**Schedule of Investments**  
**June 30, 2003 (Unaudited)**

**COMMON STOCKS (82.17%)**

<u>Shares</u>		<u>Value (Note 1)</u>
	<b>BANK HOLDING COMPANIES (12.00%)</b>	
7,489,993	Fifth Third Bancorp . . . . .	\$ 429,476,199
155,200	Mercantile Bankshares Corporation . . . . .	6,111,776
		<u>435,587,975</u>
	<b>BUILDING MATERIALS (2.87%)</b>	
3,071,900	Fastenal Company . . . . .	104,260,286
	<b>DIVERSIFIED COMPANIES (33.77%)</b>	
16,906	Berkshire Hathaway Inc. Class A* . . . . .	1,225,685,000
	<b>FREIGHT TRANSPORTATION (2.10%)</b>	
2,199,600	Expeditors International of Washington, Inc. . . . .	76,194,144
	<b>HOME FURNISHINGS (2.01%)</b>	
2,075,800	Ethan Allen Interiors Inc. † . . . . .	72,985,128
	<b>INSURANCE (12.63%)</b>	
6,270,000	Progressive Corporation . . . . .	458,337,000
	<b>LAUNDRY SERVICES (0.35%)</b>	
356,400	Cintas Corporation . . . . .	12,630,816
	<b>MANUFACTURING (0.23%)</b>	
206,800	Harley Davidson, Inc. . . . .	8,243,048
	<b>TEXTILE—CARPETS (5.92%)</b>	
3,866,400	Mohawk Industries, Inc. †* . . . . .	214,701,192
	<b>PROCESS CONTROL INSTRUMENTS (0.43%)</b>	
226,800	Danaher Corporation . . . . .	15,433,740
	<b>RETAILING (9.77%)</b>	
47,000	Costco Wholesale Corporation* . . . . .	1,720,200
1,375,900	Tiffany & Company . . . . .	44,964,412
13,475,700	TJX Companies, Inc. . . . .	253,882,188
1,797,600	Walgreen Company . . . . .	54,107,760
		<u>354,674,560</u>
	Miscellaneous Securities (0.09%) . . . . .	3,217,442
	<b>TOTAL COMMON STOCKS (\$916,273,845) . . . . .</b>	<u><b>2,981,950,331</b></u>

<u>Principal Amount</u>		<u>Value (Note 1)</u>
	<b>U.S. GOVERNMENT OBLIGATIONS (17.83%)</b>	
647,500,000	U.S. Treasury Bills due 7/10/03 through 8/21/03 .....	647,088,442
	<b>TOTAL U.S. GOVERNMENT OBLIGATIONS</b>	
	(Cost \$647,088,442) .....	<u>647,088,442</u>
	<b>TOTAL INVESTMENTS (100%)††</b>	
	(Cost \$1,563,362,287) .....	<u><u>\$3,629,038,773</u></u>

†† 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, 2003 (Unaudited)**

**ASSETS:**

Investments in securities, at value (cost \$1,563,362,287) (Note 1) . . . . .	\$3,629,038,773
Cash on deposit with custodian . . . . .	4,884,679
Receivable for capital stock sold . . . . .	1,750,258
Dividends and interest receivable . . . . .	2,246,563
Other assets . . . . .	<u>31,016</u>
Total assets . . . . .	<u>3,637,951,289</u>

**LIABILITIES:**

Payable for capital stock repurchased . . . . .	876,095
Accrued investment advisory fee . . . . .	2,997,147
Accrued other expenses . . . . .	<u>103,605</u>
Total liabilities . . . . .	<u>3,976,847</u>
Net assets applicable to 27,873,461 shares of capital stock outstanding (Note 4) . . . . .	<u>\$3,633,974,442</u>
Net asset value, offering price and redemption price per share . . . . .	<u>\$130.37</u>

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

**SEQUOIA FUND, INC.**  
**Statement of Operations**  
**Six Months Ended June 30, 2003 (Unaudited)**

**INVESTMENT INCOME:**

Income:

Dividends:

Unaffiliated companies . . . . .	\$ 6,772,702
Affiliated companies (Note 6) . . . . .	256,080
Interest . . . . .	3,435,385
Other Income . . . . .	4,244

Total income . . . . .	10,468,411
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Expenses:

Investment advisory fee (Note 2) . . . . .	17,422,152
Legal and auditing fees . . . . .	52,397
Stockholder servicing agent fees . . . . .	207,230
Custodian fees . . . . .	40,000
Directors fees and expenses (Note 5) . . . . .	92,343
Other . . . . .	81,828

Total expenses . . . . .	17,895,950
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Less expenses reimbursed by Investment Adviser (Note 2) . . . . .	400,000
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Net expenses . . . . .	17,495,950
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Net investment (loss) . . . . .	(7,027,539)
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**REALIZED AND UNREALIZED GAIN ON INVESTMENTS:**

Realized gain on investments:

Unaffiliated companies . . . . .	205,786,910
Affiliated companies (Note 6) . . . . .	5,909,423

Net realized gain on investments . . . . .	211,696,333
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Net (decrease) in unrealized appreciation on:

Investments . . . . .	(94,811,359)
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Net realized and unrealized gain on investments . . . . .	116,884,974
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Increase in net assets from operations . . . . .	\$109,857,435
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The accompanying notes form an integral part of these Financial Statements.

**SEQUOIA FUND, INC.**  
**Statements of Changes in Net Assets**

	<u>Six Months Ended 6/30/03 (Unaudited)</u>	<u>Year Ended 12/31/02</u>
<b>INCREASE IN NET ASSETS:</b>		
From operations:		
Net investment (loss) . . . . .	\$ (7,027,539)	\$ (12,720,703)
Net realized gain . . . . .	211,696,333	137,518,447
Net (decrease) in unrealized appreciation . . . . .	(94,811,359)	(237,620,489)
Net increase (decrease) in net assets from operations . . . . .	<u>109,857,435</u>	<u>(112,822,745)</u>
Distributions to shareholders from:		
Net investment income . . . . .	0	(352,691)
Net realized gains . . . . .	(16,944,482)	(4,996,914)
Capital share transactions (Note 4) . . . . .	<u>(364,074,491)</u>	<u>(206,821,129)</u>
Total (decrease) . . . . .	(271,161,538)	(324,993,479)
<b>NET ASSETS:</b>		
Beginning of period . . . . .	<u>3,905,135,980</u>	<u>4,230,129,459</u>
End of period . . . . .	<u>\$3,633,974,442</u>	<u>\$3,905,135,980</u>
<b>NET ASSETS CONSIST OF:</b>		
Capital (par value and paid in surplus) . . . . .	\$1,581,423,840	\$1,727,724,465
Undistributed net investment (loss) income . . . . .	(7,027,539)	0
Undistributed net realized (losses) gains . . . . .	(6,098,345)	16,923,670
Unrealized appreciation . . . . .	<u>2,065,676,486</u>	<u>2,160,487,845</u>
Total Net Assets . . . . .	<u>\$3,633,974,442</u>	<u>\$3,905,135,980</u>

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 in accordance with NASDAQ Official Closing Price on the last business day of the period; listed securities and securities traded in the over-the-counter market for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices; U.S. Treasury Bills with remaining maturities of 60 days or less are valued at their amortized cost. U.S. Treasury Bills that when purchased have a remaining maturity in excess of sixty days are stated at their discounted value based upon the mean between the bid and asked discount rates until the sixtieth day prior to maturity, at which point they are valued at amortized cost.
- B. *Accounting for investments:* Investment transactions are accounted for on the trade date and dividend income is recorded on the ex-dividend date. 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, 2003 and the Investment Adviser reimbursed the Fund \$400,000.

For the six months ended June 30, 2003, there were no amounts accrued to interested persons, including officers and directors, other than advisory fees of \$17,422,152 and brokerage commissions of \$90,715 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, 2003.

### 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, 2003 were \$8,732,351 and \$373,283,340, respectively. Included in proceeds of sales is \$318,319,965 representing the value of securities disposed of in payment of redemptions in-kind, resulting in realized gains of \$217,773,866. As a result of the redemptions in kind, net realized gains differ for financial statement 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, 2003 the aggregate gross unrealized appreciation of securities was \$2,065,676,486.

### NOTE 4—CAPITAL STOCK:

At June 30, 2003 there were 100,000,000 shares of \$.10 par value capital stock authorized. Transactions in capital stock for the six months ended June 30, 2003 and the year ended December 31, 2002 were as follows:

	2003		2002	
	Shares	Amount	Shares	Amount
Shares sold . . . . .	685,790	\$ 85,267,382	1,287,555	\$ 166,163,172
Shares issued to stockholders on reinvestment of:				
Net investment income . . . . .	0	0	10,323	1,368,620
Net realized gains on Investments . . . . .	111,262	14,470,754	25,829	3,239,739
	797,052	99,738,136	1,323,707	170,771,531
Shares repurchased . . . . .	3,761,461	463,812,627	2,964,295	377,592,660
Net (decrease) . . . . .	<u>(2,964,409)</u>	<u>\$(364,074,491)</u>	<u>(1,640,588)</u>	<u>\$(206,821,129)</u>

### 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, 2003 was \$92,343.

## 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, 2003 aggregated \$287,686,320 and \$229,907,471, respectively. The summary of transactions for each affiliate during the period of their affiliation for the six months ended June 30, 2003 is provided below:

Affiliate	Purchases		Sales		Realized Gain	Dividend Income
	Shares	Cost	Shares	Cost		
Ethan Allen Interiors . . . . .	—	—	227,300	\$ 5,538,429	\$1,912,426	\$256,080
Mohawk Industries Inc . . . . .	—	—	423,300	18,978,915	3,996,997	—
					<u>\$5,909,423</u>	<u>\$256,080</u>

**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,				
	2003	2002	2001	2000	1999	1998
Per Share Operating Performance (for a share outstanding throughout the period)						
Net asset value, beginning of Period . . .	\$ 126.63	\$ 130.24	\$ 122.09	\$ 127.27	\$ 160.70	\$ 125.63
Income from investment operations:						
Net investment income (loss) . . . . .	(0.25)	(0.41)	0.97	1.66	0.84	0.39
Net realized and unrealized gains (losses) on investments . . . . .	4.60	(3.03)	11.52	23.33	(26.83)	43.07
Total from investment operations . .	4.35	(3.44)	12.49	24.99	(25.99)	43.46
Less distributions:						
Dividends from net investment income .	(0.00)	(0.01)	(0.97)	(1.66)	(0.85)	(0.37)
Distributions from net realized gains . . .	(0.61)	(0.16)	(3.37)	(28.51)	(6.59)	(8.02)
Total distributions . . . . .	(0.61)	(0.17)	(4.34)	(30.17)	(7.44)	(8.39)
Net asset value, end of period . . . . .	\$ 130.37	\$ 126.63	\$ 130.24	\$ 122.09	\$ 127.27	\$ 160.70
Total Return . . . . .	3.4%†	−2.6%	10.5%	20.1%	−16.5%	35.3%
Ratios/Supplemental data						
Net assets, end of period (in millions) . .	\$3,634.0	\$3,905.1	\$4,230.1	\$3,943.9	\$3,896.9	\$5,001.9
Ratio to average net assets:						
Expenses . . . . .	1.0%*	1.0%	1.0%	1.0%	1.0%	1.0%
Net investment income . . . . .	−0.4%*	−0.3%	0.8%	1.2%	0.6%	0.3%
Portfolio turnover rate . . . . .	1%*	8%	7%	36%	12%	21%

† Not annualized

\* Annualized

**SEQUOIA FUND, INC.**  
767 Fifth Avenue, Suite 4701  
New York, New York 10153-4798  
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**DIRECTORS**

William J. Ruane  
Richard T. Cunniff  
Robert D. Goldfarb  
David M. Poppe  
Vinod Ahooja  
Francis P. Matthews  
C. William Neuhauser  
Robert L. Swiggett  
Roger Lowenstein

**OFFICERS**

William J. Ruane	— <i>Chairman of the Board</i>
Richard T. Cunniff	— <i>Vice Chairman</i>
Robert D. Goldfarb	— <i>President</i>
David M. Poppe	— <i>Executive Vice President</i>
Joseph Quinones, Jr.	— <i>Vice President, Secretary &amp; Treasurer</i>

**INVESTMENT ADVISER & DISTRIBUTOR**

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

**CUSTODIAN**

The Bank of New York  
MF Custody Administration Department  
100 Church Street, 10th Floor  
New York, New York 10286

**REGISTRAR AND SHAREHOLDER SERVICING AGENT**

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

**LEGAL COUNSEL**

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