

QUARTERLY REPORT

For the Period Ended September 30, 2001

Dear Shareholder:

Sequoia Fund's results for the third quarter of 2001 are as shown below with comparable results for the leading market indexes:

To September 30, 2001	Sequoia <u>Fund</u>	Dow Jones <u>Industrials</u>	Standard & <u>Poor's 500</u>
3 Months	-1.36%	-15.40%	-14.72%
9 Months	2.06%	-16.95%	-20.45%
1 Year	10.78%	-15.54%	-26.67%
5 Years (Annualized)	16.30%	10.38%	10.20%
10 Years (Annualized)	16.89%	13.87%	12.68%

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.

We are pleased that our year to date results have been positive in spite of the volatility of the markets in general. We continue to find it difficult to find stocks priced at attractive levels by our standards but in these rapidly changing times we are sure opportunities will present themselves to the patient. With regard to the word patient we will try to remain the adjective so as not to become the noun.

The question we must ask ourselves is how do the tragic events of September 11th change the challenge we face in carrying out our responsibility to sensibly manage your money. If history offers us any lessons, we suspect the answer is to continue the same approach, to study the potential of an investment in each company and apply sound criteria of value to the key components of earnings and weigh these relative to competing long-term interest rates. In this regard we believe that any attempt on our part to examine the lessons of history through a period of two World Wars, a depression and many other shocks to the economy could not approach the analysis in the enclosed article from the current issue of *Fortune* magazine, *Warren Buffett on the Stock Market*, in which Carol Loomis presents Warren Buffett's appraisal of the past and present.

In our opinion this is an incisive review of the key elements of investing and how they have interacted with psychology to provide very uneven returns over significant periods of time despite the rate of underlying economic growth. Not only do we consider this analysis compelling but we feel it bolsters our conviction that an investor in stocks today should not expect returns significantly in excess of those readily available in long term U.S. Treasury bonds. For prudent investors we again recommend that you hold funds needed to fulfill any spending plans you may have for the next three to five years in a reserve of high quality bonds, preferably U.S. Treasuries, of similar maturities.

Our best wishes to you for a happy and healthy New Year.

Sincerely,

Carley Cunniff
Executive Vice President

Richard T. Cunniff
Vice Chairman

Robert D. Goldfarb
President

William J. Ruane
Chairman

December 13, 2001

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS

SEPTEMBER 30, 2001 (UNAUDITED)

COMMON STOCKS (78.1%)

<u>Shares</u>		<u>Value (a)</u>
	BANK HOLDING COMPANIES (13.9%)	
8,710,393	Fifth Third Bancorp	\$ 535,514,962
243,300	Mercantile Bankshares Corporation	9,659,010
		<u>545,173,972</u>
	CHEMICAL PRODUCTS (0.2%)	
521,000	MacDermid Inc.	<u>6,637,540</u>
	DIVERSIFIED COMPANIES (35.1%)	
19,661	Berkshire Hathaway Inc. Class A (c)	<u>1,376,270,000</u>
	ELECTRONIC PRODUCTS (0.7%)	
1,058,000	Molex Inc. Class A	<u>25,709,400</u>
	HOME FURNISHINGS (1.7%)	
2,414,000	Ethan Allen Interiors, Inc. (b)	<u>66,385,000</u>
	INSURANCE (8.3%)	
2,430,500	Progressive Corporation	<u>325,443,950</u>
	LAUNDRY SERVICES (0.4%)	
414,400	Cintas Corporation	<u>16,700,320</u>
	MANUFACTURING (2.7%)	
3,087,350	Dover Corporation	92,960,108
240,500	Harley Davidson, Inc.	9,740,250
93,300	Illinois Tool Works	5,048,463
		<u>107,748,821</u>
	PERSONAL CREDIT (2.2%)	
1,532,200	Household International Inc.	<u>86,385,436</u>
	PROCESS CONTROL INSTRUMENTS (0.3%)	
263,700	Danaher Corporation	<u>12,441,366</u>
	RACETRACKS (0.9%)	
1,015,300	International Speedway Corp. Class A	<u>35,362,899</u>
	RETAILING (6.6%)	
7,893,800	TJX Companies, Inc.	<u>259,706,020</u>
	Miscellaneous Securities (5.1%)	<u>201,877,261</u>
	TOTAL COMMON STOCKS	<u><u>\$3,065,841,985</u></u>

<u>Principal Amount</u>	<u>Value (a)</u>
U.S. GOVERNMENT OBLIGATIONS (21.6%)	
\$ 26,500,000 U.S. Treasury Bills due 10/18/01 through 11/1/01	\$ 26,439,773
625,500,000 U.S. Treasury Notes, 6 1/8% due 12/31/2001	631,168,594
187,500,000 U.S. Treasury Notes, 6 3/8% due 1/31/2002	<u>189,960,937</u>
TOTAL U.S. GOVERNMENT OBLIGATIONS	<u>\$ 847,569,304</u>
SUMMARY	
Common Stocks	78.1% \$3,065,841,985
U.S. Government Obligations	21.6% 847,569,304
Net Cash & Receivables	0.3% <u>12,674,630</u>
Net Assets	<u>\$3,926,085,919</u>
Number of Shares Outstanding	<u>32,120,575</u>
Net Asset Value Per Share	<u>\$122.23</u>

- (a) 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; 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; U.S. Treasury Bills with remaining maturities of sixty 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) 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."
- (c) Non-income producing.

SEQUOIA FUND, INC.
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Francis P. Matthews
C. William Neuhauser
Robert L. Swiggett

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