

## QUARTERLY REPORT For the Period Ended September 30, 2008

### **To the Shareholders of Sequoia Fund, Inc.:**

As of this writing, the Sequoia Fund is down 33.2% year-to-date versus a decline of 40.9% decline for the S&P 500.

The magnitude of these declines, both for Sequoia and the index, clearly caught us by surprise. With benefit of hindsight, we believe now that much of the decline is logical and reflects a decline in the normalized aggregate earnings power of American business from previously reported levels. In other words, the earnings power of U.S. companies appears to be less than investors, including ourselves, previously thought.

What differentiates this current bear market from all of those we have experienced in our 38-year history is the combination of rapidity and severity as well as the fact that it did not begin from a visible excess of speculation in equity prices on the whole or in significant sectors of the stock market. Instead, the bear market originated from excessive speculation in the housing market and in the derivative securities investment banks created from the mortgages that financed the housing bubble.

We understood that leverage had risen to unsustainably high levels in the economy. We knew that in many communities the median home price soared to a level far beyond the affordability of even upper middle class buyers. We thought home prices would decline in many cities. But the declines cut a ferociously wide swath through the financial markets and the whole economy that we did not expect. In short order the appetite for risk and leverage went from insatiable to non-existent as credit markets around the world ground to a virtual halt. It is worth noting that a number of foreign countries which experienced no housing bubble have still been very adversely affected because their banks were overlevered.

Only in retrospect did it become apparent that the excess in leverage had inflated the reported earnings of many U.S. companies. Consequently, price earnings ratios were higher than they appeared. However, we believe that after its recent severe decline, the stock market now appears to adequately reflect a lower level of corporate earnings.

To date, appropriately, most of the U.S. government's focus has been on preventing a total freeze of the credit markets. On balance, these efforts have been successful as we have seen some thawing out in these markets. But there is much more to be done. As the healing process in the credit markets continues, we would not be surprised to see a larger, more direct and frontal attack on housing and mortgages than the efforts made so far. We would also expect a massive initiative to stimulate demand for goods and services will be made in order to offset the current rapid and seismic contraction of that demand. What we are experiencing now is the beginning of a prolonged period of de-levering by companies, financial institutions and consumers together with a very significant leveraging up by the United States government as well as governments across the globe.

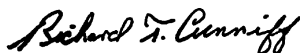
We believe that the U.S. government will do whatever is necessary to revitalize its economy and that its efforts will ultimately be successful. These policy initiatives will be extremely expensive and their ultimate price likely will be higher taxes and inflation.

We feel that sluggish demand is likely to be a problem for many companies in coming years. Our research focus at this time is on companies that produce goods and services that are likely to be in demand even in weak economic environments. Successful companies with excellent managers and strong balance sheets, such as the ones that dominate our portfolio, have shown resilience by navigating through difficult times.

In the third quarter, we sold our positions in top-quality discretionary retailers Bed Bath & Beyond and Lowe's during a temporary market rally. We sold the last of our Progressive shares as we realized Progressive would likely take huge write-downs in its investment portfolio, which was far too heavily weighted in preferred securities of financial companies including Fannie Mae and Freddie Mac.

Sequoia's capital gain distributions will be about \$3.51 per share. The Fund will also distribute a \$0.32 per share ordinary dividend. The record date will be December 5th and the payment date will be December 8th.

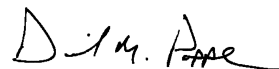
Sincerely,



Richard T. Cunniff  
Vice Chairman



Robert D. Goldfarb  
President



David M. Poppe  
Executive Vice President

November 18, 2008

## FUND PERFORMANCE

Sequoia Fund's results for the third quarter of 2008 are shown below with comparable results for the leading market indexes:

To September 30, 2008	Sequoia <u>Fund</u>	Dow Jones <u>Industrials</u>	Standard & <u>Poor's 500</u>
3 Months	1.34%	-3.71%	-8.37%
9 Months	-8.83%	-16.59%	-19.29%
1 Year	-8.27%	-19.85%	-21.98%
5 Years (Annualized)	5.92%	5.60%	5.16%
10 Years (Annualized)	6.26%	5.45%	3.06%

The performance shown above represents past performance and does not guarantee future results. 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. 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. Year to date performance as of the most recent month end can be obtained by calling DST Systems, Inc. at (800) 686-6884.*

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## 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)

<b>Annual Fund Operating Expenses</b>	
Management Fees	1.00%
Other Expenses	0.03%
Total Annual Fund Operating Expenses	1.03%
Expense Reimbursement*	0.03%
Net Expenses	1.00%

\* Reflects 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.

SEQUOIA FUND, INC.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2008 (UNAUDITED)

COMMON STOCKS (84.63%)

<u>Shares</u>		<u>Value (a)</u>
	<b>AEROSPACE/DEFENSE (2.38%)</b>	
12,410,000	Rolls-Royce Group plc (United Kingdom) .....	\$ 74,236,620
	<b>AUTO PARTS (1.46%)</b>	
1,698,778	O'Reilly Automotive Inc. (b) .....	45,476,287
	<b>AUTOMOTIVE MANUFACTURING (4.24%)</b>	
1,240,560	Porsche Automobil Holding SE (Germany) (c) .....	132,287,116
	<b>BUILDING MATERIALS (7.31%)</b>	
1,756,749	Martin Marietta Materials Inc. ....	196,720,753
419,772	Vulcan Materials Company .....	31,273,014
		<u>227,993,767</u>
	<b>BUSINESS SERVICES (0.82%)</b>	
4,200,000	Brambles Ltd. (Australia) .....	25,540,200
	<b>DIVERSIFIED COMPANIES (24.56%)</b>	
5,861	Berkshire Hathaway Inc. Class A (b) .....	765,446,600
151	Berkshire Hathaway Inc. Class B (b) .....	663,645
		<u>766,110,245</u>
	<b>DIVERSIFIED MANUFACTURING (0.85%)</b>	
383,880	Danaher Corporation .....	26,641,272
	<b>FINANCE (1.70%)</b>	
299,274	MasterCard Inc. ....	53,070,258
	<b>FLOORING PRODUCTS (7.07%)</b>	
3,272,155	Mohawk Industries Inc. (b) .....	220,510,525
	<b>FOOD-RETAIL (0.58%)</b>	
906,509	Whole Foods Market Inc. (b) .....	18,157,375
	<b>FREIGHT TRANSPORTATION (3.26%)</b>	
2,068,294	Expeditors International Inc. ....	72,059,363
1,752,000	Knight Transportation Inc. ....	29,731,440
		<u>101,790,803</u>
	<b>INDUSTRIALS (1.00%)</b>	
713,000	Cummins Inc. ....	31,172,360
	<b>INDUSTRIAL &amp; CONSTRUCTION SUPPLIES (6.41%)</b>	
4,051,430	Fastenal Company .....	200,100,128
	<b>INSURANCE BROKERS (1.80%)</b>	
2,601,710	Brown & Brown Inc. ....	56,248,970
	<b>PRINTING (1.54%)</b>	
2,991,000	De La Rue plc (United Kingdom) .....	47,963,676

<u>Shares</u>		<u>Value (a)</u>
<b>RETAILING (13.25%)</b>		
39,775	Costco Wholesale Corporation .....	\$ 2,582,591
2,794,000	Target Corporation .....	137,045,700
4,947,700	TJX Companies, Inc. ....	151,003,804
2,118,568	Walgreen Company .....	65,590,865
951,630	Wal-Mart Stores, Inc. ....	56,993,121
		<u>413,216,081</u>
<b>TRUCK MANUFACTURING (1.03%)</b>		
840,572	PACCAR Inc. ....	<u>32,101,445</u>
<b>VETERINARY DIAGNOSTICS (5.37%)</b>		
3,055,834	Idexx Laboratories Inc. (b) .....	<u>167,459,703</u>
	TOTAL COMMON STOCKS (COST \$1,470,403,611) .....	<u>\$2,640,076,831</u>

<u>Principal Amount</u>		<u>Value (a)</u>
<b>U.S. GOVERNMENT OBLIGATIONS (15.63%)</b>		
\$488,000,000	U.S. Treasury Bills due 10/16/2008 through 11/6/2008 .....	\$ 487,666,499
	TOTAL U.S. GOVERNMENT OBLIGATIONS (COST \$487,666,499) .	<u>\$ 487,666,499</u>
<b>SUMMARY</b>		
Common Stocks .....	84.63%	\$2,640,076,831
U.S. Government Obligations .....	15.63%	487,666,499
Net Cash & Receivables .....	-0.26%	<u>(8,056,782)</u>
Net Assets .....		<u>\$3,119,686,548</u>
Number of Shares Outstanding .....		<u>25,186,194</u>
Net Asset Value Per Share .....		<u>\$123.86</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 in accordance with 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 NYSE on that day.

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.

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.

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.

- (b) Non-income producing.
- (c) The Fund is invested in preference shares of Porsche Automobil Holding SE which possess the same economic interest as Porsche common stock but have no voting rights.

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 September 30, 2008:

<u>Valuation Inputs</u>	<u>Investments in Securities</u>
Level 1 - Quoted Prices	\$2,640,076,831
Level 2 - Other Significant Observable Inputs	<u>487,666,499</u>
Total	<u><u>\$3,127,743,330</u></u>

### **Other information**

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 Form 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](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](http://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](http://www.sec.gov) or by calling DST Systems, Inc. at (800) 686-6884.

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Francis P. Matthews  
C. William Neuhauser  
Sharon Osberg  
Robert L. Swiggett, Chairman of the Board

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David M. Poppe — Executive Vice President  
Joseph Quinones, Jr. — Vice President, Secretary, Treasurer &  
Chief Compliance Officer  
Michael Valenti — Assistant Secretary

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