SEQUOIA FUND, INC.

QUARTERLY REPORT

For the Period Ended September 30, 1999

Dear Shareholder:

Sequoia Fund's results for the third quarter of 1999 are shown below with comparable results for the leading market indexes:

September 30, 1999	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
Three months	-14.4%	-5.4%	-6.2%
Nine Months	-17.6%	14.0%	5.4%

1999 has been a serious disappointment for Sequoia Fund shareholders, including ourselves. Our expectations for 1999 performance going into the year were very modest in view of the unsustainably high rate of price increases of many our portfolio stocks over the prior three years. However, we did not expect to retrace our steps to the extent we have. It has been a humbling process and a great test of our patience.

Most of Sequoia's 1999 shortfall can be attributed to sharp declines in the share prices of three of our major long-term holdings, Berkshire Hathaway, Progressive Corporation and Freddie Mac.

The automobile insurance and reinsurance industries are experiencing cyclical profit difficulties to which Berkshire’s important GEICO and General Re subsidiaries, as well as Progressive, are exposed. Given robust growth in general corporate earnings and an almost manic excitement about technology stocks, we can appreciate the lack of investor interest and shift of funds from Progressive and Berkshire that has accounted for much of the decline in Sequoia's asset value this year.

However, we constantly ask ourselves "where will each of our companies be in five years and what are the prospects for a significant return on our money during that period?" We say our money because directly or indirectly the four of us have significant investments in each of Sequoia's holdings, as does every employee of our firm. We share the conviction that Berkshire and Progressive are likely to significantly increase their basic earning power over the next five years, both in absolute terms and relative to the likely gains in general corporate profits as well. Both GEICO and Progressive have produced spectacular returns for their owners over a long period of time. We believe both companies are in the forefront of a revolution in the way automobile insurance is sold. GEICO historically has been almost alone in the direct sale of auto insurance. Progressive, a leader in selling auto insurance through agents, has recently made major investments in a direct sales effort while maintaining and growing the core of its business through agents. Currently, the efforts of both companies to expand their direct sales channels call for continuing large investments in advertising and marketing/underwriting support infrastructure. These investments have significantly reduced near term profitability and exacerbated the cyclical profit squeeze.

Progressive's management team has generated 20% compound annual earnings growth for the last 20 years. Their stated goal is to compound earnings at 15% plus inflation and we have confidence that their current plans are likely to achieve that goal over the next five years. Progressive's management team is very innovative and has constantly driven change in an industry not known for creativity. In previous shareholder letters, we have cautioned that our tolerance for retaining stocks of companies that we believe have excellent long-term prospects may lead to volatile price performance that periodically borrows from the future. In the case of Progressive, it has clearly been a short-term error that we did not reduce our holdings more than we did earlier this year. We were caught off guard by the sharp reversal in cost trends that severely eroded Progressive's underwriting margin. However, we believe that from its current price, Progressive should be a rewarding investment.

In the case of Berkshire Hathaway, we also think it likely that GEICO's revenues and earnings will grow substantially over the next five years. Berkshire's Executive Jet subsidiary will grow dramatically into a worldwide operation and will likely occupy a unique position in the aviation world. General Re is likely to revert to its historical norm of profitability, which with modest growth, could add hundreds of millions of dollars to earnings. In addition, we believe there is a high probability that Berkshire will be able to increase the profitability of the $36 billion or so it currently has invested in low-yielding fixed-income securities. We believe the next five years are likely to offer opportunities to redeploy this capital at higher returns in ways simply not available today. The combination of these factors should make Berkshire an attractive investment for many years.

After two consecutive years of stock price increases greater than 50%, we had modest expectations for our investment in Freddie Mac going into 1999. We did not, however, expect a price decline of the magnitude we have seen. Freddie Mac is having an outstanding, above-trend year, with 1999 earnings expected to increase by 27% over 1998. We believe the decline in Freddie Mac's stock price this year has been driven primarily by the rise in interest rates. Freddie Mac operates in the mortgage industry, some parts of which are highly interest-rate sensitive. However, Freddie Mac's earnings performance has proven over several interest rate cycles to be relatively insensitive to rate changes. In addition, in recent years the company has been reinvesting a portion of its strong earnings to continually reduce its already low exposure to interest rates.

Looking beyond our existing portfolio holdings, we believe our continuing disciplined focus on economic fundamentals rather than market fashion will allow us to find attractive uses for Sequoia's 23% in cash equivalents over time.

Momentum in the stock market has a way of feeding on itself and becoming self-fulfilling. Just in the past few weeks, there have been a number of initial public offerings of small companies with no earnings and almost no revenues, whose share prices have soared (in one case, by almost 700%) on their first day of trading. In many cases, investors have accorded these fledgling companies instant market values in excess of a billion dollars. According to a recent *New York Times* article, about one third of companies going public in 1999 paid more in investment banking fees than they booked in revenues in the preceding year! The last time we observed market momentum of this magnitude was in the early seventies, when it was fueled almost entirely by institutional investors. Today, some three thousand eight hundred equity mutual funds and other institutions are joined by millions of individuals (including some five to ten million day traders) who, with limited experience, have found that picking short-term winners has not been all that hard. This has lifted many stocks to levels that far exceed the reasonable margin of safety that we seek. Current conditions bring to mind economist Herb Stein's wonderful comment, "When something cannot go on forever, it usually doesn't."

Finally, we believe you will find the enclosed article very interesting. Mr. Buffett rarely goes public with his views of the future but when he has they have been remarkably farsighted.

Sincerely,

Carley Cunniff	Richard T. Cunniff	Robert D. Goldfarb	William J. Ruane
Executive Vice President	Vice Chairman	President	Chairman

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS

SEPTEMBER 30, 1999 (UNAUDITED)

COMMON STOCKS (76.6%)

Shares		Value (a)
	BANK HOLDING COMPANIES (13.3%)	
5,958,662	Fifth Third Bancorp	$ 362,547,341
323,700	Mercantile Bankshares Corporation	10,014,469
1,145,900	National Commerce Bancorp	25,173,991
4,142,300	US Bancorp	125,045,681
		522,781,482
	CONSUMER PRODUCTS (.1%)	
247,500	Sturm, Ruger & Company, Inc.	2,227,500
	DIVERSIFIED COMPANIES (28.3%)	
20,175	Berkshire Hathaway, Inc. Class A (c)	1,109,625,000
	INSURANCE (7.9%)	
3,800,900	Progressive Corporation-Ohio (b)	310,486,019
	MANUFACTURING - MOTORCYCLES (6.1%)	
4,777,500	Harley Davidson, Inc.	239,173,594
	PERSONAL CREDIT (1.8%)	
1,765,000	Household International, Inc.	70,820,625
	SERVICES (16.8%)	
12,632,900	Freddie Mac	656,910,800
	Miscellaneous Securities (2.3%)	88,428,975
	TOTAL COMMON STOCKS	$ 3,000,453,995

U.S. GOVERNMENT OBLIGATIONS (23.0%)

Principal Amount		Value (a)
$ 10,000,000	U.S. Treasury Bills due 11/4/99	$ 9,957,972
246,000,000	U.S. Treasury Notes, 5 5/8% due 12/31/99	246,345,938
259,000,000	U.S. Treasury Notes, 5 5/8% due 04/30/00	259,607,031
152,000,000	U.S. Treasury Notes, 5 3/8% due 07/31/00	152,071,250
236,000,000	U.S. Treasury Notes, 5 1/2% due 08/31/01	235,557,500
	TOTAL U.S. GOVERNMENT OBLIGATIONS	$ 903,539,691

SUMMARY

Common Stocks.. 76.6%	$ 3,000,453,995
U.S. Government Obligations.. 23.0%	903,539,691
Net Cash & Receivable.. 0.4%	17,476,222
Net Assets	$ 3,921,469,908
Number of Shares Outstanding	30,650,524
Net Asset Value Per Share	$ 127.94

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