Ruane, Cunniff & Goldfarb Inc.

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October 10, 2016

Dear Clients and Shareholders:

The third quarter of 2016 was characterized by a return to normalcy after a tumultuous first half. The Sequoia Fund returned 3.56% vs. a 3.85% return for the S&P 500 Index[1]. At quarter's end our cash position stood at 10.2%, reflecting the relatively full valuations we find in the marketplace.

We are heartened by the earnings results that our portfolio companies are generating. Our companies reported good second quarter earnings over the summer, a noteworthy contrast with total results for all the S&P 500 Index companies. The Index companies have reported declining aggregate earnings for five straight quarters, and will probably report lower earnings in 2016 than in 2014. The real economy isn't terrible, with results being held down primarily by weak performance at energy companies and foreign exchange rates, but earnings growth is still anemic across most industry sectors.

By contrast, most of our companies are performing admirably. Of the 24 companies held in our portfolio longer than a year, 20 reported year over year growth in earnings per share in the second quarter. These 20 stocks represent 77% of invested assets. Remarkably, 12 of those 20 companies, representing approximately half of our invested assets, reported year over year earnings per share growth exceeding 20%. While we consider the portfolio's second quarter earnings particularly strong, we believe our group of companies is likely to grow earnings faster than the general market not only in 2016, but in years to come. For 2016, consensus analyst estimates suggest that our Sequoia companies should grow their underlying earnings per share (EPS) by mid-to-high single digits over 2015, even as earnings for the overall Index appear likely to decline for the second straight year.

Today our portfolio trades at a modest premium to the S&P 500. If we are correct about the growth trajectory of our portfolio, one of two things will happen: Sequoia will outperform the Index or Sequoia's PE multiple premium to the Index will diminish. Ultimately, earnings growth drives stock prices, and while we are concerned about sustainability of the market multiple, we are confident our companies can continue to grow.

After a busy second quarter in terms of portfolio activity, the third quarter was far quieter. Our only significant purchase was of the dental supply leader Dentsply Sirona. We've owned predecessor company Sirona since 2011, and it has been an excellent performer. Our original investment thesis was based on Sirona's leadership in digital dentistry. Sirona is strong in digital equipment, and its product line includes CEREC, an incredibly innovative and useful CAD/CAM system that allows dentists to design and mill crowns in their offices during the course of a single patient visit. The merger brings together the highest-tech maker of dental equipment (Sirona) with the largest maker of dental consumables (Dentsply), creating the industry's largest global supplier. It is our belief that Dentsply Sirona is in a unique position to create and sell new value-added solutions in both equipment and consumables over the years ahead. In addition, we think CEO Jeff Slovin is the right person to drive the combined organization toward a world-class level of performance.

We sold our few shares of Trimble Navigation. While Trimble is an interesting business, it has diversified away from its core GPS offerings for agricultural and construction machinery into a host of new areas, few of which have borne fruit. As Trimble amounted to less than 1% of the Fund's holdings and we weren't excited about its diversification efforts, we exited. Over our six-year holding period, Trimble generated a positive return but underperformed the Index.

[1] See performance disclosures below.

We reduced our holding in Walmart during the quarter, and exited the stock in early October. Over our 11-year holding period, Walmart generated a positive total shareholder return but modestly underperformed the S&P 500 Index. Walmart remains a formidable company, but over the past decade its dominance has waned. International expansion has never generated good returns for shareholders, while Walmart has struggled to develop a winning e-commerce strategy. We think higher wages for its entry level workers, continued growth at Amazon and the need to invest heavily in e-commerce will put pressure on Walmart's earnings over the next few years. We trimmed our positions in TJX Companies and Berkshire Hathaway this quarter. These remain the Fund's two largest holdings and the sales reflected our desire to hold these large positions at their current size. We are comfortable holding some cash in the Fund while we study new opportunities.

We did not add to or reduce our 2% position in Wells Fargo during the quarter, but recent events prompt us to share our thoughts on the bank with you. News emerged in September that since 2011, Wells Fargo employees had created up to 2.1 million sham customer accounts in order to meet aggressive sales quotas set by bank management. While this behavior caused the bank to fire some 5,300 employees over a period of five years, the bank was distressingly slow to change the incentives that prompted this bad behavior. We believe that Wells management has damaged the bond of trust the bank had built with its customers, and that senior executives should be held accountable for the practices their policies engendered. That said, it is important to note that only about 5% of the unauthorized accounts had fees associated with them—and that these fees came to about $2.6 million in total. Wells Fargo is an enormous enterprise, with 93 million customer accounts and $22.4 billion of net income in the past year. The sham accounts did not make money for Wells, and more likely cost it money as the bank paid bonuses to employees who opened inactive accounts. Wells has suffered deep reputational damage and we will keep a watchful eye on the remedies proposed by management, but we believe Wells remains an attractive franchise with a low valuation.

We reopened the Fund to investors on the Charles Schwab financial services platform during the third quarter. The Fund also is open to investors who want to invest directly with us via our transfer agent. We are working to make our website more useful.

After making a few changes to the portfolio in the second quarter, some clients asked whether we were rethinking the long-held investing philosophy of the Fund. Absolutely not. We intend to manage a focused portfolio of shares in excellent companies that we research intensively and understand thoroughly. We look for great management teams at the helm of strong businesses, and when we find them, we hope to hold them for many years. We are confident that we've made necessary management changes and that we are on the right path forward. The signers of this letter intend to invest more of our own capital in Sequoia during the fourth quarter.

A sincere thank you for sticking with us during a difficult time. We are all working very hard to justify your trust.

The Sequoia Fund Investment Committee,

David M. Poppe | John B. Harris | Arman Gokgol-Kline

Trevor Magyar | D. Chase Sheridan

Disclosures

Please consider the investment objectives, risks and charges and expenses of Sequoia Fund Inc. (the "Fund") carefully before investing. The Fund's prospectus contains this and other information about the Fund. You may obtain a copy of the prospectus at www.sequoiafund.com or by calling 1-800-686-6884. Please read the prospectus carefully before investing. Shares of the Fund are offered through the Fund's distributor, Ruane, Cunniff & Goldfarb LLC. Ruane, Cunniff & Goldfarb LLC is an affiliate of Ruane, Cunniff & Goldfarb Inc. and is a member of FINRA.

Sequoia Fund, Inc. – September 30, 2016	
Top Ten Holdings*	
Berkshire Hathaway - Cl A & B	15.92%
US Treasury Bills & Cash	10.18%
TJX Cos	7.14%
Mastercard Inc	6.49%
Constellation Software Inc	5.52%
Alphabet Inc - Cl A & C	5.48%
O'Reilly Automotive Inc	4.96%
Mohawk Industries	4.90%
Fastenal Co	4.33%
Dentsply Sirona Inc	4.15%

** The Fund's holdings are subject to change and are not recommendations to buy or sell any security. An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Fund may be offered only to persons in the United States and by way of a prospectus. Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):*

Management Fees	*1.00%*
Other Expenses	*0.03%*
Total Annual Fund Operating Expenses	*1.03%***

*** Does not reflect 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. For the year ended December 31, 2015, the Fund's annual operating expenses and investment advisory fee, net of such reimbursement, were 1.00% and 0.97%, respectively.*

The performance data for the Fund represents past performance and assumes reinvestment of dividends. Past performance does not guarantee future results. 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. The Fund's 1-year, 5-year and 10-year average annual total returns through September 30, 2016 were (18.27)%, 9.46% and 5.95%, respectively. Current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end can be obtained by calling DST Systems, Inc. at (800) 686-6884.

The Fund is non-diversified, meaning that it invests its assets in a smaller number of companies than many other funds. As a result, an investment in the Fund has the risk that changes in the value of a single security may have a significant effect, either negative or positive, on the Fund's net asset value per share.