Ruane, Cunniff & Goldfarb Inc.

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July 12, 2016

Dear Clients and Sequoia Shareholders:

You may be familiar with the apocryphal Chinese curse, "May you live in interesting times." Sequoia shareholders have lived through interesting times during the past year. We can assure you that our goal is to be much less interesting in the months and years ahead.

As we have previously reported, our longtime chief executive officer and co-manager of Sequoia, Robert D. Goldfarb, retired from our firm at the end of March 2016. Our new leadership elected to sell our position in Valeant Pharmaceuticals, exiting completely by mid-June. Valeant was our largest position to start the year and its 80% decline through June 30 badly penalized our results. For the first half, Sequoia generated a negative 13.2% return vs. a positive 3.8% return for the S&P 500 Index.* Absent Valeant, the rest of the Fund's portfolio generated a positive return of 2.3% for the first half. At the end of this letter you will find holdings data for the Fund's 10 largest holdings in Sequoia as of June 30th.

While we are all disappointed by these results, we have responded by changing our leadership and committing ourselves to restoring the legacy handed down to us from Bill Ruane and Rick Cunniff.

This was a very active quarter, at least by our standards. Sequoia exited several positions in addition to Valeant and we added four new stocks. This does not represent a departure from our longstanding philosophy of concentrating on a focused portfolio of businesses we have researched intensively and intend to hold for years. Our team believes in that approach. In fact, we held 38 stocks in Sequoia at the start of the year, including a number of tiny positions that could never be meaningful contributors to returns. We held 29 stocks in the Fund at mid-year.

We made the difficult decision during the quarter to part with our longtime holding in Idexx Laboratories. Idexx had been a wonderful stock for us over the past 13 years, compounding at better than a 17% rate from the time of our original purchases in 2003 through June 30. This compares to a 7.4% compound for the S&P 500 Index over the same period. Idexx has a terrific market position in veterinary diagnostics and a very capable CEO in Jon Ayers. But the market fully realizes Idexx's strengths. It is according Idexx a price-to-earnings ratio of more than 40x the 2016 consensus earnings per share estimate of $2.21. The company has grown earnings per share at an 11% rate for the past five years and should grow a bit below that rate in 2016. The market helped with our decision as the price of Idexx shares rose sharply during the quarter. We owe a huge debt of gratitude to Jon Ayers. He is a hero to Sequoia shareholders and greatly respected by all of us.

We exited two smaller positions during the quarter. While Allergan has a stronger collection of assets and far better outlook than Valeant, we suspect many drug makers will face increasing pressure from

* See performance disclosures below.

health care payers who need to reduce the relentless double-digit inflation rate for branded pharmaceuticals.

We also sold our shares in Cabela's, the camping and hunting retailer. Cabela's board of directors is exploring a sale of the business, which has lifted its share price recently. We chose to exit as deal rumors swirled, believing that Cabela's shares hold little appeal if a deal does not happen. This is a management team that has struggled with the basics of retailing: the stores are expensive to build and operate and the merchandise, while compelling, is not competitively priced.

We used the run-up in stock prices from the bottom in February as a chance to trim some larger positions, including O'Reilly, Fastenal and TJX, as they got more expensive. We like these businesses a great deal; so this was done to keep the position weightings in line during a period when the stocks were at historically high P/E multiples. In some cases, we used these stocks to fund in-kind redemptions, thus reducing the tax burden for all Sequoia shareholders. However, we sold shares, too, and there were tax consequences given the enormous appreciation we have enjoyed over many years. To provide visibility on taxes, we declared a capital gains distribution in mid-June of $17.24 per share, which is earlier than usual. This is a sizable capital gain and we recognize the pain caused by a high taxable gain in a year where the Fund is down.

We bought four new stocks for Sequoia in the second quarter. If we had known that the "Brexit" vote in the UK on June 23 was going to be negative we could have bought them slightly cheaper, but we like our new holdings. We think we bought all four stocks "cold," which is to say, we bought them at a time when they were well off their recent highs and mostly unloved.

Carmax has turned the once-notorious used car business on its head with no-haggle pricing on products that have been rigorously reconditioned and certified. The biggest used car dealer in the country and the only one with a national brand, Carmax has the opportunity to roughly double its store count while increasing same-store sales in the years ahead. We have followed Carmax for more than a decade and we particularly like the fact that others have tried to copy its business model without success. The shares were weak during the quarter due to concerns that a slowing auto cycle could depress used car prices, as well as the emergence of some new competitors on the internet. However, we think Carmax has a terrific opportunity to capitalize on Internet selling. We bought Carmax shares at a reasonable 15x P/E multiple because we believe whatever the short-term fluctuations in used car pricing, the company's consumer appeal is quite strong.

In the latter half of 2015, a series of pathogen outbreaks at Chipotle Mexican Grill caused a precipitous drop in traffic at the Mexican-themed restaurant chain. The ensuing negative publicity caused Chipotle's stock to drop into the low $400 range from a high of $757 per share. Prior to the outbreaks, Chipotle was one of the most successful restaurant concepts of the past thirty years. CEO Steve Ells, a classically trained chef, helped pioneer the concept of high-quality food made from fresh ingredients in a fast casual environment. Chipotle's high quality product, simple menu, and efficient service combined to make its restaurants extraordinarily profitable, and this in turn has allowed Chipotle to expand its footprint at a rapid pace without resorting to franchising or borrowing money.

In the wake of the pathogen outbreaks we contacted a number of food safety experts to verify that Chipotle management had established industry leading food safety practices in all of its stores. We reviewed the history of outbreaks at public and private restaurant chains and tallied the long term impact each outbreak had on each chain's franchise value. Most importantly, we held conversations with dozens of industry veterans to develop a timeline for Chipotle's recovery. While we expect Chipotle to suffer through a slow and bumpy recovery, we believe the company has an opportunity to more than double its U.S. store base over time at terrific unit economics.

Charles Schwab pioneered the discount brokerage business in the mid-1970s and has remained an innovator in the investment services industry ever since. It built the well-known OneSource marketplace to provide individual investors access to thousands of no-load mutual funds and was among the first to provide individual investors with an online interface. The success of its investor-friendly strategy is evidenced by a tripling of the company's client assets from $870 billion in 2000 to more than $2.5 trillion at year-end 2015. This makes Schwab the largest publicly-traded investment services firm in the U.S., ahead of all other discount brokers as well as all the wirehouses. We believe Schwab will continue to attract new brokerage accounts and client assets.

Specifically, we believe that the trend towards passive investment products and toward automated investment advice represents more opportunity than risk for the company. Traditional wirehouses still hold more than $10 trillion in client assets and likely will be market share donors for years to come. Schwab also holds many billions of dollars in client cash deposits, on which it earns a spread that tends to rise when interest rates rise. Any increase in short-term interest rates would provide significant earnings to Schwab, and thus upside to our investment, though we are not counting on it.

Wells Fargo is the highest return and arguably the best run very large bank in the U.S. It is the number one U.S. bank in many categories including retail deposits; middle market, small business and used car lending; equipment and inventory financing; railcar leasing; and commercial and residential mortgage servicing and originations. It is in fewer volatile business lines than other large banks. It leads the industry in the intensity of its customer relationships with over six products per customer. The number of primary checking accounts at Wells is currently growing at around 5%, an impressive growth rate for a financial institution of this size. Through deposit-driven asset growth and stock buybacks, Wells has done a good job of counteracting shrinking net interest margins over the past decade.

Wells has a long-tenured management team and its record of technological innovation positions it well to handle both challenges from "fintech" disruptors and customer demands for access through a multitude of distribution channels. Wells has a good record of capital allocation, having added to per-share value during the financial crisis by buying Wachovia, expanding its footprint from its already fast-growing Western base to the equally vibrant Southeast. At the time, Wachovia's "pick-a-pay" mortgage portfolio concerned many investors, but that portfolio's quality has turned out to be better than even Wells expected. Recently, Wells acquired a large piece of General Electric's finance business, an acquisition we think will work out well.

Last quarter, Wells' $1.2 trillion in deposits cost only 0.10% on an annualized basis, the lowest interest cost among its peer group, if not the entire banking industry. Right now, the value of Wells' deposit franchise is obscured by the unusually low interest rate environment and the fact that Wells is currently holding a high level of cash balances earning virtually nothing. Credit losses should rise in a more normal environment and new regulations requiring Wells to raise long term debt could pinch margins somewhat, but we think the boost in profits from higher interest rates and a redeployment of high cash balances would offset those impacts.

Wells trades at about 12 times our forward 12 months' earnings estimate, a sharp discount to the S&P multiple of 17. Historically banks have sold at discounts to other publicly traded companies because of the perceived risk that comes with leverage. But Wells' common equity capital ratio is roughly double pre-crisis levels, its underwriting standards are tighter, and it has exited some higher risk businesses. This suggests a higher relative multiple might be warranted.

Between our 2% weighting in Wells and our look-through interest in the Wells shares owned by Berkshire Hathaway, Sequoia shareholders have roughly a 3% exposure to the bank.

We continue to work with financial services platforms such as Schwab, Vanguard, Fidelity and others to reopen the Sequoia Fund to their customers, and expect to have news to report soon. The Fund is open to new investors who are willing to invest directly with us via our transfer agent. We are also working toward providing online access to our advisory clients. We expect to include a transcript of our May investor meeting when we mail our semi-annual report in a few weeks.

Finally, we are delighted to announce that Sequoia's independent directors have decided to nominate Peter Atkins to join the fund's board subject to shareholder approval. Peter is the managing director of Permian Partners, a small investment fund he founded in 2001 amid the Internet bust. Permian focuses mostly on technology companies and approaches buying stock the same way it would evaluate the purchase of an entire business, as we do.

Prior to founding Permian, Peter was a General Manager at Microsoft, where over the course of six years he helped start, manage and invest in early-stage Internet businesses. Earlier in his career, Peter worked at Time Inc. in New York in various financial positions. We have known Peter for many years and consider him a fine, thoughtful investor and terrific person. We will hold a shareholder meeting in the near future for the purpose of obtaining shareholder approval of the election of Peter and two other new directors who were nominated earlier this year, Tim Medley, and our colleague John Harris.

On behalf of everyone at Ruane, Cunniff & Goldfarb, we want to thank our Sequoia shareholders who have stayed with us through a difficult period. This was a busy quarter in which we feel we made solid progress on the Fund's portfolio. We intend to remain true to the Fund's long legacy of owning a focused portfolio of great businesses piloted by smart managements, purchased at prices which permit us to earn attractive returns. Our entire team is working diligently on your behalf.

The Sequoia Fund Investment Committee,

David M. Poppe John B. Harris Arman Gokgol-Kline Trevor Magyar D. Chase Sheridan

Disclosures

Sequoia Fund, Inc. - June 30, 2016	
Top Ten Holdings	
Berkshire Hathaway - Cl A & B	17.4%
US Treasury Bills & Cash	13.0%
TJX Cos	8.0%
Mastercard Inc	5.5%
Alphabet Inc - Cl A & C	4.8%
O'Reilly Automotive Inc	4.7%
Mohawk Industries	4.6%
Fastenal Co	4.5%
Rolls-Royce Holdings PLC	3.7%
Constellation Software Inc	3.4%

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.

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 June 30, 2016 were -26.70%, 6.44% and 5.99%, 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.