Ruane,
Cunniff &
Goldfarb

January 22, 2020

Dear Sequoia Shareholders and Clients:

Sequoia Fund's results for the quarter and year ended December 31, 2019 appear below with comparable results for the S&P 500 Index:

Through December 31, 2019	**Sequoia Fund**	**S&P 500 Index***
Fourth Quarter	5.98%	9.07%
1 Year	29.12%	31.49%
3 Years (Annualized)	14.71%	15.27%
5 Years (Annualized)	5.43%	11.70%
10 Years (Annualized)	11.43%	13.56%
Since Inception (Annualized)**	13.59%	11.05%

The performance data for the Fund shown above 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. 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 S&P 500 Index is an unmanaged capitalization-weighted index of the common stocks of 500 major US corporations. The Index does not incur expenses and is not available for investment.*

***Inception Date: July 15, 1970.*

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Since June 2016, the team presently managing the Fund has overseen a cumulative total return of 62%— nearly identical to the 65% return of the S&P 500. While we remain pleased that the Fund has kept up with a strong market during a challenging period for anyone who purports to invest with discipline, we remain equally frustrated that we seem to be running what has to be the world's most unusual index fund.

Our portfolio contains 24 stocks, ten of which account for nearly 60% of net assets. It looks almost nothing like an Index that includes 500 stocks, the ten largest of which comprise nearly 25% of total value. Last year, we joked that none of us went far enough in math to calculate the odds of two such remarkably different vehicles advancing at such a similar speed for such a long period—except that we knew they were low. This year, having spent another twelve months tethered to the Index by an improbably short leash, we dusted off old textbooks in hopes of satisfying our curiosity with some precision. A mere 100,000 Monte Carlo simulations later, we learned that over three consecutive one-year periods, the chances are less than 1 in 100 that a randomly-generated portfolio exhibiting Sequoia's statistical characteristics would earn consecutive annual returns within two percentage points of the Index return. It's surely even less likely that the Fund's monthly movements would be as indistinguishable from those of the Index as they appear in the chart below.

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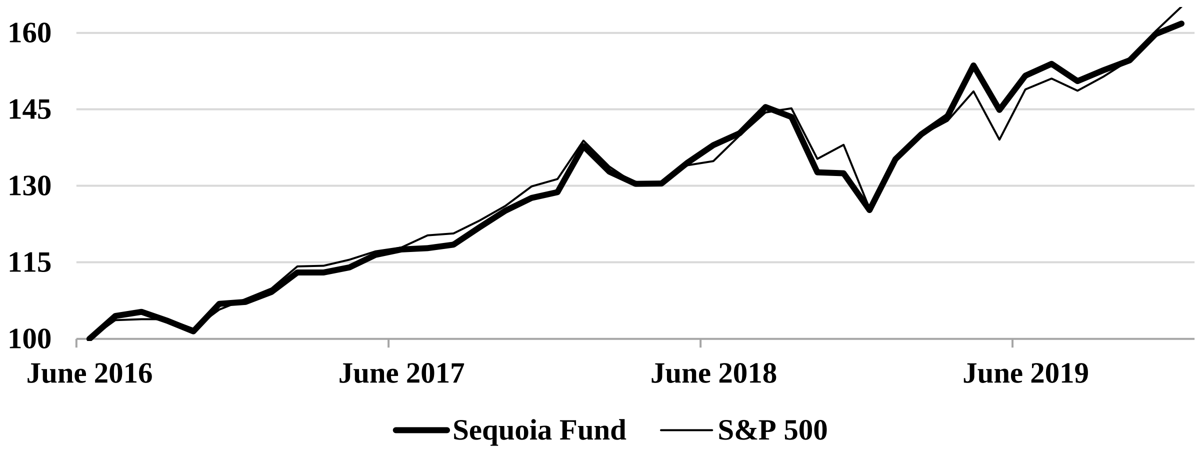
Sequoia Fund vs. the S&P 500

Cumulative total return from June 30, 2016 through December 31, 2019, indexed to 100



Though our crystal ball is no more accurate than yours, we are certain that this pattern will not persist indefinitely. At some point, the Fund's performance will diverge markedly from that of the broader market. Because we continue to find the quality, growth prospects and valuation of our holdings much more appealing than that of the 500 stocks that comprise the Index—an entity that by its very nature is meant to define "average"—we look forward to a future of much-increased tracking error.

In the meantime, while much is written these days about how the investing landscape has changed, we emphatically reject the notion that trends like indexing, increased competition or the ascendancy of "growth" stocks versus "value" stocks have diminished the potential for a value-oriented fund manager to outperform. The core philosophy that guides our decisions is the same one that has enabled Sequoia to beat the market by roughly 2.5 percentage points per annum over nearly fifty years, and by a similar margin over the last twenty years. We believe this approach has maintained its effectiveness across changing market environments, economic circumstances, political trends and generations of leadership because it is rooted in a set of principles that are timeless. The first is that most businesses—regardless of what they do or how fast they grow—have a value that can be estimated within a range of reasonableness. The second is that while the stock market does a generally good job of assessing value over the long term, it can make egregious mistakes over the short term.

The idea that a bigger, faster and more competitive market is not necessarily a more efficient one should be obvious to anyone who lived through Black Monday in 1987…or the bursting of the dot-com bubble from 2000 to 2002…or the financial crisis in 2008 and 2009…or the more recent near-20% intra-year plunges that accompanied the EU mini-crisis in 2011, the collapse of the oil price in late 2015 and the fears surrounding (modest) interest rate increases that emerged in late 2018. Beyond these broad market movements, 2019 alone saw the stock prices of twenty S&P 500 constituents change by 75% or more, with another 55 moving more than 50%. We wonder: Did the intrinsic value of 75 of the country's largest companies really change so drastically over the course of a single, relatively benign year? And is Apple, the very definition of a mature business—with revenues that actually shrank during its last fiscal year—really worth twice as much today as it was twelve months ago?

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While these and many other examples indicate that the stock market is every bit as fallible as it has always been, we know from experience that exploiting its shortcomings with some degree of consistency over long periods of time is by no means easy. To maintain your edge in a world of relentless competition and incessant—if not accelerating—change, you have to constantly adapt and improve.

Forty years ago, if you understood the difference between a business and a stock and were temperamentally capable of a certain degree of patience, then armed with a working telephone and a newspaper subscription, you stood a very good chance of outrunning Mr. Market. If you also had a willingness to do some extra homework and an appreciation for the fact that reality is sometimes more nuanced than a spreadsheet, you could leave him in your dust. Today, similar success requires more effort. An army of finance professors, behavioral economists and practitioners like us have documented Mr. Market's foibles extensively. Many professional investors do the kind of homework we have long done, and if you don't want to do it yourself, you can now essentially hire outsiders to do it for you. Indexing has caused stocks to move more in tandem, making the cadence of opportunity more episodic and less idiosyncratic. While it may still be possible to beat the market in this more challenging environment with nothing more than an even keel and a few useful rules of thumb, the odds of succeeding on a shoestring are a lot longer than they used to be. Sustained outperformance increasingly demands that you attract and retain outstanding talent, equip it with the resources of a first-rate think tank and surround it with a culture that celebrates and enables creativity, curiosity, intellectual diversity, rigorous debate and unbiased judgment.

If this sounds like dispiriting news, it really shouldn't. It's just the way of the world. Think of the time, effort and money it takes to support success in today's sports world. Baseball teams assemble their rosters using statistical techniques that would probably leave Joe DiMaggio scratching his head and scrutinize the physics of their hitters' swings with a precision that would surely make Babe Ruth laugh. Standout athletes now surround themselves with such elaborate retinues of trainers, nutritionists, psychologists, agents and consultants that they routinely celebrate victories by thanking their "team." They enlist all of this assistance because they're playing much tougher games than their predecessors did. But modern marvels like Roger Federer, Tiger Woods, Mikaela Shiffrin, Michael Phelps or Tom Brady's Patriots have been every bit as dominant relative to their peers as the greats of the past. The increased demands of competition have not pulled them toward mediocrity because they have adapted to change. Business is no different: the beauty of our relentlessly competitive free market system is that it forces its participants to constantly raise the level of their game.

This is why our team, process and holdings all look very different than they did twenty years ago—and why the Ruane Cunniff of 1999 looked very different than the firm that Bill and Rick started in 1970. In the Fund's earliest days, our predecessors confined themselves mainly to buying the country's great consumer franchises for single-digit multiples of their earnings. Twenty years ago, sensible as it was at the time, a quarter of our capital was invested in two financial institutions that performed wonderfully for us…but would essentially go bankrupt within a decade. Today, over 40% of our capital is invested in outstanding technology companies of various types. Tomorrow, the picture will probably look very different than it does today. We certainly hope so, because standing still as the world advances is no less dangerous now than it would have been in the past.

However the future unfolds, we will always evaluate stocks as stakes in businesses rather than symbols that blink on a screen. We will always believe that you can only make predictions about the prospects of a company

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if you are willing to own it for years rather than days—and that it's hard to make long-term predictions about any business that doesn't have competitive advantages and capable management. We will always hold fast to the conviction that the single most important driver of investment success is the discipline of buying stocks at prices that incorporate a margin of safety relative to the conservatively estimated value of the businesses that they represent. These philosophical underpinnings of our approach won't change because they're a tool for exploiting common biases that don't change. Millions of years of evolution have hardwired them into the human psyche.

But if we want to maintain our competitive edge in a dynamic world, the way we apply our core principles must constantly evolve. Our circle of competence must expand to encompass new industries and business models. Our research engine must adjust to a world in which commerce is increasingly global, Instagram follower counts can sometimes matter as much as same-store sales growth and algorithms leveraging an explosion of new "alternative" datasets can spot business trends with greater speed and accuracy than any human analyst. The process by which we make our judgments must become ever more sensitive to the presence of potential "value traps" in a world where rapid change, volatile politics and extreme monetary conditions make the evaluation of risk and return more nuanced and complex than ever.

In spite of the frustrating three-plus years we have now spent masquerading as an index fund, we believe the flexible mindset that has defined our history remains alive and well, which is why we also believe that the Fund's prospects for outperformance are as bright as they've ever been. Time will of course tell if our optimism is well founded, but even if it isn't, the good news is that we've hedged our bets by taking one evolutionary step that the Fund has been far too slow to embrace: running more fully invested. Sequoia's cash balance has averaged 20% of its net assets since inception and 14% over the last twenty years. The comparable figure today is less than 3% of net assets. If we keep it that way, we can do as well as we always have even if the stocks we select don't beat the market by as wide a margin as they once did. Our admittedly ambitious goal, however, is to generate as much "alpha" as ever with our stock-picking and then amplify its impact by carrying as little cash as is prudently possible.

To anticipate a question, we aren't sure whether a more fully invested posture will alter the Fund's record of strong outperformance in weak markets. The answer will ultimately depend on which companies we own when trouble surfaces. What we know for sure is that we would gladly trade worse performance in bear markets for better performance over full cycles. Over the last twenty years, a non-taxable Sequoia investor has earned 54% more money than a comparable investor in an S&P 500 index fund. Had Sequoia's cash position during this period averaged 5% of net assets rather than 14%, the investor would have earned over 80%. On a $1 million initial investment, that adds up to nearly $1 million of extra profit—a destination that to our eyes is well worth a bumpier voyage.

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As we expected going into the year, and as indicated by the chart below, the portfolio experienced less change during 2019 than it had over the preceding few years. Turnover was 16%, well below the Fund's 24% average annual turnover since inception. We continue to believe that our long average holding period makes Sequoia one of the most tax-efficient investment vehicles of its kind.

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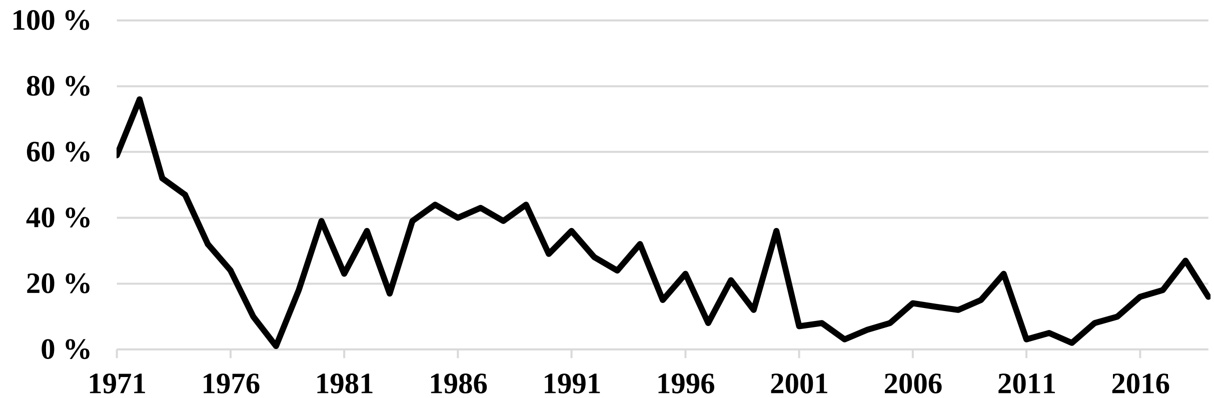
Sequoia Fund Annual Turnover

By industry convention, turnover is expressed as either total purchases or total sales—whichever is lower—divided by average Fund net assets



Our best guess—and it's nothing more than a guess—is that turnover should remain subdued for a while. Natural market fluctuations always seem to surface a few chances each year to evolve the portfolio in ways that enhance its quality, growth potential and valuation, but by and large, we like what we own. That said, we are both willing and able to react if changed circumstances create broader opportunity.

This is a meatier statement than it might seem, for two reasons. First, as already mentioned, while we don't think that the trend toward passive investing has made it harder to beat the market, we do think it has increased correlations, creating a dynamic whereby Mr. Market tends to offer opportunity in bunches rather than single servings. Historically, we have done a better job of reacting to item sales than storewide discounts, so to speak. If the latter become the more prevalent producer of investment bargains, we will have to adapt our process and mindset to allow for greater agility. We believe that we have, but we need to prove it during the next generalized downturn.

Even if you're emotionally prepared to seize bargains by the case rather than the can, you have to be able to act when opportunity emerges. Flexibility comes naturally when you carry lots of cash, but it requires attention when you run more fully invested. To maintain optionality in the portfolio without paying the high cost of holding cash in a world where cash earns next to nothing, we keep an eye on both the liquidity and economic sensitivity of our holdings. While more liquid, less cyclical investments will not shield you from losses in a down market the way cash will, they do afford you the same potentially valuable flexibility to capitalize on opportunity because they give you the ability to swap moderately attractive investments for outstanding ones. We like that many of our large holdings would be easy to sell in an unsettled environment, and we think a significant subset of them are likely to hold up better in a downturn than the stocks of many other businesses on our shopping list.

We should also note, however, that we like less liquid holdings such as Credit Acceptance and Hiscox every bit as much as more easily marketable positions like Alphabet and Berkshire. We would be happy to have more of them in the portfolio, but only if we felt that in exchange for reduced flexibility, we were getting appropriately compensated in the form of business quality and valuation.

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Notable positive contributors during 2019 included Eurofins Scientific, Facebook, Jacobs, Liberty Broadband, Mastercard, and Melrose, all of which returned more than 50% for the year. a2Milk, Carmax, Constellation Software and Formula One advanced more than 35%. Alphabet, Amazon, Berkshire, Booking, Credit Acceptance, Naspers/Prosus, Schwab and Vivendi made gains but trailed the S&P. Decliners for the year were Hiscox, Rolls-Royce and Wayfair.

Much more importantly, business progress was encouraging across virtually all of our investees. Carmax took important steps to expand its omni-channel initiatives. Jacobs made major advances migrating its business mix from lower-value construction to higher-value outsourced services. Schwab agreed to a landmark acquisition that will further consolidate its powerful position in the brokerage and investment advisory industry. Formula One continued its journey toward a new set of rules that should eventually make its product more competitive and thus more valuable to advertisers, media partners and race organizers. Mastercard, Liberty Broadband and Vivendi continued to exploit secular trends in favor of electronic commerce and media streaming, and it was largely business as usual at Berkshire, Constellation and Melrose, our capital allocator-driven conglomerates. a2Milk logged another year of torrid growth at fantastic profit margins, though we were dismayed to see CEO Jayne Hrdlicka leave the business late in the year and will be paying close attention to both the selection of her successor and the broader dynamic of interaction between the company's board and management.

Internet platforms Alphabet, Facebook, Amazon and Tencent (via Naspers/Prosus) all reported largely excellent financial results, although the regulatory clouds gathering above them are growing larger and darker. We are watching the weather here closely, but for the moment, we think the stock market has done a reasonably good job of accounting for it. Our working assumption is that both regulatory developments and proactive initiatives are likely to alter the big platforms' business models in ways that diminish future earning power in furtherance of achieving a better balance of stakeholder interests. As long-term investors concerned as much with the sustainability as the trajectory of future financial performance, we would welcome these kinds of changes. Even if they depress profits, we're not so sure they will negatively impact the companies' share prices, which we think would be higher today in the absence of understandable regulatory concerns. These are some of the best businesses the world has ever seen, capable of remarkable growth at unprecedented scale—in no small part because they provide enormous value to billions of users. If they properly address legitimate stakeholder complaints that they arguably ignored during their adolescence, we think they have the potential to mature into even more valuable enterprises than they are today.

Rolls-Royce is our other long-term holding fighting through difficult weather. It has become abundantly clear over the last year that as they developed their latest generation of products, both the airplane manufacturers and their engine suppliers pushed the technological envelope too far. For Rolls, the consequences have involved enormous cost and distraction. We are cautiously optimistic that the company has finally gotten its arms around the particularly acute problems that have plagued the engine it developed for the Boeing 787. Crucially, the Airbus A350 engine that will become the preponderant driver of earnings growth over the next two decades appears to be performing well during its early time "on wing." If 787-related remediation expenses abate as expected over the next 18-24 months, and if A350 engine performance stays healthy, Rolls should have a very strong period of cash earnings growth ahead of it and today's stock price should look very

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attractive in a few years. We are the first to acknowledge, however, that every time the sun has broken through the clouds during our long and frustrating involvement here, new storms have rolled in.

Though well over a decade of painful memories are hard to ignore, we have tried to keep our extensively researched analysis of Rolls fact-based and forward-looking, and an encouraging view from that perspective led us to modestly increase our position during 2019. While Rolls was the only existing holding to which we added materially during the year, we trimmed several, including Alphabet, Amazon, Berkshire, Booking, Carmax, Constellation, Formula One, Jacobs, Liberty Broadband and Mastercard—all on account of valuation, position sizing or some combination thereof. As discussed in previous letters, we sold the entirety of our positions in Electronic Arts and Vopak due to changes in our fundamental assessments. We also sold the last of our roughly twenty-year investment in Mohawk, largely in response to shifts in the structure of flooring industry demand that we have discussed previously.

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2019 turned out to be a productive year for new investments, which included Arista Networks, Eurofins Scientific, Wayfair and two additional companies that will remain undisclosed until we are able to establish full positions. This bumper crop certainly reflects some blind luck—a year only means so much when you buy as infrequently as we do—but we also see it as an encouraging indication of the creativity and vitality of our team and research process.

Arista designs network switches, routers and associated software that play a critical role in the internet infrastructure of large enterprises, and especially "cloud titans" such as Microsoft, Facebook and Amazon. Run by one of the more impressive management teams we have encountered, Arista essentially stole a march on incumbent leader Cisco at the high end of the market by combining innovative software with exceptional execution. Extremely high customer concentration—the company calls its big accounts "titans" for a reason—can make this a volatile business over the short term, which is why we were able to buy our stake after admiring Arista for many years. Over the long term, we expect continued adoption of cloud services, media streaming and AI-driven "hyperscale" computing to drive strong demand for Arista's products and ultimately attractive earnings growth relative to the price we paid for our shares. We also expect the company to maintain its competitive advantage in its core high-speed switching markets while it continues a nascent push into corporate datacenters and campus networks.

Eurofins is a global provider of testing, inspection and certification services in areas ranging from food safety to environmental monitoring to pharmaceutical manufacturing. Like Constellation Software, the company is run by a founder with a gift for allocating capital within an industry that exhibits an appealing mix of resilient demand, steady growth, sticky customer relationships and a relatively low sensitivity to pricing. Founder and CEO Gilles Martin has compiled one of the most impressive records of value creation in recent corporate history by consolidating a fragmented market wherein scale yields manifold advantages.

Martin and his family still own more than a third of Eurofins' outstanding shares, and he has tended in the past to run Eurofins like the family business it once was. This has drawn criticism from a handful of analysts who claim, sometimes fairly, that Eurofins let the development of its corporate governance practices lag the torrid growth of its operations. The company has proactively addressed the most substantive of these criticisms over the past year, and exhaustive research has convinced us that Mr. Market's remaining concerns are focused much more on style than substance. Timely purchases during a recent period of particularly acute skepticism

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have netted us a gain of about 40% thus far. Though the valuation of the company is less attractive today than when we invested, we think observers may still underappreciate how much more profitable and professional Eurofins could become as it matures.

Because it makes large losses competing head-on with Amazon, Wayfair is an even more controversial company than Eurofins. Also like Eurofins, it's a business we researched for years before recently exploiting a period of heightened investor anxiety in order to buy a stake at what we think was an attractive price. Only a year ago, an adoring Mr. Market seemed to have anointed Wayfair the undisputed king of online home furnishings retail, with near-unlimited potential in a massive category featuring as much as a half-trillion dollars of annual sales that have historically come at healthy margins. Today, with ballooning losses tied to ambitious simultaneous investments in logistics, selection and geographic expansion, the crown appears broken and the predominant narrative questions whether the company will ever be able to build a profitable franchise competing with Amazon in a commoditizing category.

While we think management should have paced its recent investments more modestly, we also think they were strategically wise, and importantly, we expect their cost to reduce significantly in coming quarters. Though reality is a bit more complicated, the idea here is that by and large, you can only build a national logistics footprint once, you can only expand your assortment to cover all categories of home furnishings once and you can also only build the overhead required to support European expansion once. The company's decision to take on all three of these mostly finite tasks at the same time has had the effect of obscuring unit economics that we see as fundamentally sound. If we're correct, then as sales continue to grow and the company "laps" this recent period of unusually elevated investment, cash flow dynamics should improve rapidly, potentially inducing another, more optimistic swing in Mr. Market's mood.

While 2020 will be an important year in which a team we respect needs to deliver on its commitments and get back to living within its means, we don't see why Amazon and Wayfair can't both be long-term winners in a segment that is one of the largest and most profitable in all of mass retail. Crucially, it is also a segment in which the average consumer cares as much or more about browsing an endless selection and getting inspired about how to decorate a space as she does about buying a specific product at the lowest possible price and getting it delivered as quickly and conveniently as possible. Or to put it more simply, most people don't want to decorate their homes in the same way—or at the same places—that they buy their laundry detergent. This is why many offline "category killers," both regional and national, have thrived for decades in home furnishings, and why we think Amazon is about as likely to "own" home furnishings online as Walmart and Target are offline.

We like that Wayfair has already achieved a degree of scale and scope in the online world that vastly exceeds what any existing category specialists have achieved in the offline world. We also like that the network effects inherent in the company's marketplace business model should enable it to offer a breadth of selection and quality of user experience that competitors will struggle to match. Though Wayfair is already orders of magnitude larger than its offline counterparts, if it can eventually earn a fraction of the profit margin that they have earned for years, we will have paid less than twenty times potential after-tax earning power for a dominant category leader that could grow enormously over the next decade.

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Though we will continue making incremental improvements in coming years because anything done well can always be done better, we marked the conclusion of our three-year business modernization project at the end of last summer with the closure of our affiliated broker-dealer and the completion of a conversion to a new custody platform for our managed account clients. Beyond these recent steps, since 2016 we have welcomed a new COO, CFO and head of business development; implemented new IT systems for order allocation, trade reconciliation and portfolio accounting; architected new processes for managing movements of cash and securities; unveiled new client reporting tools and templates; built a new website; completed an extensive data cleansing exercise; overhauled our entity structure and recapitalized our ownership. It is hard to overstate how much effort our business team invested into this massive, multifaceted undertaking. It is also hardly a surprise. Any longtime Ruane Cunniff client understands that above and beyond is our business team's definition of business as usual.

Our investment team, which now numbers nearly thirty, is larger and more capable than ever. A big reason why is the growth and maturation of our impressive next generation of talent, exemplified in many ways by our longtime colleague Will Pan, whose humility, insight and wisdom belie his age. We are happy to announce that Will was elected our ninth employee partner at the end of last year.

Our annual Investor Day will take place on Friday, May 15, 2020 in the Grand Ballroom of the Plaza Hotel in New York City, the same venue as last year. We are both humbled and excited to report that in addition to our usual program, this year we will be celebrating Sequoia Fund's 50th anniversary. We will have more to say about this milestone in coming months. As it approaches, and as we ponder its significance, we find ourselves ever more appreciative of the fact that no constituency is more responsible for enabling Ruane Cunniff's longevity and success than our truly extraordinary family of clients. We send you all our very warmest wishes for a happy, healthy and successful new year.

Sincerely,

The Ruane Cunniff Investment Committee

Arman Gokgol-Kline	John Harris	Trevor Magyar	D. Chase Sheridan

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Disclosures

Please consider the investment objectives, risks and charges and expenses of Sequoia Fund Inc. (the "Fund") carefully before investing. The Fund's prospectus and summary prospectus contain this and other information about the Fund and are available at www.sequoiafund.com or by calling 1-800-686-6884. Please read the prospectus and summary prospectus carefully before investing. Shares of the Fund are distributed by Foreside Financial Services, LLC (Member FINRA).

Sequoia Fund, Inc. – December 31, 2019	
Top Ten Holdings*	
Alphabet, Inc.	12.0%
Berkshire Hathaway	8.3%
CarMax, Inc.	6.2%
MasterCard, Inc.	5.3%
Constellation Software, Inc.	4.9%
Jacobs Engineering Group, Inc.	4.6%
Credit Acceptance Corp.	4.6%
Liberty Broadband Corp.	4.4%
Facebook, Inc.	4.3%
Liberty Media Corp.	4.3%

** The Fund's holdings are subject to change and are not recommendations to buy or sell any security. The percentages are of total assets.*

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	*0.06%*
*Total Annual Fund Operating Expenses***	*1.06%*
*Expense Reimbursement by Investment Adviser***	*(0.06)%*
*Net Annual Fund Operating Expenses***	*1.00%*

*** It is the intention of Ruane, Cunniff & Goldfarb L.P. (the "Adviser") to ensure the Fund does not pay in excess of 1.00% in Net Annual Fund Operating Expenses. This reimbursement is a provision of the Adviser's investment advisory contract with the Fund and the reimbursement will be in effect only so long as that investment advisory contract is in effect. The expense ratio presented is from the Fund's prospectus dated May 1, 2019. For the year ended December 31, 2019, the Fund's annual operating expenses and investment advisory fee, net of such reimbursement, were 1.00% and 0.94%, respectively.*

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.

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