Sequoia Fund, Inc.

One New York Plaza
New York, N.Y. 10004
(212) 825-9300

QUARTERLY REPORT
For the Period Ended February 28, 1974

Dear Stockholder:

The following table shows the performance of the per share net asset value of Sequoia Fund as compared with the Standard & Poor's 500 composite stock price index for the fiscal quarter ended February 28, 1974 and for the calendar year 1974 to date:

	November 30, 1973	February 28, 1974	Percent Change
Sequoia Fund	$ 7.61	$ 8.12	+6.7%
S & P 500	95.96	96.22	+0.3%
	December 31, 1973	March 29, 1974	
Sequoia Fund	$ 7.53	$ 8.36	+11.0%
S & P 500	97.55	93.98	-3.7%

The much heralded two-tier market situation has obviously become blurred. A significant number of the "nifty fifty", as they were known, have registered sharp declines from their 1973 highs, and this has caused some but by no means all major investment managers to re-think what was known as the "one decision" approach to buying common stocks. The essence of that approach was that Avon Products, Polaroid or Disney, for example, had such assured long term growth prospects that one could virtually ignore price when making a long term commitment. In remarkably short order, however, the "assured" growth prospects of each of these companies came into serious question, and all three are currently selling at prices at least 55% below their high prices of last year. At the moment the most that can be said is that sobering events such as these have rekindled interest in a broader list of securities, but there certainly has not been a significant shift into the type of stocks which we feel represent unusual value. In many cases, however, our stocks have rebounded from what had to be ridiculously low prices, relative to both assets and earnings, that were seen late last year.

Inflation today is undoubtedly the greatest threat to one's capital and we recommend the April 1 issue of Forbes which has an excellent article on this subject. It essentially states that many of the much touted approaches to protect against inflation are traps, particularly for the uninitiated, in such areas as real estate, antiques, art, and so on. Forbes also is basically wary of the current craze of buying gold and silver coins. It concludes that there is no place to hide, but that well-selected common stocks today probably represent excellent values, and that the true investor in many cases is buying at a discount assets which can only be worth more as inflation proceeds.

Two-thirds of the stocks in the Sequoia Fund's portfolio are selling below stated asset value, and their market values in our opinion are well below the values that would be obtained in realistic merger negotiations or cash sales of entire companies. We will continue to concentrate on stocks which meet our standards of value regardless of fads, because we believe they offer the best opportunity to fight the investor's battle against inflation.

Sincerely yours,

Richard T. Cunniff
President

William J. Ruane
Chairman

April 1, 1974

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS
February 28, 1974 (Unaudited)

INVESTMENT SECURITIES – COMMON STOCKS (94.0%)

Shares		Market Value (a)
	BANKS (19.7%)	
10,980	Detroitbank Corporation	$ 459,788
10,260	First Capital Corporation	348,840
5,250	First Oklahoma Bancorporation, Inc. (b)	49,875
11,100	National Detroit Corporation	462,037
17,500	Pittsburgh National Corporation	586,250
		1,906,790
	UTILITIES (0.4%)	
2,000	Florida Telephone Corporation (Class A)	40,000
	CONSUMER PRODUCTS MANUFACTURING (13.6%)	
4,000	Ford Motor Company	187,500
41,820	General Tire & Rubber Company	642,982
46,200	McDonough Company	433,125
5,500	Sturm Ruger & Company, Inc.	46,750
		1,310,357
	INDUSTRIAL PRODUCTS MANUFACTURING (23.5%)	
7,000	Allegheny Ludlum Industries	213,500
8,000	CTS Corporation	90,000
28,000	Eltra Corporation	700,000
70,500	Inmont Corporation	484,688
38,800	Schenuit Industries, Inc.	276,450
10,000	L. S. Starrett & Co.	210,000
10,400	Vulcan Materials Company	299,000
		2,273,638
	RETAILING (4.7%)	
12,800	Giant Food Inc. (Class A, Non-Voting)	196,800
34,000	Masters, Inc. (b)	93,500
10,000	Weis Markets, Inc.	162,500
		452,800
	SERVICES (30.4%)	
6,000	American Broadcasting Co.	147,000
7,000	BBD & O Int'l. Inc.	91,000
34,300	Booth Newspapers	595,963
7,000	Capital Cities Communications (b)	241,500
46,500	Grey Advertising, Inc.	372,000
59,500	Interpublic Group of Companies, Inc.	647,062
10,000	Needham, Harper & Steers	65,000
20,000	Ogilvy & Mather International Inc.	300,000
43,700	U.S. Truck Lines, Inc. of Delaware	480,700
		2,940,225
	PUBLISHING (1.7%)	
15,500	Putnams (G.P.) Sons	163,680
	Total common stocks	$9,087,490

U. S. TREASURY BILLS (3.1%)

Principal Amount		
$300,000	U. S. Treasury Bills Due 4/18/74	$ 296,819

SUMMARY

Investment Securities — Common Stocks	(94.0%)	$9,087,490
U. S. Government Obligations	(3.1%)	296,819
Net Cash and Receivables	(2.9%)	275,363
Net Assets	(100.0%)	$9,659,672
Number of Shares Outstanding		1,189,477
Net Asset Value Per Share		$8.12

(a) Securities are valued at the last reported sales price on national security exchanges or at the mean of closing bid and asked prices in the case of over-the-counter securities, except for U. S. Government Obligations which are valued at cost plus discount earned, which approximates market.

(b) Non-income producing security.

Sequoia Fund, Inc.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

QUARTERLY REPORT
For the Period Ended February 29, 1976

Dear Stockholder:

The performance of the Sequoia Fund for the fiscal quarter ended February 29, 1976 and for the first nine months of the fiscal year are shown below along with comparable data for Standard & Poor's composite stock price index and Value Line's composite index:

	Sequoia Fund	Standard & Poor's 500	Value Line Composite*
Three months to February 29, 1976	+23.6%	+10.4%	+23.1%
Nine months to February 29, 1976	+27.9%	+12.9%	+19.7%

*Not adjusted for dividends.

The robust action of the stock market in the first three months of this year can be attributed in fact to at least three major factors: (a) a strong business environment, (b) an expectation, whether warranted or not, of a lower future rate of inflation, and (c) a desire by many investors both big and small to hop aboard a moving train which pulled out of the station in December of 1974 when they weren't looking. As to business, we are convinced it is good and for many of our companies the term excellent would be more appropriate. We suspect, however, that the recent lower rate of inflation may only be temporary. The recent trucking wage settlement which gave the teamsters about a 10% annual increase plus an open cost of living escalator will have serious implications for future price levels if it proves to set the pattern for most major union contracts. Finally, the train clearly has travelled a good way already, and while the trip may well have a way to go — we believe it will over the long term — its near term duration is always questionable.

The experience of the securities market and that of the Sequoia Fund in the last few years has pointed up the necessity of having only that portion of one's capital invested in common stocks which one can expect not to need for other purposes for a considerable period of time. We believe well-selected common stocks will provide a very decent total return over a period of years, but to the extent possible one should never be placed in a position where it is necessary to liquidate when adverse psychology has created unusually low evaluations of their stocks.

Today we believe our companies are still modestly priced. For example, Interpublic at a price of $26 a share is still only about 7.5 times 1975's actual earnings but the same stock sold at $8 a share only 18 months ago. We mention all of this not to suggest that you try to buy the Sequoia Fund low and sell it high, but rather that you be in a psychological and financial posture to maintain an attitude towards your investment similar to that which you may have towards the value of your home. You don't sell your home just because its value goes up or down but rather because your circumstances have changed. One should try to develop the same long term mental attitude in connection with one's investments. End of lecture.

We think it is an interesting fact that while common stocks fluctuated wildly in value from 1970 to the end of 1975, dividends rose 43% while the consumer price index rose 36%. This relationship may not continue but we believe that stocks such as those in which we concentrate — net cash generating companies — will still offer the most practical approach to the protection of one's purchasing power.

Sincerely yours,

Richard T. Cunniff

Richard T. Cunniff
President

William J. Ruane
Chairman

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS
February 29, 1976 (Unaudited)

COMMON STOCKS

Shares		Market Value
	ADVERTISING (23.4%)	
36,500	Grey Advertising, Inc.	$ 365,000
85,000	Interpublic Group of Companies, Inc.	1976,250
26,500	Ogilvy & Mather International, Inc.	612,813
		2,954,063
	BANKS (12.7%)	
10,980	Detroitbank Corporation	529,785
10,000	National Detroit Corporation	480,000
16,000	Pittsburgh National Corporation	586,000
		1,595,785
	CONSUMER PRODUCTS (9.2%)	
51,000	McDonough Company	867,000
5,500	Sturm Ruger & Company, Inc.	70, 125
8,000	Singer Company (b)	140,000
10,000	Rust Craft Greeting Cards	83,750
		1,160,875
	INDUSTRIAL PRODUCTS (13.5%)	
35,400	Pittway Corporation	1,380,600
38,800	Schenuit Industries, Inc.	315,250
		1,695.850
	NEWSPAPERS (20%)	
21,000	Booth Newspapers	632,625
65,000	Washington Post Company (Class B)	1,893,125
		2,525,750
	RETAILING (.9%)	
34,000	Masters, Inc. (b)	110,500
	SERVICES (7.3%)	
3,000	Capital Cities Communications	147,750
10,000	U.S. Truck Lines, Inc. of Delaware	148,750
5,000	Storer Broadcasting Company	101,250
2,000	Multimedia, Inc.	38,000
30,000	Lin Broadcasting (b)	485,625
		921,375
	UTILITIES (3.2%)	
11,000	Southern Indiana Gas & Electric Company	401,500
	Total Common Stocks	$11,365.698

U.S. GOVERNMENT OBLIGATIONS

Principal Amount		Market Value
$370,000	U.S. Treasury Bills due 3/11/76	$369,385
390,000	U.S. Treasury Bills due 4/15/76	387,582
240,000	U.S. Treasury Bills due 5/27/76	237,030
200,000	U.S. Treasury Notes 8% due 2/15/83	203,375
		$1,197,372

SUMMARY

Common Stocks	90.2%	$11,365,698
U.S. Government Obligations	9.5%	1,197,372
Net Cash and Receivables	.3%	44,987
Net Assets		$12,608,057
Number of Shares Outstanding		1,070,296
Net Asset Value Per Share		$11.78

(a) Securities are valued at the last reported sales price on national security exchanges or at the mean of closing bid and asked prices in the case of over-the-counter securities, except for U.S. Treasury Bills which are stated at their discounted value based upon the mean between the bid and asked discount rates.

(b) Non-income producing security.

Sequoia Fund, Inc.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

QUARTERLY REPORT
For the Period Ended March 31, 1978

Dear Stockholder:

Sequoia's results for the quarter ended March 31 along with the comparable results of leading market indexes were as follows:

Sequoia Fund	+3.1%
Dow Jones Industrials	−7.5
Standard & Poor's 500	−5.1

Out of curiosity we spent some time yesterday reading the stock market columns of the Wall Street Journal in the issues from March 17 to April 13 of this year. They were filled with hedged cautions on the effects of inflation, the Middle East problem and the fate of the dollar. Nary a clear-cut, positive prediction. Then — Boom! — on the next two trading days the market went up 35 points on a total volume of 116 million shares. Within two weeks, the market moved up a total of 69 points (or 9%) during a period when the dollar stabilized but inflation and the Middle East situation became anything but more hopeful.

We cite this brief history to explain once more why the management of the Sequoia Fund prefers to concentrate on specific values in the market and does not try to postpone the ownership of stocks which we consider attractive until we feel either the global outlook or the "market" looks good to us. If anyone had guaranteed us sixteen months ago that the Dow Jones Average would go down from 1005 in January of 1977 to 838 today (hitting 745 on the way), we certainly would have been concerned. Had we acted then on this guaranteed prediction and sold out it would have been very costly. We simply held our favorite companies and have seen the Sequoia Fund appreciate 38% (with dividends) since then. In short, if anyone offers you a new Mercedes for $2,500, take it and don't worry about the outcome of the Salt talks or the Middle East situation.

While we have a low opinion of stock market predictions and the correlation of foreign policy and the price of Capital Cities Communications, we do place the expectation of future serious inflation as the paramount factor in investment planning and stock selection. We try to analyze the effect of 8%—10% inflation on each company we study. There is a remarkable difference, for example, between the prospects of a steel company and those of a major advertising agency. One is plagued by huge costs to replace outmoded, fixed assets simply to meet competition, both domestic and foreign, in an industry with chronic overcapacity worldwide. For the most part, all reported earnings (and more) of the steel companies are devoted to this battle which has been made dramatically worse by inflation, and little is truly left for the stockholders. An advertising agency such as Interpublic, on the other hand, has almost a 15% automatic over-ride on the growth, both real and inflationary, of the dollars spent on advertising in television, magazines and other media. Such a company has little in the way of fixed assets and no inventory, and almost all of its reportable earnings are available to the stockholders if they can't be used internally for interesting acquisitions to further growth.

People readily understand the inflation protection which comes from owning real assets, particularly real estate, for which there has been substantial demand, especially from abroad, in order to hedge against inflation. It is less apparent that the ownership of stocks also represents ownership in real property, and to the degree that one uses discrimination, stocks can be every bit as good a hedge against inflation as the average piece of real estate. We believe there will be greater recognition of this fact in time.

While the first quarter showed a modest gain for Sequoia in a declining market, we are particularly pleased to report a 15% gain for the year to date, in a period in which the Dow Jones Average has gained only 3.3%. Of more importance, most of our companies are showing very healthy gains in their earnings, for in the long run we will only do as well as our companies make it possible for us to do. We believe that the majority of our companies are run by some of the smartest people in American business. It's kind of like having a stable of very fast horses with a lot of Steve Cauthens to ride them.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff
President

May 12, 1978

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS
MARCH 31, 1978 (Unaudited)

COMMON STOCKS

Shares		Value(a)
	ADVERTISING (17.1%)	
150,000	The Interpublic Group of Companies, Inc.	$ 4,218,750
26,500	Ogilvy & Mather International, Inc.	1,209,063
		5,427,813
	BANKS (3.7%)	
20,000	National Detroit Corporation	582,500
16,000	Pittsburgh National Corporation	578,000
		1,160,500
	CONSUMER PRODUCTS MANUFACTURING (6.6%)	
56,700	McDonough Co.	1,261,575
20,000	Polaroid Corp.	515,000
17,700	Sturm, Ruger & Company, Inc.	327,450
		2,104,025
	INDUSTRIAL PRODUCTS MANUFACTURING (6.4%)	
16,300	Glatfelter Co.	342,300
25,000	Hillenbrand Industries, Inc.	603,125
25,000	Pittway Corporation	800,000
10,000	Western Pacific Industries, Inc.	277,500
		2,022,925
	NEWSPAPERS (14.1%)	
130,000	The Washington Post Company (Class B)	4,485,000
	PUBLISHING (5.4%)	
15,000	Harcourt Brace Jovanovich, Inc.	436,875
40,000	Houghton Mifflin Co.	970,000
10,000	Meredith Corp.	295,000
		1,701,875
	RETAILING (7.9%)	
34,000	Masters, Inc. (b)	148,750
50,000	Miller-Wohl Co., Inc.	1,000,000
25,000	Tandy Corp. (b)	906,250
15,700	Weis Markets, Inc.	465,112
		2,520,112
	SERVICES (21.9%)	
70,000	Capital Cities Communications, Inc.	4,305,000
57,500	LIN Broadcasting Corporation (b)	1,638,750
40,000	Storer Broadcasting Company	1,025,000
		6,968,750
	Total Common Stocks	$26,391,000

U.S. GOVERNMENT OBLIGATIONS

Principal Amount		Value(a)
$ 400,000	U.S. Treasury Bills due 4/6/78	$ 399,587
500,000	U.S. Treasury Bills due 4/13/78	498,880
400,000	U.S. Treasury Bills due 4/27/78	398,020
400,000	U.S. Treasury Bills due 5/4/78	397,620
2,600,000	U.S. Treasury Bills due 5/18/78	2,578,333
300,000	U.S. Treasury Bills due 6/22/78	295,622
		$4,568,062

SUMMARY

Common Stocks	83.1%	$26,391,000
U.S. Government Obligations	14.4%	4,568,062
Net Cash and Receivables	2.5%	814,897
Net Assets		$31,773,959
Number of Shares Outstanding		1,702,560
Net Asset Value Per Share		$ 18.66

(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; securities traded in the over-the-counter market and listed securities for which no sale was reported are valued at the mean between the last reported bid and asked prices; U.S. Treasury Bills are stated at their discounted value based upon the mean between the bid and asked discount rates.

(b) Non-income producing security.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

Sequoia Fund, Inc.

QUARTERLY REPORT
For the Period Ended September 30, 1978

Dear Shareholder:

In October the stock market experienced one of the most precipitous declines in our memory. For the year as a whole the stock market as measured by the Dow Jones Industrial Average has produced a year-to-date return of 0. The comparable figure for Sequoia Fund is +18.6%.

There are the usual cross currents in business. Almost all of our companies are having a banner year, and the economy is also very strong. Unfortunately, this high level of economic activity has been accompanied by a severe rate of inflation. At present a variety of fears, rather than the buoyant profit conditions, appear to dominate stock market action. Fear of a recession, continued fear of inflation, and worry about the future of the dollar are uppermost in the minds of many.

We consider inflation to be the number one enemy of capital, we wonder about the certainty and timing of a recession, and we suspect that the dollar may be worth more than it is currently being appraised at in world financial markets. In general we have a low opinion of the value of economic predictions, including our own.

In this vein, we read recently that Harry Truman expressed a desire for an economist with only one hand because his advisers were always saying, "On the one hand it looks good, but on the other hand. . . .".

Long term interest rates on high-grade bonds have increased ½% in the last two months, and we believe the interest return on such bonds is the basic standard against which common stocks must compete. At the beginning of this year, however, we felt strongly that common stocks were significantly more attractive than long term bonds, and given the recent decline in stock prices we still hold to that opinion. Furthermore, the new tax law has materially enhanced the probable after-tax return from long term investment in stocks, but needless to say the market has virtually ignored this very important new factor.

The results for the third quarter of 1978 for Sequoia Fund and the leading market indexes, which now seem somewhat academic, were as follows:

Sequoia Fund	+9.8%
Dow Jones Industrials	+7.1%
Standard & Poor's 500	+8.7%

We are pleased to tell you that Sequoia Fund's price can now be found in the daily newspaper listings of mutual fund prices. We have reservations on the real value of checking Sequoia's price each day. It is something like calling your real estate broker every day to check on the value of your house.

Sincerely yours,

William J. Ruane
Chairman

Richard T. Cunniff
President

November 14, 1978

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS
September 29, 1978 (Unaudited)

COMMON STOCKS

Shares		Value(a)
	ADVERTISING (12.7%)	
160,000	The Interpublic Group of Companies, Inc.	$ 5,920,000
69,000	Ogilvy & Mather International, Inc.	1,802,625
		7,722,625
	BANKS (5.5%)	
59,000	Detroitbank Corporation	1,718,375
20,000	National Detroit Corporation	617,500
24,500	Pittsburgh National Corporation	1,007,563
		3,343,438
	CONSUMER PRODUCTS MANUFACTURING (7.7%)	
70,000	McDonough Co.	1,942,500
50,000	Polaroid Corporation	2,387,500
17,700	Sturm, Ruger & Company, Inc.	354,000
		4,684,000
	INDUSTRIAL PRODUCTS MANUFACTURING (11.2%)	
128,900	Glatfelter Company	3,448,075
50,000	Hillenbrand Industries, Inc.	1,600,000
30,000	Pittway Corporation	900,000
25,000	Western Pacific Industries, Inc.	846,875
		6,794,950
	METALS (4.3%)	
73,500	Reynolds Metals Company	2,581,687
	NEWSPAPERS (9.2%)	
130,000	The Washington Post Company (Class B)	5,622,500
	PUBLISHING (4.5%)	
15,000	Harcourt Brace Jovanovich, Inc.	420,000
80,000	Houghton Mifflin Company	1,970,000
10,000	Meredith Corporation	345,000
		2,735,000
	RETAILING (7.3%)	
34,000	Masters, Inc. (b)	229,500
50,000	Miller-Wohl Company, Inc.	1,312,500
35,000	Supermarkets General Corporation	511,875
60,000	Tandy Corporation (b)	1,747,500
17,800	Weis Markets, Inc.	645,250
		4,446,625
	SERVICES (19.5%)	
200,000	Capital Cities Communications, Inc.	8,700,000
57,500	LIN Broadcasting Corporation (b)	2,220,937
30,000	Storer Broadcasting Company	937,500
		11,858,437
	Total Common Stocks	$49,789,262

U.S. GOVERNMENT OBLIGATIONS

Principal Amount		Value(a)
$10,900,000	U.S. Treasury Bills due 11/2/78 through 1/4/79	$10,782,901

SUMMARY

Common Stocks	81.9%	$49,789,262
U.S. Government Obligations	17.7%	10,782,901
Net Cash and Receivables	.4%	251,645
Net Assets		$60,823,808
Number of Shares Outstanding		2,627,522
Net Asset Value Per Share		$ 23.15

(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; securities traded in the over-the-counter market and listed securities for which no sale was reported are valued at the mean between the last reported bid and asked prices; U.S. Treasury Bills are stated at their discounted value based upon the mean between the bid and asked discount rates.

(b) Non-income producing security.

Sequoia Fund, Inc.

ANNUAL REPORT
DEC. 31, 1978

To the Shareholders of Sequoia Fund, Inc.

Dear Shareholder:

Another year has passed, and we are pleased with the results. Sequoia Fund had a total return of 23.8%, including dividends, as compared with 2.8% for the Dow Jones industrials and 6.2% for the Standard & Poor's 500, also including dividends. The Sequoia Fund, of course, does only as well as the success and quality of its portfolio holdings permit. As a shareholder, your fortunes are tied directly to the success of specific companies. Last year our honor roll of portfolio companies was as follows:

	1978 Percent Price Increase
Capital Cities Communications, Inc.	32½
P H Glatfelter Company	25
Hillenbrand Industries, Inc.	54
Houghton-Mifflin Company	43
LIN Broadcasting Corporation	45
Miller-Wohl Company, Inc.	28
Polaroid Corporation	94
Tandy Corporation	56
Washington Post Company	30
Weis Markets, Inc.	34

The December, 1978 issue of Institutional Investor magazine contained a most interesting statistical table which included prevailing price/earnings ratios in eighteen world stock markets based on data supplied by Capital International Perspective of Geneva. The ratios in the five leading world markets were as follows:

	10/31/78 Price/Earnings Ratios
France	15.0
Germany	10.8
Japan	18.7
United Kingdom	8.3
United States	8.2

As shown, even the U.K., which is currently on a labor-imposed vacation, is held in higher regard than the U.S. We've heard, too, that 50 million Frenchmen can't be wrong, but we'd much prefer to invest in our country's industry at a 46% discount to that of French industry. Stocks are backed by real property, among other assets, and we think they are the cheapest way to buy such real assets. Furthermore, we believe our country's stocks represent by far the best quality for the price in the world.

In this vein, we constantly see examples of both domestic and foreign investors putting money into objects which they can see, feel and walk on, like gold, land, stamps, antiques and so on. The prices of most of these tangible things have increased substantially, fostering further interest. We suspect, however, that this desire to own tangible assets at any price may lead to sorry long term results just as happened from paying exorbitant prices for America's finest stocks in the early 1970's.

We were told the other day that a watercolor which knowledgeable antique dealers would have ignored in 1970 for as little as $25 recently was sold at auction for $9,000. Who knows if this is an appropriate price, but if the professionals were right in 1970 we hope the buyer likes to look at the watercolor—it's a funeral scene.

Actually, the Sequoia Fund has also been enthusiastically collecting what we believe to be bargain color engravings, but these are in the form of stock certificates and are bought at stock exchange auctions. We're lovers of this form of fine art and firmly believe these values will improve with age.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff
President

February 8, 1979

Sequoia Fund, Inc.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

QUARTERLY REPORT
For the Period Ended March 31, 1979

Dear Shareholder:

The results for the first quarter were as follows:

Sequoia Fund	+5.9%
Standard & Poor's 500	+7.1%
Dow Jones Industrials	+8.6%

From the beginning of 1976 to date, our stockholder list has gone from 400 to 2,200. Although the number of shareholders and the amount of assets have continued to grow nicely, in recent months we have detected redemptions by certain shareholders who have been with us for a relatively short period of time. We suspect their disillusionment was caused by results for the first quarter which failed to match those of the general market. For several reasons, our relative success in the past has not come evenly over time. We believe that if we do well in the future this same pattern may persist. Our answer to the politicians most feared question, "What have you done for me lately" is; "Bet on us to do well in the marathon but not necessarily in the 50 yard dash."

We think the following editorial from Harper's magazine is interesting.

> "It's a gloomy moment in the history of our country. Not in the lifetime of most men has there been so much grave and deep apprehension; never has the future seemed so incalculable as at this time. The domestic economic situation is in chaos. Our dollar is weak throughout the world. Prices are so high as to be utterly impossible. The political cauldron seethes and bubbles with uncertainty. Russia hangs, as usual, like a cloud, dark and silent, upon the horizon. It is a solemn moment. Of our troubles no man can see the end."

This particular editorial was written in 1847. We wish to thank our friend, George H. Michaelis, President of Source Capital who in his recent report to shareholders brought to our attention this Harper's editorial. Since this editorial was written our country has grown enormously in terms of almost any economic indicator one may choose. Fears of one sort or another will always be with us, and somehow the world goes on. This fact only confirms our feeling that one should not be diverted by global concerns from recognizing outstanding opportunities in the stock market when they appear.

Severe inflation is the most serious problem for the saver of capital. We continue to believe that the current level of the stock market is such that it may provide the largest amount of after tax return for the average investor compared to other available investment vehicles.

Finally, we continue to be impressed by the forces of momentum that often operate in the stock market. There tends to be a great persistence of either fear or greed over long periods of time. The current fear of common stocks as investments by a large body of investors has continued well beyond our expectations. However, we still believe that a change will occur. We cannot predict when this may come about but we believe that when it does, ownership in fine companies at modest prices will pay off handsomely.

Sincerely,

W Ruane — Richard T. Cunniff

William J. Ruane
Chairman

Richard T. Cunniff
President

May 15, 1979

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS
March 31, 1979 (Unaudited)

COMMON STOCKS

Shares		Value(a)
	ADVERTISING (10.3%)	
162,400	The Interpublic Group of Companies, Inc.	$ 6,008,800
69,000	Ogilvy & Mather International, Inc.	1,612,875
		7,621,675
	BANKS (5.9%)	
110,000	DETROITBANK Corporation	2,791,250
20,000	National Detroit Corporation	612,500
24,500	Pittsburgh National Corporation	995,312
		4,399,062
	CONSUMER PRODUCTS MANUFACTURING (8.4%)	
120,000	McDonough Co.	3,510,000
60,000	Polaroid Corporation	2,310,000
17,700	Sturm, Ruger & Company, Inc.	380,550
		6,200,550
	INDUSTRIAL PRODUCTS MANUFACTURING (11.8%)	
15,600	Duplex Products, Inc.	300,300
130,500	P.H. Glatfelter Company	3,882,375
56,900	Hillenbrand Industries, Inc.	1,955,938
34,700	Pittway Corporation	1,110,400
30,000	Western Pacific Industries, Inc.	1,485,000
		8,734,013
	INSURANCE (2.2%)	
47,000	Western Casualty & Surety Co.	1,609,750
	METALS (10.2%)	
200,000	Reynolds Metals Company	7,525,000
	NEWSPAPERS (8.0%)	
260,000	The Washington Post Company (Class B)	5,882,500
	PUBLISHING (5.5%)	
15,000	Harcourt Brace Jovanovich, Inc.	577,500
111,800	Houghton Mifflin Company	3,186,300
10,000	Meredith Corporation	280,000
		4,043,800
	RETAILING (6.9%)	
34,000	Masters, Inc. (b)	221,000
50,000	The Miller-Wohl Company, Inc.	1,462,500
70,000	Supermarkets General Corporation	910,000
70,000	Tandy Corporation (b)	1,767,500
21,000	Weis Markets, Inc.	740,250
		5,101,250
	SERVICES (11.5%)	
200,000	Capital Cities Communications, Inc.	7,800,000
20,000	LIN Broadcasting Corporation (b)	737,500
		8,537,500
	TRANSPORTATION (1.1%)	
30,600	Consolidated Freightways, Inc.	833,850
	Total Common Stocks	$60,488,950

U.S. GOVERNMENT OBLIGATIONS

Principal Amount		Value(a)
$12,900,000	U.S. Treasury Bills due 4/5/79 through 6/21/79	$12,762,370

SUMMARY

Common Stocks	81.8%	$60,488,950
U.S. Government Obligations	17.2%	12,762,370
Net Cash and Receivables	1.0%	734,179
Net Assets		$73,985,499
Number of Shares Outstanding		3,173,518
Net Asset Value Per Share		$23.31

(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; securities traded in the over-the-counter market and listed securities for which no sale was reported are valued at the mean between the last reported bid and asked prices; U.S. Treasury Bills are stated at their discounted value based upon the mean between the bid and asked discount rates.

(b) Non-Income producing.

Sequoia Fund, Inc.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

QUARTERLY REPORT
For the Period Ended September 30, 1979

Dear Shareholder:

Because of the material change in market values which occurred during the month of October we have added below the performance of Sequoia Fund for the ten months ended October 31 together with the third quarter and nine months results, along with the comparable results of the leading market indexes:

	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3-Mos. to 9/30/79	+ 8.8%	+ 5.8%	+ 7.6%
9-Mos. to 9/30/79	+14.5	+13.9	+18.2
10-Mos. to 10/31/79	+ 4.4	+ 6.3	+10.6

Over the past decade the basic rate of inflation has snowballed to the point where every sector of our population is feeling its brunt. To date, our elected representatives have done little to combat this enemy of savings and investment because most of the effective means of fighting inflation are highly unpopular with large segments of voters. There has been no serious challenge to inflation until last month when an appointed federal official threw down the gauntlet, in a sort of David and Goliath situation, with Mr. Volcker being the 6'5" David. On last October 6th, as head of the Federal Reserve Board, he announced stringent controls on the supply of money which will in turn severely constrict credit of all types.

We believe this approach can be both very effective and very painful. Unfortunately, the pain in all likelihood will evidence itself in substantial unemployment and hardship for millions of people. Although limiting the total supply of money is a complex matter, we suspect that it does go to the heart of the matter and can be effective ultimately. We believe the stage has been set for an economic drama in which a single man, with the support of foreign allies who demand a strong dollar, will be pitted against vote-seeking politicians during an election year in which the economy is almost certain to behave poorly. Mr. Volcker will be under tremendous pressure to let up, but if he does, our country will appear to be throwing in the towel on the inflation fight, and the dollar will undoubtedly take a beating. This picture is not an attractive one because each course of action carries with it an unpleasant result or side effect.

Once again we seem to be in one of those periods of great uncertainty. In relating this uncertainty to the stock market, however, we feel it is one thing to worry about a market filled with great hope, and it is another thing to agonize about a market laden with fear as at present. Periods of great uncertainty have more often provided opportunities for substantial long term appreciation than the reverse. Furthermore, the average stock is selling at about six times earnings and in almost every case at a substantial discount from the price which the company would bring in a sale or merger. DETROITBANK Corporation, for example, sells at less than five times earnings, earns 16% on a book value of $35 and yields 6.9%. We believe there would be numerous bidders if 100% of the stock were available at $50 per share, yet one can buy it today in quantity for $26. Another example is Hillenbrand Industries, the dominant manufacturer of caskets and hospital beds and number two in the luggage business. Hillenbrand sells for approximately five times earn-ings and in our opinion would be snapped up at a price 75% to 100% greater than the current price if it were available as an acquisition.

In short, we think that the near-term prospects for business may be poor but that stocks are cheap. The Dow Jones Industrials, to illustrate, are now selling at 6.2 times their last twelve-months earnings, a level breached only once in the last forty years, and that was at the bottom of the market in 1974. We do not know, obviously, what the future holds, but we believe that most stocks purchased at current prices will be priced substantially higher three years from now.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff
President

November 8, 1979

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS
September 30, 1979 (Unaudited)

COMMON STOCKS

Shares		Value(a)
	ADVERTISING (8.5%)	
205,000	The Interpublic Group of Companies, Inc.	$ 6,047,500
83,500	Ogilvy & Mather International, Inc.	1,889,187
		7,936,687
	BANKS (6.8%)	
156,000	DETROITBANK Corporation	4,582,500
20,000	National Detroit Corporation	705,000
24,500	Pittsburgh National Corporation	1,074,938
		6,362,438
	CONSUMER PRODUCTS MANUFACTURING (8.4%)	
90,000	The Gillette Company	2,250,000
27,700	Lenox, Inc.	782,525
125,000	McDonough Co.	3,625,000
20,000	Polaroid Corporation	570,000
17,700	Sturm, Ruger & Company, Inc.	623,925
		7,851,450
	INDUSTRIAL PRODUCTS MANUFACTURING (10.9%)	
15,600	Duplex Products, Inc.	421,200
155,500	P.H. Glatfelter Company	4,898,250
58,100	Hillenbrand Industries, Inc.	2,084,337
34,700	Pittway Corporation	1,275,225
30,000	Western Pacific Industries, Inc.	1,575,000
		10,254,012
	INSURANCE (8.6%)	
112,000	Ohio Casualty Corp.	3,976,000
100,000	Western Casualty & Surety Co.	4,050,000
		8,026,000
	METALS (14.1%)	
80,000	Aluminum Company of America	4,710,000
230,000	Reynolds Metals Company	8,481,250
		13,191,250
	NEWSPAPERS (6.9%)	
260,000	The Washington Post Company (Class B)	6,451,250
	PUBLISHING (5.1%)	
15,000	Harcourt Brace Jovanovich, Inc.	566,250
115,400	Houghton Mifflin Company	3,837,050
10,000	Meredith Corporation	335,000
		4,738,300
	RETAILING (4.9%)	
34,000	Masters, Inc. (b)	306,000
85,800	Supermarkets General Corporation	1,522,950
70,000	Tandy Corporation (b)	1,872,500
31,500	Weis Markets, Inc.	885,938
		4,587,388
	SERVICES (11.2%)	
200,000	Capital Cities Communications, Inc.	9,525,000
20,000	LIN Broadcasting Corporation (b)	1,017,500
		10,542,500
	TRANSPORTATION (3.6%)	
130,000	Consolidated Freightways, Inc.	3,396,250
	Total Common Stocks	$83,337,525

U.S. GOVERNMENT OBLIGATIONS

Principal Amount		Value(a)
$10,700,000	U.S. Treasury Bills due 11/1/79 through 12/20/79	$10,540,085

SUMMARY

Common Stocks	89.0%	$83,337,525
U.S. Government Obligations	11.2%	10,540,085
Net Liabilities	(.2%)	(205,223)
Net Assets		$93,672,387
Number of Shares Outstanding		3,770,849
Net Asset Value Per Share		$24.84

(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 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 are stated at their discounted value based upon the mean between the bid and asked discount rates on the last business day of the period.

(b) Non-Income producing.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

Sequoia Fund, Inc.

QUARTERLY REPORT
For the Period Ended March 31, 1980

Dear Stockholder:

As the following table shows Sequoia Fund had poor results in the extraordinarily volatile first quarter of 1980 both on an absolute basis and in relation to the leading market indexes (with dividends reinvested in each case):

	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3-Mos. to March 31, 1980	−11.9%	−4.7%	−4.1%

The financial markets from March 31, 1980 to the present have been almost as remarkable as they were in the first quarter, and Sequoia's performance has improved to the point where it is now down just 3.1% from the beginning of the year.

The extreme volatility of our financial markets this year can be traced in the patterns of the Dow Jones Industrials and 3-month Treasury bills. In the first six weeks of 1980, to the accompaniment of the highest trading volume in the history of the New York Stock Exchange, the Dow Jones Industrials advanced 9.4% to an intra-day high of 918 and then promptly reversed course plunging 188 points (20.5%) to an intra-day low of 730 only six weeks later. At that point the average again reversed course and in the last seven weeks has advanced 100 points (13.7%). The 3-month Treasury bill market has been even more mercurial than the stock market. From the 12% level at the start of the year the rate on 3-month bills soared to 16½% by the end of March and has since dropped an incredible 7½ percentage points to 9%.

"Inflation Can Threaten Your Mental Health..."

This caption from an article in The Wall Street Journal not only alludes to the basic cause of our disorganized financial market — uncontrolled inflation — but emphasizes that there is literally no end to inflation's negative ramifications. The New York Times recently quoted Warren Buffett, the chairman of Berkshire Hathaway, with reference to what he terms "the investor's misery index." In essence, the index measures the gain or loss in the investor's purchasing power after subtracting income taxes and the inflation rate from his gross return on his invested capital.

During the post-war period to date, for example, a pre-tax annual compound return of 15% would have been regarded as a superior if not handsome investment performance; most investors did not fare nearly so well. If it is assumed, however, that this return is achieved through some combination of income and capital gains, it is likely that one-third of it, or 5 percentage points, would go to taxes. If in addition to this tax effect we postulate a 10% inflation rate it is very clear that an apparently superior return is a phantom and truly represents simply the maintenance of original purchasing power. Similar arithmetic applied to a 5% passbook savings account would make the headline above even more understandable.

There is no question in our minds that we are in the midst of a serious recession; we are seeing definite signs of this business downturn in the operations of many of the companies in which we are invested. With a few exceptions, however, our companies are not cyclical in nature, and because we have tended to emphasize companies which have a somewhat unique niche in their field and strong finances, we expect them to fare significantly better than industry in general in difficult times.

From the standpoint of the equity investor, moreover, we believe that the most significant development amidst all the recent turmoil in the financial markets is that long term high-grade bond interest rates have receded to a range of 10½% to 12%. At present the weighted average price-earnings ratio of Sequoia's portfolio of stocks, based on recession-influenced 1980 earnings prospects, is a very modest 5.2, or, simplistically, an "earnings yield" of 18.2%. Despite all the uncertainties of the unfolding recession, we believe that the arithmetic of this relationship between interest rates and the very low evaluation of earnings demonstrates the basic attraction of stocks today.

Sincerely,

W Ruane
William J. Ruane
Chairman

Richard T. Cunniff
Richard T. Cunniff
President

May 19, 1980

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS
March 31, 1980 (Unaudited)

COMMON STOCKS

Shares		Value(a)
	ADVERTISING (10.8%)	
205,000	The Interpublic Group of Companies, Inc.	$ 5,791,250
101,200	Ogilvy & Mather International, Inc.	2,188,450
		7,979,700
	BANKS (6.6%)	
179,000	DETROITBANK Corporation	3,512,875
20,000	National Detroit Corporation	470,000
24,500	Pittsburgh National Corporation	848,312
		4,831,187
	CONSUMER PRODUCTS MANUFACTURING (17.0%)	
15,700	Garan, Inc.	123,637
150,000	The Gillette Company	3,037,500
132,000	Lenox, Inc.	2,854,500
130,000	McDonough Co.	2,892,500
100,000	R.J. Reynolds Industries, Inc.	3,112,500
17,700	Sturm, Ruger & Company, Inc.	442,500
		12,463,137
	INDUSTRIAL PRODUCTS MANUFACTURING (11.1%)	
25,000	Duplex Products, Inc.	556,250
155,500	P.H. Glatfelter Company	3,634,813
74,800	Hillenbrand Industries, Inc.	2,103,750
19,700	Pittway Corporation	541,750
40,000	Western Pacific Industries, Inc.	1,330,000
		8,166,563
	INSURANCE (8.9%)	
112,000	Ohio Casualty Corporation	3,430,000
100,000	The Western Casualty & Surety Company	3,087,500
		6,517,500
	METALS (13.6%)	
69,800	Aluminum Company of America	4,065,850
192,900	Reynolds Metals Company	5,931,675
		9,997,525
	PUBLISHING (5.4%)	
14,600	Harcourt Brace Jovanovich, Inc.	397,850
115,400	Houghton Mifflin Company	3,231,200
10,000	Meredith Corporation	327,500
		3,956,550
	RETAILING (3.7%)	
34,000	Masters, Inc. (b)	272,000
127,100	Supermarkets General Corporation	1,477,538
42,600	Weis Markets, Inc.	979,800
		2,729,338
	SERVICES (9.1%)	
10,000	John Blair & Company	152,500
150,000	Capital Cities Communications, Inc.	6,562,500
		6,715,000
	TRANSPORTATION (3.4%)	
130,000	Consolidated Freightways, Inc.	2,502,500
	Total Common Stocks	$65,859,000

U.S. GOVERNMENT OBLIGATIONS

Principal Amount		Value(a)
$4,000,000	U.S. Treasury Bills due 4/24/80 through 6/19/80	$3,876,443

SUMMARY

Common Stocks	89.6%	$65,859,000
U.S. Government Obligations	5.3%	3,876,443
Net Cash and Receivables	5.1%	3,741,655
Net Assets		$73,477,098
Number of Shares Outstanding		3,671,058
Net Asset Value Per Share		$20.02

(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 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 are stated at their discounted value based upon the mean between the bid and asked discount rates on the last business day of the period.

(b) Non-Income producing.

Sequoia Fund, Inc.

SEMI-ANNUAL REPORT
JUNE 30, 1980

To the Shareholders of Sequoia Fund Inc.

Dear Stockholder:

Sequoia Fund's results for the second quarter and first six months of 1980 are shown below along with the comparable data for the leading market indexes:

To June 30, 1980	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3-Months	+12.8%	+12.1%	+13.4%
6-Months	− 0.6	+ 6.8	+ 8.8

At this writing Sequoia's results have improved so that it now shows a gain for the year 1980 to date of 10.9%, but it should be noted that the market indexes have also improved.

Sequoia's tenth birthday occurred last month, on July 15th. The decade encompassed dozens of basic investment decisions through many good and bad markets including one in 1973-4 which we would like to erase from our memory. Throughout this period, we followed a fairly consistent approach of buying good companies at modest multiples of their estimated earning power. There is no question in our minds that this ten year period is long enough to permit a meaningful judgment to be made of our investment performance. We are pleased to report that the Sequoia Fund compounded money at 15.2% per annum in the ten years. Put in another way, $10,000 invested on July 15, 1970 grew to $41,323 on July 15, 1980 including reinvested dividends. Comparable compound rates for the Dow and S & P 500 were 7.3% and 8.7%. We would strongly caution against extrapolation of these past figures into the future.

The second quarter of 1980 witnessed a dramatic change in investor psychology. With 15% available on Treasury bills in March, stocks did not seem very enticing, especially with the uncertainties of a recession overhanging corporate profits. After the economy went into a free fall and interest rates on Treasury bills plummeted to less than 8%, common stocks became more appealing as investors began anticipating an economic recovery next year.

The volatility of the stock market in recent years and the fixation upon the Dow Jones Industrials by the media have obscured the fact that common stocks have provided good returns to investors since the market bottom at yearend 1974. This is true both on an absolute basis and even more so when compared to returns provided by long term bonds. To illustrate, the broadly based Standard & Poor's 500 index has produced a compound annual return of 16.4% from December 31, 1974 to the present.

The fact that common stocks have done better than bonds has created a reinforcement mechanism which has led pension fund managers in the last eighteen months to redirect cash flows away from bonds and toward stocks. During 1978, for example, private pension funds allocated only 25% of their net cash flow to equities, but increased this in 1979 to 62% and to 75% in the first quarter of 1980.

We suspect that there is underway a major secular attitudinal change favoring common stocks. In part this recognizes that while common stocks are not a perfect inflation hedge, the ownership of companies whose earnings have the potential to keep pace with inflation and whose earnings streams can be purchased at modest multiples is preferable to investment in bonds whose yields may not even equal the underlying inflation rate.

We would become skeptical, however, if this new-found enthusiasm for stocks were to become too widespread. The recent uptrend in stock prices and the increases in bond yields since mid-June have narrowed the wide differential which stocks had previously enjoyed over bonds, but we nevertheless still believe that at current levels stocks will outperform bonds over time.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff

Richard T. Cunniff
President

August 12, 1980

Sequoia Fund, Inc.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

QUARTERLY REPORT
For the Period Ended September 30, 1980

Dear Stockholder:

Sequoia's results for the third quarter and first nine months of 1980 are shown below along with the usual comparable data for the leading market indexes:

To September 30, 1980	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3-Months	+16.9%	+ 9.0%	+11.1%
9-Months	+16.3	+14.8	+20.8

Now that the election is over, the press is filled with analyses of the economic outlook under the new administration. We are of the sober opinion that the problems of inflation, energy and those caused by the recycling of OPEC's dollar earnings will not lend themselves to solutions readily acceptable to the American public. Therefore, we will continue to search out financially strong companies which may afford a degree of security in a climate of unusually high inflation.

The very strong stock market which we saw in the second quarter continued in the third quarter and has indeed continued in the fourth quarter to date. In one noteworthy respect the recent stock market strength differs from that of the second quarter; the dramatic rally then was accompanied by an equally dramatic rally in the bond market. In the last four months, however, the continuing rally in stocks has been accompanied by a plunge in bond prices. As a consequence, bond yields are becoming much more competitive with the probable return on common stocks.

A disenchantment appears to be developing in the bond market similar to that which existed toward stocks in the last decade. Inflationary pressures have caused lenders to demand higher and higher rates for the use of their money, and in the process the prices of long term bonds with coupons negotiated in periods of lower interest rates have suffered severely. There is a growing body of opinion, moreover, that inflation rates may become even more virulent than in the past, and this has influenced lenders increasingly to avoid making fixed rate commitments for long periods into the future. We think it is entirely possible that the desire to own tangible assets combined with this fear of making long term fixed rate loans could lead to an accelerating trend toward common stock investment and away from long term bond investment.

The stock market is currently focusing on energy, defense and technology issues to a degree which we consider somewhat overdone, particularly in secondary issues. There is no question that there is a sound premise for expecting an attractive near term outlook for these areas. However, as one sage pointed out, most stock market excesses developed from a sound premise. We are convinced that many of the smaller oil and scientific companies which are selling at huge multiples of earnings carry a high degree of risk to their owners. A classic example is Genentech, a recent new issue which is selling in the market place for $330 million and earned $81,000 in 1979. Clearly the profit prospects of gene splicing will have to be enormous for this company to justify the current price of the stock. In comparison, Gillette, a company we like, is selling in the market for $840 million and will earn $125 million this year.

While there is a great deal of speculation on the fringes of the market we believe it is reasonably valued at its core. We are impressed in particular with the number of values which appear to exist in certain consumer product companies with outstanding brand franchises. We have cited Gillette and would include Lenox, R.J. Reynolds and Pepsico as stocks of this type which currently sell on average at 7½ times 1980 earnings. Each has a dominant position in it's field, earns a high return on capital and possesses superior cash generating features. Each, too, has uncommon pricing flexibility in an inflationary environment. These stocks are not popular now because Wall Street perceives the consumer as being squeezed by inflation. This may well be true, but these companies are nevertheless having their most prosperous years.

At this writing, Sequoia has gained 16% for the year which coincidentally is almost identical to our ten-year average compound figure. This gain, however, is well below that of the leading averages. We will continue to buy only stocks in which we can develop a conviction. This calls for patience and a tolerance for a certain amount of frustration at times but it has worked well over the years, and we have confidence it will in the future.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff
President

November 17, 1980

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS

SEPTEMBER 30, 1980 (UNAUDITED)

COMMON STOCKS

Shares		Value (a)
	ADVERTISING (10.6%)	
205,000	The Interpublic Group of Companies, Inc.	$ 7,405,625
101,200	Ogilvy & Mather International, Inc.	2,707,100
		10,112,725
	BANKS (6.6%)	
179,000	DETROITBANK Corporation	4,542,125
20,000	National Detroit Corporation	587,500
24,500	Pittsburgh National Corporation	1,111,688
		6,241,313
	CONSUMER PRODUCTS MANUFACTURING (21.5%)	
15,700	Garan, Inc.	188,400
150,000	The Gillette Company	4,143,750
132,000	Lenox, Inc.	4,191,000
110,000	McDonough Co.	4,427,500
160,000	R.J. Reynolds Industries, Inc.	6,280,000
34,700	Russell Stover Candies, Inc.	537,850
17,700	Sturm, Ruger & Company Inc.	654,900
		20,423,400
	INDUSTRIAL PRODUCTS MANUFACTURING (11.4%)	
93,600	Duplex Products Inc.	1,427,400
155,500	P.H. Glatfelter Company	4,091,594
76,500	Hillenbrand Industries, Inc.	2,782,687
19,700	Pittway Corporation	672,262
40,000	Western Pacific Industries, Inc.	1,895,000
		10,868,943
	INSURANCE (8.7%)	
112,000	Ohio Casualty Corporation	4,263,000
100,000	The Western Casualty and Surety Company	4,000,000
		8,263,000
	METALS (12.4%)	
69,800	Aluminum Company of America	5,060,500
177,000	Reynolds Metals Company	6,726,000
		11,786,500
	PUBLISHING (5.1%)	
14,600	Harcourt Brace Jovanovich, Inc.	489,100
115,400	Houghton Mifflin Company	3,923,600
10,000	Meredith Corporation	416,250
		4,828,950
	RETAILING (4.5%)	
34,000	Masters, Inc.(b)	$ 301,750
170,000	Supermarkets General Corporation	2,783,750
42,600	Weis Markets, Inc.	1,139,550
		4,225,050
	SERVICES (9.0%)	
70,700	John Blair & Company	1,643,775
105,000	Capital Cities Communications, Inc.	6,930,000
		8,573,775
	TOTAL COMMON STOCKS	$85,323,656

U.S. GOVERNMENT OBLIGATIONS

Principal Amount		Value (a)
$10,910,000	U.S. Treasury Bills due 10-2-80 through 12-26-80	$10,752,644

SUMMARY

Common Stocks	89.8%	$85,323,656
U.S. Government Obligations	11.3%	10,752,644
Net Liabilities	(1.1%)	(1,055,645)
Net Assets		$95,020,655
Number of Shares Outstanding		3,675,644
Net Asset Value Per Share		$25.85

(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 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 are stated at their discounted value based upon the mean between the bid and asked discount rates on the last business day of the period.

(b) Non-Income producing.

Sequoia Fund, Inc.

ANNUAL REPORT
Dec. 31, 1980

To the Shareholders of Sequoia Fund Inc.

Dear Stockholder:

Sequoia Fund's results for the fourth quarter and full year 1980 are shown below with comparable results for the leading market indexes:

1980	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
Fourth Quarter	− 3.1%	+ 4.9%	+ 9.4%
Year	+12.6	+22.2	+32.3

The absolute performance of Sequoia in 1980 was not bad (approximately three percentage points below the lifetime compound annual return of the fund), but the relative performance to put it mildly was poor. The real damage to Sequoia's relative performance occurred in the final three months of 1980 when, for example, the spread between our results and the broadly-based S&P average was an astonishing 12.5 percentage points. On a more encouraging note the fund thus far in 1981 has withstood the general decline in the stock market and has picked up 5.8 percentage points versus the S&P 500.

The poor relative results last year can be almost entirely attributed to our inability to develop a strong conviction on oil and oil-related stocks which are heavily weighted in the averages. We could write pages on the merits of many oil and gas issues given OPEC, oil decontrol, war-created shortages and the increasing value of the assets in the ground. Our problem with this favorable set of factors developed when we considered the high capital needs, the long term political risks, the liquidating nature of companies with domestic oil (in 1979 Exxon found one barrel of oil for every eight it pumped in the U.S.), and, finally the prices of many issues relative to our estimates of true earning power. When we weighted these various factors the strong conviction we seek in every decision to buy was just not there.

In the past we have criticized a number of major group movements in the stock market as being unsound. In the case of the energy stocks, however, we have neither disdain nor enthusiasm, but in looking at the results we can assure you we have had a full measure of frustration. It occurs every so often and is a result of trying to discipline ourselves to act only from the conviction that the prospective rewards substantially outweigh the risks.

The year 1981 seems certain to make economic history as the nation's resolve to effectively dampen inflation is tested. If the test is failed or is perceived to be failing there is a very real possibility of severe disruption among those financial institutions which essentially must fund low-yielding longer term assets already on their books with ever-more-costly short-term liabilities as investors demand higher and higher interest rates to offset inflation's toll on their capital. This is particularly true of savings and loan institutions and savings banks and to a lesser degree of commercial banks and life insurance companies. The full ramifications of this possible eventuality are murky at best, but it seems obvious that they would be severe, especially for companies whose financial house is not in order.

Interest rates on long term U.S. Government bonds are now between 12% and 13%, and as a consequence common stocks on the whole are not demonstrably undervalued at 8 or 9 times earnings. Although we are fully cognizant of this we remain more comfortable owning stocks which represent indirect ownership of assets than we do bonds which we view as claims on future payments of a fixed number of steadily depreciating dollars. Among stocks we continue to pursue those which not only sell at a discount to the general market but which in our opinion are superior in both the quality of their earning power and in financial strength.

As we commented on in our last quarterly report we are very impressed with the values offered in many of the stocks of companies with outstanding consumer brand franchises. Billions of dollars have been spent on advertising to create acceptance of these household name products, but the stocks of many of the companies who own these franchises are selling at prices which give scant recognition to the tremendous value of these intangible assets. We have built Sequoia's stake in stocks of this category to 37% of our total net assets at present, and we expect to share fully in the fruits of their franchises whose futures seem well assured.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff
President

February 9, 1981

Sequoia Fund, Inc.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

QUARTERLY REPORT
For the Period Ended March 31, 1981

Dear Stockholder:

Sequoia's results for the first quarter of 1981 are shown below with the usual comparable data for the leading market indexes:

	Sequoia Fund	Dow-Jones Industrials	Standard & Poor's 500
3 Mos. to March 31, 1981	+11.9%	+5.6%	+1.3%

Three decades ago when we first ventured into the canyons of Wall Street the odds in retrospect were clearly stacked in favor of common stocks. Although it seems incredible today, long term triple-A bonds then yielded 2⅝% while blue chip common stocks, whose earnings were advancing nicely in a low inflation environment, were selling at eight times earnings with dividend yields of 7%. We didn't realize it at the time, but our fledgling careers as common stock analysts thus had a favorable tail wind. The national mood in 1950 was pervaded with fear of a post war depression, memories of the 1930's, and a complete lack of interest in the stock market.

Today the favorable tail wind is gone if indeed it has not changed into a head wind. High grade bonds now yield ten percentage points more than stocks which interestingly are selling at about the same eight times ratio to earnings that prevailed in 1950. A simplistic but more meaningful way to express the latter ratio is to state in it its inverse form, i.e., earnings are equal to approximately 12½% of the price, otherwise know as the "earnings yield". Today's stock buyer on average thus obtains an earnings yield somewhat less than the bond yield.

A substantial part of this radical change has occurred in the last twenty months as fears mounted that double-digit inflation might be a way of life rather than an aberration. Since July, 1979, for example, stock prices, as measured by the Standard & Poor's 500 index, have increased 26% while bond prices have declined approximately 35%, a relative spread of more than 60%. As if to punctuate this divergence, in just the first four-and-a-half months of this year bond prices dropped 15% as the stock market held fast.

Inflation and the psychology which derives from it are largely responsible for the changes in demands made by owners (common stockholders) and by creditors (bondholders). Logic would seem to dictate that common stocks will find the going increasingly difficult at current or higher inflation and/or interest rates. We are mindful, however, that logic only works in the financial marketplace over long periods of time; in the short term, fear and hope tend to dominate the scene.

About the only thing we are certain of is that we are thirty years older than when we started in the investment business. The perspective of thirty years, however, does not seem to make it any easier to forecast the future. Sequoia Fund's common stocks today are selling at a weighted average earnings yield of 14.5% (a price earnings ratio of 6.9) which is approximately the same as the going high grade bond yield. Although we do not believe that stocks can significantly outperform bonds under those conditions, we prefer to remain an owner rather than a creditor for the present to protect against the possibility of a significant increase in the rate of inflation.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff
President

May 15, 1981

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS

MARCH 31, 1981 (UNAUDITED)

COMMON STOCKS

Shares		Value (a)
	ADVERTISING (12.0%)	
200,000	John Blair & Company	$ 4,200,000
164,400	The Interpublic Group of Companies, Inc.	5,267,200
101,200	Ogilvy & Mather International, Inc.	2,871,550
		12,338,750
	BANKS (4.4%)	
179,000	DETROITBANK Corporation	3,960,375
20,000	National Detroit Corporation	537,500
		4,497,875
	BROADCASTING (2.7%)	
40,000	Capital Cities Communications, Inc.	2,750,000
	CONSUMER PRODUCTS (7.9%)	
102,200	Hillenbrand Industries, Inc.	3,666,425
100,000	Lenox, Inc.	3,900,000
17,700	Sturm, Ruger & Company, Inc.	597,375
		8,163,800
	FOOD AND BEVERAGES (16.5%)	
66,300	Dart & Kraft, Inc.	3,339,863
340,000	PepsiCo, Inc.	11,262,500
34,400	The Quaker Oats Company	1,186,800
78,500	Russell Stover Candies, Inc.	1,221,656
		17,010,819
	INDUSTRIAL PRODUCTS (10.0%)	
138,500	Duplex Products Inc.	1,817,812
155,500	P.H. Glatfelter Company	5,539,688
65,400	Western Pacific Industries, Inc.	2,943,000
		10,300,500
	INSURANCE (3.7%)	
90,000	The Western Casualty and Surety Company	3,841,875
	METALS (5.0%)	
60,000	Aluminum Company of America	2,092,500
80,000	Reynolds Metals Company	3,110,000
		5,202,500
	PERSONAL CARE (9.4%)	
300,000	The Gillette Company	9,750,000
	PUBLISHING (1.7%)	
40,000	Houghton Mifflin Company	1,200,000
10,000	Meredith Corporation	606,250
		1,806,250
	RETAILING (6.1%)	
34,000	Masters, Inc. (b)	316,625
220,000	Supermarkets General Corporation	4,400,000
48,300	Weis Markets, Inc.	1,618,050
		6,334,675
	TOBACCO (9.0%)	
210,000	R.J. Reynolds Industries, Inc.	9,292,500
	TOTAL COMMON STOCKS	$91,289,544

U.S. GOVERNMENT OBLIGATIONS

Principal Amount		Value (a)
$12,150,000	U.S. Treasury Bills due 5-7-81 through 6-25-81	$ 11,877,244

SUMMARY

Common Stocks	88.4%	$ 91,289,544
U.S. Government Obligations	11.5%	11,877,244
Net Cash and Receivables	.1%	125,477
Net Assets		$103,292,265
Number of Shares Outstanding		4,036,284
Net Asset Value Per Share		$25.59

(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 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 are stated at their discounted value based upon the mean between the bid and asked discount rates on the last business day of the period.

(b) Non-Income producing.

Sequoia Fund, Inc.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

QUARTERLY REPORT
For the Period Ended September 30, 1981

Dear Stockholder:

Sequoia Fund's results for the September quarter and the first nine months are shown below with the usual comparable data for the leading market indexes:

To September 30, 1981	Sequoia Fund	Dow-Jones Industrials	Standard & Poor's 500
3 - Months	− 5.2%	−11.6%	−10.2%
9 - Months	+10.3	− 7.9	−11.2

While mulling over the current economic scene we were amused to read in the Wall Street Journal about the administration official who said, "I was told to cheer up, things could get worse. So I cheered up and sure enough things got worse". He was right, business has become worse. There seems little question that the softness which had been so evident in housing and autos has now significantly broadened out to include almost all segments of the economy with the possible exception of oil production. In this regard, we feel that the enormous capital expenditures of the oil industry have been a strong prop to an otherwise weak business picture. Even here a weak oil price structure offset by dramatic increases in costs could produce a reduced source of funds for this robust island of prosperity.

We have always been wary of the value of economic forecasting as a tool used in successful investing. However, a litany of facts would indicate the existence of many serious problems. Somewhat in order of importance we would list, (a) a persistent underlying high rate of inflation, (b) huge federal budget deficits created because so many politicians of all stripes compromise with the unpopular moves necessary to eliminate the deficits, (c) a worldwide recession underpinned by an extremely weak international banking system, (d) the need for both the public and corporate sectors to raise vast sums in the capital market in a high interest rate environment.

These are not overnight phenomena. The "guns and butter" philosophy of the Vietnam era gave a good shove to the inflationary dilemma we face today. It's less painful to "charge it" and print money. Poland borrowed its way to bankruptcy from some of our most blue-blooded capitalistic bankers, and many of the loans were made years ago. The geographic world is filled with countries with Polish style balance sheets, and our U.S. corporate world has any number of major firms which "charged it" over the years and cannot now tolerate tight money and high interest rates. "Cheer up things could get worse".

These conditions have led to remarkable volatility in the financial markets. In our last quarterly report we noted that in a short period of time bonds had declined 10% and stocks had risen 3%. In contrast, in the recent period from September 25th to November 15th, bonds rose 16% while stocks rose a mere 3%.

With this background we continue to look for values which appear to compensate us for the risks of a clouded future. We believe that our present stock holdings have good characteristics to weather difficult business conditions and inflationary and financial storms. We basically still prefer the indirect ownership of the assets of good businesses to cash because of our concern about inflation and the damage it does to creditors. However, in the last quarter we felt that the absolute rate obtainable in certain long term U.S. Government guaranteed securities warranted the risk of being a creditor, and we committed 10% of Sequoia's funds to that sector. And finally, our short term cash position is unusually high. This is partly due to an inflow of new money which we hope to commit sensibly in the not too distant future.

Thus far it has been a decent year with Sequoia up 20% as of this writing. This is in part a function of our emphasis in the past 18 months on large consumer goods companies with strong brand franchises marketing low ticket products whose level of consumption is only slightly subject to general business conditions. The stock market has recognized that these defensive characteristics should enable these companies to continue to perform better than average in the difficult period ahead.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff
President

November 16, 1981

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS

SEPTEMBER 30, 1981 (UNAUDITED)

COMMON STOCKS

Shares		Value (a)
	ADVERTISING (10.8%)	
204,200	John Blair & Company	$ 3,981,900
164,600	The Interpublic Group of Companies, Inc.	5,061,450
105,200	Ogilvy & Mather International, Inc.	2,945,600
		11,988,950
	CONSUMER PRODUCTS (7.2%)	
102,200	Hillenbrand Industries, Inc.	4,228,525
100,000	Lenox, Inc.	3,175,000
35,400	Sturm, Ruger & Company, Inc.	544,275
		7,947,800
	FOOD AND BEVERAGES (14.0%)	
82,100	Dart & Kraft, Inc.	3,981,850
310,000	PepsiCo, Inc.	9,920,000
34,400	The Quaker Oats Company	1,148,100
22,500	Russell Stover Candies, Inc.	442,969
		15,492,919
	INDUSTRIAL PRODUCTS (8.7%)	
138,500	Duplex Products Inc.	1,731,250
167,300	P.H. Glatfelter Company	4,684,400
65,400	Western Pacific Industries, Inc.	3,196,425
		9,612,075
	INSURANCE (3.6%)	
90,000	The Western Casualty and Surety Company	3,960,000
	PERSONAL CARE (8.4%)	
325,000	The Gillette Company	9,303,125
	PUBLISHING (.5%)	
10,000	Meredith Corporation	530,000
	RETAILING (6.3%)	
256,200	Supermarkets General Corporation	4,163,250
85,000	Weis Markets, Inc.	2,890,000
		7,053,250
	TOBACCO (10.5%)	
250,000	R.J. Reynolds Industries, Inc.	11,687,500
	TOTAL COMMON STOCKS	$77,575,619

Principal Amount		Value (a)
U.S. GOVERNMENT AGENCY OBLIGATIONS		
	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	
$2,000,000	13.5%, 5/15/11	$ 1,602,500
5,499,533	14.0%, 6/15/11	4,516,492
499,787	14.0%, 9/15/11	410,450
2,500,000	14.0%, 10/15/11	2,053,125
	TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS	$ 8,582,567
U.S. GOVERNMENT OBLIGATIONS		
$20,500,000	U.S. Treasury Bills due 11/19/81 through 12/24/81	$ 19,925,662
10,000,000	U.S. Treasury Notes, 13⅞% due 2/28/83	9,657,360
	TOTAL U.S. GOVERNMENT OBLIGATIONS	$ 29,583,022

SUMMARY

Common Stocks	70.0%	$77,575,619
U.S. Government Agency Obligations	7.7%	8,582,567
U.S. Government Obligations	26.7%	29,583,022
Net Liabilities	(4.4%)	(4,922,003)
Net Assets		$110,819,205
Number of Shares Outstanding		4,492,404
Net Asset Value Per Share		$24.67

(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 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.

Sequoia Fund, Inc.

ANNUAL REPORT

Dec. 31, 1981

Sequoia Fund Inc.

Dear Stockholder:

Sequoia's results for the fourth quarter and full year 1981 are shown below with the usual comparable data for the leading market indexes:

	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
Fourth Quarter	+10.1%	+ 4.6%	+ 6.9%
Year	+21.5	− 3.6	− 5.0

We are naturally pleased with these results both on a relative and absolute basis. As pleased as we are to report such gains, however, we continue to believe that our eleven-plus year record of 15.7% compound since the inception of Sequoia is a much better measure of our basic results since it contains both the good and bad years and irons out the short term variations which are produced by our approach. Further, as much as we love to see the end of a good year it does mean it's only history and we have a new year and another challenge in the calendar.

In our last few letters we dwelled somewhat on the striking changes which have occurred in the financial markets as a result of the dramatic rise in interest rates during the last two years. It has had a profound effect on our thinking about relative values particularly in the last six months. We have always believed that the basic benchmark of investment return is the yield obtainable on U.S. Government bonds. As the return on this standard has risen from roughly 10% in January, 1980 to 14½% currently we have in a sense demanded considerably more in the way of relative value in the prices we pay for stocks. Unfortunately, the market has not readily accommodated our demands, and we have found it increasingly difficult to find shares of good businesses for sale at prices which give us the discount from real value that we like to find. To some extent the answer lies in the old saying, "If you can't beat 'em, join 'em," and we are currently holding a substantial amount of U.S. Government securities. Given the moving target nature of stocks and bonds you can be sure that our portfolio will contain varying amounts of stocks and bonds (both short and long) depending upon our judgment of those current relative values.

At this writing the economic scene is a bleak one, although with our heavy emphasis on consumer-oriented stocks we have not experienced significant disappointments in the earnings expectations of our companies. We suspect, however, that Wall Street in general and probably we as well may be overestimating the near-term earnings of many companies. Despite this possibility we believe that the earnings of our companies should make overall progress for the year as a whole, and in any event the current prices provide decent (but not dramatic) value in this interest rate climate.

We feel that it has never been more important to emphasize financial strength in analyzing our holdings. In what may be the most sweeping economic comment we have ever made in these reports—we feel the world is worrisomely overborrowed. Legions of individuals, companies and governments have not heeded Shakespeare's, "Neither a borrower nor lender be," and consequently the financial system is strained. Amidst dire warnings of "crowding out" in the bond market because of huge potential government borrowing we might point out that about half of the usual purchases of houses and cars have already been "crowded out." Scores of companies are lined up to pounce on the bond market at the first sign of a 14% long-term rate. Many of these companies have record amounts of short-term debt and they are acutely aware of the travails of reverse compound interest. Then we also have the moribund cases among the airline, auto and farm equipment makers who are hoping for some economic miracle to occur. Finally, the problem of excessive foreign loans has come to the forefront with the current debate as to the wisdom of declaring Poland bankrupt (what else is it?) thereby possibly triggering a wave of defaults by other sovereign borrowers. Countries which have borrowed increasing amounts from Peter to pay Paul are now coming under much greater scrutiny, and Arab surpluses are less available to continue this dangerous spree.

The above paragraph covers the plight of the borrowers, and this situation has created a concurrent problem for the lenders. The usual conduits of capital such as the banks, insurance companies and savings and loan associations have seen their real capital erode as interest rates have driven the true value of their assets down dramatically. If you mix this pot of economic trouble with a dose of inflation which we suspect is still close to 100 proof the world does not have a good environment in which to operate.

Lest you immediately class us in the forefront of economic doomsayers we hasten to add that given this environment we make no dire prediction of its outcome. The facts were the same last year only less obvious and less serious. We will simply keep them in mind and operate the Sequoia Fund under standards of financial conservatism in the selection of stocks and bonds which we feel are suitable to the times.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunnif
President

February 9, 1982

Sequoia Fund, Inc.

540 Madison Avenue
New York, N.Y. 10022
(212) 758-5600

QUARTERLY REPORT
For the Period Ended March 31, 1982

Dear Stockholder:

The results for the first quarter were as follows:

	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3-Months to 3/31/82	+0.2%	−4.4%	−7.3%

As of this date, Sequoia has achieved a positive return of 5.6% since the first of the year compared to a decline of 4.4% for the S&P 500.

In our last report we commented on the overborrowed condition of individuals, companies and countries. This condition has built up over a long period of time. It now brings us to a point where we feel that Murphy's Law is most apt to become operative. Simply stated, Murphy's Law says, "If anything can go wrong it will." Events that in the past were isolated in their effect now tend to trigger other events with serious consequences. The financial underpinnings of the system are so weak that a jolt to one part can have widespread effects on the entire system.

Who could have foreseen that the dispute over the tiny Falkland Islands could lead to the death of more military personnel than the entire population of the islands. This in turn has thrown into doubt the solvency of Argentina whose loans (according to the Economist) represent 25% of the net worth of nine major New York banks. The tragic events in Poland have had a similar economic side effect.

Executives of major banks around the world must be rethinking the prudence of having (in many cases) their entire net worth (and some times more) on loan to third world countries of questionable credit-worthiness. They may have no choice but to continue to throw more good money after bad. Depositors in these banks, however, may have more flexibility to pull the plug if they begin to question the soundness of these banks' lending practices.

We are equally concerned with the effects of persistent high interest rates on the financial system of our country. We think that the enigma of persistent high rates in the face of the most severe recession since the 1930's is the function of two phenomena. Number one, the strained liquidity of many corporate and government entities whose cash flow problems have forced them to become credit junkies at any price, and number two, the revolution wrought in 1979 by Federal Reserve Chairman Volker's decision to print a limited amount of additional money. While we applaud this effort we are seriously concerned by the clash between a seemingly unlimited demand for funds and a limited supply. Although the final outcome of the budget debate is at this time unknown, it seems clear that the government's need for funds will continue to exert severe pressures on the financial markets.

The Volker revolution has created dramatic changes in the relative values and prices of all kinds of assets. Perhaps the most dramatic of these have been the declines in the prices of gold and silver. More broadly, however, we may be witnessing the end of the 30-year bull market in all sorts of tangibles from stamps to residential and commercial real estate, a bull market that was fueled by inflation, cheap money, and the perception that prices could only continue to go up. Real estate investors, in particular, benefited enormously from in effect being "short" long term, low cost fixed rate debt in the form of their mortgage. If high real interest rates are to be the order of the day, there could well be a prolonged bear market in most tangible assets just as the stock market has labored to no avail since 1968 (in terms of the broad market indexes) as the secular rise in interest rates worked its inexorable effect on price-earnings ratios. We think it is critical for all investors to re-examine their personal balance sheets, taking into account the new rules of the game.

In managing your funds we are ever mindful of these changes. For the first time since the inception of Sequoia we have made a sizeable commitment to long term bonds because of the high real rate of return available. We have to date, however, limited this position to about 13% of the fund because of the risk that the financial problems discussed above could be addressed by reflation. At present just over 60% of Sequoia is invested in the equities of good companies with high rates of return on capital, strong balance sheets and low P.E.'s. The remainder is in short term reserves which we would hope to employ as we find equities which offer the prospect of return greater than that available on passive investments.

We'd like to take this opportunity to inform all shareholders that as of June 28 our offices will be located a few blocks away at 1290 Avenue of the Americas.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff
President

May 25, 1982

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS

MARCH 31, 1982 (UNAUDITED)

COMMON STOCKS (63.7%)

Shares		Value(a)
	ADVERTISING(9.6%)	
204,200	John Blair & Company	$ 5,207,100
169,400	The Interpublic Group of Companies, Inc.	4,785,500
107,200	Ogilvy & Mather International, Inc.	3,269,600
		13,262,200
	CONSUMER PRODUCTS(8.0%)	
179,000	Hillenbrand Industries, Inc.	3,938,000
100,000	Lenox, Inc.	3,600,000
35,000	The Procter & Gamble Company	2,896,250
35,400	Sturm, Ruger & Company, Inc.	650,475
		11,084,725
	FOOD AND BEVERAGE(7.9%)	
82,100	Dart & Kraft, Inc.	4,166,575
150,000	PepsiCo, Inc.	5,437,550
34,400	The Quaker Oats Company	1,328,700
		10,932,825
	INDUSTRIAL PRODUCTS(9.3%)	
150,000	Duplex Products, Inc.	2,006,250
180,000	P.H. Glatfelter Company	4,770,000
110,000	Western Pacific Industries, Inc.(b)	5,995,000
		12,771,250
	INSURANCE(2.9%)	
100,000	The Western Casualty and Surety Company	3,950,000
	PERSONAL CARE(8.6%)	
350,000	The Gillette Company	11,900,000
	PUBLISHING(1.4%)	
35,000	Meredith Corporation	1,929,375
	RETAILING(5.1%)	
175,400	Supermarkets General Corporation	3,683,400
85,000	Weis Markets, Inc.	3,283,125
		6,966,525
	TOBACCO(10.9%)	
330,000	R.J. Reynolds Industries, Inc.	15,015,000
	TOTAL COMMON STOCKS	$87,811,900

Principal Amount		Value(a)
U.S. GOVERNMENT AGENCY OBLIGATIONS(10.4%)		
	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	
$ 751,860	12.5%, due 2010	$ 632,033
1,746,895	12.5%, due 2011	1,468,483
1,973,301	13.5%, due 2011	1,756,239
10,545,126	14.0%, due 2011	9,596,064
999,827	14.0%, due 2012	909,842
	TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS	$ 14,362,661
U.S. GOVERNMENT OBLIGATIONS(24.2%)		
$24,100,000	U.S. Treasury Bills due 5/20/82 through 11/4/82	$ 23,305,934
10,000,000	U.S. Treasury Notes, 13⅞% due 2/28/83	9,971,875
	TOTAL U.S. GOVERNMENT OBLIGATIONS	$ 33,277,809

SUMMARY

Common Stocks	63.7%	$ 87,811,900
U.S. Government Agency Obligations	10.4%	14,362,661
U.S. Government Obligations	24.2%	33,277,809
Net Cash and Receivables	1.7%	2,319,752
Net Assets		$137,772,122
Number of Shares Outstanding		5,466,815
Net Asset Value Per Share		$25.20

(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 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) Non-income producing.

Sequoia Fund, Inc.

SEMI-ANNUAL REPORT
JUNE 30, 1982

To the Shareholders of Sequoia Fund Inc.

Dear Stockholder:

Sequoia Fund's results for the second quarter and first six months of 1982 along with comparable data for the leading market indexes were as follows:

To June 30, 1982	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3-months	+4.8%	+0.4%	−0.6%
6-months	+5.0	−4.0	−7.8

Partly reflecting the dramatic recent events in the financial markets discussed below, Sequoia's performance has further improved since June 30 and now stands at +11.6% for the year to date.

On Friday the 13th of this month, an article appeared in the New York Times which indicated that Mexico was at least temporarily insolvent, thus, bringing into question the stability of the world banking system, which carries more than $60 billion of loans to Mexico as assets. One would hardly have expected that bit of news to be the prelude to the following week which saw prices of both long term bonds and stocks move up 6½% on massive volume. The good news is that interest rates finally broke; the bad news is that they did so because a deteriorating economy has caused loan demand to wane. In addition, the fear of owning long term bonds despite their historically unprecedented high real interest rates receded when economists Albert Wojnilower and Henry Kaufman made a 180 degree switch by predicting lower interest rates. This fear was quickly replaced by the fear of owning short term instruments with rapidly declining yields.

In considering the background which has led to the bleak economic scene in which we now find the world, we're reminded of the story of the man who went to a psychiatrist and said, "Doctor, I have a terrible problem." The doctor asked him to describe his problem and he said, "Well, you see for the last few years my family has been spending part of their time in our New York penthouse, winters at our chalet in St. Moritz and summers on our yacht. . . ." At this point the doctor said, "It seems to me that you have a wonderful life . . . just what is your problem?" "My problem," he replied, "is that I only make $150 dollars a week." In many ways this describes the fiscal approach that has been follov not only by the Polands, Mexicos and Argentir which joyfully accepted the petro dollars ur upon them by the world's great banks compet with each other for the prestige of showing a gc income statement at the risk of destroying their b ance sheet, but it also illustrates the approach us by our government in its spending programs, so of which are necessary and some of which are de able but unaffordable. It is quite possible that t spending spree on borrowed money created a le of economic activity that is not sustainable. V think the plight of many countries which have b rowed up to $400 billion in essentially petro dol loans resembles that of our high living yachtsma We must confess that we are still uncertain as to ju how the transition to a more sober lifestyle w occur, but it is very likely not to be pleasant.

Turning to the historic events of last week, one ca state that there is logic to the action of the stock ma ket when it responds almost in parallel to the move ment of the long term bond market. As we hav stated in past reports, we feel that the intrinsic valu of a given stream of earnings must be measure against the yield provided by an assured flow of ir come from a long term government bond.

At this stage, we are more mindful than ever o owning only those companies which have financia and operating strengths to weather unusual storms While inflation has at least temporarily abated, the tendency of most governments is to solve their fisca dilemmas by printing money.

These are exciting times in the marketplace but we're hopeful that they won't get too exciting for the wrong reasons. We will continue to manage the Sequoia Fund with a view toward seeking fundamental values in an increasingly volatile environment.

Sincerely,

William J. Ruane
Chairman

Richard T. Cunniff
President

August 25, 1982