

January 22, 2021

Dear Sequoia Shareholders and Clients:

Sequoia Fund's results for the quarter and year ended December 31, 2020 appear below with results of the S&P 500 Index for the same periods:

Through December 31, 2020	Sequoia Fund	S&P 500 Index*
Fourth Quarter	14.68%	12.15%
1 Year	23.33%	18.40%
3 Years (Annualized)	15.76%	14.18%
5 Years (Annualized)	11.63%	15.22%
10 Years (Annualized)	11.78%	13.88%
Since Inception (Annualized)**	13.77%	11.19%

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. It is not possible to invest directly in the Index.*

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

Sequoia Fund returned 23.3% in 2020, versus 18.4% for the S&P 500. Since June 2016, the team presently managing the Fund has now overseen a cumulative total return of 100%, versus 96% for the Index. While we hope and expect that the lead we have opened will widen in coming years, we are pleased that the Fund has outperformed a remarkably ebullient and resilient stock market—particularly during a past year punctuated by extraordinary events and increasingly extraordinary equity valuations in many areas. Companies that have demonstrated either an ability to dependably outgrow a plodding global economy or an exposure to areas of excitement like cloud software and electrified transportation now trade for valuations we have not seen since the late-90s dot-com bubble.

If ever there was a year that illustrated the humbling nature of our profession, this was it. Recognizing that for many of you we are not just “a” money manager but “the” money manager, we have always considered a wide range of outcomes when evaluating potential investments and have tried to construct portfolios capable of compounding value come rain or shine. We have also always assumed that the world's population of black swans is far larger than textbooks and conventional wisdom would have you believe—and that trying to predict where they will reveal themselves is a fruitless endeavor. Yet we readily admit that we were completely blindsided—dumbfounded, frankly—by the events that have transpired over the past year. More importantly in many ways, if we had somehow seen them coming, we still wouldn't have guessed the reactions they elicited



from markets and many businesses. Answering questions about the future turns out to be a sobering challenge even if you own a crystal ball.

Which is why we try to answer as few of them as possible—and why we try to confine ourselves to the easier ones rather than the harder ones. We have always thought of forecasting the near-term direction of the economy or the stock market as akin to trying to predict the next month’s weather. We feel the same way about handicapping the probability of “tail risks” like nuclear wars, terrorist incidents, solar flares and, yes, viral pandemics. By contrast, we do think that with enough research and thoughtful debate, it is sometimes possible—but by no means easy—to make useful predictions about the future performance of an individual business. The task gets a little more manageable if you focus on advantaged businesses, because they’re naturally easier to assess. And still more manageable if you focus on gifted business managers, because they’re more likely to navigate the potholes you’ll inevitably overlook. And still more manageable if you focus on businesses that can grow independently of economic circumstances, because then you can ignore the weather, so to speak, and enjoy the luxury of only having to worry about *if* you’re right and not *when* you’re right. It also helps to purchase your holdings at prices that incorporate a margin of safety, because then when you’re wrong, you’re less likely to be very wrong, and when you’re right, every so often you’ll be really right.

Sadly, even when you seek out the easier questions, you’re still bound to answer a portion of them incorrectly, which is why we try to construct our portfolios with a prudent balance of concentration and diversification. Because it takes time to research a business carefully enough to maximize the odds of analyzing it correctly, we focus our efforts on a narrow group of holdings. But not so narrow that we raise the stakes associated with being wrong to unacceptable levels, since one of the very few things you can know with complete certainty as an investor is that the world is full of surprises. A curious flu in China can turn into a global pandemic, driving the stock market down 30% in a month...and then up nearly 20% for the year, to all-time highs...with some businesses ultimately doubling, tripling and quadrupling in value during a year many would understandably describe as the worst in living memory. The twists and turns of fate can be staggeringly unpredictable, but as we wrote during the peak of the pandemic, fifty years of history have taught us time and again that the best way to navigate them is to own a thoughtfully researched and carefully purchased collection of businesses with the ability to prosper in as wide a range of conditions as possible, steadily evolving and enhancing its composition as opportunity allows.

Fifty years ago this past July, the ambitious young investment firm of Ruane, Cunniff & Stires began operating the Sequoia Fund. Our founders’ stated goal was “Excellence in Investment Management,” and if they had known all the obstacles that fate was going to set along the path to achieving it, they might well have thought twice about attempting the journey. The last half-century has featured seven recessions, seven bear markets, three wars involving substantial US troop commitments, a global financial crisis that nearly spawned a second Great Depression and a global pandemic that has wrought shocking economic disruption. One of those bear markets, back in 1973 and 1974, was so severe that it forced a young Ruane Cunniff to consider closing its doors. A second, in 1982, caused a renowned magazine to famously contemplate “The Death of Equities.” A third, in 1987, saw the stock market fall 25% in a single day.



At five different junctures over those fifty years, Sequoia Fund fell at least 20 percentage points behind the S&P 500. During one particularly painful stretch, from the mid-1980s through the peak of the dot-com bubble in 1999, the Fund trailed the Index by two percentage points per annum over a period of *fifteen years*. Though it's hard to believe given the conditions we've all endured in 2020, 1999 was actually the worst year in the Fund's history. Sequoia declined 17% while the S&P 500 bounded ahead 21%. "In light of our recent results," wrote our humbled predecessors, "we have had to take a good hard look at ourselves and our investment approach and ask, 'Should we be doing something differently?'" They went on to proclaim its soundness, and history has proven them right. From July 1970 through December 2020—despite wars, panics, pestilence and a list of mistakes and misses that could probably stretch down most of the length of Wall Street—Sequoia Fund has earned a total return of 13.8% per annum, versus 11.2% for the S&P 500.

By definition, conventional modes of operation do not produce unconventional results, so it stands to reason that the Fund charted this successful course by consistently going its own way. When the Nifty Fifty fever broke and the country's great consumer franchises fell out of investor favor in the mid-70s, we purchased them enthusiastically. When interest rates declined, equity valuations rose and stock-picking became more competitive through the 1990s and 2000s, we adapted our approach, broadened our horizons and realized that outstanding businesses with long-duration growth opportunities like Expeditors International, Idexx Labs, Costco, Mastercard, Google, Amazon and Wayfair could be great values at high multiples of earnings—or even no reported earnings at all—in just the same way that Pepsi, Interpublic Group, Capital Cities and Freddie Mac were great values at single-digit price/earnings ratios. When growth in the asset management industry took off and the large fund houses set about accumulating massive pools of fee-earning capital, we closed Sequoia to new investment for a stretch of roughly 25 years, prioritizing the performance of our clients over the performance of our business. As doubts have emerged regarding the effectiveness of active money management and investor capital has shifted sharply toward massively diversified index funds, we have remained committed to owning a carefully curated portfolio that looks nothing like the indexes.

If our founders could pay us a visit today, they would probably chuckle at the personnel, expense and effort that we now devote to crafting the same tightly focused portfolios that they held in the Fund's early years. They would also probably scratch their heads, at least for a spell, at the news that their Fund now manufactures 100 gigahertz network switches, provides "social media" services, and has re-acquired a stake in the Walt Disney Company mainly on account of a new, massively loss-making venture that transmits movies and television shows over something called the internet. But they would immediately grasp the fundamental distinction underlying every investment that Sequoia presently holds, and every investment our Firm has ever made: the notion that a business is a complex and nuanced enterprise, whose intrinsic value is determined by its financial performance over periods of years and ultimately decades, while a stock price is a number that blinks on a screen, determined by human emotions that can sometimes be fallible in the extreme. They would also smile, we suspect, upon learning that while so much in the world has changed, fifty years of experience have soundly validated a conviction they held when our journey began: that Excellence in Investment Management is not incompatible with decency, and ambition does not preclude humility. As pleased as they would undoubtedly be with the Fund's track record, we are certain that they would be even more pleased with the manner in which it was achieved.

They would also immediately appreciate that it was not achieved in isolation, but rather in partnership. You can only go your own way in our business if you have clients who will follow you—clients who are willing to

trust that there can be profit in taking an unconventional approach to researching companies, or sourcing ideas, or constructing portfolios, or hiring and interacting with partners, colleagues and friends. Building and earning this kind of trust takes time, effort and a little luck, but if you can do it, you create an incredibly powerful, self-perpetuating competitive advantage, whereby the bonds of true partnership enable unique modes of operation that produce unique results—results that serve to reinforce those enabling bonds.

As we have said before, the world is packed with smart people and the secrets of value investing that our predecessors were early to discover have long since been revealed. Many talented practitioners understand the power of combining a mindset of long-term business ownership with assiduous research and a thoughtful process for translating the mindset and the research into useful judgments. But in a world that conjures constant surprises and a stock market that excels at making sound approaches look periodically senseless—sometimes for years on end—knowing what to do is entirely different from actually doing it. When you're just getting started and still building trust with your clients, will you really have the guts to buy into a business that the conventional wisdom has condemned, or double down on a losing investment that Mr. Market has deemed a disaster? Once you've built a successful track record buying a certain type of company guided by a specific rule of thumb, will you really have the guts when the world inevitably evolves to consider new business models that have to be analyzed in novel ways? In theory, these sound like easy, sensible steps. In practice, they're daunting leaps that are almost impossible to take if you don't have clients who you can trust to take them in partnership with you. It is an understatement to say that we are grateful for the way you have supported the bold bets and critical evolutionary steps that have enabled the Fund's success over its first half-century, and that we believe will sustain similar results over the second one now beginning.

Notable positive contributors during 2020 included Alphabet, Arista, Constellation, Eurofins, Facebook and Prosus, all of which returned 30-45%. Amazon, Taiwan Semiconductor and Wayfair each returned between 75% and 150%. Predictably, notable detractors included travel and event-related holdings like Booking, Rolls-Royce, Melrose and Formula One. a2Milk, Credit Acceptance and Hiscox also logged meaningful declines for the year, but for more idiosyncratic reasons.

Hard as this may be to believe, the most important news of the past year from the standpoint of the Fund's future prospects was not COVID-19. While we have all been living under unimaginable circumstances for the past several months, while it will probably be many more before life gets back to normal, and while months passed on "COVID time" do admittedly feel like centuries, the reality is that the immediate impact of the virus will end up spanning a period of about six quarters, whereas the value of a typical business depends on cash flows that stretch across decades. Obviously, the virus will also leave a legacy that lingers well past the acute phase we are presently enduring. It will take years to fully comprehend these enduring impacts, but we don't expect them to materially alter the aggregate value of either our businesses or the broader business world. The long-term prospects of some companies, like Wayfair, have almost certainly changed for the better, while those of others, like Rolls-Royce, have almost certainly changed for the worse, but ructions like these are a regular feature of what has always been a dynamic and relentlessly changing commercial landscape. They occur with greater frequency, force and fanfare in some periods than in others, but they're omnipresent.

This can be a difficult concept to accept in the midst of a jarring event like the COVID pandemic, the Global Financial Crisis or the 9/11 attacks, but because a year is just a year and the world is always changing, inevitable

periodic shocks ultimately matter much less to the long-term compounding of business value that drives the Fund's results than the steady annual drumbeat of innovations, improvements and adaptations that (hopefully) enable our investees to expand their markets, out-compete their peers and enhance their profitability. COVID may seem like the only development of consequence last year, but what really mattered from our perspective was that Alphabet increased its share of the global advertising market, even as it invested aggressively to maintain its global edge in the development of exciting new technologies like autonomous driving and machine learning. Carmax began rolling out a leading omnichannel used car retailing experience that may allow a company that was already a structural market share taker to accelerate its rate of gain. Facebook, Prosus, Mastercard and Wayfair found new ways to exploit the explosion in electronic commerce. Formula One made major strides toward improving the entertainment appeal of a sports league that we consider one of the most unique and under-monetized media assets in the world. UnitedHealth continued its successful vertical integration into value-based services, a2 continued building a differentiated consumer brand in both China and the US, Vivendi continued to benefit from the rapid global adoption of subscription music streaming services and Schwab continued to leverage advantages of scale and brand to win customer assets from high-cost bank-affiliated wealth managers and brokers.

Of course, the news is never all good. While Carmax and Formula One have made notable progress undertaking big businesses transformations, the changes have been slower than we would have hoped or expected. Facebook, Alphabet and Prosus face well-documented regulatory challenges. Low interest rates continue to depress earnings at Schwab and a host of businesses at Berkshire Hathaway. Credit Acceptance suffered a meaningful regulatory setback, Hiscox made an unusual execution misstep and Vivendi disappointed us with some of its capital allocation decisions. Rolls-Royce sustained its reign as the official corporate mascot of Murphy's Law.

Weighing the pluses and minuses, we remain pleased with how our investees are executing and evolving in order to "make their own luck," as a wise colleague of ours likes to say. That may seem like a prosaic statement, but it's actually what matters most—even more than a pandemic—because if you can build a portfolio of businesses that make their own luck, you essentially turn a sailboat into a powerboat, where forward progress depends on the strength and resiliency of your companies' productive engines rather than the vagaries of the weather. We remain as confident as ever that the commercial motor we have assembled is capable of compounding value at a faster rate than the S&P 500, and that we should be able to augment this advantage by "buying low and selling high," as the saying goes, when opportunity allows.

With that objective in mind, we made meaningful additions during the year to our holdings in Credit Acceptance, Formula One, Taiwan Semiconductor and UnitedHealth. Material trims included Alphabet, Berkshire, Constellation and Mastercard. In a few cases, in response to truly extraordinary volatility that saw the value of some holdings change by multiples within a matter of months, we took what for us is the very unusual step of both boosting and trimming the same position in the same year. We also exited travel-exposed investments in Booking Holdings and Melrose and reluctantly sold our position in Amazon after the valuation of an undeniably great business rose to levels we considered overly demanding.

New investments disclosed during 2020 included Fidelity Information Services, Intercontinental Exchange, Disney, Netflix and Taiwan Semiconductor. FIS and ICE are technology services companies that facilitate electronic transactions and sell corporate software. FIS supports the banking and payments industries. ICE touches a broader swath of the economy, but with a focus on the energy industry. Because both companies are essentially helping to transition various customer activities from analog to digital, they tend to grow faster than

the industries they serve and the economy in general. They also provide essential and “sticky” services where high switching costs or network effects make customers reluctant to change vendors. As a result, they earn extremely high profit margins and returns on capital, allowing them to grow at attractive and unusually predictable rates while generating prodigious free cash flows. Both have been and will probably remain active and largely successful acquirers of other businesses. A combination of organic growth and returns on likely M&A investments should enable FIS and ICE to grow their earnings at double-digit rates over the long term, with what we expect will be relatively low sensitivity to the economic cycle. In each case, we paid a bit more than twenty times expected after-tax earnings for our stakes.

Disney and Netflix are both bets on the global trend toward subscription-based streaming video consumption, which we think is still in its early innings. As people increasingly watch their TV and movies via apps instead of cable bundles, we expect a relatively egalitarian media ecosystem that historically supported many winners to become much more elitist. The streaming model heavily favors scaled early movers, who benefit from a virtuous cycle in which massive content investment attracts incremental subscribers and revenues, which enable further content investment, which yields still more subscriber growth.

Netflix and Disney are investing heavily to drive this virtuous cycle, which is depressing their current profits, but people can only watch so much TV and wrap their arms around so much selection, which means that the growth of programming spend will eventually have to slow. If the world’s two most compelling collections of streamed video content continue to attract incremental subscribers amidst a moderating pace of investment, then content costs per subscriber will begin to fall, widening competitive gaps that are already very substantial by layering a cost advantage on top of a product quality advantage. As a result of this dynamic—which we think competitors will struggle to replicate—we believe that the leaders of the video entertainment industry’s streaming era will be far larger and more profitable than those of the cable era. While this possibility is by no means lost on the stock market, we invested in Disney and Netflix because we believed their prices still failed to discount the degree to which we expect a small handful of victors to take most of the streaming era’s significantly greater spoils.

Though the manufacture of semiconductors is a hugely technical and capital-intensive business that would seem to have little in common with TV and movies, the thesis underlying our recent investment in Taiwan Semiconductor, or TSMC, is actually almost identical to the rationale for our streaming investments. Just as one can frame recent events in the media industry as a story of pre- and post-streaming eras, one can view the recent history of semiconductor production as a transition from vertical integration to outsourcing. In the past, many technology companies manufactured their own computing chips. As chips became harder and harder to produce, a trend toward outsourcing to third party “fabs” took hold. While scale often confers benefits to businesses that provide outsourced services, those benefits have been massively magnified in the semiconductor industry by the limitations of physics, which are quickly turning the production of advanced computer chips into the most expensive and technically challenging industrial pursuit in the history of the world. Today’s “leading edge” chips are made in facilities that often cost more than \$10 billion, with dizzyingly intricate processes that pack 250 million transistors into each square millimeter of silicon, in patterns where the distance between one transistor and the next is not much greater than the incomprehensibly narrow width of an atom.

Over the last twenty years, as the race toward this present condition of mind-boggling expense and complexity progressed, contestant after contestant fell by the wayside, leaving only a tiny group of leaders with the capability to continue running. As the largest of them all, TSMC is able to earn gigantic profit margins and



returns on investment producing what is arguably the most important manufactured component in the modern economy. Thanks to a raft of powerful technological trends, including 5G communications, artificial intelligence and cloud computing, we expect the company to grow its profits well in excess of global GDP while distributing most of them each year as dividends. Though the stock has more than doubled from our cost, we consider the current valuation of the business reasonable in light of its unique advantages and growth prospects. Our main concerns involve the geopolitical implications of the world's most important producer of the world's most important manufactured component having its domicile in Taiwan—one of the world's most strategically sensitive geographies—amidst rapidly rising tension between the US and China.

To maximize the odds of a successful return to our standard format, we have shifted the date of our annual Investor Day from mid-May to Thursday, November 4, 2021. Further details to come later in the year. It is an understatement in the extreme to say that we are looking forward to seeing clients and friends in the flesh again, though based on the positive feedback we received following last year's virtual event, from now on we will offer the option to attend via webcast.

It feels awkward to say this about a year marred by extraordinary human suffering, but as we look back on 2020, we all feel a deep sense of gratitude. For health, happiness and family; for a group of colleagues and a culture that makes work a joy rather than a job; for the great luxury of getting to do what we love at a firm we love so deeply; for having had the opportunity to play a small role in the quest for Excellence in Investment Management that Bill Ruane and Rick Cunniff began fifty years ago; and most of all, for a truly remarkable group of clients whose trust and partnership has made the journey possible. We look forward with optimism and excitement to the challenge of continuing it for another fifty years, and in the meantime—this year more than any other—we wish you a new year filled with happiness and good health.

Sincerely,

The Ruane Cunniff Investment Committee

Arman Gokgol-Kline

John Harris

Trevor Magyar

D. Chase Sheridan

Disclosures

Please consider the investment objectives, risks and charges and expenses of Sequoia Fund Inc. (the “Fund”) carefully before investing. The Fund’s prospectus 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, 2020	
Top Ten Holdings*	
Taiwan Semiconductor Mfg.	6.1%
Alphabet, Inc.	6.1%
UnitedHealth Group, Inc.	5.3%
Carmax, Inc.	5.2%
Facebook, Inc.	5.0%
Arista Networks, Inc.	4.8%
Credit Acceptance Corp.	4.4%
Eurofins Scientific SE	4.4%
Constellation Software, Inc.	4.3%
Walt Disney Company	4.2%

** 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):

<i>Management Fees</i>	<i>1.00%</i>
<i>Other Expenses</i>	<i>0.07%</i>
<i>Total Annual Fund Operating Expenses**</i>	<i>1.07%</i>
<i>Expense Reimbursement by the Adviser**</i>	<i>(0.07)%</i>
<i>Net Annual Fund Operating Expenses**</i>	<i>1.00%</i>

*** 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, 2020. For the year ended December 31, 2020, the Fund’s annual operating expenses and investment advisory fee, net of the reimbursement, were 1.00% and 0.93%, 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.