



**Sequoia  
Fund, Inc.**

**SEMI-ANNUAL  
REPORT  
(Unaudited)  
JUNE 30, 2007**

**SEQUOIA FUND, INC.**  
**ILLUSTRATION OF AN ASSUMED INVESTMENT OF \$10,000**  
**With Income Dividends Reinvested and Capital Gains**  
**Distributions Accepted in Shares**

The table below covers the period from July 15, 1970 (the date Fund shares were first offered to the public) to June 30, 2007. This period was one of widely fluctuating common stock prices. The results shown should not be considered as a representation of the dividend income or capital gain or loss which may be realized from an investment made in the Fund today.

<b>PERIOD ENDED:</b>	<b>Value of Initial \$10,000 Investment</b>	<b>Value of Cumulative Capital Gains Distributions</b>	<b>Value of Cumulative Reinvested Dividends</b>	<b>Total Value of Shares</b>
July 15, 1970	\$ 10,000	\$ —	\$ —	\$ 10,000
May 31, 1971	11,750	—	184	11,934
May 31, 1972	12,350	706	451	13,507
May 31, 1973	9,540	1,118	584	11,242
May 31, 1974	7,530	1,696	787	10,013
May 31, 1975	9,490	2,137	1,698	13,325
May 31, 1976	12,030	2,709	2,654	17,393
May 31, 1977	15,400	3,468	3,958	22,826
Dec. 31, 1977	18,420	4,617	5,020	28,057
Dec. 31, 1978	22,270	5,872	6,629	34,771
Dec. 31, 1979	24,300	6,481	8,180	38,961
Dec. 31, 1980	25,040	8,848	10,006	43,894
Dec. 31, 1981	27,170	13,140	13,019	53,329
Dec. 31, 1982	31,960	18,450	19,510	69,920
Dec. 31, 1983	37,110	24,919	26,986	89,015
Dec. 31, 1984	39,260	33,627	32,594	105,481
Dec. 31, 1985	44,010	49,611	41,354	134,975
Dec. 31, 1986	39,290	71,954	41,783	153,027
Dec. 31, 1987	38,430	76,911	49,020	164,361
Dec. 31, 1988	38,810	87,760	55,946	182,516
Dec. 31, 1989	46,860	112,979	73,614	233,453
Dec. 31, 1990	41,940	110,013	72,633	224,586
Dec. 31, 1991	53,310	160,835	100,281	314,426
Dec. 31, 1992	56,660	174,775	112,428	343,863
Dec. 31, 1993	54,840	213,397	112,682	380,919
Dec. 31, 1994	55,590	220,943	117,100	393,633
Dec. 31, 1995	78,130	311,266	167,129	556,525
Dec. 31, 1996	88,440	397,099	191,967	677,506
Dec. 31, 1997	125,630	570,917	273,653	970,200
Dec. 31, 1998	160,700	798,314	353,183	1,312,197
Dec. 31, 1999	127,270	680,866	286,989	1,095,125
Dec. 31, 2000	122,090	903,255	289,505	1,314,850
Dec. 31, 2001	130,240	1,002,955	319,980	1,453,175
Dec. 31, 2002	126,630	976,920	311,226	1,414,776
Dec. 31, 2003	147,610	1,146,523	362,790	1,656,923
Dec. 31, 2004	154,270	1,200,687	379,159	1,734,116
Dec. 31, 2005	155,450	1,331,529	382,059	1,869,038
Dec. 31, 2006	152,750	1,496,788	375,422	2,024,960
June 30, 2007	156,120	1,603,041	383,705	2,142,866

The total amount of capital gains distributions accepted in shares was \$1,004,644, the total amount of dividends reinvested was \$116,740.

No adjustment has been made for any taxes payable by shareholders on capital gain distributions and dividends reinvested in shares.

# To the Shareholders of Sequoia Fund, Inc.

Dear Shareholder:

Sequoia Fund's results for the second quarter of 2007 are shown below with comparable results for the leading market indexes:

To June 30, 2007	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3 Months	5.19%	9.11%	6.28%
6 Months	5.82%	8.76%	6.96%
1 Year	13.76%	23.04%	20.59%
5 Years (Annualized)	8.43%	10.19%	10.70%
10 Years (Annualized)	9.79%	7.84%	7.13%

The performance shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown.

*The S&P 500 Index is an unmanaged, capitalization-weighted index of the common stocks of 500 major US corporations. The Dow Jones Industrial Average is an unmanaged, price-weighted index of 30 actively traded blue chip stocks. The performance data quoted represents past performance and assumes reinvestment of dividends. 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. Year to date performance as of the most recent month end can be obtained by calling DST Systems, Inc. at (800) 686-6884.*

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We are providing you with a copy of the transcript of the Ruane, Cunniff & Goldfarb Inc. and Sequoia Fund "Annual Investor Day 2007" meeting which was held on May 18th.

Currently, capital gain distributions will be about \$11.35 per share assuming no further gains or losses. The actual capital gains distribution in December may vary from this figure depending on the sales activity during the rest of the year. We will do our best to keep you informed of any material changes to this amount.

Sincerely,



Richard T. Cunniff  
Vice Chairman



Robert D. Goldfarb  
President



David M. Poppe  
Executive Vice President

August 1, 2007

## FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

### Shareholder Fees (fees paid directly from your investment)

The Fund does not impose any sales charges, exchange fees or redemption fees.

### Annual Fund Operating Expenses (expenses that are deducted from Fund assets)

<b>Annual Fund Operating Expenses</b>	
Management Fees	1.00%
Other Expenses	<u>0.03%</u>
Total Annual Fund Operating Expenses	1.03%
Expense Reimbursement*	<u>0.03%</u>
Net Expenses	<u>1.00%</u>

\* Reflects Ruane, Cunniff & Goldfarb Inc.'s ("Ruane, Cunniff & Goldfarb") contractual reimbursement of a portion of the Fund's operating expenses. This reimbursement is a provision of Ruane, Cunniff & Goldfarb's investment advisory agreement with the Fund and the reimbursement will be in effect only so long as that investment advisory agreement is in effect.

### Shareholder Expense Example

As a shareholder of the Fund, you incur ongoing costs, including management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (January 1, 2007 to June 30, 2007).

#### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

#### Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and will not help you determine the relative total costs of owning different funds.

	Beginning Account Value <u>January 1, 2007</u>	Ending Account Value June 30, 2007	Expenses Paid During Period* January 1, 2007 to June 30, 2007
Actual	\$1,000	\$1,058.20	\$5.10
Hypothetical (5% return per year before expenses)	\$1,000	\$1,019.84	\$5.01

\* Expenses are equal to the Fund's annualized expense ratio of 1.00%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

The table below shows the changes of the Fund's major positions for the period ended June 30, 2007:

Position	% of assets <u>6/30/2007</u>	% of assets <u>12/31/2006</u>
Berkshire Hathaway	24.9%	27.0%
Mohawk Industries	9.0%	6.8%
Progressive Corp.	7.1%	14.3%
TJX Companies Inc.	5.7%	6.0%
Bed Bath & Beyond	4.9%	5.3%
Porsche AG	<u>4.6%</u>	<u>3.4%</u>
Top six positions	<u>56.2%</u>	<u>62.8%</u>

**SEQUOIA FUND, INC.**  
**Schedule of Investments**  
**June 30, 2007 (Unaudited)**

**COMMON STOCKS (88.62%)**

<u>Shares</u>		<u>Value (Note 1)</u>
	<b>AUTO PARTS (1.70%)</b>	
1,699,697	O'Reilly Automotive Inc. * . . . . .	\$ 62,123,925
	<b>AUTOMOTIVE MANUFACTURING (4.64%)</b>	
95,028	Porsche AG (Germany) (a) . . . . .	170,023,622
	<b>CASUALTY INSURANCE (7.13%)</b>	
10,908,000	Progressive Corporation. . . . .	261,028,440
	<b>DIVERSIFIED COMPANIES (24.90%)</b>	
8,326	Berkshire Hathaway Inc. Class A* . . . . .	911,488,850
86	Berkshire Hathaway Inc. Class B* . . . . .	310,030
		<u>911,798,880</u>
	<b>FINANCE (1.71%)</b>	
376,378	MasterCard Inc. . . . .	62,429,819
	<b>FOOD – RETAIL (0.95%)</b>	
907,000	Whole Foods Market Inc. . . . .	34,738,100
	<b>FREIGHT TRANSPORTATION (5.50%)</b>	
2,997,624	Expeditors International Inc. . . . .	123,801,871
4,000,000	Knight Transportation Inc. . . . .	77,520,000
		<u>201,321,871</u>
	<b>INDUSTRIAL &amp; CONSTRUCTION SUPPLIES (4.63%)</b>	
4,053,623	Fastenal Company . . . . .	169,684,659
	<b>INSURANCE BROKERS (1.98%)</b>	
2,888,441	Brown & Brown Inc. . . . .	72,615,407
	<b>PROCESS CONTROL INSTRUMENTS (0.79%)</b>	
384,088	Danaher Corporation. . . . .	28,998,644
	<b>RETAILING (21.73%)</b>	
4,999,694	Bed Bath & Beyond Inc. * . . . .	179,938,987
39,797	Costco Wholesale Corporation . . . . .	2,328,920
1,840,388	Lowe's Companies, Inc. . . . .	56,481,508
2,212,730	Target Corporation. . . . .	140,729,628
7,629,153	TJX Companies, Inc. . . . .	209,801,707
2,119,715	Walgreen Company . . . . .	92,292,391
2,359,006	Wal-Mart Stores, Inc. . . . .	113,491,779
		<u>795,064,920</u>

<u>Shares</u>		<u>Value (Note 1)</u>
	<b>TEXTILE – CARPETS (9.01%)</b>	
3,273,926	Mohawk Industries Inc. * . . . . .	\$ 329,979,002
	<b>VETERINARY DIAGNOSTICS (3.95%)</b>	
1,528,744	Idexx Laboratories Inc. * . . . . .	144,665,045
	TOTAL COMMON STOCKS (COST \$1,309,109,408) . . . . .	<u>\$3,244,472,334</u>
	<b>U.S. GOVERNMENT OBLIGATIONS (11.26%)</b>	
\$414,000,000	U.S. Treasury Bills due 7/26/2007 through 8/16/2007 . . . . .	412,213,120
	TOTAL U.S. GOVERNMENT OBLIGATIONS (Cost \$412,213,120) . . . . .	<u>412,213,120</u>
	TOTAL INVESTMENTS (99.88%)†† (Cost \$1,721,322,528) . . . . .	3,656,685,454
	OTHER ASSETS LESS LIABILITIES (0.12%) . . . . .	4,501,657
	NET ASSETS (100.00%) . . . . .	<u><u>\$3,661,187,111</u></u>

†† The cost for federal income tax purposes is identical.

\* Non-income producing.

(a) The Fund is invested in preference shares of Porsche AG which possess the same economic interest as Porsche common stock but have no voting rights.

**SEQUOIA FUND, INC.**  
**Statement of Assets and Liabilities**  
**June 30, 2007 (Unaudited)**

**ASSETS:**

Investments in securities, at value (cost \$1,721,322,528) (Note 1) . . . . .	\$3,656,685,454
Cash on deposit with custodian . . . . .	7,954,437
Receivable for capital stock sold . . . . .	368,870
Dividends receivable . . . . .	67,979
Other assets . . . . .	28,344
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Total assets . . . . .	<u>3,665,105,084</u>

**LIABILITIES:**

Payable for capital stock repurchased . . . . .	789,638
Accrued investment advisory fee . . . . .	2,988,164
Accrued other expenses . . . . .	140,171
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Total liabilities . . . . .	<u>3,917,973</u>
Net assets applicable to 23,451,270 shares of capital stock outstanding (Note 4) . . . . .	<u>\$3,661,187,111</u>
Net asset value, offering price and redemption price per share . . . . .	<u>\$156.12</u>

The accompanying notes form an integral part of these Financial Statements.

**SEQUOIA FUND, INC.**  
**Statement of Operations**  
**Six Months Ended June 30, 2007 (Unaudited)**

**INVESTMENT INCOME:**

Income:

Dividends (net of \$233,008 foreign tax withheld) . . . . .	\$ 6,279,695
Interest . . . . .	6,808,500
Other income . . . . .	35,666
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Total income. . . . .	13,123,861

Expenses:

Investment advisory fee (Note 2) . . . . .	18,026,150
Legal and auditing fees . . . . .	78,278
Stockholder servicing agent fees . . . . .	247,308
Custodian fees. . . . .	40,000
Directors fees and expenses (Note 6). . . . .	115,575
Other . . . . .	78,989
	<hr/>
Total expenses . . . . .	18,586,300

Less expenses reimbursed by Investment Adviser (Note 2) . . . . .	<hr/> 487,000
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Net expenses . . . . .	<hr/> 18,099,300
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Net investment loss . . . . .	<hr/> (4,975,439)
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**REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:**

Realized gain on:

Investments . . . . .	293,046,734
Foreign currency transactions . . . . .	2,294
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Net realized gain on investments and foreign currencies . . . . .	293,049,028
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Net decrease in unrealized appreciation on:

Investments . . . . .	<hr/> (81,402,665)
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Net realized and unrealized gain on investments and foreign currencies . . . . .	<hr/> 211,646,363
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Net increase in net assets from operations . . . . .	<hr/> <hr/> \$206,670,924
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The accompanying notes form an integral part of these Financial Statements.

**SEQUOIA FUND, INC.**  
**Statements of Changes in Net Assets**

	<u>Six Months Ended 6/30/07 (Unaudited)</u>	<u>Year Ended 12/31/06</u>
<b>INCREASE/(DECREASE) IN NET ASSETS:</b>		
From operations:		
Net investment loss . . . . .	\$ (4,975,439)	\$ (16,445,199)
Net realized gain on investments and foreign currencies . . . . .	293,049,028	541,619,787
Net decrease in unrealized appreciation . . . . .	<u>(81,402,665)</u>	<u>(239,222,412)</u>
Net increase in net assets from operations . . . . .	206,670,924	285,952,176
Distributions to shareholders from:		
Net investment income . . . . .	0	0
Net realized gains . . . . .	(126,266,574)	(340,945,549)
Capital share transactions (Note 4) . . . . .	<u>(19,027,267)</u>	<u>81,492,062</u>
Total increase. . . . .	61,377,083	26,498,689
<b>NET ASSETS:</b>		
Beginning of period . . . . .	<u>3,599,810,028</u>	<u>3,573,311,339</u>
End of period . . . . .	<u><u>\$3,661,187,111</u></u>	<u><u>\$3,599,810,028</u></u>
<b>NET ASSETS CONSIST OF:</b>		
Capital (par value and paid in surplus) . . . . .	\$1,461,682,412	\$1,456,986,196
Undistributed net realized gains (Note 5) . . . . .	264,141,773	126,058,241
Unrealized appreciation . . . . .	<u>1,935,362,926</u>	<u>2,016,765,591</u>
Total Net Assets . . . . .	<u><u>\$3,661,187,111</u></u>	<u><u>\$3,599,810,028</u></u>

The accompanying notes form an integral part of these Financial Statements.

## SEQUOIA FUND, INC.

### Notes to Financial Statements

#### NOTE 1—SIGNIFICANT ACCOUNTING POLICIES:

Sequoia Fund, Inc. (the “Fund”) is registered under the Investment Company Act of 1940, as amended, as a non-diversified, open-end management investment company. The investment objective of the Fund is growth of capital from investments primarily in common stocks and securities convertible into or exchangeable for common stock. The following is a summary of significant accounting policies, consistently followed by the Fund in the preparation of its financial statements.

- A. *Valuation of investments:* Investments are carried at market value or at fair value as determined by the Board of Directors. Securities traded on a national securities exchange or on a foreign 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 are valued in accordance with NASDAQ Official Closing Price on the last business day of the period; listed securities and securities traded in the over-the-counter market 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 60 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.

*Foreign currencies:* Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of foreign portfolio securities are translated into U.S. dollars at the rates of exchange prevailing when such securities are acquired or sold. Income and expenses are translated into U.S. dollars at the rates of exchange prevailing when accrued. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Reported net realized foreign exchange gains or losses arise from the sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

- B. *Accounting for investments:* Investment transactions are accounted for on the trade date and dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Premiums and discounts on fixed income securities are amortized over the life of the respective security. The net realized gain or loss on security transactions is determined for accounting and tax purposes on the specific identification basis.
- C. *Federal income taxes:* It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its stockholders. Therefore, no federal income tax provision is required.
- D. *Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.
- E. *General:* Dividends and distributions are recorded by the Fund on the ex-dividend date.
- F. *Indemnification:* The Fund's officers, directors and agents are indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss thereunder to be remote.

## NOTE 2—INVESTMENT ADVISORY CONTRACTS AND PAYMENTS TO INTERESTED PERSONS:

The Fund retains Ruane, Cunniff & Goldfarb Inc., as its investment adviser. Ruane, Cunniff & Goldfarb Inc. (the “Investment Adviser”) provides the Fund with investment advice, administrative services and facilities.

Under the terms of the Advisory Agreement, the Investment Adviser receives a management fee equal to 1% per annum of the Fund’s average daily net asset values. This percentage will not increase or decrease in relation to increases or decreases in the net asset value of the Fund. Under the Advisory Agreement, the Investment Adviser is obligated to reimburse the Fund for the amount, if any, by which the operating expenses of the Fund (including the investment advisory fee) in any year exceed the sum of 1 1/2% of the average daily net asset values of the Fund during such year up to a maximum of \$30,000,000, plus 1% of the average daily net asset values in excess of \$30,000,000. The expenses incurred by the Fund exceeded the percentage limitation during the six months ended June 30, 2007 and the Investment Adviser reimbursed the Fund \$487,000. Such reimbursement is not subject to recoupment by the Investment Adviser.

For the six months ended June 30, 2007, there were no amounts accrued or paid to interested persons, including officers and directors, other than advisory fees of \$18,026,150 to Ruane, Cunniff & Goldfarb Inc. and brokerage commissions of \$484,524 to Ruane, Cunniff & Goldfarb LLC, the Fund’s distributor. Certain officers of the Fund are also officers of the Investment Adviser and the Fund’s distributor. Ruane, Cunniff & Goldfarb LLC received no compensation from the Fund on the sale of the Fund’s capital shares during the six months ended June 30, 2007.

## NOTE 3—PORTFOLIO TRANSACTIONS:

The aggregate cost of purchases and the proceeds from the sales of securities, excluding U.S. government obligations, for the six months ended June 30, 2007 were \$37,443,491 and \$392,873,872, respectively. Included in proceeds of sales is \$32,431,972 representing the value of securities disposed of in payment of redemptions in-kind, resulting in realized gains of \$28,698,922.

At June 30, 2007 the aggregate gross tax basis unrealized appreciation and depreciation of securities were \$1,937,700,649 and \$2,337,723, respectively.

## NOTE 4—CAPITAL STOCK:

At June 30, 2007 there were 100,000,000 shares of \$.10 par value capital stock authorized. Transactions in capital stock for the six months ended June 30, 2007 and the year ended December 31, 2006 were as follows:

	2007		2006	
	Shares	Amount	Shares	Amount
Shares sold . . . . .	269,533	\$ 42,214,104	561,045	\$ 88,910,655
Shares issued to stockholders on reinvestment of:				
Net investment income . . . . .	—	—	—	—
Net realized gains on Investments . . . . .	639,342	99,379,342	1,776,306	270,251,108
	908,875	141,593,446	2,337,351	359,161,763
Shares repurchased . . . . .	1,024,987	160,620,713	1,756,309	277,669,701
Net increase/(decrease) . . . . .	(116,112)	\$(19,027,267)	581,042	\$ 81,492,062

## NOTE 5—FEDERAL INCOME TAXES:

Distributions to shareholders are determined in accordance with federal tax regulations and may differ from those determined for financial statement purposes. To the extent these differences are permanent such amounts are reclassified within the capital accounts based on federal tax regulations. During the six months ended June 30, 2007 permanent differences due to a net investment loss not deductible for tax purposes and realized gains on redemptions in kind not recognized for tax purposes resulted in a net decrease in net accumulated investment loss of \$4,975,439 and undistributed net realized gains of \$28,698,922 with a corresponding increase in paid in surplus of \$23,723,483. These reclassifications had no effect on net assets.

The tax character of distributions paid during the six months ended June 30, 2007 and the year ended December 31, 2006 was as follows:

	<u>2007</u>	<u>2006</u>
Distributions paid from:		
Ordinary income . . . . .	\$ —	\$ —
Long-term capital gains . . . . .	126,266,574	340,945,549
Total distributions. . . . .	<u>\$126,266,574</u>	<u>\$340,945,549</u>

As of June 30, 2007, the components of distributable earnings on a tax basis were as follows:

Undistributed long-term gain . . . . .	\$ 264,141,773
Unrealized appreciation . . . . .	1,935,362,926
	<u>\$2,199,504,699</u>

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" (the "Interpretation"). The Interpretation establishes a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns and requires certain expanded tax disclosures. Management has applied the Interpretation to the Fund during the period ended June 30, 2007. As a result of the application of the Interpretation, there was no material impact on the financial statements.

## NOTE 6—DIRECTORS FEES AND EXPENSES:

Directors who are not deemed "interested persons" receive fees of \$6,000 per quarter and \$2,500 for each meeting attended, and are reimbursed for travel and other out-of-pocket disbursements incurred in connection with attending directors meetings. The total of such fees and expenses paid by the Fund to these directors for the six months ended June 30, 2007 was \$115,575.

## NOTE 7—INTERIM FINANCIAL STATEMENTS:

The interim financial statements have not been examined by the Fund's independent registered public accounting firm and accordingly they do not express an opinion thereon.

## NOTE 8—NEW ACCOUNTING PRONOUNCEMENT:

In September 2006, Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management has not yet determined the impact the adoption of SFAS 157 will have on the Fund’s financial statement disclosures.

## NOTE 9—FINANCIAL HIGHLIGHTS:

	Six Months Ended June 30, 2007	Year Ended December 31,				
		2006	2005	2004	2003	2002
Per Share Operating Performance (for a share outstanding throughout the period)						
Net asset value, beginning of period . . .	\$ 152.75	\$ 155.45	\$ 154.27	\$ 147.61	\$ 126.63	\$ 130.24
Income from investment operations:						
Net investment (loss) . . . . .	(0.21)	(0.70)	(0.75)	(0.58)	(0.62)	(0.41)
Net realized and unrealized gains (losses) on investments . . . . .	9.08	13.60	12.57	7.45	22.21	(3.03)
Total from investment operations . .	8.87	12.90	11.82	6.87	21.59	(3.44)
Less distributions:						
Dividends from net investment income .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Distributions from net realized gains . . .	(5.50)	(15.60)	(10.64)	(0.21)	(0.61)	(0.16)
Total distributions . . . . .	(5.50)	(15.60)	(10.64)	(0.21)	(0.61)	(0.17)
Net asset value, end of period . . . . .	\$ 156.12	\$ 152.75	\$ 155.45	\$ 154.27	\$ 147.61	\$ 126.63
Total Return . . . . .	5.82%†	8.34%	7.78%	4.66%	17.12%	-2.64%
Ratios/Supplemental data						
Net assets, end of period (in millions) . .	\$3,661.2	\$3,599.8	\$3,573.3	\$3,772.4	\$3,973.6	\$3,905.1
Ratio to average net assets:						
Expenses . . . . .	1.0%*	1.0%	1.0%	1.0%	1.0%	1.0%
Net investment income . . . . .	-0.3%*	-0.5%	-0.5%	-0.4%	-0.5%	-0.3%
Portfolio turnover rate . . . . .	1%†	14%	8%	6%	3%	8%

† Not annualized

\* Annualized

## **Change in Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP (“PwC”) was previously the Fund’s independent registered public accounting firm. On June 11, 2007, PwC’s appointment as independent registered public accounting firm was terminated and Briggs, Bunting & Dougherty, LLP (“BBD”) was engaged as independent registered public accounting firm. The decision to change independent registered public accounting firms was approved by the Fund’s audit committee and Board of Directors.

PwC’s reports on the Fund’s financial statements for the Fund’s two most recently completed fiscal years ended December 31, 2006 and December 31, 2005 did not contain any adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles. During the Fund’s two most recently completed fiscal years ended December 31, 2006 and December 31, 2005 and through June 11, 2007, there were no disagreements between the Fund and PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PwC, would have caused it to make reference to the subject matter of the disagreements in connection with its reports. During the two years ended December 31, 2006 and 2005 and through June 11, 2007, there were no “reportable events” within the meaning of Item 304, paragraph (a)(1)(v), of Regulation S-K under the Securities Exchange Act of 1934.

## **Other information**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is available on the SEC’s web site at <http://www.sec.gov>. The Fund’s Form N-Q may also be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. For information regarding the operation of the SEC’s Public Reference Room, call 1-800-SEC-0330. For a complete list of the Fund’s portfolio holdings, view the most recent quarterly, semiannual or annual report on Sequoia Fund’s web site at [http://www.sequoiafund.com/fund\\_reports.htm](http://www.sequoiafund.com/fund_reports.htm).

You may obtain a description of the Fund’s proxy voting policies and procedures, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Visit Sequoia Fund’s web site at [www.sequoiafund.com](http://www.sequoiafund.com) and use the “Shareholder Information” link to obtain all proxy information. This information may also be obtained from the Securities and Exchange Commission’s web site at [www.sec.gov](http://www.sec.gov) or by calling DST Systems, Inc. at (800) 686-6884.



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David M. Poppe  
Vinod Ahooja  
Roger Lowenstein  
Francis P. Matthews  
C. William Neuhauser  
Sharon Osberg  
Robert L. Swiggett, Chairman of the Board

**OFFICERS**

Richard T. Cunniff	— <i>Vice Chairman</i>
Robert D. Goldfarb	— <i>President</i>
David M. Poppe	— <i>Executive Vice President</i>
Joseph Quinones, Jr.	— <i>Vice President, Secretary, Treasurer &amp; Chief Compliance Officer</i>
Michael Valenti	— <i>Assistant Secretary</i>

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