

## QUARTERLY REPORT

### For the Period Ended September 30, 2002

Dear Shareholder:

Sequoia Fund's results for the third quarter of 2002 are shown below with comparable results for the leading market indexes:

To September 30, 2002	Sequoia Fund	Dow Jones Industrials	Standard & Poor's 500
3 months	-2.76%	-17.33%	-17.28%
9 months	-4.31%	-23.09%	-28.16%
1 Year	+3.62%	-12.47%	-20.49%
5 Years (Annualized)	+9.62%	+ 0.81%	- 1.63%
10 Years (Annualized)	+15.65%	+11.11%	+9.00%

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.

It is never satisfying to report on a period when the market value of your investment in the Sequoia Fund has declined. Nor do we take any pleasure in pointing out that you have lost much less than the average investor. The simple fact is that you have less potential spending power in Sequoia today than you did at the beginning of the year. As of this writing, Sequoia Fund is down 1.72% for the year and the S&P 500 is down 20.00%.

It is virtually certain in any period of time that the investment performance of Sequoia will not accurately reflect the change in the intrinsic economic value of the Fund's underlying securities. Performance will exceed changes in economic value in some years and fall short in others. This year, while the market value of Sequoia drifted into negative territory, we believe the intrinsic value of our portfolio companies advanced nicely. In fact, the increase in the aggregate earnings of these companies exceeded our expectations.

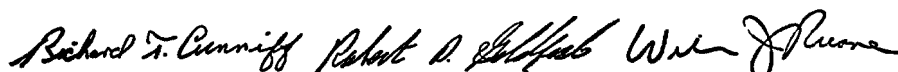
Despite the dramatic multi-year declines in the S&P 500 index we still see the market as more than amply priced if one adjusts for the well-publicized exaggerations in reported earnings.

After twenty years with our firm, Carley Cunniff has decided to retire from the investment business at the end of this year. We greatly appreciate Carley's role in all aspects of Ruane Cunniff and the Sequoia Fund for many years. A total professional, Carley has a unique ability to tear apart an income statement and balance sheet to determine the real earning power of a company. At Sequoia's Annual Meeting on April 14, 2000 (near the end of the technology craze), in what Carley describes as her 15 minutes of fame, she publicly dissected the accounting and financial statements of market darling Lucent Technologies. Her careful reading of the financials and the footnotes clearly led one to question the company's then \$41 per share stock price. Today the stock is trading at \$1.40. Carley is a very special person and we all wish her many wonderful and happy years in retirement.

After Sequoia's founding in 1970, it was clear that Bob Goldfarb, who joined the firm in 1971, and Carley, who joined in 1983, represented the second generation of management. Nineteen years later, we have nine additional young and highly talented members in our research team with an average of 12 years of business experience in the financial field. Among these, David Poppe, age 38, has proven to be a creative and perceptive security analyst who has made significant contributions to Sequoia during the four years since he joined our team. David has been elected Director and Executive Vice President of Sequoia effective January 1, 2003.

We all wish you a pleasant holiday season and we promise to do our best to make Sequoia's investment returns not only positive but decent relative to current interest rates.

Sincerely,



Richard T. Cunniff  
Vice Chairman

Robert D. Goldfarb  
President

William J. Ruane  
Chairman

SEQUOIA FUND, INC.

STATEMENT OF INVESTMENTS

SEPTEMBER 30, 2002 (UNAUDITED)

COMMON STOCKS (81.6%)

<u>Shares</u>		<u>Value (a)</u>
	<b>BANK HOLDING COMPANIES (13.4%)</b>	
8,710,393	Fifth Third Bancorp . . . . .	\$ 533,337,363
243,300	Mercantile Bankshares Corporation . . . . .	9,286,761
		<u>542,624,124</u>
	<b>BUILDING MATERIALS (3.1%)</b>	
3,926,000	Fastenal Company (b) . . . . .	<u>123,983,080</u>
	<b>DIVERSIFIED COMPANIES (35.9%)</b>	
19,661	Berkshire Hathaway Inc. Class A (c) . . . . .	<u>1,452,947,900</u>
	<b>FREIGHT TRANSPORTATION (1.8%)</b>	
2,558,000	Expeditors International Inc. . . . .	<u>71,470,520</u>
	<b>HOME FURNISHINGS (1.9%)</b>	
2,414,000	Ethan Allen Interiors, Inc. (b) . . . . .	<u>78,117,040</u>
	<b>INSURANCE (9.1%)</b>	
7,291,500	Progressive Corporation . . . . .	<u>369,168,645</u>
	<b>LAUNDRY SERVICES (0.4%)</b>	
414,400	Cintas Corporation . . . . .	<u>17,371,648</u>
	<b>MANUFACTURING (1.6%)</b>	
2,109,900	Dover Corporation . . . . .	53,549,262
240,500	Harley Davidson, Inc. . . . .	<u>11,171,225</u>
		<u>64,720,487</u>
	<b>PERSONAL CREDIT (1.1%)</b>	
1,532,200	Household International Inc. . . . .	<u>43,376,582</u>
	<b>PROCESS CONTROL INSTRUMENTS (0.4%)</b>	
263,700	Danaher Corporation . . . . .	<u>14,991,345</u>
	<b>RETAILING (6.6%)</b>	
54,600	Costco Wholesale Corporation (c) . . . . .	1,767,402
15,787,600	TJX Companies, Inc. . . . .	<u>268,389,200</u>
		<u>270,156,602</u>
	Miscellaneous Securities (6.3%) . . . . .	<u>257,534,260</u>
	<b>TOTAL COMMON STOCKS . . . . .</b>	<u><u>\$3,306,462,233</u></u>

<b><u>Principal Amount</u></b>	<b><u>Value (a)</u></b>
<b>U.S. GOVERNMENT OBLIGATIONS (18.3%)</b>	
\$745,500,000 U.S. Treasury Bills due 10/3/02 through 11/21/02 .....	\$ 744,730,035
TOTAL U.S. GOVERNMENT OBLIGATIONS .....	<u>\$ 744,730,035</u>
<b>SUMMARY</b>	
Common Stocks .....	81.6% \$3,306,462,233
U.S. Government Obligations .....	18.3% 744,730,035
Net Cash & Receivables .....	0.1% 1,144,137
Net Assets .....	<u>\$4,052,336,405</u>
Number of Shares Outstanding .....	<u>32,530,689</u>
Net Asset Value Per Share .....	<u>\$124.57</u>

- (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 are valued at the last reported sales price on the NASDAQ National Market System 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) Affiliated Companies: Investment in portfolio companies 5% or more of whose outstanding voting securities are held by the Fund are defined in the Investment Company Act of 1940 as "affiliated companies."
- (c) Non-income producing.

**SEQUOIA FUND, INC.**  
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**DIRECTORS**

William J. Ruane  
Richard T. Cunniff  
Robert D. Goldfarb  
Carol L. Cunniff  
Vinod Ahojja  
Roger Lowenstein  
Francis P. Matthews  
C. William Neuhauser  
Robert L. Swiggett

**OFFICERS**

William J. Ruane — Chairman of the Board  
Richard T. Cunniff — Vice Chairman  
Robert D. Goldfarb — President  
Carol L. Cunniff — Executive Vice President  
Joseph Quinones, Jr. — Vice President, Secretary & Treasurer

**INVESTMENT ADVISER & DISTRIBUTOR**

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**CUSTODIAN**

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**REGISTRAR AND SHAREHOLDER SERVICING AGENT**

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This report has been prepared for the information of shareholders of Sequoia Fund, Inc.