January 26, 2022

Dear Sequoia Shareholders and Clients:

Sequoia Fund's results for the quarter and year ended December 31, 2021 appear below with results of the S&P 500 Index for the same periods:

Through December 31, 2021	Sequoia Fund	S&P 500 Index*
Fourth Quarter	7.04%	11.03%
1 Year	25.48%	28.71%
3 Years (Annualized)	25.96%	26.07%
5 Years (Annualized)	18.50%	18.47%
10 Years (Annualized)	12.94%	16.55%
Since Inception (Annualized)**	13.99%	11.50%

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.*

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Sequoia Fund returned 25.5% in 2021, versus 28.7% for the S&P 500. Since our current team began managing the Fund in June of 2016, both Sequoia and the S&P have produced an essentially identical compound total return of 18.2% per year.

We are starting to feel like we're living a real-world version of the movie *Groundhog Day*, so you'll hopefully understand if much of what follows sounds familiar: We are pleased to have kept pace with a hot stock market wherein business valuations are appreciating at a far faster rate than business earnings and indications of indiscipline abound. We are amazed that our heavily concentrated portfolio has behaved remarkably like an index fund over a remarkably long period of time. We are certain that the stock market will not maintain its recent pace of progress. We are highly confident that over the long term, a deeply idiosyncratic and carefully curated collection of 22 companies will perform very differently from an index with 500 constituents. We are also highly confident that if and when the tight tether that has linked Sequoia to the S&P over the last five-plus years finally breaks, it will be to our benefit.

What we don't know, much like Bill Murray's memorable movie character, is how long we will go on living the same day over and over again before things change. Markets frequently produce surprising outcomes for surprisingly long periods of time, but as the saying goes, anything that can't go on forever eventually won't. In the meantime, our confidence in the Fund's prospects for outperformance stems from our belief that after

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accounting for variables ranging from growth potential, management quality and valuation to profitability, resilience and competitive advantage, we like our holdings a lot more than those of the Index.

As well we should, because one advantage we enjoy as active investors is the ability to combine research, creativity and judgment with occasional moments of opportunity to enhance the relative attractiveness of our holdings over time. Driving this process of improvement requires relentless effort and is unfortunately a lot harder than it sounds, but it's a critical prerequisite for outperformance because while many investors may overlook this fact, our benchmark is always evolving as well. The S&P 500 is meant to comprehensively represent America's most meaningful publicly traded companies, and importantly, it weights them by market cap. As a result, its most successful constituents tend to gain relevance over time, while the least successful lose influence or drop out altogether. These shifts usually offset each other for the most part, but sometimes they produce momentum effects that can make the Index particularly challenging competition.

The last few years offer an interesting example of this dynamic at work. From the mid-1980s through the mid-2010s, the weighting of the ten largest members of the Index hovered around 20%, but since 2015, thanks to the fabulous success of companies like Apple, Google, Facebook, Microsoft, Nvidia and Tesla, the weighting of the top ten has increased to more than 30%. As the Index has grown increasingly biased toward the performance of many of the country's fastest-growing and most successful companies, it has become markedly less influenced by the performance of slow-growth and in some cases suffering businesses in areas of the old economy. Perhaps not surprisingly, the last time the Index got this concentrated in its ten largest members was the "Nifty Fifty" market of the early 1970s.

In the early stages of these crowding trends, the Index tends to develop in much the same way we try to shape our own portfolio, in that it steadily tilts toward its fundamentally higher-performing constituents and away from its weaker ones. Then a time-worn feedback loop takes hold: as professional and casual investors alike seek to chase performance and keep pace with an improving and advancing Index, they buy the leaders and sell the laggards. Valuations respond in kind, with those of the leaders rising rapidly along with their underlying revenues and earnings, and vice-versa for the laggards. Success begets success, suffering begets suffering, and eventually we all start to read stories in newspapers talking about how certain companies have become "one decision" or "must-own" stocks for any institutional investor interested in maintaining gainful employment, while other companies and industries have grown so irrelevant that they have become unprofitable for brokerages to follow and unnecessary for fund managers to own. In the runup to these momentary extremes, the Index naturally becomes a particularly tough adversary for any money manager who isn't "all in" on the dominant companies of the era.

Of course, trees don't grow to the sky. Even for the best companies of any era, growth becomes harder to achieve as the law of large numbers kicks in and success inevitably attracts competition, and while stock prices can increase much faster than business earnings for years on end, they can't do so forever. As a result, episodes of Index crowding eventually unwind, and as they do, everything works in reverse: the largest companies tend to weigh on the performance of the market, which causes active investors to allocate away from them, which further accelerates the de-crowding dynamic, and so on. While the past is obviously no guarantee of the future, during these periods Sequoia has historically logged some of its strongest stretches of relative performance.

We should emphasize here that as already mentioned, markets can behave in surprising ways for surprisingly long stretches, so while we would eventually expect the recent trend toward Index crowding to reverse, it could very easily extend much further before it does. We offer this caveat in part because outside of Tesla and a small

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handful of others, we don't think today's marquee S&P 500 constituents have reached anything like the valuation extremes that characterized the giants of the Nifty Fifty or the dot-com bubble. Indeed, we own a couple of them in size. All the same, we remain confident that recent results notwithstanding, our focused and distinct collection of investees will eventually open a significant and sustained lead on the Index, much as Bill Murray presumably knew that he would eventually wake up to see a different day.

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We would be lying if we said we didn't occasionally long for the days when value investing was still a secret, "scuttlebutt" research was still overwhelmingly the province of journalists and Bill Ruane could count himself as one of only three members of his Harvard Business School class who chose to take a job on Wall Street. Odd as it may sound, though, we mostly like how competitive the money management business has become. As investors, we relish the challenge of matching wits with some of the world's most creative and ambitious talents. As people and citizens, we welcome the degree to which Mr. Market has evolved a more thoughtful, well-rounded, longer-term approach to rendering judgments—even if it makes him a more formidable foe. He's more attuned than he used to be to the virtues of businesses that sacrifice the profits of the present to delight the customers of the future, and he casts a more skeptical gaze on companies that maintain a damaging or unsustainable relationship with any of their stakeholders, whether shareholders, customers and employees or broader constituencies like society and the environment.

The reason we frame the trend toward what is now commonly referred to as ESG investing as a competitive development is that from our vantage point, there is no other kind of investing. We have always believed that to understand the value of any enterprise, you have to carefully evaluate its relationships with all of its stakeholders. As internet giants and resource extraction companies in both the US and China are learning, it can be hard for shareholders to benefit sustainably from a business that creates social or environmental strains, and as successful Sequoia Fund investees like Berkshire, Carmax, Costco, Expeditors, Fastenal, Progressive and Wayfair have demonstrated, delighting customers while doing right by employees and shareholders is the best way to build enduring corporate value. Back when Mr. Market failed to appreciate these concepts as well as he does now, he was easier to outrun. But because he decides how the lion's share of productive capital gets deployed, the fact that he has become a more multifaceted thinker means that the world is a better place.

Better, but a long way from perfect. We still live with many businesses that prioritize one stakeholder group over another in ways we find immoral, unethical, unfair or—in the case of environmental degradation—downright dangerous. We have also been living for two generations now amidst an unsustainable trend that has seen a large portion of the benefits associated with incredible innovation and human progress accrue to a disturbingly small sliver of society. As a result, a growing chorus of voices has come to believe that ESG investing should be more than just thoughtful long-term investing—that it should actively steer capital toward some companies and away from others in the service of policy goals, just as people increasingly steer their consumption to promote diversity and inclusion, decarbonization, more humane treatment of animals and other worthy ideals.

While we sympathize with and in many ways admire those who choose to invest with dual objectives of return and reform, we have made our own carefully considered choice to stay entirely focused on the aim of "Excellence in Investment Management" that our firm was founded to pursue. We came to this decision for a few reasons. One is that we have a fiduciary responsibility to our clients that we're not comfortable conflating with additional

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responsibilities to broader social and environmental constituencies. Another is that we think we're better business analysts than policy analysts, and experience has taught us to stay humble about how hard it is to be good even at what we think we do best. A third is that in a complex, uncertain and dynamically evolving world, we think it can be just as difficult to evaluate social utility as it can be to predict commercial prospects, and even if we thought we could do the former as well as the latter, we have reservations about essentially imposing our moral and ethical points of view on our clients.

As fiduciaries, we are obligated to try to earn you the highest possible risk-adjusted return on your capital. Some argue that it's possible to maximize returns while employing capital for social benefit, but for what it's worth, we think the debate over whether impact investors can have their cake and eat it too is at best unsettled, and likely clouded by the challenges of distinguishing correlation from causation. We acknowledge and respect the excellent performance records that some ESG-oriented managers have compiled in recent years, but if hot market segments like electric transportation and green energy see their valuations cool down, and if high-growth, asset-light technology companies don't continue to lead the market forward, investors may start to reconsider the notion that return and reform can be targets without tradeoffs.

While time and further research will eventually answer that question, one thing we know right now is that beating the market by a meaningful margin is a plenty challenging goal on its own. To achieve it, we employ a team of 28 investment professionals who approach the craft of finding and analyzing interesting companies more as an obsession than a vocation. Those of us who have been at this game for a while believe deeply that it has to be an obsession if you want to play it well. Yet even though investing is the first thing we think about in the morning and the last thing we think about before we go to bed other than our families, our most common regret by far is that there aren't enough hours in the day to synthesize all the information swirling around us. If we had to broaden the focus of our activities to encompass a "second bottom line," we would have serious concerns about our ability to deliver a result on the first one that meets our high expectations.

We concede that other teams might be more able than we are to walk and chew gum at the same time, but experience has also taught us how important it is for any investor to understand their inherent strengths and limitations. When we assess our own, we are left to conclude that we are better off concentrating intently on judging the future commercial prospects of individual businesses. We consider ourselves lucky to serve philanthropists and philanthropies who apply similar effort and focus to evaluating and shaping the contours of our society, environment and economy, and we think the world will probably be best off if we try to do our jobs as well as we can so that they can do theirs as well as they can.

Even if we had the requisite bandwidth to manage successfully to a second bottom line, we have misgivings about whether the skill we think we have as business analysts should necessarily qualify us to have a similar edge as activists. We appreciate that the humility we mean to express here can sound suspiciously like an excuse or abdication. At a minimum, it's probably not great marketing. But from our vantage point, it's well warranted, because just as any tenured investor will inevitably have the scars to prove how hard it is to predict the future, any tenured philosophy professor will vouch for the fact that concepts like justice and morality can be subjects of heated debate.

For example, does the good that Wal-Mart and Amazon have done by making life's necessities more affordable and accessible outweigh the impact they have had on blue collar working conditions, small businesses and small-town America? Should we celebrate the fact that Steve Jobs created one of the most influential and beloved consumer products in human history, or should we criticize a "walled garden" business strategy that some view as illegally anti-competitive and a record on compensation and shareholder communication during the company's earlier years that many regard as ethically questionable? Are Facebook and Instagram fundamentally immoral enterprises that promote and magnify the worst human impulses, or are they convenient scapegoats for behaviors that have always existed in "public squares," and has the world lost sight of the way they have enabled tens of millions of creators, activists and small businesses across the globe to connect with audiences they might never have found otherwise? Does investing in the fossil fuel economy make one complicit in what may be an impending climate catastrophe, or does restricting the flow of capital to extractive industries during their sunset years contribute unnecessarily to inflation, economic inequality and potential geopolitical tension? Might it even unintentionally endanger the environment by forcing assets with the potential to do extensive ecological harm into the hands of private owners with less capability and incentive to manage them responsibly than large and heavily scrutinized public companies?

Human fallibility and dynamism then add a further layer of complexity to the task of evaluating social utility, just as they do to the challenge of ascertaining business value. For example, we could have sold our Wayfair investment in the spring of 2020 at a small fraction of its current value, but we had conviction that after flying a bit too close to the sun, a talented and heavily incentivized management team would rapidly course-correct, such that the company we saw at the time would look markedly different a year or two later. Along similar lines, should we pass final moral or ethical judgment on the Facebook/Meta that we see today, or should we expect a similarly motivated team to learn and adapt in response to obvious mistakes? One of the many lessons we have learned from our own errors over the years is that nobody's perfect, but when smart people encounter adversity, they often display a remarkable facility for turning lemons into lemonade.

The easy way for us to abstract away the challenges of attaching an active ESG component to the sustainability filter that we have always applied to our investing process would be to outsource this added responsibility to third parties, much as many investment managers look to independent services to guide their votes on important corporate proxy questions. While we're virtually certain that such an approach would be the best answer for our *business* to the questions raised by the ESG movement, we have always taken pains to prioritize our clients' bottom line over our own. We don't think we would be serving you well by outsourcing our judgment or yours to services that purport to boil considerations we see as incredibly complex down to a simple score or checklist.

Perhaps we're naïve optimists, but at the highest level, we believe that outstanding businesses make the best long-term investments, and that most outstanding businesses get that way by contributing something durably beneficial to the world. We acknowledge that "most" does not mean "all". And that some of our investees will engender more intense ESG debate than others. And that all of our clients may not agree with all of our opinions about the impact that our companies have on their stakeholders. Still, we think that in aggregate, our philosophy and process tend to produce collections of companies that make the world a little better over time. If they can also produce excellent investment performance that enhances the social impact of thoughtful individuals and successful philanthropies, then the combined activities of our investees and investors should create a force for good of which we can all be proud.

Though we wish we could say otherwise, we can't promise that all our judgments on matters of sustainability will be the right ones. Complex questions don't often have easy answers. What we *can* guarantee is that we will always be forthright with you about where we stand on these issues and why we're standing there. We will tell you what we believe and not what we think you want to hear, and we will try to remain humble enough to

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change our minds and admit inevitable mistakes when facts reveal them. Along the way, we encourage you to challenge our thinking and question our premises, because if we're going to outmatch a stock market that the ESG movement is increasingly nudging toward a more thoughtful disposition, we will have to work relentlessly to raise the level of our game.

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Notable positive contributors during 2021, each responsible for more than a percentage point of performance, included Alphabet, Anthem, Carmax, Charles Schwab, Constellation Software, Credit Acceptance, Eurofins Scientific, Facebook (now Meta Platforms), Formula One and UnitedHealth. Notable laggards and detractors included Disney, Liberty Broadband, Prosus and Wayfair.

Alphabet and Meta, our internet platform investments, continued to grow their revenues and profits at staggering rates in both dollar and percentage terms, thanks largely to their ability—unprecedented in the history of media—to connect people with relevant content on a global scale. Alphabet made notable progress building its cloud software business, while Meta took steps to make the commercial side of Instagram less like a glossy magazine and more like a shopping mall. In conjunction with its change in corporate identity, Meta also doubled down on its longstanding efforts to lead the development of augmented and virtual reality technology that founder Mark Zuckerberg sees as the computing paradigm most likely to supplant the smartphones on which Facebook and Instagram presently depend. It's very hard to tell at this stage what Meta's AR/VR investments will yield, but at a minimum we see them as a wise defensive maneuver, and we certainly don't think the stock price incorporates what could turn out to be potentially large benefits.

In the wake of the harrowing post-election Capitol riot, political and regulatory scrutiny of the big internet platforms understandably grew more intense than ever. While we think the voting public will eventually have to render a consensus on how it would like virtual "public squares" like Facebook, Twitter, YouTube, Reddit and others to operate, there is no question that in the meantime, Alphabet and especially Meta need to give users and parents more control while striking a better balance between enabling freedom of expression on the one hand and ensuring on the other that divisive points of view are not unnecessarily amplified in the pursuit of profit.

Elsewhere in the portfolio, UnitedHealth continued to capitalize on the growth of the popular Medicare Advantage program while vertically integrating into the business of providing rather than merely financing patient care. A historically strong used car market helped Credit Acceptance and Carmax in some ways and hurt in others, but both companies took important steps forward during the year. Credit Acceptance resolved an important regulatory dispute while Carmax advanced further toward its goal of becoming a truly channel-agnostic, omnichannel retailer. TSMC significantly improved its competitive position by stretching the boundaries of physics to ramp production of new and more advanced process nodes faster than peers. Formula One benefitted from a return to mass event attendance and the popularity of the *Drive to Survive* series on Netflix, while Universal Music Group completed a spin-off from Vivendi that we had been hoping for and continued to surf the global wave of streamed music adoption.

Unsurprisingly, "pandemic winner" holdings such as Disney, Netflix, Wayfair and Liberty/Charter saw both their business results and share prices cool off last year, though Eurofins enjoyed extended strength in the market for COVID testing. Constellation, ICE, Jacobs and Schwab made unremarkable but steady progress, while Rolls-Royce continued to suffer the effects of a disrupted travel market. We are getting tired of watching Rolls

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suffer, and we are also getting tired of talking about being tired of watching Rolls suffer, but removing emotion and history from the equation—as we must—we see very large potential upside to the valuation of the business when international travel eventually normalizes. Famous last words, but we do in fact consider this a question of "when" and not "if."

Prosus endured the toughest year in the portfolio by far, as a changed government stance toward internet platforms in China negatively impacted Tencent, the company's primary investment, in several ways. Almost without question, the growth prospects of Tencent's important gaming and fintech businesses are less exciting today than they were a year ago, and the company now may also have to take a more cautious approach than we would have projected in expanding its lucrative advertising businesses. The one upside for Tencent shareholders to an overwhelmingly negative political and regulatory paradigm shift is that it seems likely to force the company into selling and spinning off its major investment holdings. In the past, we had applied significant haircuts to our appraisals of these very sizeable assets, but recent news makes us more inclined to value them in line with their stock market prices.

Looking back over the two-plus years since we made our investment in Prosus, we are frustrated that progress in many areas of Tencent's business has been buffeted by an almost unrelenting torrent of regulatory headwinds. First it was a halt in new game approvals. Then it was a set of reforms that narrowed the moat around the company's consumer payments franchise. Then it was the government's broader, more recent crackdown on a range of subjects, including youth gaming activity, online lending, after-school tutoring and the use of personal information. In retrospect, while we thought the price we paid for our initial Prosus shares compensated us appropriately for the regulatory and political risks that have always surrounded Tencent's big businesses, we clearly should have demanded an even wider margin of safety. One bad break can often mean nothing more than bad luck. Two years of them means you missed something.

Looking forward, while we continue to monitor the rapidly evolving Chinese internet landscape and reserve the right to change our minds, we think today's stock price discounts a lot of bad news. Adjusted for our best guesses at the likely realizable values of the company's main investment stakes, Tencent's core gaming, advertising, fintech and cloud software franchises—still some of the world's best—trade for less than twenty times what we see as our conservative estimate of their earning power, with the ability to grow at attractive double-digit rates over a long horizon. Prosus owns about $160 billion of Tencent stock, plus another $10 billion of cash and shares of online food delivery giant Delivery Hero, plus a collection of private-company investments marked at a valuation well over $30 billion. At current prices, Prosus has a market capitalization of roughly $120 billion, a discount of more than 40% to the aggregate value of its assets that far exceeds any tax liability that liquidating them would trigger.

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We added significantly to our holdings in Meta, Prosus and Wayfair during the year and made meaningful trims to our investments in Berkshire, Credit Acceptance, Eurofins and Jacobs. High valuations pushed us out of successful investments in Arista Networks and Mastercard, while changed business appraisals caused us to exit investments in a2Milk, Fidelity National Information Services and Hiscox.

Mastercard and a2Milk are two stories with very different conclusions, but they both reveal valuable lessons about the nature of investing, and particularly our kind of investing. a2Milk was a mistake where a creative idea and a strong research process produced what we think was a sound judgment—and a bad result. Which could just as easily have been a good result, had we sold our shares when they traded up to nearly two times our cost. In the end, a management team that had done an admirable job bringing a nascent consumer brand from birth to adolescence proved incapable of further advancing it to maturity, especially amidst notable changes to the distribution landscape in the company's all-important Chinese market.

Making a long-term investment means making a call on how an inherently uncertain future will unfold, and one of the most vexing aspects of that process is the fact that you can do the right research and the right thinking and still get the wrong answer. You can also sometimes get the wrong answer and still temporarily realize the right result, as we would have with a2Milk had we sold our shares a year earlier than we did. In that case, events would quickly have demonstrated that we were lucky rather than smart, but sometimes it can take years after the conclusion of an investment to draw that distinction, and sometimes the difference between randomness and foresight can be surprisingly difficult to discern, even with the benefit of hindsight. For example, what if a new management team ends up building a2Milk into the next Chobani or Oatly, as we thought their predecessors might? Will our sale still look like a rational response to changed circumstances, or a hasty reaction to inevitable growing pains at a young business with fundamentally good genes?

Though we ended up taking an embarrassing loss on a2Milk of roughly 40% versus our cost and 65% versus the stock's highs in early 2020, the consequences of our choices here pale in comparison to our egregiously poor decision not to buy more Mastercard when we made the company a mere half-percent position soon after its IPO in 2006. Over the subsequent fifteen years, Mastercard shares produced a compound annual total return of approximately 35% per annum, enabling us to sell our last shares for about ninety times what we paid for them. In a testament to the ability of good business performance to overcome bad judgment, price appreciation allowed an investment that was almost immaterially tiny at its inception to achieve an average weighting equal to a much more impactful 3.5% of the Fund's capital over our holding period. Still, had we simply bought twice as much Mastercard as we did at the start—a mere half-percent more of our capital—and then traded the position in the same way from that point forward, the Fund's compound return over the last fifteen years would have increased from 11% per year to 13% per year.[1] In case that sounds like a small increment, it represents the difference, on a pretax basis, between earning 3.7 times your money and earning 6.2 times your money.

The notion that a major success can qualify as an even more massive mistake may seem counterintuitive, but it simply reflects the asymmetric mathematics of investing, where a whiff like a2Milk can cost you a third of your investment but a home run like Mastercard can produce nearly limitless, compounding profits. That doesn't for a second imply that the secret to stock market success is to swing routinely for the fences. In an unpredictable world where it can be hard to know if you made good decisions even years after you've made them, indiscipline is the surest road to ruin. But it does explain why investors and investment cultures with records of sustained outperformance are often less sensitive to loss and more open-minded about the potential for gain than the average person. Balancing caution with the capacity for imagination is perhaps the hardest thing we do—the subject of an endless learning process that has a lot more in common with feeling your way through a fog than memorizing the contents of a textbook.

[1] This figure represents hypothetical performance that we calculated assuming doubling the size of our initial investment and doubling any subsequent sales and covers the period from May 25, 2006 (the date of the Fund's first purchase of Mastercard shares) through May 11, 2021 (the date when the Fund sold its last Mastercard shares). This hypothetical figure is not based on actual performance. We provide this hypothetical figure for illustrative purposes only and make no representation as to the reasonableness of the assumptions used to calculate this figure. Hypothetical performance has many inherent limitations, including the limitation that the methodology used to calculate the performance is designed with the benefit of hindsight. There are numerous factors that cannot be fully accounted for in the calculation of hypothetical performance and that can adversely affect actual performance.

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We made two new investments during 2020, both variations on themes already resident in the portfolio. Anthem, a business we got to know over the course of our involvement with UnitedHealth, is the nation's largest operator of Blue Cross / Blue Shield health plans. Under the leadership of CEO Gail Boudreaux, a highly regarded former United executive, Anthem has made notable cultural and operational progress over the last few years toward shedding the legacy of its history as a disconnected collection of single-state cooperatives. Though still much more a traditional insurer than the diversified and synergistic health services conglomerate that United has become, Anthem enjoys unmatched local scale and brand power in a business where those attributes confer major competitive advantages. As the company leverages those strengths to catch up to peers in the Medicare and pharmacy benefit markets, we think it should be able to grow its earnings per share at rates in the mid-teens or better for several years, with low sensitivity to the state of the economy.

Notwithstanding this attractive outlook, temporary concern with the Biden Administration's policy agenda in early 2021 allowed us to purchase our Anthem shares at low-double-digit price/earnings ratios that implied a near-absence of future growth. The stock has since recovered, netting us a solid early gain. Regulation and especially Medicare policy will always be the key risks here, but as with United, we think they're mitigated at least in part by the diversity of the company's operations and the fundamental reality that the private sector administers the Medicare benefit more efficiently and appealingly than the government does. The senior citizens stampeding into the Medicare Advantage program by the millions each year are voting on that subject with their feet, and as they do, they create a growing and powerful political constituency for the maintenance of a private-sector Medicare alternative.

Like healthcare services, semiconductors have been a major focus of our research efforts over the last several years. Early work on chip manufacturing enablers Lam Research, Applied Materials and ASML along with graphics processing leader Nvidia sadly produced some of our most egregious recent errors of omission, but we ultimately found our way to investments first in TSMC and more recently in Micron that have both gotten off to promising starts. While TSMC mainly produces CPU and ASIC "logic" chips for third parties, Micron designs and produces DRAM and NAND "memory" chips that it sells on its own. In both fields, the immense and ever-increasing challenges associated with producing stupendously complex and quality-sensitive components at scale have winnowed the field of competition, enabling survivors like TSMC and Micron to enjoy dual benefits of accelerating growth and improving economics. These trends have been most pronounced in the logic market, which explains why TSMC has essentially become a monopoly. In the most important part of the memory market, years of consolidation have instead produced an oligopoly, wherein Micron competes in what we think is an increasingly rational way with Korean rivals Samsung and Hynix.

While stiffer competition means that Micron will never be the business that TSMC is, we find the company's valuation incongruous with its quality, importance and growth potential. As the world continues to digitize, demand for memory chips should keep advancing at rates far in excess of GDP, allowing the company to grow significantly faster than many manufacturing businesses that are justifiably valued at price-earnings ratios in the teens and twenties. Yet by many estimates, Micron trades for less than ten times its likely earnings for the coming year. As investors come to appreciate the degree to which improved competitive dynamics and durable demand trends have changed the company's business for the better, we think its valuation may expand in much the same way that semiconductor capital equipment company P/E ratios expanded from the single digits to the

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high teens over the last several years. If we're right, the Fund stands to make very substantial profits on its Micron stake. Even if we're wrong about the potential for a higher valuation here, we think that so long as competition with Samsung and Hynix remains rational, a combination of profit growth and share repurchases should drive Micron's earnings per share and stock price forward at market-beating rates.

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Notwithstanding the recent Omicron-driven surge—and the vexing fact that the pandemic has made optimism mostly indistinguishable from naivete for the past couple years—our hope and expectation is that 2022 will be the year when the world finally learns to live "normally" with COVID. As a result, we are returning to our traditional Investor Day cadence, with the date set for Friday, May 20. While we will continue to offer a webcast alternative, we are committed—come what may—to hosting an in-person event this year. Note however that we will be shifting to a new location: The Times Center, at 242 West 41st Street in Manhattan. Look for more details in coming months. In the meantime, we wish you a new year filled with happiness and good health, and we thank you for the remarkable client alignment and loyalty that makes our unique culture and mode of operation possible.

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, 2021	
Top Ten Holdings*	
Alphabet, Inc.	8.2%
UnitedHealth Group, Inc.	6.7%
CarMax, Inc.	6.3%
Meta Platforms, Inc.	6.3%
Taiwan Semiconductor Mfg.	6.0%
Anthem, Inc.	5.7%
Charles Schwab Corp.	5.1%
Micron Technology	5.0%
Liberty Media Corp.	5.0%
Constellation Software, Inc.	4.7%

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

An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Fund may be offered only to persons in the United States and by way of a prospectus.

Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fees	*1.00%*
Other Expenses	*0.09%*
*Total Annual Fund Operating Expenses***	*1.09%*
*Expense Reimbursement by the Adviser***	*(0.09)%*
*Net Annual Fund Operating Expenses***	*1.00%*

*** It is the intention of Ruane, Cunniff & Goldfarb L.P. (the "Adviser") to ensure the Fund does not pay in excess of 1.00% in Net Annual Fund Operating Expenses. This expense reimbursement obligation is a provision of the Adviser's investment advisory contract with the Fund and the reimbursement obligation 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 April 30, 2021. For the year ended December 31, 2021, 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.

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