Remarks have been edited for clarity and relevance.

John Harris: Welcome everybody to our second annual virtual investor day, and hopefully our last. I am really disappointed that we're not doing this in person, and I'm sure I am guaranteeing the second coming of the Black Plague when I say this, but I promise that next year, come what may, we will be back in person, and I appreciate your patience with what I know is an imperfect format today, but I think we're going to make the best of it and have an informative discussion for everybody.

So, my name is John Harris. I'm the Managing Partner of the firm. I have our entire investment team here with me with a couple of exceptions, but those people are on the phone, and we are available to do two hours. We're going to have a short presentation. The whole event's going to run two hours, but most of it is going to be Q&A, which we're very much looking forward to.

We will as usual have a transcript of the event available, I'm sure within a few weeks on our website. We will also have a replay of the video available in short order on the content section of our website. And also as usual, we're going to limit the Q&A to companies that we either own or have owned in the portfolio during the year.

With that, I am going to turn it over for a quick update on performance, the portfolio, and our organization to Chase Sheridan, my partner, who is serving this year as our Research Coordinator. The Research Coordinator role – this is a little bit of inside baseball for those who don't know – is a rotating role that we created a few years ago at the firm and Arman, Trevor, and Chase take turns doing this job from year to year to year. And the Research Coordinator serves as the person who organizes our pretty extensive research effort week to week, month to month, and who also serves as what really is a vital link between the Investment Committee and the research team so that we have good communication between the two.

So, with that, I'm going to turn it over to my partner, Chase Sheridan.

Chase Sheridan: All right. Thank you, John. I'm Chase Sheridan. For those of you who don't know me, I'm a partner at the firm and a member of the Sequoia Investment Committee. If we're doing this right, you should be able to see a slide deck on your screens. This will look familiar to those of you who have joined us for previous investor days. And I'm just going to quickly roll through this slide deck for you, and then I'll turn the floor back over to John. We have some disclosures here. We will be posting the slide deck on our website after the presentation, so you can go through those at your leisure.

And this is the agenda. So, I'm going to talk a little bit about performance. I'll talk a little bit about portfolio composition. I'll give you a very quick organizational update, and then we'll have a short conclusion from John. And then we'll go into the meat of the meeting, which will be the Q&A.

So, performance. Let's take a look. What you see on the left-hand side is a plot of Sequoia's performance year to date versus the performance of the S&P 500. As you can see, we're up 25.7%[1], outpacing the index by 0.2%. It's a pretty minor difference. But I'll call out one silver lining to the close race here is that the best performing sectors of the S&P this year are energy, real estate, and finance. And we don't have any energy stocks. We don't have any real estate stocks, and we're underweight in finance. So, to beat the index in this environment is a victory, albeit a minor one. Now, as you move to the right, you can see our performance versus the index over different time periods – one-year, three-year, five-year, and since the Investment Committee assumed management of the fund in the second quarter of 2016. And as you can see, it's been a close race. I think the five-year, and since IC inception are the most relevant data points.

We've beaten the market, but we've beaten it by a nose. And so, I would describe this slide as somewhat bittersweet for us. The "sweet" is that we're looking at a five-year 20% compounded annual return. All market participants have benefited greatly from an incredibly robust market over the last few years, and there's really very little room for complaint when you're up 25.7% year to date. The "bitter" is that we beat the market by a nose here. And we don't set out to beat it by a nose. We want to run away with the race. All the pieces are in place. We have the deepest team we've ever had. We have very talented individuals. And this is a marathon. The difference between beating by a nose and running away with the race often comes down to just a handful of decisions over the course of years. And so, the onus is on us to make those decisions the right way. And we've got a chip on our shoulder, and we want to do that.

So that's performance. Let's move on and talk about the Top 10 holdings of the portfolio. So, as you go down this list, the first thing I'll call out is Meta Platforms, Inc. That is the new name of Facebook, which rebranded itself last week. I don't really blame them. I think we might get a question or two on Facebook during the Q&A. The other two companies I want to touch on are Taiwan Semiconductor Manufacturing ("TSMC") and Anthem. Anthem was not in the Sequoia portfolio at our last meeting, and TSMC was much smaller. Today they are in the Top 10. Both have been very strong performers since we purchased them, and we can talk about them more in the Q&A as well.

So, let's take a look at valuation here. As you can see the Sequoia Fund -- this is by the way, 2021 expected price to earnings, so a pretty universal measure of valuation – Sequoia Fund is about in line with the S&P 500. The caveat here is that it's not perfectly apples to apples. We like to scrub our numbers, so we have estimates of intrinsic earnings power for all the companies in Sequoia Fund. Sometimes that means revising GAAP earnings up. Sometimes it means revising them down. This is the way we've always done it, and it's consistent with prior investor

[1] *The performance data for the Fund 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. The Fund's 1-year, 5-year, and 10-year average annual total returns through September 30, 2021 were 34.46%, 17.71% and 13.51%, respectively. 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.*

days. But we're in line with the market. And I think it goes without saying, but I'm going to say it anyway: we like our companies a lot more than the average S&P 500 company – they tend to have higher returns on invested capital, they're generally more conservatively financed, and they typically have higher earnings growth. So, we like the positioning of owning this group of companies at a market multiple.

Okay. The next slide talks about our cash position. The dotted blue line you see is the average cash holdings of Sequoia since its founding. That's 20%. Below that you'll see a dotted orange line. That is the average cash position of Sequoia since the Investment Committee assumed management of the portfolio. That is 6%. As you can see, it's been a steady march downward. That's intentional. We telegraphed this intention all the way back in 2016. Our philosophy was that we wanted to be more fully invested more of the time. I don't think we could have guessed back in 2016 that the market would have more than doubled in the ensuing four and a half years, but I think it speaks to the wisdom of putting your money to work when we see opportunity, and that idea of being more invested is something that we believe in. Current cash stands at 1.5% of the portfolio.

All right, looking at concentration, this is a measure of how much of the portfolio is made up of the top 10 holdings. That dotted blue line you see is the average since inception of the fund – 65% of the fund has been allocated to the top 10 holdings over time. Underneath that you can see the same measure over the time the fund was managed by the Investment Committee, at 59%. Below that you'll see a gray line that is the same measure applied to the S&P 500. So, that's the 10 largest market cap companies in the S&P 500. And just eyeballing it, they make up over 30% of the index, which is actually kind of remarkable when you think about it for a 500-stock index. I think this slide shows that it's "business as usual" at Sequoia. We've always believed in putting a material amount of investment behind our highest conviction ideas and that practice continues.

Next slide talks about turnover. So, this is the annual turnover in Sequoia over the entire life of the fund. It's averaged 24% over the life of the fund. It's averaged 21% during the Investment Committee's time managing the fund. Again, it's "business as usual" here. You know, we try to strike a balance between optimizing our after-tax returns while still being opportunistic and taking advantage of gyrations in the marketplace. When you have a really dynamic market like we've had in the last few years, even the long-term prospective returns of your investments can change dramatically over the course of a year, and the onus is on us to take advantage of those opportunities. Over time, what's happened is that turnover has settled out near that 20% a year or so of turnover. That has been a comfortable place for us, balancing tax efficiency and opportunism. So that translates, if you think about it another way, to about a five-year holding period.

Okay, now just a quick organizational update. The message here is that the firm remains on very sound footing. Our assets under management are $23 billion. When we last presented to you, that number was $18 billion. In terms of headcount, it's about the same, both on the investment side and on the business side. There have been a couple of notable retirements that I'd like to call out. So, Bob Gedicks, Jo Ann Chiarelli, and Jon Gross all retired last year. Some of you may know one or all of them, and they were all long-serving employees of the firm. They were part of the fabric of the firm, and I just wanted to acknowledge their contribution, and thank them for their contribution. We miss them around the office, but we see them often, socially.

We have been a work-from-home environment now since we last presented, for almost 18 months. It's gone incredibly smoothly. We're very fortunate to have a business where work-from-home is actually effective. And I think it's a credit to the business team that things have gone as smoothly as they have. The good news is the office is open now. We are back in the office on a voluntary basis. All of the members of the Investment Committee are in the office at least three days a week. And we will be moving to in-the-office three days a week on a mandatory basis for the investment team starting in the beginning of the new year. So, we're looking forward to getting the energy levels in the office back up. It's already got a good buzz, and it's good to see people in person. We hope to actually see many of you in person over the course of 2022. So, that's my very brief update. And with that, I'm going to turn it back over to John for some concluding remarks.

John Harris: So, a couple quick thoughts, and then we'll get into the Q&A.

In terms of performance, so far, so good, but not good enough. As Chase said, we don't work this hard and none of us came here to be a nose ahead of the market. The expectation is excellence, and we are all here to build on and hopefully improve a long-term record of outstanding performance that is not a little bit but a lot ahead of the index. Now we recognize that over the last five years, this has been a tough market to beat if you are someone who invests with discipline and someone who does not just invest in technology and healthcare, which have been the strongest parts of the market. We invest in lots of different businesses, and discipline is at the core of what we do, and so this is going to be, I think by its nature, a more challenging environment for a firm like ours. So, I think we're pleased, but hardly satisfied, to have beaten the market over the last five years, with the market up almost 20% a year. We will see what happens over the next few years, so stay tuned, but I think it's highly likely that we see the market start to settle back down in terms of performance toward the long-term average in the high single digits, and as that happens, hopefully we will see the advantage we've opened up expand over time. But so far so good.

But as I said, the expectation is excellence, and to achieve it, there are a few big things that I think we have to get right. One of them, which we talked about last year and we talk about a lot around here, is finding that right balance between holding firm to the core principles that have always defined what we do around here – and that have to always define what we do – and at the same time evolving and adapting to a world that itself never stops evolving and adapting and changing. And I think we're all aware of the fact that the world is changing probably faster today than it ever has. And so just as we don't do things the way we did them ten and twenty years ago at Ruane Cunniff, ten and twenty years from now we're going to have to be doing them differently than we did in the past, or else we're not going to stay relevant in a world that is never the same. So, we've got to find that right balance, and it's more art than science, but it's something that we need to stay focused on.

We also have to stay focused on creating an environment that allows us to take the basic building blocks of any successful investing operation and mix them together in a way that can produce outstanding performance over the long term. The building blocks are pretty obvious. You need an incredibly talented team. You need a philosophy that makes sense. You need a process that is reliable and that allows you to implement the philosophy day to day, week to week. And I probably used the wrong term on the slide here because it does not do justice to the team we have here to describe our team as a commodity. This team is why I am so excited to get up every morning and walk through the door. I love what I do, but more importantly, I love the people I do it with. There are just no words to describe how I feel about all the people sitting here with me in this room today. But all of us I think would readily admit that there are a lot of really talented and capable teams on Wall Street, and a lot of them also know exactly what they need to do and how to do it in order to perform well over time. The interesting thing is that not all of them actually do it, and I think the reason is that taking that last step from having the capability and knowing what you need to do to actually doing it, over years and decades and cycles and different generations of leadership – that last step is what in the business world is commonly referred to as "execution," and executing at a high level in our business is not an easy thing to do.

The analogy that I always think of to illustrate the challenge is cooking, where if you put me in a room with a Michelin starred chef and you gave us the same ingredients and the same tools and the same recipe and all the same things, I guarantee you that my cooking would not taste the same as the Michelin chef's. The reason why, of course, is because the Michelin chef knows all the special tricks – knows how to put the pinch of salt here and the pinch of pepper there, to heat the pan to just the right temperature before he puts the ingredients in, and all the different sleights of hand that go into turning a set of ingredients and a set of tools that anybody can access into a special plate of food. And it's no different in our business. You need to have all of the building blocks. You need to have the incredibly talented team. You need to have the philosophy and the process and all that. But then you've got to wrap all of those basic building blocks in a culture and an environment that creates that special sauce. And it's so many things. It's who you hire. It's how you train them. It's how you act. It's what you say. It's more importantly what you do. What you do when your stocks go up. What you do when your stocks go down. What you do when *someone else's* stocks go up or down. How you respond to good decisions that produce bad results. How you respond to bad decisions that produce good results. How you think about strategic questions about how to grow your firm. What to do as a firm. What not to do. What kind of client you want to serve. Whether you want to sell your services aggressively or ensure that they're bought by clients who are aligned with you and the way you think. And then a whole bunch of other things, some of which we think about every day, some of which are almost knee-jerk reflexes that you hopefully train yourself to have over time.

So, creating that special sauce is a critical part of what we do, and if you bring all those building blocks together in the right way and in a consistent fashion, you earn the right to perform the way we want to perform over a long period of time.

Another big thing that's got to be top of mind for us and is increasingly on our radar screen is sustainability and diversity. And we really welcome the emphasis that the investing community and our clients are placing on these issues more recently, because they're at the core of what we do. If you think about investing from the standpoint of a long-term owner of a business rather than the holder of a stock, you have to think about the sustainability of the businesses that you own relative to *all* of their stakeholders – their customers, their employees, their shareholders; the physical environment, the political environment, the social environment – and as you analyze and make judgments around all those different angles of sustainability, if you want to make the best possible judgements and understand what are really nuanced, difficult questions, you need to do that analysis through the lens of a diverse team that can bring a wide range of perspectives and experiences and ways of thinking to all of those questions. I have no doubt we'll talk in the Q&A about what we've done to grow and enhance the diversity of our team over time and what we're going to do in the future, but suffice it to say sustainability and diversity have always been critical elements of our process and need to remain that way in the future.

So those are some big ideas that we think about every day as we drive toward the goal that we're all driving toward here, and that's probably a good prompt for me to stop talking and turn this over to the Q&A part of the presentation. Arman Gokgol-Kline, my partner, is going to moderate that, and so I'm going to turn it over to Arman.

Arman Gokgol-Kline: Great. Thanks, John. I appreciate it. Welcome everyone. As John said, I'm Arman Kline. I'm a member of the Investment Committee for the Sequoia Fund, and I will be the moderator today. I'm going to be reading the questions as soon as they're put up on the screen here, and then I'll hand them off.

Ok, the first question is:

What drove the decision to invest in Anthem and in UnitedHealth and how are you thinking about the healthcare industry in general?

John Harris and Matt Cooper will answer that. Matt, will you get us started?

Matt Cooper: Sure. Thank you, Arman. Thank you for the question, too. Even though healthcare is anything but simple, I'll try and be brief. Considering that managed care is over 10% of the portfolio and that we haven't talked about it at an investor day before, I think it might be helpful to just take the question in three parts so we can go -- Why healthcare? Why managed care within that? And then within that, why United and why Anthem?

For why healthcare, the first question is the most straightforward. It's a big market. We spend $3.8 trillion on medical care every year. It's a growing market, thanks to the aging of our population and all the innovation around new treatments and therapeutics, but it's also very complex and inefficient and as a result, ripe with investment opportunity. Because of that, we spent the last three years really studying the space. And funny enough, the first project I did when I joined the firm three and a half years ago was Walgreens. So, I actually just can't get away from the healthcare space. Joking aside, I would say over the last three years, I couldn't tell you how many meetings John and I and the rest of the team have done with executives from all the different healthcare players all across the ecosystem. I'd say from all that research, there's been a number of learnings. Within that, maybe there's three that are more pertinent for today for why we liked the managed care space. And I would say really three trends that have enabled the managed care space to be really successful over the last 20 to 30 years. And three trends that we think are only going to continue and accelerate over the next 5, 10, 15 years. The first two of which go hand in hand.

The first trend is just that we've seen an expansion in the government coverage of lives. So, Medicaid today covers 80 million people. Medicare covers 65 million people. The individual exchanges, which came about from the ACA, cover another 10 to 15 million people. All in, nearly one in two people today is actually covered under a government program.

On top of that, you've seen over the last 25 to 30 years, not only the expansion of these government programs, but the outsourcing of them to private firms. So, 25 years ago, people barely spoke about managed Medicaid; Medicare advantage didn't exist. Today, over 42% of all seniors on Medicare are actually on the privatized program, and over 75% of all enrollees on Medicaid are on the privatized program. The individual exchange, which also came about in the last 15 years, is an entirely privatized product. I'd say on the government side, even if it's a low margin percent business, it's actually a high profit dollar business and it's a good ROE business. And so over time, it's been a nice tailwind for the managed care companies. And one we expect to continue going forward.

The third trend I would say is you've seen this real evolution of the insurance company from being the financier of care to being the quarterback of healthcare and to getting more involved in the delivery and services of healthcare. And so, what I mean by that is if you go back to the 1920s, when health insurance in its modern form was actually originated in 1929 in Texas, it was actually more of an indemnity product. It wasn't until decades of double-digit medical inflation in the seventies and eighties, that we really saw the advent of the HMO, PPO, and whole networking construct where you saw insurance companies start to pivot from being just the financiers of care to being more involved in the delivery of it. And it's really only in the last 10 to 15 years that we've seen them start to actually own providers and pharmacies and other assets to get more involved in the actual delivery of your care. I'd say taken together with those three trends, it seems like there's a lot of things that are going in favor of the managed care space and things that we're really excited about.

Plus, what we used to have was a very siloed and fee-for-service based system. And now we're going to a more capitated and value-based care arrangement world, where you have more players who are integrated with better incentives and hopefully with better outcomes. That's one of the reasons why we're excited about the managed care space more generally.

Then, I'd say in terms of why United and why Anthem. That's probably an easy question too, which is throughout all our research, there's one thing that really stood out and that was that scale in health care really matters. And so, you want to be the biggest player so that you can be the most efficient when it comes to claims processing. You want to be able to leverage your technology and your brand and your marketing spend over as wide a member base as possible. You want to be as big as possible to be able to negotiate rates with providers and have good provider relationships. It's endless in healthcare with all the blocking and tackling that you have to do. And so, it's no surprise then that the two companies within the healthcare space that we own are also the two biggest.

So, United and Anthem each cover more than 45 million U.S. lives, and they're each around two times the size of the next biggest competitor. They're utterly dominant across the space. I'll maybe say 30 seconds on each, and then I'll wrap up.

For United, the word I would use is "breadth." So not only are they the biggest insurance company across the country, but they're also the farthest along in this consolidation strategy. They're the third largest pharmacy benefit manager, a top five specialty pharmacy. Interestingly enough, they're also the largest employer of nurse practitioners, the largest employer of physicians across the country. They're literally all over the care spectrum and in an environment that's potentially volatile thanks to politics or otherwise. It's really helpful to be able to have them kind of have their hand in all the different cookie jars so they can be nimble so to speak.

In terms of Anthem then switching gears, if the word I would use to describe United is "breadth," the word for Anthem would be "depth." So, they might only have the Blue Cross/Blue Shield franchise in 14 states, but they are utterly dominant in those 14 states. So, their weighted average market share there is much higher than the United's is across the rest of the country. On top of that, they have a great brand in Blue Cross/Blue Shield. They've been in their markets for many decades. They've great provider relationships and great provider rates because of that too. And lastly on Anthem, I would just say, even if the company was potentially under-managed in the past, Gail Boudreaux, the new CEO, came over in 2017. She used to be at United, and she's brought over that same high-performance, hard-charging culture and that same idea of trying to actually get more involved in the delivery of care through creating a portfolio of services and delivery assets over to Anthem. And so overall on both those companies, that's why we're excited.

And wrapping up, just the last sentence I would say on it is, we paid sub-market multiples for companies that we think not only can grow their earnings per share far in excess of the S&P 500. But I think we're also excited because as these companies continue to move upstream and own more delivery assets, they're actually becoming more entrenched and better businesses within the healthcare ecosystem and becoming more defensible. And so, it feels like a really good trifecta. I'll now pass it over back to Trevor or John to see if they have anything to add.

John Harris: I definitely do not have anything to add to that incredibly thorough exposition.

Arman Gokgol-Kline: Great. Next question as John and Chase predicted:

In light of the recent whistleblower revelations and Facebook's (now Meta's) apparent prioritization of engagement over the wellbeing of its users, why do you think it a sustainable investment and worthy of a place in Sequoia?

Pat Pierce: Thanks for the question. Facebook optimizes for engagement. That's been controversial in the past and especially recently. Facebook actually recently tried a test on its newsfeed of just ranking posts chronologically rather than algorithmically, and what they found is they actually made more money because people spent more time looking for content they enjoyed, but users were frustrated and enjoyed the experience less. And so, I think that tells us something about human nature. We all like controversial content. It's something that other platforms, other forms of media, have figured out as well. I don't think there's any platform that has really cracked the code on this. Twitter, Reddit, you name it all have sorts of issues with the tension between engagement and wellbeing and certainly are faced with questions of content moderation. Even traditional media, I think, is also a party to some of the same questions, certainly cable news. One of the reasons you read so many articles about Facebook is that people click on articles about Facebook, right? So, editors and journalists write more about Facebook. So even our favorite newspapers are party to some of the same issues of optimizing for engagement.

Ultimately these are questions that I think are too big for any single company to answer on its own. We'll need regulation. Facebook has called for that, and we'll see how that shakes out, but I think that ultimately would be good for the company and good for society.

In this discussion, I think what's often missed is all the good that Facebook does. It's not all downsides. Facebook helps us connect with friends and relatives. Certainly, for a lot of families, it helps multiple generations stay in touch. I think Facebook groups are hugely important, not just to a lot of parents, a lot of mothers and a lot of fathers. A lot of patients really rely on the support from Facebook groups. So, I think Facebook does a lot of good in the world, in addition to the obvious downsides that have been well discussed. An interesting thought experiment that I just go through is, would the world be better off if Facebook were just wiped off the face of the planet tomorrow? And I don't think the answer is yes. Users would migrate to other platforms which have the same issues. For example, teens would spend more time on TikTok maybe, and that's not obviously better than spending time on Instagram.

In terms of the investment, we think it's quite attractive. Starting with valuation, we have it trading somewhere in the high teens. The company just confirmed recently that they were spending $10 billion this year investing in the future, investing in the metaverse. So, expensing a lot of investments through the P&L. And for that quite modest, submarket multiple, we think we're getting a company that could grow much faster than the market. Earnings could roughly double over the next five years. The company facilitates e-commerce and all sorts of online activity and should benefit from the growth of those sectors.

Obviously, there are some risks. We've talked about regulation in the past. The one that's come up in the last year or so is TikTok, which is a rapidly growing social media platform. Facebook and Instagram compete against TikTok. They are different use cases. Facebook competes against all uses of time, but certainly TikTok is competitive. What we've seen is that once users develop a social media routine, they really stick to that routine. And so, it's quite rare to lose users. New users are joining the Facebook app later in their lives than they used to, partly as a result of these new platforms. But they're still joining and once they've joined, they're quite sticky. So, I'll leave it at that. Chase, do you have anything to add?

Chase Sheridan: That's a great explanation. I would just, I guess, draw a little bit of a line between the self-inflicted wounds that Facebook has incurred, typically with respect to privacy in the past, and the issue of content moderation, which is an enormous, intractable problem which nobody has really cracked yet. And, as Pat pointed out, Frances Haugen, the whistle blower for Facebook, her call was for Facebook to face regulation over content moderation. That's actually the same request that Mark Zuckerberg made in an op-ed in the Washington Post in 2019. He wants regulation too, and it's not an easy thing to regulate. It's not an easy thing to handle for any social platform, and in order to even attempt to address the problem you need enormous resources. So, Facebook has 40,000 employees and contractors working on the problem and spends billions of dollars addressing it. This is also a problem for YouTube. It's a problem for Twitter. And for TikTok, which is owned by Bytedance, so they ultimately answer to the Chinese government. So, the cost of providing moderation actually raises the barriers to entry, or at least scaled entry into this arena. There are going to be a limited number of large social platforms that can address content moderation, but it is really ultimately a problem of human nature. I mean, think about how many of the news stories you see on television are positive versus negative. It's the negative news stories that get your attention and create an emotional response. It goes beyond social media to all media, in fact, to human nature. So, I think they're addressing it, but it is absolutely not a problem that anyone has managed to really find a balanced equilibrium for yet, or that will satisfy all parties.

Arman Gokgol-Kline: The next question is for Trevor and Greg who cover CarMax for us:

How do you view the threat of Carvana to CarMax?

Trevor, can you get us started?

Trevor Magyar: Sure. I'll provide a few high-level thoughts and then I'll hand it over to Greg. So just to set the stage here, CarMax is a company we've been invested in in size since 2016. CarMax is the largest used car dealer in the United States. They pioneered a no-haggle consumer-friendly model back in the nineties, and they've done a very, nice job developing and nurturing that model over the decades. Carvana, if you haven't heard of it, you probably will soon. It's a company that has made quite a splash. It was founded several years ago but has experienced hyper-growth over the last few years. They're what you would call an online used car dealer. They don't have stores, though they do have these physical vending machines. But it's an online-focused model. You go to the website or the app, you look at the cars, you select a car you like, you apply for financing on the website, you get approved or not more or less instantaneously, you buy the car, and it's delivered to your doorstep within a three-hour delivery window in a matter of days.

So, the question was, "Is Carvana a threat to CarMax?" Before I answer directly whether or not it's specifically a threat to CarMax, I should probably explain our view. And it's one we've come to carefully because we need to be right about this to be right about CarMax. And our view is that the used car business in any form – whether it's a more traditional form or the online form – is just not going to be a winner-take-all market. I'm not even sure it's going to be a winner-take-most market.

What Carvana has proved is that there is consumer demand for this online version of used car retail. There's no doubt about it. The growth they've experienced has been tremendous. So, when we saw that we said something is happening. The exact financial model for Carvana is a separate issue, but they have proven that there's real consumer demand for this.

You're seeing the kind of growth rates you often see in online businesses. And so, it's totally natural to wonder whether this might be a replay of what we've seen in other markets, most notably with a company like Amazon, who started out with books and then proceeded to roll over much of the rest of retail. Our conclusion is that notwithstanding the hyper-growth that Carvana has experienced, the conditions are just not present for a winner-take-all or even a winner-take-most sort of outcome. The first point there, I think, is just the size of the used car market. It's several hundred billion dollars. So, when you just think about the size of it, it's very difficult to imagine anyone taking all of it, or even most of it.

But more than the size, it's the nature of the market. So, every car is unique. Every car is a snowflake. There are hundreds and hundreds of different makes and models. And they all come in different colors and combinations of options and features and so forth. And when you think about it that way, you realize that inventory itself is just a huge driver of the market. It's nice to have more cars, absolutely, selection matters in all of retail and the used car space is no different, but you need to have the exact car that someone wants, and there's simply no way to corner the market on every car, every permutation of every car. You just can't do it.

The other piece I would add is the logistics involved here are really substantial. So yes, Carvana has an online model and the way the customer experiences the transaction feels very online, but behind the scenes, there is an awful lot of brick-and-mortar. I mean, Carvana still has to find a way to source cars. They have to recondition the cars. They have to store the cars. They have to move them around. So, this is a heavy, heavy operational business.

Stepping back, when we think about the size of the market, the brick-and-mortar intensity that is behind the scenes and the fact that every car is a snowflake, we don't see the conditions that would produce a winner-take-all or winner-take-most sort of outcome. So, at the highest level, I would say our view is that Carvana is not about to take over the entire used car market and bury CarMax.

Now, just because it's not a winner-take-all or winner-take-most sort of market doesn't mean CarMax shouldn't be worried about Carvana. Of course it should. Carvana is now a sizeable competitor. They're participating in the fastest growing part of the market. And they're quickly building a brand that counts with consumers. So, I think we'd be crazy as investors in CarMax not to think it's a factor. And CarMax thinks it's a factor.

CarMax has responded with its own online offering or what they call their omni-channel offering. And I'm going to let Greg speak more to the specifics of what they've accomplished and what they're trying to accomplish, but the point is they're reacting. They are quickly developing this offering. Now, it's taking them some time, perhaps understandably given that they have a large existing business, to roll out this offering, but our thesis -- and again, I'll let Greg speak to the specifics of what they're doing – is that CarMax is going to be able to compete effectively for those consumers that are interested either in an online-only offering or something in between, where they might do a lot of the browsing online, they might reserve the car online, but then come to the store and test drive it. I think I've covered why we don't think this is going to be a winner-take-all market, but what Carvana is doing is absolutely still relevant for CarMax. CarMax needs to respond, and they are responding. I'll let Greg maybe speak to some of the specifics around the transformation at CarMax.

Greg Steinmetz: Yeah, thanks. I could be wrong about this, but I view Carvana's opportunity as also being CarMax's opportunity because as the world goes to e-commerce, it's going to be very difficult for the other 30,000 used car dealers out there to stay abreast of CarMax and Carvana. CarMax, off of sort of a slow start, has completely up-ended their business to the point where they've adopted a lot of what Carvana has done. Instead of just walking into a store, you can go to the website, you can buy something. Instead of talking to a commissioned salesman, you get someone at a call center. They've revamped their logistics network. They've revamped the way you can buy cars and sell your car to CarMax. CarMax now, like Carvana and like some others, allows you to sell your car online. Last quarter, CarMax bought more cars online than anyone. And again, after a slow start… Carvana was the first in the e-commerce used car retailing, followed by Vroom, followed by Shift; these are other e-commerce players. CarMax is now number two in e-commerce, forgetting about the rest of their brick-and-mortar business.

So, they're moving fast enough given that this isn't Starbucks, where you put a store out there, and you can change people's habits overnight; you can generate that repeat sale 24 hours later. People buy cars every four years. That gives CarMax time to adapt. And when you think about it, the number of cars being bought online is still very small as a percentage of the 40 million used cars that are sold every year. That market, you take that 40 million, you cut it in half and that's maybe CarMax's addressable market. They sell nicer cars – one-year to six-year-old cars. Of the 20 million cars, CarMax only has 4%. So, there's a lot of opportunity for CarMax to keep taking more market share. There's opportunity for Carvana to take market share. But it's not going to go from all brick-and-mortar to e-commerce overnight. CarMax is doing what they have to do.

They talk about Burger King – "Have It Your Way." You want to come into the store, look at a car, give it a test drive, which you can't do at Carvana. You can do that at CarMax. Or, if you want to do the whole thing online, you can do that, too. There are still some kinks in it. But they're working very fast. They're moving to the cloud at the end of this year, all of their operations. We think they're doing the right things, and given where the stock's trading, we still think it's a great opportunity.

Trevor Magyar: Greg made a point that I probably should have made more explicitly, which is we don't think this is a winner-take-all or winner-take-most, but we do think this is a winners-take-more market. And our thesis is basically that CarMax is going to be one of those winners.

Chase Sheridan: Can I share a quick research anecdote on this? In the interest of really understanding the user experience at a granular level, Trevor and Greg have both purchased cars from CarMax, and then they strong-armed the Research Director – that's me – into buying a car from Carvana. So, I just hope for the sake of next year's Research Director that Trevor does not do a project on Boeing.

Arman Gokgol-Kline: Okay. Thanks. The next question is for JB, who is joining us remotely. Johnny:

What do you think of Berkshire Hathaway's buyback and how additive is it to intrinsic value? They have been doing $6+ billion per quarter. Do you think the buyback at the current price should be increased from the current level, given the level of cash on the balance sheet?

Jon Brandt: Hello everybody! Good to be with you today even if only by phone. It's nicely accretive for Berkshire to be buying back stock. One can do a few calculations to figure out how accretive. The simplest calculation is to take the current trading value of the stocks and use publicly traded proxies to value the owned companies. Without a haircut for required cash and the deferred tax liability, the pieces are worth about $635,000 per A-share. After deductions, it's about

$570,000. Each share bought back at $435,000 therefore captures either a 23% or a 32% discount depending on the valuation method, or 27% based on an average of the two. A $100 billion repurchase at the current price adds over $70,000 per share to value in the scenario where we haircut the cash.

Arguably, if there's nothing attractive to buy in the public or private markets, accelerating the repurchases is smart. The velocity of the repurchases is constrained by the level of trading volume. I'm not sure what percent of the daily volume the buybacks represent, but low liquidity could be affecting the pace. Perhaps, too, the board might be thinking that if they are patient, asset prices could come down and they might find things even cheaper than Berkshire Hathaway stock is today.

Arman Gokgol-Kline: Great. Thanks, Johnny. The next question is for Greg Alexander:

Greg, could we get your updated views on the post-pandemic world and what are the pandemic lessons learned from the investor's perspective?

Greg Alexander: I'm not sure why I qualify, but… I mean, obviously there's a lot of bad stuff that happened but, humans evolve and where there's lemons often there's lemonade. We have people in the office who commute an hour and a half each way to come to the office and then close the door and type on their computer. Does that really make any sense that people should be doing versions of that five days a week, all around the country, forever? I have a friend who lives in a one-bedroom apartment with his wife and two kids. Is it really critical that he be in town five days a week? I don't really know. I, myself, come to the office if I have meetings and not if I don't have meetings. So, I think quality-of-life-wise, that's something that's changed which is good.

On a personal note, I find that the politics have been frustrating on, frankly, both sides, and I've pretty much concluded that… Basically when I was a boy in the 1970s, the world was a kind of a mess. The Iron Curtain countries, the southern hemisphere was full of dictators; of course, there still some of those. Dirty Harry and Charles Bronson were all over TV because the cities were a mess. Really, until about five or eight years ago, most of the world spent the past several decades going pretty much up and to the right. Sometimes that was bumpy, sometimes it took the voters longer than shorter, but I mean, generally speaking, I think anyone who invests internationally or looks around the world thought that it was a good 30-something years. And then, about five or eight years ago things started happening that surprised me. I think the world's behavior towards COVID frankly, and in many quarters causes me to realize, that something maybe has changed. Maybe that long-term trend of up and to the right has rediscovered the humanity of humans. Medical stuff, I don't know what else have we to say?

Arman Gokgol-Kline: It's a broad subject. Anybody else want to take a crack at it? A lot of shaking heads. Alright, I am not hearing any voices.

The next question then is for me, and maybe I can ask Antonius to add any thoughts he might have on this…

Can you describe the Universal Music Group spin out from Vivendi?

Arman Gokgol-Kline: So, UMG was a wholly-owned business within Vivendi group, which is a French conglomerate until about 2019. In 2019, the managers of the business and the major shareholder, Vincent Bolloré, felt Universal Music Group was mispriced within the conglomerate and that they would offer a mark-to-market, if you will. So, they sold 10% of the business to a consortium led by Tencent in China along with signing some business relationship contracts, where they were going to get together with Tencent Music Group to further UMG's prospects in that country.

That initial contract actually had a further 10% call option by the Tencent consortium, which they exercised. So, by the end of 2020, the Tencent consortium owned 20% of UMG, and Vivendi made the decision to then spin out a majority of the remaining 80% of the business they held in 2021. Right before that, they made a further decision to sell a further 10% to Pershing Square, and then the spin-out effectively happened last month or a couple months ago. Today, Universal is kind of 10% owned by Vivendi still, Vincent Bolloré owns a further almost one-fifth of the business. And then, the Tencent consortium owns 20%, and Pershing Square owns 10%. And then the rest is publicly floated. So, we are shareholders today in Universal Music Group directly. Sequoia Fund no longer has an investment in Vivendi. We made the decision when the split happened, given the respective valuations of the two parts, to sell our stake in Vivendi and increase our stake in Universal Music Group. So, I don't know if there's anything to add Antonius…

Trevor Magyar: One thing I'd mention is that UMG comprised much or most of the value of Vivendi. It was the part of the conglomerate that we were always most attracted to, which is why we increased our shareholding.

Arman Gokgol-Kline: Yeah, I'd say that's true. So, what initially attracted us to Vivendi was the UMG asset, though I think the other assets were also attractive in their respective ways to us. And it's probably also worth noting that in the three and a half years or so that we owned Vivendi and UMG, the UMG asset exceeded our expectations on pretty much every metric – in terms of its growth, its profitability, its market position. And so, that's why we ultimately then made the decision we did to move our remaining investment in Vivendi over to UMG after the spin. Antonius anything to add…

Antonius Kufferath: Sequoia doesn't own Vivendi anymore. There are some folks out there who will point out that it trades at a significant discount to NAV. Ultimately Vivendi is controlled by Vincent Bolloré, and he makes the decisions. The acquisitions that have been made in the past have actually increased the discount to NAV. So, Sequoia decided to sell out of Vivendi and keep the UMG, which was the original rationale for the investment anyway.

Arman Gokgol-Kline: Yep. That's exactly right. I think Vivendi at this point is an interesting investment in discount rates of underlying HoldCos, whether they're wholly owned or partially owned. And again, we made the decision we did about moving that capital over.

Okay. The next question is for Pat and anyone else on the IC who would like to chime in on this:

Can you talk about Taiwan Semiconductor, TSMC, and why it's now such a large holding for the portfolio?

Pat Pierce: Thanks for the question. We really like Taiwan Semiconductor. For those of you who don't know the company, they're the largest fab in the world. They make chips for other companies that design them. They have really dominant market position in advanced logic chips. They have well north of 80% market share for the latest chips, and that lead has only increased over the last few years. So, we really like the market position. Obviously, all of us can see the demand for electronics has gone up quite a bit throughout the pandemic and it is only going to keep increasing. There are semiconductors in electric cars and everything that we buy, so we're quite excited about the potential growth of the company.

And the valuation is quite modest. It's a low twenties multiple for a company whose earnings could double over the next five years. The elephant in the room, obviously, is that Taiwan Semiconductor is primarily located in Taiwan, and Taiwan is obviously next to China, and there is quite a bit of geopolitical tension there. It's a risk that we discuss all the time. We think about it. All our investments have risks. This one is particularly dramatic, and it would go way beyond TSMC if conflict were to arise, but in light of the potential growth of the company and the valuation, we think it's worth holding the shares, even in light of the significant risks.

Arman Gokgol-Kline: Yeah, I mean, maybe I'll add a couple thoughts while we wait for the next question to come across… As Pat said, it's a significant risk obviously to think about Taiwan's current position vis-a-vis China and their long-held goal of integrating Taiwan back into the Homeland, and one we certainly think about and talk about and debate extensively. But as Pat said, there are lots of risks with lots of businesses whether they be regulatory, geopolitical, and our job is always to look at those risks and weigh them. And are they acceptable to the point that we can hold our investment? Obviously in this one, we've made the judgment that they are.

Alright, for the IC the next question is:

Over the past five years, the fund has successfully increased its exposure to tech companies. Do you see these stocks at risk of entering a bubble territory in reminiscence of the 1999 dot-com collapse?

John Harris: I can start by saying that I see real differences between the environment we're living in now and that environment. That was a pretty monolithic technology market in the sense that I think it was pretty hard to find anything that had anything to do with technology circa 1999 that was not hugely overvalued. Whereas today, there are definitely pockets of the market in general and technology in particular that feel frothy to us. Cloud software would definitely be one. Obviously, the meme sock phenomenon is something that gets a lot of press these days. Certainly, if you went back especially earlier in the year, there were individual companies and sections of the market that just sort of made you want to rub your eyes. But by no means could you say that the whole of technology is valued in an irrational way today. Certainly, within our own portfolio, I look at Facebook, and Facebook is a company that earns huge amounts of money every year and is valued I think very reasonably relative to the level of its earnings and the rate at which its earnings are growing. Now there are a lot of really nuanced questions around the sustainability of those earnings over the long term that we spend a lot of time researching and thinking about, and there's obviously a range of scenarios and we'll have to see what happens, but even if you contemplate the full range of scenarios for a company like Facebook, the valuation strikes us as reasonable. And you could probably train a similar lens on Apple or Google or a whole host of other technology companies that are the businesses that lead the market and account for the largest part of the market cap of the S&P 500 and a lot of investor interest, and I think you could probably make the same comment of all of them.

Thankfully for us, as investors who don't have to own anything more than a small handful of companies, and who have the luxury of being able to really pick our spots, it feels like a much more idiosyncratic and less monolithic market, even within technology, than it did twenty years ago. And really importantly, like I said during the opening remarks, we are not dedicated technology investors. That has been a nice kind of investor to be for the last five years, but in the fullness of time, we really value the ability to play a lot of different notes; to own a lot of different businesses that do a lot of different things in a lot of different markets. And so even if technology were entering a bubble or overvalued or whatever you want to call it – and I don't think we feel that way, but even if it were – we would have the luxury of being able to invest our capital in other parts of the market and other types of businesses. And so, I think it's an environment today that's more hospitable to thoughtful opportunists than it might have been five or six years ago, when it felt like a more correlated market overall, and that's an environment in which we feel comfortable and that we welcome.

Trevor Magyar: The only thing I would add is, and I think we've touched on this in maybe one or more past investor days, is that the line between tech and non-tech is blurring and continues to blur. And I think with each passing day more and more companies use technology in a way that's significant and relevant to us as investors or prospective investors. We just talked about CarMax, which is a used car dealer. Ten years ago, this wouldn't even have been on the radar for the company or any investor in the company. And now technology is front and center to the business and its prospects. There's no escaping technology. We talk about technology with respect to many of the companies in our portfolio, and not just ones that are obviously internet companies or what have you.

Chase Sheridan: I tend to think a lot of the froth that we see is in the private market and in recently public tech companies that are still money-losing and fast-growing. It's the companies that aspire to be the next Netflix, the next Google, the next Facebook. We own the last Netflix, the last Google, the last Facebook. And so, in mega-cap tech, I just don't see the frothiness. I see Greg nodding his head…

Greg Alexander: Yeah, I think it's a good question. It's an interesting question with numerous implications. Actually, one item that I do want to say is, I do think the IC has done a fantastic job in recent years on bringing the fund into the modern world really. We were always good at stuff in the physical world. Bill Ruane and Rick, and Bob too, had a good nose for many, many exceptional businesses – managements, valuations. And I think we were one of the early value investors to figure out in 2011, maybe 2012, about Google.

Trevor Magyar: 2010.

Greg Alexander: 2010. I don't think there's many value investors who figured out about Taiwan Semiconductor Manufacturing before us. There are plenty of fine investors who owned it, but I'm not sure they were so many value people. Ditto with Wayfair. Some of these are really very interesting decisions, and very profitable for us.

Charlie Munger always says, always invert. And if you do that to this question and say, "Hey, is there a bunch of stuff that one is tempted to short? What would those be now?" As Chase said, the private market is a bit frothy, although would you short the whole thing if you could? I don't know if I do. (Chase is shaking his head, no.) There's probably some stuff if we went to the blockchain, which is actually a very interesting technology that I think will prove to be quite important. But you know, Dogecoin, some of the meme coins in particular, Shiba Inu, are selling for tens of billions of dollars, and I think even pretty much everyone who owns those particular ones would concede that they're more or less nonsense. Sorry if I offend anyone …

John Harris: Greg is not really sorry about it!

Greg Alexander: Bitcoin sells for about $1 trillion in total, but if you were an escapee from some evil dictatorship of the past, boy, wouldn't it have been nice to have some Bitcoin instead of trying to smuggle gold bars past the special police? And $1 trillion in one way is a lot, but it's only about half a Google or half an Amazon. The whole gold market sells for I think $11 trillion. So, would you short Bitcoin? I'm not sure you would. And then, I guess you could nominate non-fungible tokens, which is say artworks and special sports moments and whatever, where you can buy sort of a limited collection edition that's electronically fingerprinted on hundreds or thousands of computers. You don't have to have these arguments about the provenance of the painting. Some of the prices may seem silly to people like us, but I mean, is the whole category silly? I don't think so, although the prices may be of some of the items. But it's different from a normal fad in the sense that I think the people who are buying those are some of the people who made a lot of money in the other silly stuff. If you have some Dogecoin, would you peel some off to buy a special sports moment thing? I don't know, but maybe. Anyway, it'll be interesting to see what happens when some of that money filters out into the physical world of like houses in Palo Alto or what have you. I do think that there's some really valuable stuff. If the internet is communication, but blockchain is kind of simulated trust, I think in a lot of countries, that is something that will prove to be very interesting.

Arman Gokgol-Kline: Great. Thank you. The next question is for the Investment Committee, as well as for Salina:

Are you trying to diversify your group? Please talk about your recruiting efforts.

John, you want to get us started?

John Harris: The easy answer is absolutely, because we have to. We have the biggest and most diverse and most thoughtful investment team that we've ever had today, but we had better have an even bigger and more diverse and more thoughtful investment team five and ten years from today than we do now, because it's just hard to overstate how hard it is to be right in this business. We operate in this incredibly thick fog all the time, and we're trying to look through the fog and essentially predict the future, and predicting the future in a world that's changing as fast as this world is changing is just really hard. If you want to have any hope of doing it right, you have to bring, as I said in the opening remarks, as many different diverse perspectives to your analytical and judgment-making process as you possibly can. The longer you do this – and a lot of the people you see up here at the front of the stage have been doing this a long time – the more in touch you become with how humbling a business it is and how no one person has all the right answers, and you come to really value the contribution of a team – and of a diverse team that comes from the widest possible range of backgrounds, ethnicities and experiences, and hopefully that brings together a lot of different strengths and weaknesses that complement each other well. When you bring all of that together and you house it in the right cultural context and surround it with the right philosophy, you create an engine that's capable, hopefully, of being right a little bit more often than it is wrong, and of positioning your capital in situations where even if you are wrong, you're not that wrong, and sometimes when you're right, you're really, really right.

That is why diversity is just a critical imperative for us and has been for a while now. There are a lot of things we do today to try to cultivate diversity on our team that are different than we did five years ago, and there are things that we are in the process of doing now that will hopefully allow me to say the same thing five years from today, and that's probably a good prompt for me to turn it over to Salina, who is a partner of mine at our Wishbone partnerships. Salina wears a lot of hats at our firm. She manages our entire firm-wide recruiting effort, she also is a member of our investment team, and she is a partner of mine at our Wishbone private partnerships and a member of the Wishbone Funds' general partner. So let me turn it over to Salina.

Salina Claps: Thanks, John. As many long-time investors will know, we have been slow and judicious in building our investment research team. Generally, the long-term mindset that we apply to investing carries over to the way that we think about recruiting. We take great care to hire the right people, and then we do our best to, as John said, maintain a nurturing and empowering environment so they never want to leave. I think it's important to convey that we recognize diversity as an opportunity to improve our investment decision-making at Ruane Cunniff, and because of that, a lot of the recruitment effort over the past year has been focused on improving diversity within our ranks.

Over the past decade, we have primarily hired new analysts out of college after they've spent a year or two interning with us. And so, an early step we made towards improving the diversity of that pipeline was to attract more applicants to our internship program. To do that, we cast a wider net. We started recruiting at more universities. We engaged with collegiate multicultural, investment, and pre-professional clubs, and we hosted stock pitch competitions to promote our internship program and encourage applicants. I'm happy to say that the results of those efforts have been encouraging. Not only have we increased the number of applicants, but we have also improved diversity within our intern classes.

Though we have gravitated towards hiring at the undergraduate level. We also realize there's an opportunity for us to recruit at the pre-MBA level. Over the past few years, buy-side competition for talent at the undergraduate level has intensified. We think that recruiting lateral hires at the pre-MBA level could serve us well. In speaking with a handful of search firms, what we've learned is a bit discouraging in that it seems long-term, value-oriented public equity market investing has fallen a bit out of favor with young investment bankers and consultants, but I believe we have a really compelling story to tell here at Ruane Cunniff. This is a fantastic place to find a long-term home, with a flexible work environment and a wonderful culture. We offer an amazing environment for young analysts who are interested in understanding businesses and analyzing investments with a long-term view.

While we've expanded the recruitment effort to improve the diversity of our team, we also recognize that hiring diverse talent is not enough. We also need to develop and empower that talent. Towards that effort, we've implemented programs to encourage our young recruits to integrate and collaborate with the more experienced members of our investment research team. The intention is to create an environment where young, diverse talent feels compelled to share their ideas and contribute unique perspectives.

And then, if I may, just a bit of a plug – if you're listening to this call and are an aspiring young investor or are a parent or a grandparent of a young person who is interested in a career in investing, and our approach to understanding businesses resonates with you, such that you are interested in our summer internship program, I'm the person to contact. With that, I'll turn it back to John.

John Harris: Just a couple of quick things to add to that. There are a lot of different facets to this challenge and we're trying to be thoughtful about attacking each one of them, but the thorniest one for us is what most recruiters would call the top of the funnel. We just need to find a way to see more resumes and to bring more potential candidates in the door, especially to our internship program. I think we have a generally good record of – once we introduce people to our environment – of quote-unquote converting them to come back for a second summer, to come back for a first two years, and then hopefully to get married to us and make a career here at Ruane Cunniff.

I think part of the reason why is that we are dead serious about empowering young people. Anyone who has been through our program knows that the minute you walk through the door – even as a college sophomore, or an undergrad who's just finished their sophomore year and is in the summer in between sophomore or junior year – you do the exact same work that the most senior people of this firm do day in and day out. We give you a company to work on for an entire summer. You do the same research, the same way, and produce the same analysis and judgements that everybody else at this firm does. And we take the work that you produce just as seriously as we take any other work around here. We have had intern projects that have ended up in Sequoia Fund.

Part of the reason we do things this way is because as I said, diversity is so critical to our decision-making process. And that is diversity in every which way. Yes, it's race, ethnicity, religious background, socioeconomic background. But it's also diversity of age, because all of us realize that we all see the world through the eyes of a forty or fifty or – I don't know, Greg, what, 75 years or something?! Anyway, we see the world through older eyes, and there's a view of the world that you have when you are eighteen or twenty or twenty-four that we just are never going to have on our own, and that is a really important input to our process. I'd say increasingly important, given the rate the world is changing.

I think the fact that we value that perspective – I think that makes the internship and early career experience here a really attractive one. The problem is that we need to expose more people to that experience, and that is easier said than done, but a lot of the steps we've taken over the last few years and the steps we are going to take over the next few years revolve to a great extent around opening that aperture at the top of our recruiting funnel, to introduce more people to the experience. Then of course there are things we can do even above and beyond what we've already done once we have people inside the firm, to make them feel more comfortable and compelled about a career at Ruane Cunniff. But I think the big challenge for us is that initial top-of-funnel challenge, and just attracting more resumes to the top of that funnel and ultimately bringing more people through our internship and early career programs over time.

Arman Gokgol-Kline: Great. The next question is going to be for Will:

On your decision to sell A2 Milk, could you discuss more specifically why you lost faith in the management team. If they made mistakes in execution, what do you think they should have done instead?

Will Pan: When we invested in the company, the company had a very profitable and strong channel, what's called the "daigou" market, where the product was going from New Zealand through Australia and then into China, where it was resold by very entrepreneurial folks who saw the value of the product, saw how much demand there was in China for it. This was an incredibly profitable channel, and fast growing. It was the basis for their original success, but to really future-proof the business, and in order to really take it to the next level, we thought that they needed to invest more in diversifying more quickly into other channels. And those channels would require more marketing, especially more marketing to build the brand. So, we were constantly exhorting the team to invest more and not hold so rigidly to a 30% operating margin. At various times I think we got more or less traction with that. At the end of the day, they didn't seem to move fast enough on that. Now, they did run into a hundred-year flood, right? So, the pandemic shut down that channel in a major way with the borders closed between Australia and China. That large and very profitable part of their business took a huge hit. And so, part of the reason we sold was due to that damage from the pandemic. If you're not in the market, then people are going to find alternatives because babies stay on formula for several years, and then you have to find and recruit the new mothers. It's not clear that marketing or further investment could have totally mitigated the impact of the pandemic, but it certainly would have helped in our opinion. And if they had consistently sounded that drum throughout, then maybe we could have seen through to the other side. But there's no doubt that it was not just a loss of faith in the management team. It was also the fact that their business was severely impacted by the pandemic as well.

Arman Gokgol-Kline: Great. Thank you. The next question…Staying in Asia:

On the topic of Naspers/Prosus and their position in Tencent, what are your thoughts on the legal ambiguity of the VIE structure? What gives you confidence that the Chinese Communist Party won't invalidate it more broadly like they did for the K through 12 AST industry?

So, we have several analysts that help us think about all this – Eric, Aaron, and Jake. Eric, do you want to get us started and then we can go from there.

Eric Liu: Sure, I'll start off. So, the VIE structure is obviously very interesting, but I think it's a bit of a red herring to think too hard about it. The reality is, whether you're a VIE structure or not, whatever the CCP wishes to do, it will do. So, in many ways, I don't worry so much about the VIE structure as much as I worry more about what the CCP wants to do with your industry, which we've been spending a lot of time thinking about and obviously has been front-of-mind for us.

The other thing I will say is, in many ways where you're listed matters more than your VIE structure. So, for us, for me personally, I take comfort in the fact that Tencent is listed in Hong Kong. Had it been listed in New York, I think we might be a little bit more nervous about its positioning.

I don't know if Aaron or Jake have anything really to add. It's all about the risk/reward and we think the risk is there, but the reward is also commensurately there.

Aaron Zhang: Sure, I can add a little bit to the second part of your question, which is on the CCP, what it's done to the private education industry in China, and why we think the same won't happen to Tencent.

So, just for some perspective on China, over the last 30 years, the growth that we've seen out of the country has been extraordinary: the average GDP per capita has grown at 13% a year. It went from a country where 70 or 80% of the population was living below the World Bank poverty line to a country where almost none live at that level.

So, it's been an economic miracle, and I think that's attracted a lot of investors, as it should. This is a country that also has many pressing challenges. One is rampant inequality. If we look at the Gini coefficient in China, it's I think over .46, one of the highest in the world in terms of inequality. Related, the fertility rate has gone down drastically, it's nearly halved from over 2 to 1.3. If we extrapolate these trends, by the end of the century, China's population will shrink from 1.4 billion to just over half. The workforce age population in China has already started shrinking. So, it's a very dire issue.

I think these are real problems and, for a lot of parents out there, they've raised a lot of fair complaints, namely that we don't want to raise kids when there are so few college openings out there and opportunity for a successful life. They have this national entrance exam that where the top few students from every city will get a chance to go to a great university like Beijing University or Fudan in Shanghai. And then a lot of people are left behind.

So, they want to solve these issues, right? I think the intention is good. Why aren't parents having more kids? It's cost right? So, in China, because the entrance exam is so hard and force ranked, everybody sends their kids to these private education institutions which are zero-sum games. I have personal friends from China who've spent hundreds of thousands of dollars on private tutoring, just because of how competitive it is. It's extreme. There's also been a lot of misbehavior in the industry that's been going on for many years and the government has decided to basically shut down the entire industry after multiple failures to correct the zero-sum cost problem for parents.

Gaming isn't a cost problem. It's a time problem. If we look at children in China, most of them spend all their time either in afterschool classes or playing games, right? A lot of parents every summer, after their kids take the final exams, they say to the teachers and government, "Hey, my children didn't do well. They've been playing too many games and I can't control them." And so, companies like Tencent who have big gaming businesses react to the public concern and have taken active actions to address it. Minors only make up a single digit % of their game revenues, so Tencent previously set playtime restrictions for children. The regulators recently came out with a new piece of regulation that prohibits children from playing games Monday to Thursday and only allows them to play one hour each day from Friday to Sunday. So, it's a very practical piece of regulation designed to address a very specific problem. It doesn't hurt Tencent that much.

John Harris: Yeah. I was just going to interject that Greg has a saying about old wine in new bottles, and I think there are a lot of similarities here to the sustainability issues that we wrestle with when we think about our Facebook investment, in that ultimately any business that derives a portion of its earnings from practices that either put it at odds with or threaten to put it at odds with stakeholders in society or in the political class, we need to wrestle with what does that mean. How sustainable do we think those earnings are? Are we comfortable owning this business? Suffice it to say that we spend a lot of time thinking about those issues in the case of both Tencent and Facebook, and a lot of the questions surrounding them, whether it's gaming or social media in the United States or China – they are similar questions, because I think both societies are dealing with similar pressures.

The big difference in China is just that because the political system operates very differently than it operates here, a business that creates tension with a stakeholder segment of society, whereas the backlash in the United States has to filter through a political process that can be messy and can take a lot of time to produce a tangible business result, in China someone can snap their fingers and the reality for your business changes the next day. And so, I think the proximity and intensity of risk – sustainability risk – is different in China than it is here, but ultimately the risks in many cases are the same. The concerns that people have about these businesses, in a lot of cases, are the same. And the calculus from our perspective as business analysts and in thinking about the sustainability of the businesses we own is ultimately the same. So, it's a different environment, but in a lot of ways it's the same wine in different bottles.

Arman Gokgol-Kline: Great. Thanks. The next question is for Chase and Greg on Credit Acceptance:

Credit Acceptance Corp.'s performance recently been quite impressive. Please comment on the risks to ongoing strong performance, whether regulatory or otherwise.

Chase Sheridan: Yep. I'll be happy to start. I think the risk is… the way Credit Acceptance has traditionally worked is that they provide financing to the auto buyer who cannot get it anywhere else. So, for the independent dealer, they've always been the source of the additional loan – the gravy, the cherry on top of that dealer's monthly performance. With the shortage of silicon chips and difficulty in the production of new cars leading to a shortage of new cars, leading to a supply/demand imbalance in used cars, those dealers actually don't need to sell cars to the Credit Acceptance customer today. They make more money lending to a prime borrower than they do to a deep subprime borrower, which is where Credit Acceptance plays. And so, the result is that Credit Acceptance's origination volumes are down.

The longer we remain in this environment and the longer they underwrite fewer than typical loan volumes, the smaller the loan book gets. The company effectively shrinks. That's a risk to the company. Now, the question mentioned that the performance has actually been outstanding lately. There are a couple of reasons for that. We're in a very forgiving environment for borrowers. There's been a lot of government largesse. Payments are robust. And typically, when you repossess a car, you're losing money on that loan, but today the used car prices have skyrocketed. If you look at the Manheim Used Car Index, I don't know off the top of my head what it's up year over year, but it's an enormous number. In this environment your repossessions become a larger part of your cash collections. Reselling repossessed cars becomes less challenging. So, collections have been fantastic. They should continue to be robust for some time, but the big risk that I see is the weak volume environment continuing to be challenging for the company. Because Credit Acceptance has historically been a secular grower and we want it to see it grow again. I won't go on and on. Greg, why don't you chime in?

Greg Steinmetz: Oh, well, they're having a fantastic year this year because of collections, as Chase mentioned. Will they earn as much money next year as this year? Probably not. This year is really extraordinary in ways that we could not have predicted for them, but I think it's an example of how good companies can surprise you on the upside. And I think Greg would agree with me if you've been looking at business long enough, you'd know that good companies who are honest with their investors, with their employees, with their customers, and most of all with themselves, can deliver those upside surprises. And that's what we're seeing now with Credit Acceptance. Even in a market where their loan volumes are shrinking, they're making more money than ever. Now, at some point, this imbalance in the used car market will right itself. Will Credit Acceptance come out of that stronger than ever? I don't know, but given their track record and their ability to execute in whatever curves the market throws at you, we think it would be okay.

Chase Sheridan: The question mentioned regulatory risk. I'll just say that two topics that we spent a lot of time worrying about in the early stages of the project were underwriting discipline and regulatory risk. Those are not topics we spend a whole lot of time worrying about these days because I think we've satisfied ourselves that this is a very disciplined company, and we've satisfied ourselves that the regulatory risks are of a scale that the company can handle, and that they actually invest tremendous amounts in their compliance, and they really run their business by the book. They're in a neighborhood where there is constant regulatory scrutiny. When you engage in subprime auto lending, it puts a target on your back. If you are a large subprime lender, that will never go away. My personal belief, I'm speaking just for myself, is that the regulatory risks have been overblown. Credit Acceptance will manage their way through them.

And then, on the underwriting discipline, they're just exceptionally disciplined executives and they're excellent capital allocators. One of the things they're doing in the current difficult environment is taking the cash that's flooding in the door and using it to buy back stock at very low multiples of current earnings. So, they bought back an incredible 8% of their shares outstanding just in the last quarter alone. It's a team we've come to trust. and I think when we return to a normal environment, collections will go down, volumes will go up. It will get back into the Credit Acceptance model that we know and that we that we like.

John Harris: Greg and Chase, correct me if I'm wrong, but one really destabilizing factor in the used car market this year that I think just completely blindsided us was the fact that Johnny Brandt, after 20 years and approximately 750,000 miles, sold his Toyota Echo this year and bought a new car. I'm pretty sure Johnny's Toyota was the last one in circulation that had roll-up windows instead of automatic…

Chase Sheridan: I think it single-handedly reduced the used car market value on the Manheim index.

John Harris: I think the word is Black Swan. Well, in Johnny's case Red Swan, I think it's a red car, but anyway…

Arman Gokgol-Kline: Let's move on to the next question. This is for Eric and Trevor:

Please provide an update on Netflix and the fund's view on the streaming industry going into the future.

Eric, maybe you can get us started?

Eric Liu: Yeah, sure. So, I think, just at a high level, because we haven't talked about it before, I'll go through Netflix. Our thesis on streaming is that streaming is really going to turbocharge the economies of scale that have always existed in entertainment. So, entertainment has always been a scale business. You make a movie or a TV show for a fixed dollar price. You try to get as many people to view it as possible. The more people that view it, the more profit you get.

What streaming has really changed are two things. One, the unit of purchase is no longer an individual TV show or a movie. You don't go to a movie theater; you don't change the channel to watch a show. You're subscribing to a library or a slate of shows.

And so, that really accentuates the fact that whoever has the biggest content budget is the service you are most likely to subscribe to, which means they're likely to have the biggest content budget, which means they're going to have the most subscribers. And that kind of virtuous cycle, that flywheel, if you will, will continue and really be accentuated in the streaming world.

The other big change in the streaming world is that distribution historically was very tightly controlled overseas because TV stations were often tightly regulated. Now, with over-the-top, basically Netflix can enter any country in the world, except maybe China, and offer a product directly to consumers.

So, there are basically about 2 billion households globally. Netflix has 200 million of them so far, so we think there's a lot of runway for growth on the subscriber base. And then on top of that, we think there's a lot of space for them to continually grow the amount of content they're offering and therefore grow the price points that they're offering their subscription at. Trevor, I don't know if you want to add anything more detailed to that.

Trevor Magyar: I think you've hit the highlights. The thesis is that the market is going to become much more global and significantly more consolidated, and that Netflix is going to be among the winners. And if we're right, then we're actually still in early innings here notwithstanding Netflix's already sizeable business. We didn't talk about the nearer term. So, there has been a question coming out of the pandemic about what the precise current growth rate of the business is, and the truth is I don't think anybody knows. I don't think the company even knows. There was a surge of growth during the pandemic for understandable reasons. Growth has moderated this year. And so, there's a lot of hand wringing around, again, what the precise growth rate of the business is at this point in time. We've been watching it, but I don't know that we know any better than anybody else. Again, though, the key to the thesis is not so much about the rate at which the business happens to grow this year. Our thesis is that it's going to grow at a healthy clip over the next 3, 5, 10 years. And that's what we need to be right about.

Arman Gokgol-Kline: Great. The next question is for Matt and Chase:

Can you please give us an update on Intercontinental Exchange?

Matt Cooper: Yeah, thank you for the question. I tend to think of ICE as a high performing financial services conglomerate. They tend to take good-to-great assets that have either been under-managed, or even well managed in some cases, and they take them and run them best in class. Its founder and CEO, Jeff Sprecher, basically started 25 years ago by trying to take some analog markets, specifically the energy futures and options market, and really bring them into the digital world. And his expertise over operating businesses and database management, he's taken that and brought it to other verticals over time. And so today, when I look at ICE, I really see three different businesses. The first business is the classic business. This is the exchange and clearinghouse business. It's generally been a great business all across the world, and at least one of the reasons for that is that liquidity begets liquidity. So, most traders do not care about the exchange fees or the cost of trading. Instead, they care much more about the bid-ask spread and whether or not there's liquidity in a market. So, there's been this natural tendency for different product classes all across the world to consolidate in one market in particular. Not all exchanges have been great businesses, but generally when you own an exchange and you also own the associated clearinghouse, where you can then only trade that one product on that one exchange, it tends to be a very, very good business. And so, that's kind of bucket one, and that's about half the business for ICE today.

The second business that they own is their fixed income pricing and reference business. And that came with the acquisition of IDC in 2015. It's a relatively simple business to explain. So, for most asset managers, in the mid office and back office, where you're trying to mark your portfolios to market, the vast, vast majority of fixed income instruments don't actually trade every day. And so, you need a reliable, independent, gold standard, third-party provider of prices. And so that's really what ICE Data Services provides to its clients. It's a great, steady, sticky data subscription business that grows organically in the mid-single digits. That's been a great acquisition for them since they made it in 2015.

The third business, which is the most recent of the three that they entered into, is the mortgage one. Now, it's a combination of a few acquisitions that they made over the years, but really the big one is Ellie Mae, which they acquired in September of 2020. For those who aren't familiar, think of it as like the loan origination system for mortgage brokers and mortgage bankers and loan officers. That's been a really good business over time, too. It's a cloud-based platform with retention rates of over 95%. It organically grows 8 to 10% a year. It was always thought of as one of the golden assets in the mortgage space. After dipping their toe in the water with a couple of different mortgage assets, mainly MERS and Simplifile, they decided to go all in and acquire Ellie Mae.

So, stepping back generally, what I would say overall about ICE is that it holds many of the characteristics that we look for in businesses. Its operating margins are really high – think over 55 to 60%. It has really high returns on tangible capital – think over a hundred percent. It grows organically in the mid-single digits in some cases, in the high-single digits in some of the areas that it plays in. And it has a great founder and CEO who has a fantastic track record of making really creative acquisitions at the right times and in the right spaces that are about to see a shift from analog to digital. And so, when we bought our shares, originally, we paid a market multiple for that, which we felt was really attractive given the quality of these assets and the growth profile, and it's done well since then. It's a little bit more expensive today. Now, it's maybe in the low twenties or mid-twenties in terms of a P/E, but again, just given the runway there, and how much we like the assets, I think we feel pretty good about it. Chase, do you have anything to add?

Chase Sheridan: I just think that ICE and Jeff Sprecher are a great example when we talk about having a portfolio that contains more happy surprises in it than unhappy surprises. When you have great managers, you tend to get happy surprises. And I'll give you two recent examples that certainly don't move the needle on ICE, but they illustrate the benefit of investing in great managers. Jeff Sprecher invested in a cryptocurrency broker at the venture stage on ICE's behalf. It was a $10 million investment that ICE recently sold for more than a billion dollars. So here is an extra billion dollars for the shareholder. Sprecher also has been assembling some cryptocurrency assets. They have a big ownership in a company called Bakkt, which is a recently public SPAC whose stock happens to have rallied something like 400% in the last two weeks. Again, a hugely profitable investment so far for ICE investors. Now, neither of these investments will dramatically move the needle for ICE. But I cite them because they're examples of how Jeff Sprecher sees around corners in a way that most people don't.

Where I think that's really going to come into play is in the development of ICE's mortgage assets. As the mortgage moves from analog to digital, I'm excited to see how he's going to use the parts he's assembled, including Ellie Mae, to provide a soup-to-nuts, digital solution for mortgage origination, servicing and processing and make that into something that is more accessible to the consumer, higher volume, etc., etc. I can't predict the evolution there, but it will be exciting to watch it evolve. ICE is a company that tends to deliver happy surprises. When Jeff makes a move to allocate capital, usually shareholders are the beneficiaries.

John Harris: That is such an important point that Chase makes about happy surprises. When you are operating in this thick fog and trying to look through it and see the future, if you can invest with an owner/entrepreneur who in their specific area is more capable than you of peering through that fog and discerning the potholes and the corners and the inevitable bumps in the road and navigating around them on your behalf – that's just an extraordinarily powerful thing, and an intangible qualitative factor that's hard to put a number on in our analyses, but that I think the markets perennially undervalue. Even though I feel like we have a very healthy appreciation for it, we probably also undervalue it more than we should.

Arman Gokgol-Kline: So, we have just a little over five minutes left. We're going to try to get two quick ones in here.

Please describe your decision to sell completely out of MasterCard and provide some detail on the risks from the fintechs.

Eileen and John, will you give us a quick update on that?

Eileen Jang: Hi, this is Eileen Jang joining you guys virtually. Great to join everyone virtually. I'll talk a little bit about MasterCard and then hand it over to John for any additional comments. As we've talked about in the past, MasterCard is one of two truly global electronic payments networks. It connects consumers, banks, and merchants, and over the years, we've viewed it as generating a royalty on global consumption. These are classic network effect businesses, and we've talked about in the past how it's a chicken and egg dilemma in so far as for merchants to accept a new payment method, consumers need to use it, and for consumers to adopt a new payment method, it needs to be accepted by merchants. Over the decades, we've seen that this is a very strong barrier to entry for new networks. While there are several regional and local electronic payment schemes, there's really no platform that approaches the efficiency of what we see with Visa and MasterCard today.

Over the years we've owned it – and we've owned the stock since 2006 – MasterCard has faced different kinds of risks – varied legal and regulatory risks, such as the Durbin amendment, navigating interchange regulations in various geographies, and also a lot of technological change – but a lot of these things actually showed us that MasterCard and Visa enjoy a very truly unique competitive position. They're actually very resilient businesses.

As we turned, in more recent years, to longer-term risks as the valuation continued to rise, we started to home in on a couple of things that seemed like clouds looming larger on the horizon. One would be competition from tech giants. A lot of these, such as Apple, Facebook, and Google, have unique consumer reach, and as we see more and more financial transactions happen online and via mobile devices, it gives them a new entry point into the existing payments ecosystem and even new payments ecosystems.

Another area of research we've done work in speaking to a lot of industry sources and attending trade shows when we're not in a pandemic, is blockchain technology. Even though we don't know what that might exactly look like, and it may be several years before transaction volumes and speed can reach that of what we see with MasterCard and Visa today, it does look like a very credible threat. We also see recent digital currency efforts. I'm sure everyone sees this in the news. We see them around the world, and this is, to us, a known unknown for the existing payments ecosystem. Hand-in-hand with that, we see a rising tide of nationalism around the world, where foreign governments will favor local processing schemes.

When we put this all together, the valuation of the company is higher than it's ever been, yet at the same time, the pace of technological change in some of these trends we're talking about seems to be increasing. We're very humbled to recognize that the consumer seems more willing than ever to experiment with new technologies. So, over the years you've noticed that we've been trimming our position though it still remains a fantastic business today, and we finally exited our investment this year. John, do you have anything to add?

John Harris: I think that sums it up well.

Arman Gokgol-Kline: Thank you, Eileen. Last question:

How does Sequoia position itself for an inflationary environment? Can you specifically talk about Schwab?

So, Trevor, we have a few minutes here, if you could answer that.

Trevor Magyar: There's sort of two questions in there. One is the question about how we're positioned for an inflationary environment. And then there's a second more specific question about Schwab. I will say, Schwab is, as some of you probably know, is sensitive to rates. Part of the way that Schwab makes money is on the net interest margin it earns on client cash balances. I know we often talk about rates when we talk about inflation, but they're not precisely the same thing. So, when I think about Schwab narrowly, I would just say Schwab is the sort of company that if all else were equal and rates were to rise, Schwab would make more money. We're aware of that, and I suppose when we think about the rate environment that we've been in for a long time, which is a very low-rate environment, it does strike us that Schwab maybe has some latent earnings power in different sorts of rate environments.

But I will say that that's not what the thesis is predicated on. We look at Schwab and what we see is an asset gathering machine. They've been gathering assets organically at a mid-high single digit rate for decades now. Schwab has a real franchise. Now, we are aware that there is arguably some optionality on the earning stream with respect to rates. That's something we think about, and it's a nice element of the investment in the context of the portfolio, but it's really not a reason by itself to own Schwab.

With regard to inflation, I'll let other guys chime in, but I would say we're not positioning the portfolio for any one specific environment. We want it to be an all-weather portfolio, because we're not particularly confident in our ability to predict what sort of environment we're going to find ourselves in. As we think about our holding periods, we might find ourselves in many different environments over the course of holding an investment. The best protection against inflation is just to have a strong competitive position and degree sort of pricing power, and it just so happens that this aligns nicely with our general investing approach.

John Harris: Okay, we we're up on two hours now, so we're going to bring the program to an end. I know there are a lot of questions that we did not get to. One of the virtues of getting back in person next year is that we're going to be able to extend the duration of the program, but I think two hours is about the time when you're entirely virtual that everyone's eyes start to glaze over. When we're all in person, I think we'll be able to do our typical two and a half to three-hour event and take more questions. In the meantime, we thank everyone who has participated for bearing with us again in what I know is not an ideal format.

Before we leave, though, I want to sneak in one more comment – really the most important one of the day – which is to say thank you to all of the people at Ruane Cunniff who worked tirelessly to make this event happen. That is first and foremost our investor relations team: Jen Rusk, Mark Smith, and Layton Osgood; our IT team: James Bennett, Stephen Matarese, and Evans Etienne; our COO, Wendy Goodrich; and everybody else on our business team, who I know devoted an enormous amount of time and energy to try their best to take a group of people who are – I think a charitable way to put it is we’re not the world's greatest or slickest presenters – and cast us in the best conceivable light. There were a lot of firsts that were achieved today. We are all… I should've mentioned this at the outset: this is being broadcast from a facility in Chelsea, in Manhattan, that without a doubt has to be the coolest place anyone over forty in this room has ever been. This is also the first day that many of us have ever worn makeup. So, you guys worked a lot of magic. You achieved a lot of firsts, and this is not an easy event to put on with short notice. So just a huge thank you to everybody on the Ruane Cunniff business and operations team that made today happen.

And of course, thank you also to you, our clients, for supporting us and for really more than anything making the kind of investing that we do possible. We say this all the time, but it’s true: we couldn't do what we do in the way that we do it without all of you. So, thank you. We really look forward to seeing you in person next year, and until then, we appreciate your support, and that's the end of the day.

Remarks have been edited for clarity and relevance.

Disclosures

The information contained herein reflects the views of Ruane, Cunniff & Goldfarb L.P. (the "Adviser") as of November 4, 2021, and the Adviser's views are subject to change without notice. The Adviser makes no representations or warranties regarding the completeness or accuracy of any information contained herein, and does not guarantee that any forecast, projection, or opinion herein will be realized.

References to specific securities should not be considered recommendations to purchase or sell such securities. Statements concerning markets or investment strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors.

* * * * *

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. – September 30, 2021	
Top 10 Holdings*	
Alphabet, Inc.	*7.8%*
Facebook, Inc.	*6.8%*
CarMax, Inc.	*6.7%*
Taiwan Semiconductor Manufacturing	*5.8%*
Credit Acceptance Corp.	*5.6%*
UnitedHealth Group, Inc.	*5.5%*
Anthem, Inc.	*5.0%*
Liberty Broadband Corp.	*4.7%*
Charles Schwab Corp.	*4.6%*
Wayfair, Inc.	*4.4%*

** 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.

As reflected in its prospectus dated April 30, 2021, the Fund's annual operating expenses were 1.09%. 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 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. For the year ended December 31, 2020, the Fund's annual operating expenses and investment advisory fee, net of such reimbursement, were 1.00% and 0.91%, 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. All investments involve risk and may lose value. Investments are subject to market risk, which is the risk that the market value of an investment will decline, perhaps sharply and unpredictably, or fail to rise, for various reasons including changes or potential or perceived changes in U.S. or foreign economies, financial markets, interest rates, the liquidity of investments and other factors.

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.