Ruane,
Cunniff &
Goldfarb

January 25, 2023

Dear Clients:

Sequoia Fund's results for the quarter and year ended December 31, 2022 appear below with results of the S&P 500 Index for the same periods:

Through December 31, 2022	Sequoia Fund	S&P 500 Index*
Fourth Quarter	8.81%	7.56%
1 Year	-30.52%	-18.11%
3 Years (Annualized)	2.45%	7.66%
5 Years (Annualized)	6.22%	9.42%
10 Years (Annualized)	7.33%	12.56%
Since Inception (Annualized)**	12.92%	10.85%

The performance data for the Fund shown above represents past performance and assumes reinvestment of dividends. Past performance does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end can be obtained by calling SS&C GIDS, Inc. at (800) 686-6884.

**The S&P 500 Index is an unmanaged capitalization-weighted index of the common stocks of 500 major US corporations. The Index does not incur expenses. It is not possible to invest directly in the Index.*

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

Sequoia Fund returned -30.52%[1] in 2022, versus -18.11% for the S&P 500. Since the Investment Committee began managing the Fund in June of 2016, Sequoia and the S&P 500 have compounded at 8.90% and 11.76%, respectively.

Things looked quite different just 12 months ago. In last year's annual letter, we noted that both Sequoia and the S&P 500 had produced an essentially identical compound total return of 18.2% over the period from June 2016 through December 2021. We explained that we were generally pleased at having kept pace with a hot stock market, certain pockets of which we declared to be obviously speculative. We then expressed confidence that when Sequoia and the S&P 500 did finally and inevitably diverge, it would be to our benefit.

Unfortunately, Sequoia underperformed the S&P 500 this year. We are disappointed by this outcome, but we remain steadfast in our belief that a concentrated portfolio of thoroughly researched, high-quality businesses purchased at attractive prices will outperform over the long term. Further, we remain confident that Sequoia is just such a portfolio.

The market prices of many of Sequoia's holdings declined significantly over the course of this year, but with a small handful of exceptions we do not detect diminution in the intrinsic value of the businesses themselves. We believe our businesses are on the whole highly advantaged, conservatively financed, and run by capable managers. Over a very unusual last few years, they have generally maintained or improved their competitive positions and grown their underlying earnings power. We will come back to this very important point.

[1] *Ruane Cunniff & Goldfarb L.P. ("RCG") believes the Sequoia Fund, Inc. (the "Fund") reflects the investment strategy that RCG employs for its separately managed account ("SMA") clients, however the performance of an SMA may differ from that of the Fund due to account size, client specific guidelines or restrictions, tax considerations and other factors, as well as regulatory requirements that impact RCG's management of the Fund but are not applicable to SMAs. See additional disclosures at the end of this letter.*

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As for the exceptions where we have seen future prospects change for the worse, they matter, and we will address them momentarily. But it's worth dwelling for a moment on the simple mathematical fact that Sequoia's performance this year was not driven primarily by our holdings whose market prices declined most. If we sort Sequoia's holdings by stock price performance for the year, it turns out that the performance of the median stock in this rank-ordered list matches very closely the actual return for Sequoia. The main reason Sequoia was down significantly this year is that *most of the stocks in it* were down significantly, primarily due to a compression in multiples in response to elevated inflation and rising interest rates, and despite continued generally strong underlying business performance.

As we all know, investing for the long term is a bumpy road. Business fundamentals don't progress in a straight line, and the market's assessment of businesses can change, sometimes significantly, from one day to the next. Over sufficiently long periods of time, though, investment performance is driven by the progression of business fundamentals relative to price paid.

None of this means that bumps in the road, when encountered, should be casually dismissed. Sometimes a bump is just a bump. Other times, it's an indication that something has in fact gone wrong with an investment. Distinguishing between the two in real-time isn't always easy, but if you're on top of your businesses and honest with yourself, you can get close enough to the truth.

We spent a great deal of time this year reanalyzing and re-underwriting all of Sequoia's holdings. We identified a small handful that were in our view impaired. The specifics of the mistakes varied, though in a couple cases what we got wrong was our assessment of pandemic-era business trends. While we never expected all of the pandemic-driven improvements to business performance at holdings like Wayfair and Netflix to persist, we did think that these companies had seen their prospects structurally improve. It's now clear based on subsequent business performance and our continued research that their prospects increased to a lesser extent than we anticipated, or perhaps not at all.

That we got this particular assessment wrong and other assessments wrong for a couple of our other holdings was not the problem. "Wrong" happens all the time in investing. As value investors, the crux of our endeavor is to pay prices that ensure the cost of being wrong is manageable. This is why Warren Buffett calls "margin of safety" the three most important words in investing.

With the benefit of hindsight, the regrets of the past year all involve situations in which we either paid or tolerated prices that did not incorporate a sufficient margin of safety. Specifically, we paid too much for Netflix on initial purchase in 2020 and then failed to sell it after it appreciated significantly, we failed to sell all of our Wayfair at or near the top in 2020 and then added more on the way down the following year, we failed to sell or at least trim Meta at a fair valuation in response to several strains in the thesis that emerged over time and especially in 2021, and we invested in Prosus, where the apparent margin of safety in valuation was offset by sovereign risk to a greater extent than we initially appreciated. All of these decisions had rationales that at the time seemed sound, but of course that's always the way it is with mistakes.

Thankfully, Sequoia's long-term track record, and those of other highly respected firms with similar track records, prove that a sound and diligently executed investment strategy is resistant to mistakes. But resistant doesn't mean immune. Mistakes of the sort just identified must be minimized. And the way to minimize them is to acknowledge them, learn from them, and then move on. That is what we are doing.

We recently refined in a few different ways the process by which we follow companies of interest and debate investments. We believe they will reduce the odds of our making the same sorts of mistakes in the future, while at the same time encouraging patterns of behavior that have worked for us over many years. Over time, if they simply help us to avoid a few mistakes and/or find our way to a few more winning investments, they can have a significant, beneficial impact on long-term performance. But there is no substitute for a disciplined mindset, and that, above all, is what we must seek to maintain. Process is important but ultimately subordinate. It exists to reinforce a disciplined mindset.

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To recap, we are not satisfied with our performance this year. At the same time, we believe deeply in our strategy and our process. We strive to research our investments as thoroughly and tenaciously as anyone in the industry. We've already taken steps to refine other aspects of our process, and we will continue to improve it in the future. Most importantly, Sequoia owns a collection of very high-quality businesses that we believe are trading for very attractive prices.

Perhaps the best way to convey our thinking on this last point is to drill down into the businesses that Sequoia owns and that should ultimately drive its long-term performance. Our year-end letter doesn't typically include this sort of review, but in a volatile time like this one we think there is value in laying out what we own and why. We'll focus on our top ten holdings, which at year-end collectively accounted for a full 61.2% of Sequoia's capital.

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Charles Schwab Corp. (7.4% of Sequoia's capital at year-end, +0.1% total stock return in 2022)

Schwab's shares held up quite well this year in the face of the broad market drawdown. Business performance was excellent. For the full year, Schwab's revenues and EPS are expected to be up approximately 13% and 21%, respectively. Versus 2019, the company's revenues and EPS are expected to have compounded at annual rates of approximately 25% and 14%, respectively.

The most obvious development for Schwab this year was the rather sudden change in the interest rate environment. In a higher rate environment, Schwab earns more interest revenue on client cash balances. Rates aside, this is a company that has for decades executed a consistently client-friendly strategy. The result is massive scale, a trusted brand, and an ever-expanding portfolio of products and services.

At month-end September 2022, Schwab's total client assets stood at $6.6 trillion, making it one of the largest wealth management platforms in the US. This scale allows the company to serve its customers well and at a virtually unrivaled cost, creating something of a virtuous circle. Schwab continues to gather client assets from higher-cost channels, where multiple trillions still reside, at an impressive pace. Through the first nine months of 2022, the company grew client assets 6% organically, consistent with trends over the past many years.

Schwab has taken the initiative over the last few years, sending shockwaves through the industry, when it reduced commissions to zero for most trades in 2019. It then quickly targeted TD Ameritrade, acquiring it for $26 billion the following year. The multi-year integration is ongoing, but we already feel comfortable declaring this deal a strategic success.

At the current share price, Schwab trades for approximately 16x expected EPS for 2023. Assuming no change in the interest rate environment and a continuation of business trends, Schwab is trading for a low double-digit multiple of what it's likely to earn in three years. We consider the current share price an attractive one for a business that has for decades used its scale and client-centric approach to gather assets at a consistent and healthy pace, earns good-to-great returns on equity across a wide range of interest rate environments, and still has many years of growth ahead of it.

Liberty Media Corp. (6.9% of Sequoia's capital at year-end, -5% total stock return in 2022)

Shares of Liberty Media, the holding company through which we own the Formula One motorsport league, declined this year, though by significantly less than the S&P 500 Index. Business performance was superb. For full-year 2022, Liberty Media's revenues are expected to be up almost 20%, with profits up even more. This robust growth is the result of a continued recovery from pandemic-related disruptions, but even after adjusting for this recovery the business grew nicely. Versus 2019, Liberty Media's revenues and per share earnings power are expected to have compounded at annual rates of approximately 7% and 23%, respectively.

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Formula One has made very significant progress since Sequoia first acquired shares via a private placement in 2017. Formula One has for decades been the pinnacle of global motorsport, but under previous management it suffered from internecine fissures and short-sighted strategy that were negatively impacting the sport and the business. 2022 saw the full implementation of a new Concorde Agreement signed in 2020. The Concorde Agreement lays out the key economic, technical and sporting terms on which the teams participate, and this most recent one realigns the teams and the league in a manner that should pay off for all parties involved. The new Concorde Agreement has already had some positive impact on the sport and the business, and we believe the majority of the benefits have yet to be realized.

Already, the sport is healthier than it has been for a long time. TV viewership was up globally again this year, which helped Formula One secure a round of richer broadcast deals in Europe as well as in the US, where the new deal with ESPN/ABC is rumored to be almost 10x more remunerative than the last one. In 2022, US TV viewership was up almost 30% over last year, building on the momentum of previous years and driven by the latest season of Netflix's Drive to Survive series and the calendar's new Miami race. Liberty Media plans to add a third US race in 2023, in Las Vegas. Instead of relying on a promoter as it typically does, Liberty Media will run the Las Vegas race itself, which will require significant investment but should generate an attractive return.

Enticed by the growth and strength of the fan base, new sponsors are clamoring to sign up. This year saw a number of high-profile wins including Salesforce and Lenovo, as well as an expanded relationship with Amazon Web Services. Further, we are now seeing multiple well-funded and highly respected parties seeking to enter the sport, by either buying into an existing team or bringing a new team to the grid. Audi will partner with Team Sauber in 2026, and a duo consisting of General Motors and Andretti Motorsport has publicly announced its desire to enter the sport, while Porsche and Ford are both rumored to be exploring a possible entry.

At the current share price, Liberty Media is trading for approximately 30x expected per share earnings power for 2023 and a high-twenties multiple of expected free cash flow for 2023. We consider this a reasonable price for an impossible-to-replicate global sports league that is in undeniably rude health and that should drive mid-teens or better earnings growth for the next several years.

UnitedHealth Group (6.8% of Sequoia's capital at year-end, +7% total stock return in 2022)

United was among Sequoia's best performing stocks this year, thanks to typically strong financial results and increased appreciation for the business' relative insensitivity to the broader economy. For the full year 2022, United's revenues and EPS are expected to be up approximately 13% and 17%, respectively. Versus 2019, the company's revenues and EPS are expected to have compounded at annual rates of approximately 10% and 14%, respectively.

UnitedHealth Group may not be a particularly beloved company, but it is one of the more entrenched businesses we've come across. Managed care, in its various forms – commercial risk, commercial fee, Medicare Advantage, and managed Medicaid – is an utterly essential component of our healthcare system. And in managed care, no one is bigger, more diversified or better run than United. In addition to its managed care business, United owns and operates the country's third largest pharmacy benefit manger and is also the single largest owner by a wide margin of non-hospital care assets, including physician practices, urgent care centers, and ambulatory surgical centers.

While we are highly confident in the quality of United's business, we also recognize the importance of context. United has a very strong position within a healthcare system that is highly imperfect. Practically speaking, this means we need to balance the quality of the business against inherent policy risk, which ebbs and flows but is always present.

While we can easily imagine scenarios in which policy developments negatively impact United's business, we consider it highly unlikely that United and the other managed care companies would ever get fully disintermediated. In fact, there is a reasonable argument to be made that United and the other managed care companies, which have been aggressively

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expanding into capitated business lines, are increasingly part of the solution to the problem of rising healthcare costs. Ultimately, we made the decision to trim Sequoia's investment in United this past year after the stock appreciated significantly. Policy risk, while bearable, is real. And the risk-reward, though still attractive, had become less asymmetric since our initial investment in 2019.

At the current share price, United trades for approximately 19x expected EPS for 2023. We consider this an attractive valuation for a business that is highly entrenched, nicely diversified, very well run, and capable of growing earnings in economically insensitive fashion and at a teens rate for many years to come.

Universal Music Group (6.4% of Sequoia's capital at year-end, -13% USD total stock return in 2022)

Universal Music Group's shares declined this year, though by significantly less than the S&P 500 Index. We saw solid underlying business performance and a continued bright outlook. We added modestly to our position during the year. For full-year 2022, revenues and EPS are both expected to be up double digits exclusive of the significant benefit from US dollar strengthening. Given past corporate actions and associated accounting complexity, we don't have perfectly like-for-like financial figures going back to 2019, but we can safely say that Universal Music Group has grown both revenues and earnings at healthy double-digit rates over the past three years.

Sequoia Fund has owned Universal Music Group since 2018, initially through shares of French conglomerate Vivendi and on a standalone basis since the spinout of the business in 2021. Universal Music Group is the largest of the three major labels that sit at the center of the global music industry, and we believe it is the best-positioned and best-run of the group, led ably by industry veteran Lucian Grainge and his team.

The labels play a vital and entrenched role in the music ecosystem. By virtue of their expertise, scale, and relationships with producers, marketers, and distributors, labels offer musical artists the best shot at breaking out and sustaining a long career in the business. In return, the labels receive an interest in the artists' music rights, often lasting decades, and they help maximize the monetization of those rights. The three major labels collectively have ownership interests in and control rights over almost all the music that has ever been made and commercialized in the West, giving them significant and valuable leverage when negotiating with distribution platforms.

The distribution landscape has changed markedly over the past two decades or so. The rise of internet-enabled piracy in the late 1990s decimated the industry. But with the subsequent emergence of digital download followed by streaming, the labels reestablished the value they could charge for their content. Industry-wide revenues have now recovered, recently returning to the nominal peak reached over two decades ago. We believe they are poised to reach new heights in the years to come.

Streaming now accounts for over half of Universal Music Group's revenues, and streaming growth continued apace in 2022. What's more, the company and its peers have built promising new revenue streams providing their music to accompany the video assets of major internet platforms like YouTube, TikTok, and Instagram. All of this, plus the return of live concerts and associated revenues, powered Universal Music Group's growth this past year.

At the current share price, Universal Music Group trades for a mid-twenties multiple of expected EPS for 2023. We consider this an attractive price for a business with a clear and compelling value proposition, an extremely strong competitive position, and the ability to grow earnings at a teens rate over the next handful of years.

Intercontinental Exchange (6.2% of Sequoia's capital at year-end, -24% total stock return in 2022)

Though Intercontinental Exchange's shares were down significantly this year, the business itself did fine on the whole. We added modestly to our position during the year. For the full-year 2022, the company's revenues and EPS are expected to be

up approximately 2% and 4%, respectively. Versus 2019, the company's revenues and EPS are expected to have compounded at annual rates of approximately 12% and 11% respectively.

Focusing specifically on full-year 2022, business performance was strong across most of Intercontinental Exchange's portfolio. Taking together the two largest segments – Exchange, in which the company operates a variety of derivative and equity exchanges that enjoy extremely strong, and in some cases monopoly-like, competitive positions, and Fixed Income & Data Services, in which the company offers a variety of data, analytics and related services that are often unique and in any case very sticky – revenues are expected to be up approximately 8%, with operating income likely up more. These two segments drive over 80% of total company revenue and operating income.

In contrast, revenues within Intercontinental Exchange's Mortgage Technology segment are expected to be down approximately 19% in full-year 2022, with operating income likely down more. Mortgage Technology is sensitive to volumes, and the fact is industry-wide mortgage origination activity fell sharply this past year.

Current weakness aside, we are quite pleased with what Intercontinental Exchange has done, and quite intrigued by what it plans to do, in Mortgage Technology. From a standing start a handful of years ago, the company has assembled a collection of unique and high-quality mortgage-related assets: Mortgage Electronic Registrations Systems (a national electronic registry that tracks servicing rights and beneficial ownership interests in US-based mortgage loans), Simplifile (a network that serves as an electronic liaison between lenders, settlement agents and county recording offices), Ellie Mae (the largest loan origination system software provider in the US) and, if regulators approve the pending deal, Black Knight (the largest mortgage servicing software provider in the US). The company believes this collection of assets will allow it to facilitate a more digitized workflow across the notoriously paper-based and cumbersome mortgage lifecycle.

At the current share price, Intercontinental Exchange trades for approximately 19x expected EPS for 2023. We consider this an attractive price for a set of businesses that possess obviously appealing financial characteristics, enjoy very strong competitive positions, are capable of driving double-digit EPS growth for years to come, and are overseen by CEO Jeff Sprecher, who built the company out of whole cloth and whose track record speaks for itself.

Eurofins Scientific (6.1% of Sequoia's capital at year-end, -41% USD total stock return in 2022)

Eurofins was among Sequoia's worst performing stocks this year. We added modestly to our position during the year. On the surface, it would appear the business struggled. For full-year 2022, Eurofins' total revenues are expected to be flat, with operating income likely down over 20%. However, these full-year 2022 results reflect a significant and, in our view, predictable unwind of high-margin Covid-related testing activity. Our best guess is that Eurofins' revenues exclusive of Covid-related testing activity will have compounded at an annual rate of roughly 10% versus 2019 levels, with profits having compounded noticeably faster. In short, the business is progressing in line with our high expectations.

Eurofins is a worldwide leader in food, environmental, and pharmaceutical testing. The company is run by Gilles Martin, who founded the company in France in 1987 with just three employees. At the risk of generalizing, testing is a very good business: the service has a low cost relative to the end-product, the tests are important and in many cases required as a matter of regulation, and the customer relationships are sticky.

Eurofins may live in a good neighborhood, but it never coasts. The company is a very high performer when it comes to strategy, operations and capital allocation. For all its history, Eurofins' strategy has remained the same: Achieve the #1 or #2 position in attractive testing markets across numerous verticals and geographies. The company drives operational excellence via a long-term mindset coupled with a highly decentralized organizational approach that both empowers and holds accountable its local lab leaders. As for capital allocation, the company has a multi-decade track record of acquiring both aggressively and sensibly.

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At the current share price, Eurofins trades for approximately 19x expected EPS for 2023. We consider this an attractive price for a high-performing and resilient testing business that is run by a fully aligned founder-owner CEO and that ought to grow profits at a double-digit rate, from a combination of both solid organic growth and internally funded M&A, for many years to come.

Alphabet (5.8% of Sequoia's capital at year-end, -39% total stock return in 2022)

Alphabet's share price declined significantly this year, and the business results were undeniably mixed. For full-year 2022, revenues are expected to be up approximately 10%, whereas EPS is expected to be down approximately 16%. However, when the business results are viewed over the past few years, the picture is anything but mixed. Versus 2019, Alphabet's revenues and EPS are expected to have compounded at annual rates of approximately 21% and 24%, respectively. This is a substantially bigger business than it was going into the pandemic.

As we all know, Google remains synonymous with search. Search advertising continues to grow at a double-digit rate, driven by ongoing ecommerce penetration. The moats around Alphabet's core business are wide and numerous. They include Google Chrome, which has a roughly 65% share in browsers; Android, which has a roughly 75% share in smartphones; and a variety of products and services – including Gmail, Maps, Chromebooks, Google Docs, and more – that tie users into the company's ecosystem.

Adjacent businesses YouTube and Google Cloud continue to grow and have substantial room to improve their margins. Other ventures like Waymo, Nest and Verily remain early stage, but boast strong technical foundations.

Running through Alphabet's various businesses are best-in-class capabilities around distributed hyperscale computing, advertising targeting technology, and artificial intelligence. Almost all of Alphabet's products and services have already been suffused with artificial intelligence to some extent, and we believe the company's efforts here will come increasingly to the fore in 2023 and beyond.

The most obvious risk facing Alphabet is regulation. Regulators and legislators across the globe continue to scrutinize Alphabet's business practices as well as those of other large technology companies. We take it as a given that Alphabet will be forced to pay fines and to alter its business practices in various ways that could adversely impact revenues and profits. But it's important to maintain perspective: regulators are taking an active stance precisely because Alphabet's business is exceptionally powerful and well protected.

At the current share price, Alphabet trades for approximately 18x expected EPS for 2023. We consider this an attractive price for a globally dominant business capable of compounding EPS at a double-digit rate over the next several years.

Constellation Software (5.8% of Sequoia's capital at year-end, -16% USD total stock return in 2022)

Constellation's shares declined this year, falling in USD terms a couple points less than the S&P 500 Index. Meanwhile, the business performed admirably. For full-year 2022, the company's revenues and EPS are expected to be up approximately 28% and 14%, respectively. Organic growth, at approximately 2%, was typically modest. As is always the case with Constellation, growth was driven primarily by acquisitions, including the largest in the company's history, the $700 million carve-out of the Allscripts hospital and physician practice software business. Versus 2019 levels, Constellation's revenues and EPS are expected to have compounded at annual rates of 23% and 23%, respectively.

We are often wary of acquisition-driven growth strategies, but Constellation is an exceptional acquirer. For over twenty years, founder and CEO Mark Leonard has managed to maintain, in the face of ever-increasing scale, high rates of acquisition-led growth accompanied by high rates of return on acquisitions. Constellation's track record puts it in rare company, alongside some of history's greatest acquisition-led compounders.

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The key question is whether Constellation can continue executing its strategy in a similarly successful fashion for long enough to render the current price attractive. We believe it can. Constellation is focused on vertical market software businesses, which are generally quite profitable and provide code that is essential to their customers. Constellation is working with very good raw material, and there are an awful lot of these vertical market software businesses out there. We do not believe Constellation is in any danger of running out of targets.

Further, Mark Leonard is a dedicated student of other high-performing conglomerates with similarities to Constellation. He is thoughtful about extending the company's growth potential for as long as possible. For example, he has distributed M&A responsibility to scores of portfolio managers across the globe, developed a separate initiative to compete with private equity for large software deals, and explored new avenues for growth outside of software.

At the current share price, Constellation trades for approximately 29x expected EPS for 2023. We consider this is a reasonable price for a unique company with a proven ability to allocate significant amounts of capital at high rates of return. We believe the company will continue to do so, thereby compounding earnings at a mid-teens rate or better over the next several years.

Elevance Health (5.1% of Sequoia's capital at year-end, +12% total stock return in 2022)

Elevance's stock was Sequoia's best performing stock this year, for all the same reasons that United's stock performed well. For full-year 2022, Elevance's revenues and EPS are expected to be up approximately 14% and 12%, respectively. Versus 2019, the company's revenues and EPS are expected to have compounded at annual rates of 14% and 15%, respectively.

Elevance (renamed from Anthem in 2022) is, like United, primarily a managed care company. In terms of revenues and profits, it is big, but not quite as big as United. Further, it is less scaled and less diversified than United in non-insurance business lines. However, Elevance has its own strengths. It is the largest operator of for-profit Blue Cross Blue Shield plans in the country. Built up over the course of decades, these plans have unrivaled brand recognition as well as a network of provider relationships that is unique in terms of market coverage and negotiated rates.

Elevance has long been an advantaged business, but it has not always been particularly well run. In 2017, Gail Boudreaux, formerly a senior executive at United, took over the reins. She is experienced and results-oriented. We believe Boudreaux can help Elevance make more of the enviable position it has long enjoyed.

On balance, we prefer United's business to Elevance's. But price matters, and Elevance trades at a significant discount to United. Ultimately, we feel comfortable owning both companies. As with United, we trimmed our investment in Elevance this year on account of ever-present policy risk and in light of the fact that the price-earnings ratio had expanded significantly since Sequoia's initial purchase.

At the current share price, Elevance trades for approximately 15x expected EPS for 2023. We consider this an attractive valuation for a business that is highly entrenched, reasonably diversified, better run than in the past, and capable of growing earnings in economically insensitive fashion and at a teens rate for several years.

Credit Acceptance (4.7% of Sequoia's capital at year-end, -31% total stock return in 2022)

After nearly doubling in 2021, Credit Acceptance's shares declined significantly this year, as tight supplies in the used car market impacted the lender's ability to grow its loan book. For full-year 2022, revenues and earnings are expected to be roughly flat. Versus 2019, revenues and EPS are expected to have compounded an annual rates of approximately 6% and 14%, respectively.

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The earnings of Credit Acceptance in any given year reflect the size and performance of its book of outstanding loans, which is driven by the pace of underwriting activity of the previous few years, and the collection experience in the current year. 2022 was highly unusual, with the global shortage of semiconductor chips triggering a shortage of new automobiles, which in turn drove used car prices up by almost 50% from January 2021 to January 2022. This tightness in the used car market drove affordability down and shifted dealers' focus to prime borrowers, reducing demand for Credit Acceptance's loans given its position as lender of last resort for subprime credits. At the same time, collections on outstanding loans exceeded expectations thanks to low unemployment and lingering benefits from aggressive fiscal stimulus policies.

In short, the environment was good for collections, which boosts current earnings, and bad for new underwriting, which powers future earnings. Credit Acceptance's loan volume through the first nine months of 2022 was down approximately 22% from peak volumes in the first nine months of 2019, and we expect this stretch of anemic underwriting to have a temporary impact on future earnings. The good news is that the extraordinary tightness in the new and used car markets is already abating, and Credit Acceptance's loan volumes should normalize in due course. Importantly, Credit Acceptance has maintained its disciplined underwriting standards during a very competitive time, rather than chase volume by pricing more aggressively.

Auto loan cycles come and go, and Credit Acceptance is expert at navigating them, usually growing market share when other lenders batten down the hatches. The more salient long-term risk to Credit Acceptance is regulatory intervention. Because it lends to a vulnerable population, Credit Acceptance attracts the attention of various regulators and enforcement agencies. While we welcome alert and astute regulation of the subprime auto market, we recognize that regulatory overreach is an ever-present risk.

A complaint from the Massachusetts Attorney General in August of 2020 drove the stock of Credit Acceptance down dramatically. The stock recovered when the suit was settled at a cost of roughly $2 per share in September of 2021. Today, Credit Acceptance faces a similar complaint from the attorney general of New York and the Consumer Finance Protection Bureau, and this has once again cast a pall over the stock. We expect this complaint to take years to resolve, and we anticipate similar complaints from other attorneys general in the future. It is part and parcel of the deep subprime lending business. Our research indicates that Credit Acceptance rigorously follows all existing lending laws, although enforcement agencies may attempt to broaden the interpretation of existing laws through litigation.

At the current share price, Credit Acceptance trades for approximately 8x expected EPS for 2023. We consider this an attractive price for a business that generates industry-leading returns through conservative underwriting, has reasonable prospects for growth and is run by a highly disciplined and extremely shareholder-friendly management team that has bought back over a third of outstanding shares over the past five years.

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What we see here is a collection of very high-quality businesses that, again, collectively comprised 61.2% of Sequoia's capital at year-end, that were generally purchased at attractive prices, and that are in the aggregate performing in-line with our high expectations. Over the period from pre-pandemic 2019 to 2022, this sub-portfolio increased its EPS at a compound annual rate of approximately 18%. Over this period, all ten businesses compounded EPS at a rate greater than 10%, and four of the ten did so at a rate greater than 20%. These businesses aren't just good. They're also growing profits quickly.

Of course, what matters is what happens from here. According to our calculations, this group of ten businesses currently trades for approximately 18x expected EPS for 2023. Like all businesses, each of these ten business faces its own set of opportunities and challenges. It is a near-certainty that some of them will perform below our expectations, while others will exceed them. But if in the aggregate they perform as we expect them to, the multiple of expected EPS for this sub-portfolio drops to approximately 12x looking out just three years.

9 West 57th Street | Suite 5000 | New York, NY 10019 | Tel: (212) 832-5280 | Fax: (212) 832-5298
www.ruanecunniff.com

In the long run, investment performance is all about the numbers. However, great track records aren't built by spreadsheet alone. The qualitative matters immensely. When we look at these ten holdings as well as the rest of our holdings in a holistic manner, taking into account competitive position, operational prowess and likely earnings growth, we are excited by what we see.

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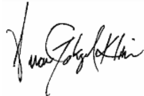
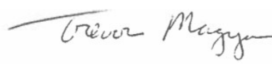
The next generation of talent is the lifeblood of our investment team, which now numbers nearly thirty. This impressive group of individuals continues to grow and mature, as exemplified by our colleague Matt Cooper. Matt joined us in 2017 as a summer intern from Columbia University and quickly emerged as a valuable contributor to the firm's investment activities. His creativity, incisiveness, and sound judgment are an enormous asset to the firm. To that end, we are delighted to announce that Matt was elected partner at the end of last year.

We are grateful, every year and certainly this year, for your partnership and loyalty. It's what allows us to pursue the long-term investment strategy on which Bill and Rick built the firm. We embrace with confidence the responsibility that we have to you and to their legacies. We look forward to seeing you virtually or in-person at our upcoming Investor Day on May 18th. It will be held at the Times Center, at 242 West 41st Street in Manhattan. Look for more details in the coming months. In the meantime, we wish you and yours health and happiness in the new year.

Sincerely,

The Ruane Cunniff Investment Committee





Arman Gokgol-Kline John Harris Trevor Magyar D. Chase Sheridan

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Disclosures

Please consider the investment objectives, risks and charges and expenses of Sequoia Fund Inc. (the "Fund") carefully before investing. The Fund's prospectus and summary prospectus contain this and other information about the Fund and are available at www.sequoiafund.com or by calling 1-800-686-6884. Please read the prospectus and summary prospectus carefully before investing. Shares of the Fund are distributed by Foreside Financial Services, LLC (Member FINRA).

Sequoia Fund, Inc. – December 31, 2022	
Top Ten Holdings*	
Charles Schwab Corp.	7.4%
Liberty Media Corp.	6.9%
UnitedHealth Group, Inc.	6.8%
Universal Music Group NV	6.4%
Intercontinental Exchange, Inc.	6.2%
Eurofins Scientific SE	6.1%
Alphabet, Inc.	5.8%
Constellation Software, Inc.	5.8%
Elevance Health, Inc.	5.1%
Credit Acceptance Corp.	4.7%

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

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

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

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

*** It is the intention of Ruane, Cunniff & Goldfarb L.P. (the "Adviser") to ensure the Fund does not pay in excess of 1.00% in Net Annual Fund Operating Expenses. This reimbursement is a provision of the Adviser's investment advisory contract with the Fund and the reimbursement will be in effect only so long as that investment advisory contract is in effect. The expense ratio presented is from the Fund's prospectus dated April 29, 2022. For the year ended December 31, 2022, 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.

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.

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