



March 9, 2026

Dear Clients:

During our more than 55 years in business, Ruane Cunniff has navigated many trends and shifts in the asset management industry. Most have proven either incremental or transitory, and in those instances, we have stayed the course, remaining focused on what we believe truly matters: disciplined research, long-term thinking, and caring for client capital as if it were our own. Occasionally, however, an industry-level development arises that warrants action because it offers a clear and compelling benefit to our clients.

We have come to believe that the rise and broad acceptance of actively-managed exchange-traded funds (“active ETFs”) is such a development. Thus, after very careful deliberation, we have decided to offer our Sequoia strategy through an active ETF (the “Sequoia ETF”). This new Sequoia ETF has been established to receive the portfolio assets of Sequoia Fund, Inc., our registered mutual fund, and the assets of any taxable clients with separately managed accounts (“SMAs”) following the Sequoia strategy who choose to participate. To be clear, participation in the ETF conversion will be required for investors in our mutual fund (assuming a successful shareholder vote), but optional for SMA clients of our Sequoia strategy.

One of the primary reasons we are pursuing this change is that the ETF structure provides potentially significant tax advantages for taxable clients. Once the conversion is complete, taxable investors in the Sequoia ETF should be able to defer the realization of all—or nearly all—taxable gains for as long as they maintain their investment in the ETF. While the “plumbing” of the ETF structure is complicated, the upshot of it is that from an individual taxpayer perspective, an investment in an ETF behaves for tax purposes almost like an investment in an individual stock, where with a few potential exceptions, you are only liable for capital gain taxes when you sell shares in the ETF at a price higher than your tax basis. The ETF structure permits us to rely on tax rules that result in lower potential distributable capital gains. With the ETF, our goal is to substantially reduce the creation of annual capital gains tax liabilities, allowing long-term investors to defer taxes more effectively.

While the process of executing the conversion of our mutual fund and participating SMAs into the ETF structure is complex, we will handle the heavy lifting to ensure the transition is as seamless as possible for you. Most importantly, while the “wrapper” around our portfolios is changing, our investment philosophy and process that we have employed since 1970 is not changing at all.

We are including below a summary of our key considerations in making this decision, especially with respect to how they affect our clients’ experience. This letter is the first step in our effort to ensure you have the information and resources needed to evaluate this change thoughtfully. More detailed information, including a Frequently Asked Questions page, is available on our password-protected client portal, and our client team is available to assist with any questions.

We expect the conversion to take place in early September, and are asking SMA clients to commit to the conversion no later than the end of July. In the meantime, we will continue to manage our taxable SMAs as tax efficiently as possible, and you may incur gains up until the point of conversion.



### What Is Changing

- The structure or “wrapper” through which we offer our Sequoia strategy, should you choose to have your taxable SMA participate in the conversion

### What Is Not Changing

- The Sequoia model portfolio, which will be provided efficiently and uniformly to all ETF shareholders. The underlying securities in the Sequoia model portfolio will not change in any meaningful way as a result of the conversion.
- The commitment to concentrated, long-term business ownership based on exhaustive research and disciplined attention to business value that defines our investment philosophy
- The culture of open, honest, and collegial debate that drives our investment process
- Our objective of outperforming markets over the long term
- Our commitment to communicating plainly with you about our successes and failures, through our quarterly videos, year-end letters, and new website, which will have the Sequoia ETF’s holdings listed daily
- Our client team’s availability to support and inform you as our partners in the investing journey

### Potential Benefits of the Conversion

**Tax-Free Contribution:** This conversion, should you elect to be part of it, allows you to move the individual securities in your SMA into a new ETF portfolio without triggering a capital gains tax event, assuming certain IRS rules are met (noted below). Your ETF holdings will inherit the tax basis of the securities that you contribute as part of the ETF conversion.

**Control Over Capital Gain Recognition:** In your current separately managed account structure, you recognize capital gains whenever we decide to sell an appreciated holding in your portfolio. In an ETF structure, we expect that in most cases, we will make changes to the composition of the ETF portfolio via in-kind transactions with Authorized Participants that help manage the creation and redemption of ETF shares. While we realize this is a complicated dynamic to digest involving a lot of jargon, the important point is that these in-kind portfolio transactions would not trigger capital gains tax for you. In the ETF structure, the vast majority of capital gains recognition—and potentially all capital gains recognition—comes when *you* decide to sell the ETF, putting *you* firmly in control of the tax consequences of your investment activities with Ruane Cunniff.

**Uninterrupted Compounding:** By avoiding capital gains tax upon conversion to the Sequoia ETF, 100% of the current value of your investments continues to compound. Likewise, as noted above, after the conversion you are unlikely to incur significant capital gains tax from any actions we take to adjust the underlying holdings in the ETF portfolio. This enables your investment to continue to compound tax-free, or nearly tax-free, for as long as you hold your shares in the ETF.

**Simplified Operations and Reporting:** Holding your investment through an ETF structure eliminates the need to perform foreign tax reclaims and class action filings at the individual SMA level. These activities will occur at the ETF level, eliminating your need to provide supporting data for these activities and the related personally identifying information (“PII”) risk those activities entail. Also, one ETF holding in your account versus 25+ securities will mean a single, consolidated Form 1099, reflecting only sales of the ETF shares, rather than pages and pages of sales of the underlying portfolio holdings, simplifying your tax reporting obligations.



**Simplified Access:** An ETF trades on an exchange like a stock and can be bought and sold during the day as an individual stock would.

**Estate Planning:** If ETF shares are held long-term and later transferred as part of an estate, beneficiaries generally receive a step-up in basis, again much as would be the case with a holding of an individual stock. The step-up in basis in the ETF will likely be much larger than if you held the exact same portfolio in a mutual fund or a SMA, as the ETF in-kind process effectively holds your cost basis down (due to no/little expected capital gains distributions) while your portfolio value compounds over time.

### **Important Differences**

ETFs are different, and there are a few things you should know up front:

- ETF shares trade in a secondary market at market determined prices, which may differ from the NAV.
- ETF shareholders may be charged fees and commissions by their brokers when transacting in ETF shares.
- Some types of brokerage accounts generally cannot hold ETF shares.
- There are risks inherent in the ETF structure itself, and they are described in the ETF's prospectus. The ETF's prospectus is not yet effective, but it will be effective and available for your review before the conversion takes place.

### **Important Considerations**

**The IRS rules for tax-free conversion to an ETF:** To qualify, your portfolio must meet specific diversification rules at the time of contribution of portfolio securities to the Sequoia ETF. No single security can exceed 25% of the total value of securities contributed in the conversion, and the top five holdings cannot exceed 50% of the total value of securities contributed in the conversion. Accounts that are closely aligned with our model SMA portfolio will be eligible to convert. Accounts that are significantly off-model may require some adjustments to make them eligible. Our team will work with you to adjust your portfolio as necessary to prepare it for conversion, in line with your preferences. In some instances, these adjustments may give rise to small taxable gains.

**Deferral, not elimination:** It is worth noting that this conversion defers your tax obligation rather than eliminating it. Taxes will apply when ETF shares are eventually sold at a gain, though a step-up in basis at death may reduce or eliminate that liability for your heirs.

**You only have one chance to make this decision:** The opportunity to convert to the Sequoia ETF tax-free is only available at the time the Sequoia ETF is created. If you elect not to participate in the conversion, you will not have another chance to convert your account tax-free into the Sequoia ETF.

**The ETF will have its own website:** One of the requirements of launching an ETF is that it has its own website with disclosures as mandated by the SEC. This will go live once the Sequoia ETF is available for trading and will also be accessible from the Ruane Cunniff website.

**The conversion will involve some “friction”:** A short freeze period (roughly 5-7 business days) will occur in advance of the conversion, during which we will be unable to buy or sell securities on your behalf if you have chosen to participate in the conversion. After the conversion, there will be a period (possibly as long as 1-2 weeks) when your SMA will have “delivered out” the portfolio holdings you have agreed to contribute to the Sequoia ETF, but you will have yet to receive your Sequoia ETF shares. We believe we have chosen a world-class group of outside counterparties to assist us with the conversion process, and we



will be reviewing it to ensure it proceeds as rapidly as possible, but the process is complex, and the above-mentioned periods of temporary inconvenience will be unavoidable.

**The tax rules may change:** The advantages of the ETF structure are predicated on current IRS rules, which are subject to change. Despite this risk, we have high confidence that the ETF structure will retain its tax advantages over time, in no small part because it has now been adopted by such a large swath of the investing—and voting—public. If we didn't have such high confidence, we would not be making this change. Confidence however is not the same thing as certainty, and one can never guarantee that even popular tax laws will not change. We thus encourage you to carefully review all of the information we make available regarding the proposed conversion, and we also encourage you to consult third-party advisers as appropriate to help you decide whether participation makes sense for you. We will remain in touch with additional details as the conversion process progresses.

**Please note that this letter is not intended to constitute tax advice. We encourage you to consult your own tax advisors regarding the potential benefits and risks of the ETF conversion given your individual circumstances.**

Sincerely,

The Ruane Cunniff Investment Committee

Arman Gökgöl-Kline

John Harris

Trevor Magyar

**Disclosures:** An investor should consider the investment objectives, risks, and charges and expenses of the Sequoia ETF carefully before investing. The Sequoia ETF's prospectus contains this and other information about the Sequoia ETF. An investor may obtain the prospectus by [clicking here](https://www.sec.gov/Archives/edgar/data/1518042/000158064226001638/sequoia485a.htm) (<https://www.sec.gov/Archives/edgar/data/1518042/000158064226001638/sequoia485a.htm>). The prospectus should be read carefully before investing. The information in the Sequoia ETF prospectus is not complete and may be changed. The Sequoia ETF may not sell its shares until the registration statement filed with the SEC is effective. The prospectus is not an offer to sell the shares and is not soliciting an offer to buy the shares in any state where the offer or sale is not permitted.