

ANNUAL REPORT

March 31, 2011

NICHOLAS FUND, INC.

CONSISTENCY in a WORLD of CHANGE



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NICHOLAS FUND, INC.

May 2011

Report to Fellow Shareholders:

For the fiscal year ended March 31, 2011, Nicholas Fund produced a 19.62% total return compared to 15.65% for the Standard & Poor's 500 Index. Moreover, our relative performance for all time periods listed in the table below is favorable.

At March 31, 2011, Nicholas Fund was fully invested with just 1.83% cash. The diversified portfolio consisted of 58 equities. The top ten holdings and sector diversification are included within this report. Mettler-Toledo International, Sally Beauty Holdings, Leucadia National Corp., Kirby Corp. and DineEquity were stocks that helped performance while VCA Antech, Teva Pharmaceutical and Oshkosh Corp. hurt performance.

Returns for Nicholas Fund, Inc. and selected indices are provided in the chart below for the period ended March 31, 2011.

	Average Annual Total Return				
	1 Year	3 Year	5 Year	10 Year	Life*
Nicholas Fund, Inc.	19.62%	9.16%	4.52%	4.69%	10.78%
Standard & Poor's 500 Index	15.65%	2.36%	2.62%	3.29%	9.85%
Consumer Price Index	2.70%	1.54%	2.28%	2.41%	4.43%
Ending value of \$10,000 invested in Nicholas Fund, Inc.	\$11,962	\$13,007	\$12,475	\$15,819	\$716,234
Fund's Expense Ratio (from 07/31/10 Prospectus):	0.78%				

* *The life of the Fund is 41.7 years from the date of its initial public offering, July 14, 1969. Starting time period for the Standard & Poor's 500 Index and the Consumer Price Index was June 30, 1969.*

The Fund's expense ratio for the period ended March 31, 2011 can be found in the financial highlights included within this report.

Performance data quoted represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by visiting www.nicholasfunds.com/returns.html.

The Fund's returns are reduced by expenses, while the market indices are not. The ending values above illustrate the performance of a hypothetical \$10,000 investment made in the Fund over the timeframes listed. Assumes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales charge or redemption fees. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. These figures do not imply any future performance.

The “Great Recession” of 2008-2009 has been followed by a gradual recovery in economic activity. As always, there are many areas of concern, not the least of which is a toxic political atmosphere. Among the problems are \$4.00 per gallon gas prices, Middle East turmoil, high unemployment, declining U.S. house prices, the Japanese disasters and the U.S. Government’s unsustainable debt level and excessive spending. The latter has caused Standard & Poor’s to put a negative outlook on the U.S. AAA credit rating with a warning of a potential downgrade in 2013. On the other hand, we have solid global growth, strong corporate profits, a technology boom, idle cash and low interest rates. Labor costs are being restrained. Inflation seems to be a neutral consideration at the moment, but there are early signs of trouble ahead.

The stock market, unlike the real estate market, has recovered all that it lost in the 2007-2009 bear market. This dichotomy is worrisome. It is only common sense to conclude that future stock returns will not match the last two years. Adhering to our investment philosophy and concentration on stock picking becomes hugely important. In general, equity valuations are reasonable although small company stocks are relatively expensive versus large company stocks.

While Nicholas Fund is an older fund, we are trying to stay young and fresh. Our investment philosophy is unchanged. Buy growth companies at “cheap” prices and be patient. We prefer smaller company stocks rather than larger company stocks, and we love to find unique, unusual and undiscovered stocks.

Thank you for your continued interest in the Fund.

Sincerely,



Albert O. Nicholas
Portfolio Manager



David O. Nicholas
Associate Portfolio Manager

The Fund may invest in smaller companies, which involve additional risks such as limited liquidity and greater volatility.

Please refer to the Schedule of Investments in the report for complete Fund holdings information. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

Diversification does not assure a profit or protect against loss in a declining market.

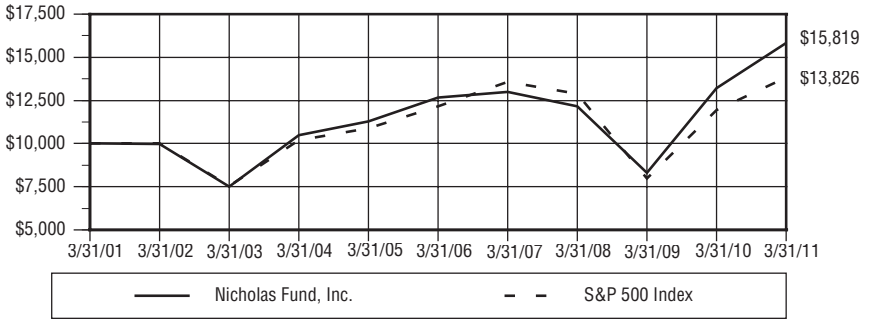
The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The Consumer Price Index represents changes in prices of all goods and services purchased for consumption by urban households. One cannot invest directly in an index.

Must be preceded or accompanied by a prospectus.

The Nicholas Funds are distributed by Quasar Distributors, LLC. (05/11)

**COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT
IN NICHOLAS FUND, INC. AND S&P 500 INDEX**

The line graph which follows compares the initial account value and subsequent account value at the end of each of the most recently completed ten fiscal years of the Fund, to the same investment over the same periods in the S&P 500 Index. The graph assumes a \$10,000 investment in the Fund and the index at the beginning of the period.



The Fund's average annual total returns for the one-, five- and ten-year periods ended on the last day of the most recent fiscal year are as follows:

	One Year Ended <u>March 31, 2011</u>	Five Years Ended <u>March 31, 2011</u>	Ten Years Ended <u>March 31, 2011</u>
Average Annual Total Return	19.62%	4.52%	4.69%

Past performance is not predictive of future performance, and the above graph and table do not reflect deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

Financial Highlights (NICSX)

For a share outstanding throughout each period

	Years Ended March 31,				
	2011	2010	2009	2008	2007
NET ASSET VALUE, BEGINNING OF PERIOD	\$44.00	\$27.71	\$45.03	\$57.85	\$61.49
INCOME (LOSS) FROM INVESTMENT OPERATIONS					
Net investment income . . . . .	.09	.04	.18	.21	.80
Net gain (loss) on securities (realized and unrealized)	7.87	16.34	(12.72)	(2.85)	.71
Total from investment operations	<u>7.96</u>	<u>16.38</u>	<u>(12.54)</u>	<u>(2.64)</u>	<u>1.51</u>
LESS DISTRIBUTIONS					
From and in excess of net investment income.	(.03)	(.09)	(.17)	(.23)	(.82)
From net capital gain	(3.75)	—	(4.61)	(9.95)	(4.33)
Total distributions	<u>(3.78)</u>	<u>(.09)</u>	<u>(4.78)</u>	<u>(10.18)</u>	<u>(5.15)</u>
NET ASSET VALUE, END OF PERIOD	<u>\$48.18</u>	<u>\$44.00</u>	<u>\$27.71</u>	<u>\$45.03</u>	<u>\$57.85</u>
TOTAL RETURN	19.62%	59.21%	(31.70)%	(6.47)%	2.55%
SUPPLEMENTAL DATA:					
Net assets, end of period (millions)	\$1,673.9	\$1,513.1	\$1,033.2	\$1,690.7	\$2,213.5
Ratio of expenses to average net assets . . . . .	.76%	.78%	.77%	.75%	.75%
Ratio of net investment income to average net assets . . . . .	.20%	.11%	.50%	.37%	1.30%
Portfolio turnover rate	22.10%	27.84%	31.79%	31.18%	29.96%

The accompanying notes to financial statements are an integral part of these highlights.

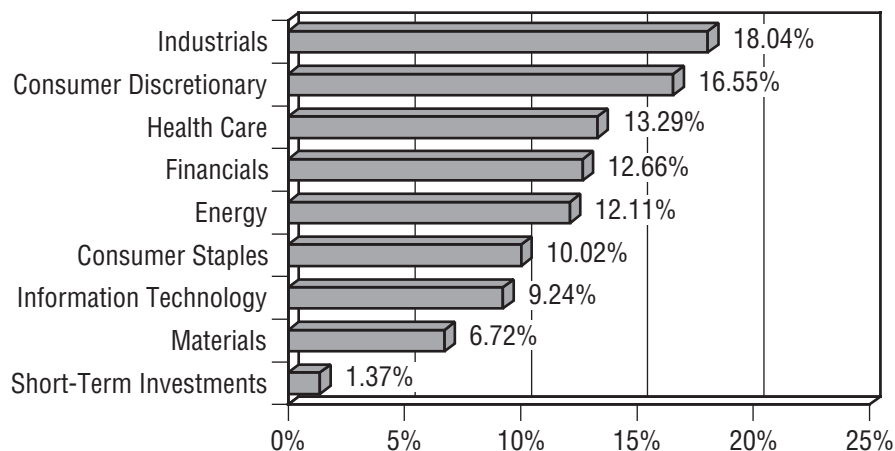
Top Ten Equity Portfolio Holdings

March 31, 2011 (unaudited)

<u>Name</u>	<u>Percentage of Net Assets</u>
Affiliated Managers Group, Inc.	5.49%
Walgreen Co.	3.48%
Ball Corporation	3.43%
Oshkosh Corporation	3.18%
Philip Morris International Inc.	3.14%
Apache Corporation	3.13%
Thermo Fisher Scientific Inc.	3.01%
W.W. Grainger, Inc.	2.95%
Fiserv, Inc.	2.94%
Kinder Morgan Management, LLC	2.83%
Total of top ten	<u>33.58%</u>

Sector Diversification (as a percentage of portfolio)

March 31, 2011 (unaudited)



Fund Expenses

For the six month period ended March 31, 2011 (unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees and other operating expenses. The following table is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with those of other mutual funds.

The example is based on an investment of \$1,000 made at the beginning of the period and held for the entire period.

The first line of the table below provides information about the actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund with other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as wire fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 09/30/10	Ending Account Value 03/31/11	Expenses Paid During Period* 10/01/10 - 03/31/11
Actual	\$1,000.00	\$1,196.70	\$4.11
Hypothetical (5% return before expenses)	1,000.00	1,021.26	3.78

* Expenses are equal to the Fund's six-month annualized expense ratio of 0.75%, multiplied by the average account value over the period, multiplied by 182 then divided by 365 to reflect the one-half year period.

Schedule of Investments

March 31, 2011

Shares or Principal Amount		Value
COMMON STOCKS — 98.14%		
Consumer Discretionary – Durables & Apparel — 1.22%		
550,000	Mattel, Inc.	\$ 13,711,500
350,000	Newell Rubbermaid, Inc.	6,695,500
		<u>20,407,000</u>
Consumer Discretionary – Media — 1.21%		
346,500	Morningstar, Inc.	20,228,670
Consumer Discretionary – Retailing — 11.63%		
1,298,600	Aaron's, Inc.	32,932,496
639,100	Jos. A. Bank Clothiers, Inc.*	32,517,408
800,000	Kohl's Corporation	42,432,000
590,000	LKQ Corporation*	14,219,000
772,476	O'Reilly Automotive, Inc.*	44,386,471
736,160	Penske Automotive Group, Inc.	14,737,923
960,886	Sally Beauty Company, Inc.*	13,462,013
		<u>194,687,311</u>
Consumer Discretionary – Services — 2.41%		
714,155	DineEquity, Inc.*	39,264,242
50,000	InterContinental Hotels Group PLC	1,036,500
		<u>40,300,742</u>
Consumer Staples – Food & Staples Retailing — 3.48%		
1,450,000	Walgreen Co.	58,203,000
Consumer Staples – Food, Beverage & Tobacco — 6.49%		
800,000	Philip Morris International Inc.	52,504,000
530,000	Ralcorp Holdings, Inc.*	36,267,900
665,300	Seneca Foods Corporation – Class A**	19,872,511
		<u>108,644,411</u>
Energy — 12.05%		
400,000	Apache Corporation	52,368,000
931,300	Inergy, L.P.	37,345,130
230,000	Kayne Anderson Energy Development Company	4,498,800
700,000	Kayne Anderson Energy Total Return Fund, Inc.	22,148,000
600,000	Kayne Anderson Midstream/Energy Fund, Inc.	15,036,000
700,000	Kayne Anderson MLP Investment Company	22,869,000
723,145	Kinder Morgan Management, LLC*	47,431,102
		<u>201,696,032</u>
Financials – Diversified — 8.61%		
839,900	Affiliated Managers Group, Inc.*	91,859,863
600,000	Duff & Phelps Corporation – Class A	9,588,000

The accompanying notes to financial statements are an integral part of this schedule.

Schedule of Investments (continued)

March 31, 2011

Shares or Principal Amount		Value
COMMON STOCKS — 98.14% (continued)		
Financials – Diversified — 8.61% (continued)		
1,134,785	Leucadia National Corporation	\$ 42,599,829
		<u>144,047,692</u>
Financials – Insurance — 3.09%		
900,000	Loews Corporation	38,781,000
400,000	W.R. Berkley Corporation	12,884,000
		<u>51,665,000</u>
Financials – Real Estate — 0.91%		
1,520,950	Cohen & Steers Quality Income Realty Fund, Inc.	<u>15,209,500</u>
Health Care – Equipment & Services — 3.39%		
250,000	C.R. Bard, Inc.	24,827,500
557,500	Covidien plc	28,956,550
35,100	Sirona Dental Systems, Inc.*	1,760,616
50,000	VCA Antech, Inc.*	1,259,000
		<u>56,803,666</u>
Health Care – Pharmaceuticals, Biotechnology & Life Sciences — 9.83%		
1,000,000	Gilead Sciences, Inc.*	42,440,000
184,400	Mettler-Toledo International Inc.*	31,716,800
750,000	Teva Pharmaceutical Industries Ltd.	37,627,500
905,688	Thermo Fisher Scientific Inc.*	50,310,968
50,000	Valeant Pharmaceuticals International, Inc.*	2,490,500
		<u>164,585,768</u>
Industrials – Capital Goods — 11.05%		
1,220,400	AECOM Technology Corporation*	33,841,692
100,000	Fastenal Company	6,483,000
1,503,300	Oshkosh Corporation*	53,186,754
330,000	Snap-on Incorporated	19,819,800
358,910	W.W. Grainger, Inc.	49,414,729
643,695	Woodward Inc.	22,246,099
		<u>184,992,074</u>
Industrials – Commercial & Professional Services — 5.01%		
906,500	Copart, Inc.*	39,278,645
915,303	Healthcare Services Group, Inc.	16,091,027
950,000	Republic Services, Inc.	28,538,000
		<u>83,907,672</u>
Industrials – Transportation — 1.88%		
550,000	Kirby Corporation*	<u>31,509,500</u>

The accompanying notes to financial statements are an integral part of this schedule.

Schedule of Investments (continued)

March 31, 2011

Shares or Principal Amount		Value
COMMON STOCKS — 98.14% (continued)		
Information Technology – Hardware & Equipment — 1.00%		
806,700	Molex Incorporated – Class A	\$ 16,690,623
Information Technology – Semiconductors & Semiconductor Equipment — 0.79%		
350,000	Microchip Technology Incorporated	13,303,500
Information Technology – Software & Services — 7.40%		
785,000	Fiserv, Inc.*	49,235,200
180,000	MasterCard Incorporated – Class A	45,309,600
300,000	Paychex, Inc.	9,408,000
390,700	Solera Holdings, Inc.	19,964,770
		<u>123,917,570</u>
Materials — 6.69%		
350,000	AptarGroup, Inc.	17,545,500
1,600,000	Ball Corporation	57,360,000
300,000	RPM International, Inc.	7,119,000
412,825	Stapan Company	29,929,812
		<u>111,954,312</u>
	TOTAL COMMON STOCKS	
	(cost \$1,078,609,912)	<u>1,642,754,043</u>
SHORT-TERM INVESTMENTS — 1.36%		
Commercial Paper – 1.20%		
\$ 875,000	UnitedHealth Group Incorporated 04/01/11, 0.33%	875,000
5,000,000	Integrus Energy Group, Inc. 04/04/11, 0.27%	4,999,887
4,225,000	UnitedHealth Group Incorporated 04/05/11, 0.35%	4,224,836
2,050,000	Stanley Black & Decker Inc. 04/07/11, 0.27%	2,049,908
4,375,000	Kellogg Company 04/13/11, 0.27%	4,374,606
3,575,000	Sara Lee Corporation 04/15/11, 0.28%	3,574,611
		<u>20,098,848</u>
Variable Rate Security – 0.16%		
2,776,960	American Family Financial Services, Inc. ⁽¹⁾ 04/01/11, 0.10%	2,776,960
	TOTAL SHORT-TERM INVESTMENTS	
	(cost \$22,875,808)	<u>22,875,808</u>
	TOTAL INVESTMENTS	
	(cost \$1,101,485,720) — 99.50%	<u>1,665,629,851</u>
	OTHER ASSETS, NET OF LIABILITIES — 0.50%	<u>8,289,687</u>
	TOTAL NET ASSETS	
	(basis of percentages disclosed above) — 100%	<u>\$1,673,919,538</u>

+ This company is affiliated with the Fund as defined in Section 2(a)(3) of the Investment Company Act of 1940, in that the Fund holds 5% or more of its outstanding voting securities. (Note 4)

* Non-income producing security.

(1) Subject to a demand feature as defined by the Securities and Exchange Commission.

The accompanying notes to financial statements are an integral part of this schedule.

Statement of Assets and Liabilities

March 31, 2011

ASSETS

Investments in securities at value —	
Nonaffiliated issuers (cost \$1,085,790,512) —	
see accompanying schedule of investments	\$1,645,757,340
Affiliated issuers (cost \$15,695,208) —	
see accompanying schedule of investments (Note 4)	19,872,511
Total investments	<u>1,665,629,851</u>
Receivables —	
Investment securities sold	12,226,185
Dividend and interest	897,143
Total receivables	<u>13,123,328</u>
Other	157,792
Total assets	<u>1,678,910,971</u>

LIABILITIES

Payables —	
Investment securities purchased	3,751,895
Due to adviser —	
Management fee	906,171
Accounting and administrative fee	34,689
	<u>940,860</u>
Other payables and accrued expense	298,678
Total liabilities	<u>4,991,433</u>
Total net assets	<u>\$1,673,919,538</u>

NET ASSETS CONSIST OF

Paid in capital	\$1,049,944,425
Net unrealized appreciation on investments	564,144,131
Accumulated undistributed net realized gain on investments	57,889,994
Accumulated undistributed net investment income	1,940,988
Total net assets	<u>\$1,673,919,538</u>

NET ASSET VALUE PER SHARE (\$.50 par value, 200,000,000 shares authorized), offering price and redemption price (34,746,342 shares outstanding)	<u>\$48.18</u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Operations

For the year ended March 31, 2011

INCOME	
Dividend (net of foreign taxes of \$29,235)	\$ 14,184,146
Interest	151,098
Total income	<u>14,335,244</u>
EXPENSES	
Management fee	9,819,417
Transfer agent fees	728,811
Accounting and administrative fees	375,747
Postage and mailing	138,161
Custodian fees	75,294
Printing	74,772
Insurance	58,040
Registration fees	33,445
Audit and tax fees	26,350
Directors' fees	17,500
Telephone	11,659
Accounting system and pricing service fees	10,441
Legal fees	10,221
Other operating expenses	5,206
Total expenses	<u>11,385,064</u>
Net investment income	<u>2,950,180</u>
NET REALIZED GAIN ON INVESTMENTS	<u>128,134,901</u>
CHANGE IN NET UNREALIZED APPRECIATION/DEPRECIATION	
ON INVESTMENTS	146,655,517
Net realized and unrealized gain on investments	<u>274,790,418</u>
Net increase in net assets resulting from operations	<u>\$277,740,598</u>

The accompanying notes to financial statements are an integral part of this statement.

Statements of Changes in Net Assets

For the years ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
INCREASE (DECREASE) IN		
NET ASSETS FROM OPERATIONS		
Net investment income	\$ 2,950,180	\$ 1,424,602
Net realized gain on investments	128,134,901	80,621,366
Change in net unrealized appreciation/depreciation on investments	<u>146,655,517</u>	<u>511,006,638</u>
Net increase in net assets resulting from operations	<u>277,740,598</u>	<u>593,052,606</u>
DISTRIBUTIONS TO SHAREHOLDERS		
From net investment income	(1,007,074)	(3,401,373)
From net realized gain on investments	<u>(127,128,136)</u>	<u>—</u>
Total distributions	<u>(128,135,210)</u>	<u>(3,401,373)</u>
CAPITAL SHARE TRANSACTIONS		
Proceeds from shares issued (465,394 and 558,887 shares, respectively)	20,572,053	20,326,879
Reinvestment of distributions (2,849,978 and 88,113 shares, respectively)	119,054,011	3,142,095
Cost of shares redeemed (2,953,788 and 3,541,282 shares, respectively)	<u>(128,393,145)</u>	<u>(133,222,066)</u>
Change in net assets derived from capital share transactions	<u>11,232,919</u>	<u>(109,753,092)</u>
Total increase in net assets	<u>160,838,307</u>	<u>479,898,141</u>
NET ASSETS		
Beginning of period	<u>1,513,081,231</u>	<u>1,033,183,090</u>
End of period (including accumulated undistributed net investment income of \$1,940,988 and \$0, respectively)	<u>\$1,673,919,538</u>	<u>\$1,513,081,231</u>

The accompanying notes to financial statements are an integral part of these statements.

Notes to Financial Statements

March 31, 2011

(1) Summary of Significant Accounting Policies —

Nicholas Fund, Inc. (the “Fund”) is organized as a Maryland corporation and is registered as an open-end, diversified management investment company under the Investment Company Act of 1940, as amended. The primary objective of the Fund is long-term growth. The following is a summary of the significant accounting policies of the Fund:

- (a) Equity securities traded on a stock exchange will ordinarily be valued on the basis of the last sale price on the date of valuation on the securities principal exchange, or if in the absence of any sale on that day, the closing bid price. For securities principally traded on the NASDAQ market, the Fund uses the NASDAQ Official Closing Price. Debt securities, excluding short-term investments, are valued at their current evaluated bid price as determined by an independent pricing service, which generates evaluations on the basis of dealer quotes for normal institutional-sized trading units, issuer analysis, bond market activity and various other factors. Securities for which market quotations may not be readily available are valued at their fair value as determined in good faith by procedures adopted by the Board of Directors. Variable rate demand notes are valued at cost, which approximates market value. U.S. Treasury Bills and commercial paper are stated at amortized cost, which approximates market value. The Fund did not maintain any positions in derivative instruments or engage in hedging activities during the year. Investment transactions for financial statement purposes are recorded on trade date.

In accordance with Accounting Standards Codification (“ASC”) 820-10, “Fair Value Measurements and Disclosures” (“ASC 820-10”), fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820-10 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value such as a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, benchmark yields, bids, offers, transactions, spreads and other relationships observed in the markets among market securities, underlying equity of the issuer, proprietary pricing models, credit risk, etc.)

Notes to Financial Statements (continued)

March 31, 2011

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of March 31, 2011 in valuing the Fund's investments carried at value:

<u>Valuation Inputs</u>	<u>Investments in Securities</u>
Level 1 –	
Common Stocks ⁽¹⁾	\$1,642,754,043
Level 2 –	
Commercial Paper	20,098,848
Variable Rate Security	2,776,960
Level 3 –	
None	—
Total	<u>\$1,665,629,851</u>

(1) See Schedule of Investments for further detail by industry.

There were no significant transfers between levels during the year ended March 31, 2011 and the Fund did not hold any Level 3 investments during the year.

- (b) Net realized gain (loss) on portfolio securities was computed on the basis of specific identification.
- (c) Dividend income is recorded on the ex-dividend date, and interest income is recognized on an accrual basis. Non-cash dividends, if any, are recorded at value on date of distribution. Generally, discounts and premiums on long-term debt security purchases, if any, are amortized over the expected lives of the respective securities using the effective yield method.
- (d) Provision has not been made for federal income taxes or excise taxes since the Fund has elected to be taxed as a "regulated investment company" and intends to distribute substantially all net investment income and net realized capital gains on sales of investments to its shareholders and otherwise comply with the provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies.
- (e) Dividends and distributions paid to shareholders are recorded on the ex-dividend date. Distributions from net investment income are generally declared and paid semiannually. Distributions of net realized capital gain, if any, are declared and paid at least annually.

The amount of distributions from net investment income and net realized capital gain are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. Distributions are determined in accordance with income tax regulations, which may differ from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book to tax differences to reflect tax

Notes to Financial Statements (continued)

March 31, 2011

character. At March 31, 2011, reclassifications were recorded to decrease accumulated undistributed net investment income and increase accumulated net realized gain on investments by \$2,118.

The tax character of distributions paid during the years ended March 31 was as follows:

	<u>03/31/2011</u>	<u>03/31/2010</u>
Distributions paid from:		
Ordinary income	\$ 3,804,496	\$3,401,373
Long-term capital gain	124,330,714	—
Total distributions paid	<u>\$128,135,210</u>	<u>\$3,401,373</u>

As of March 31, 2011, investment cost for federal tax purposes was \$1,095,336,929 and the tax basis components of net assets were as follows:

Unrealized appreciation	\$ 590,473,044
Unrealized depreciation	<u>(20,180,122)</u>
Net unrealized appreciation	<u>570,292,922</u>
Undistributed ordinary income	5,947,683
Accumulated undistributed net realized capital gain	53,883,299
Paid in capital	1,049,944,425
Other temporary differences	<u>(6,148,791)</u>
Net assets	<u>\$1,673,919,538</u>

The differences between book-basis and tax-basis unrealized appreciation is attributable primarily to holdings in partnership interests.

As of the year ended March 31, 2011, the Fund realized no post-October losses for tax purposes.

As of March 31, 2011, the Fund had no tax deferral of wash loss sales.

As of March 31, 2011, the Fund has no capital loss carryforward.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "RIC Act") was enacted. The RIC Act modernizes several of the federal income and excise tax provisions related to regulated investment companies ("RICs"). Under the RIC Act, new capital losses may be carried forward indefinitely, with the character of the original loss retained. The RIC Act also contains simplification provisions, which are aimed at preventing disqualification of a RIC for inadvertent failures to comply with asset diversification and/or qualifying income tests. The RIC Act exempts RICs from the preferential dividend rule and repealed the 60-day designation requirement for certain types of pay-through income and gains. In addition, the RIC Act contains provisions aimed at preserving the character of distributions made by a fiscal year RIC during the portion of its taxable year ending after October 31 or December 31. Except for the simplification provisions related to RIC qualification, the RIC Act is effective for taxable years beginning after December 22, 2010. Management is currently evaluating the

Notes to Financial Statements (continued)

March 31, 2011

implications of the RIC Act and the impact of the Funds' financial statements, if any, is currently being assessed.

The Fund had no material uncertain tax positions and has not recorded a liability for unrecognized tax benefits as of March 31, 2011. Also, the Fund recognized no interest and penalties related to uncertain tax benefits in fiscal 2011. At March 31, 2011, the fiscal years 2008 through 2011 remain open to examination in the Fund's major tax jurisdictions.

- (f) The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.
- (g) In connection with the preparation of the Fund's financial statements, management evaluated subsequent events after the date of the Statement of Assets and Liabilities of March 31, 2011. There have been no significant subsequent events since March 31, 2011 that would require adjustment to or additional disclosure in these financial statements.

(2) Related Parties —

- (a) Investment Adviser and Management Agreement —

The Fund has an agreement with Nicholas Company, Inc. (with whom certain officers and directors of the Fund are affiliated) (the "Adviser") to serve as investment adviser and manager. Under the terms of the agreement, a monthly fee is paid to the Adviser based on an annualized fee of .75% of the average net asset value up to and including \$50 million and .65% of the average net asset value in excess of \$50 million. Also, the Adviser may be paid for accounting and administrative services rendered by its personnel, subject to the following guidelines: (i) up to five basis points, on an annual basis, of the average net asset value of the Fund up to and including \$2 billion and up to three basis points, on an annual basis, of the average net asset value of the Fund greater than \$2 billion, based on the average net asset value of the Fund as determined by valuations made at the close of each business day of each month, and (ii) where the preceding calculation results in an annual payment of less than \$50,000, the Adviser, in its discretion, may charge the Fund up to \$50,000 for such services.

- (b) Legal Counsel —

A director of the Adviser is affiliated with a law firm that provides services to the Fund. The Fund incurred expenses of \$5,721 for the year ended March 31, 2011 for legal services rendered by this law firm.

(3) Investment Transactions —

For the year ended March 31, 2011, the cost of purchases and the proceeds from sales of investment securities, other than short-term obligations, aggregated \$321,427,220 and \$404,630,897, respectively.

Notes to Financial Statements (continued)

March 31, 2011

(4) Transactions with Affiliates —

Following is a summary of fiscal 2011 transactions with “affiliated companies” as defined by the Investment Company Act of 1940:

<u>Security Name</u>	<u>Share Activity</u>			<u>Balance</u> <u>03/31/11</u>	<u>Amount of</u> <u>Capital</u> <u>Gain/(Loss)</u> <u>Realized</u> <u>on Sale</u> <u>of Shares</u> <u>in Fiscal</u> <u>2011</u>
	<u>Balance</u> <u>03/31/10</u>	<u>Purchases</u>	<u>Sales</u>		
DineEquity, Inc. ^(a)	1,022,255	—	308,100	714,155	\$(930,895)
Seneca Foods Corporation – Class A	—	655,300	—	655,300	—
					<u>\$(930,895)</u>

(a) As of March 31, 2011, under the rules of the Investment Company Act, the investment no longer meets the definition of an affiliate.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Nicholas Fund, Inc.:

We have audited the accompanying statement of assets and liabilities of Nicholas Fund, Inc. (the "Fund"), including the schedule of investments, as of March 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the periods ended prior to March 31, 2009 were audited by other auditors, whose report, dated May 28, 2008, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of March 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Nicholas Fund, Inc. as of March 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the three years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Milwaukee, Wisconsin
May 25, 2011

Historical Record

(unaudited)

	Net Asset Value Per Share	Net Investment Income Distributions Per Share	Capital Gain Distributions Per Share	Dollar Weighted Price/Earnings Ratio ⁽²⁾	Growth of an Initial \$10,000 Investment ⁽³⁾
July 14, 1969 ⁽¹⁾	\$ 6.59	\$ —	\$ —	—	\$ 10,000
March 31, 1985	29.24	0.6420	1.5760	13.2 times	69,858
March 31, 1986	35.26	0.5750	0.6100	15.8	87,699
March 31, 1987	39.94	0.8820	0.1870	16.3	102,387
March 31, 1988	32.15	1.8400	4.0340	14.1	98,557
March 31, 1989	35.27	1.0250	0.4510	13.2	113,155
March 31, 1990	37.72	0.9240	1.0540	14.9	127,360
March 31, 1991	42.99	0.7900	0.2250	16.9	149,180
March 31, 1992	49.68	0.6790	0.8240	19.4	178,011
March 31, 1993	52.91	0.6790	2.0420	18.5	200,098
March 31, 1994	51.10	0.8175	1.0470	16.7	200,182
March 31, 1995	52.22	0.7070	3.3170	17.2	221,970
March 31, 1996	63.81	0.5650	4.0945	21.0	293,836
March 31, 1997	67.11	0.4179	5.3166	21.7	336,973
March 31, 1998	93.98	0.3616	5.8002	30.0	508,762
March 31, 1999	85.20	0.5880	8.2716	31.7	509,446
March 31, 2000	84.56	0.3114	5.9433	37.3	543,813
March 31, 2001	54.11	0.1900	19.2500	26.6	452,780
March 31, 2002	53.74	0.2360	—	23.8	451,627
March 31, 2003	40.37	0.1585	—	16.4	340,547
March 31, 2004	56.14	0.0905	—	19.4	474,406
March 31, 2005	60.05	0.0678	0.4100	19.4	511,476
March 31, 2006	61.49	0.2512	5.3194	18.4	574,151
March 31, 2007	57.85	0.8173	4.3310	16.6	588,783
March 31, 2008	45.03	0.2283	9.9501	17.4	550,664
March 31, 2009	27.71	0.1714	4.6096	12.1	376,093
March 31, 2010	44.00	0.0939	—	19.1	598,760
March 31, 2011	48.18	0.0297(a)	3.7458(b)	17.9	716,234

(1) Date of Initial Public Offering.

(2) Based on latest 12 months accomplished earnings.

(3) Assuming reinvestment of all distributions.

(a) Paid \$0.0297 on December 28, 2010 to shareholders of record on December 27, 2010.

(b) Paid \$1.6742 on June 8, 2010 to shareholders of record on June 7, 2010.

Paid \$2.0716 on December 28, 2010 to shareholders of record on December 27, 2010.

Approval of Investment Advisory Contract

(unaudited)

A discussion of the Approval by the Board of Directors of the Fund's Investment Advisory Contract can be found in the Fund's Semiannual Report dated September 30, 2010.

Tax Information

(unaudited)

The Fund designates 100% of its ordinary income distribution for the year ended March 31, 2011 as qualified dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

For the year ended March 31, 2011, 100% of the dividends paid from net ordinary income qualify for the dividends received deduction available to corporate shareholders.

The Fund hereby designates approximately \$124,330,714 as a capital gain dividend for the year ended March 31, 2011.

Information on Proxy Voting

(unaudited)

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, upon request by calling 800-544-6547 (toll-free) or 414-276-0535. It also appears in the Fund's Statement of Additional Information, which can be found on the SEC's website, www.sec.gov. A record of how the Fund voted its proxies for the most recent twelve-month period ended June 30, also is available on the Fund's website, www.nicholasfunds.com, and the SEC's website, www.sec.gov.

Quarterly Portfolio Schedule

(unaudited)

The Fund files its complete schedule of investments with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q's are available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

Directors and Officers of the Fund

(unaudited)

The following table sets forth the pertinent information about the Fund's directors and officers as of March 31, 2011. Unless otherwise listed, the business address of each director and officer is 700 North Water Street, Milwaukee, WI 53202.

<u>Name and Age</u>	<u>Positions Held With Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupations During Past 5 Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Director</u>	<u>Other Directorships Held by Director</u>
INTERESTED DIRECTOR					
Albert O. Nicholas, 80 ^{(1),(3)}	President, Portfolio Manager and Director	(2), 42 years	Chief Executive Officer, and Chairman of the Board, Nicholas Company, Inc., the Adviser to the Fund. He is Portfolio Manager of Nicholas Equity Income Fund, Inc. and the Fund.	3	None
DISINTERESTED DIRECTORS					
Robert H. Bock, 79	Director	(2), 33 years	Private Investor, Consultant, Dean Emeritus of Business Strategy and Ethics, University of Wisconsin School of Business, 1997 to present.	5	None
Jay H. Robertson, 59	Director	(2), 8 years	Private Investor, April 2000 to present. Chairman of the Board of Robertson-Ryan and Associates, Inc., an insurance brokerage firm from 1993 to March 2000.	6	None
OFFICERS					
David L. Johnson, 69 ⁽³⁾	Executive Vice President	Annual, 31 years	Executive Vice President, Nicholas Company, Inc., the Adviser to the Fund.		
Jeffrey T. May, 54	Senior Vice President, Treasurer, Secretary and Chief Compliance Officer	Annual, 18 years	Executive Vice President, Chief Financial Officer and Chief Compliance Officer, Nicholas Company, Inc., the Adviser to the Fund. He is Portfolio Manager of Nicholas Money Market Fund, Inc.		

Directors and Officers of the Fund (continued)

(unaudited)

<u>Name and Age</u>	<u>Positions Held With Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupations During Past 5 Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Director</u>	<u>Other Directorships Held by Director</u>
David O. Nicholas, 49 ⁽³⁾	Senior Vice President and Associate Portfolio Manager	Annual, 22 years	Chief Investment Officer and Director, Nicholas Company, Inc., the Adviser to the Fund. He is Portfolio Manager of Nicholas II, Inc. and Nicholas Limited Edition, Inc. He formerly was Co-Portfolio Manager of Nicholas High Income Fund, Inc. and Nicholas Equity Income Fund, Inc.		
Lynn S. Nicholas, 54 ⁽³⁾	Senior Vice President	Annual, 25 years	Senior Vice President, Nicholas Company, Inc., the Adviser to the Fund.		
Lawrence J. Pavelec, 52	Senior Vice President	Annual, 6 years	Senior Vice President, Nicholas Company, Inc., the Adviser to the Fund. He has been Portfolio Manager of Nicholas High Income Fund, Inc. since April 2008. He served as Co-Portfolio Manager from April 2003 until April 2008.		
Candace L. Lesak, 53	Vice President	Annual, 25 years	Employee, Nicholas Company, Inc., the Adviser to the Fund.		

- (1) Albert O. Nicholas is the only director of the Fund who is an “interested person” of the Fund, as that term is defined in the 1940 Act. Mr. Nicholas is Chief Executive Officer and a Director of the Adviser and owns 97% of the outstanding voting securities of the Adviser.
- (2) Until duly elected or re-elected at a subsequent annual meeting of the Fund.
- (3) David O. Nicholas and Lynn S. Nicholas are the son and daughter, respectively, of Albert O. Nicholas. David L. Johnson is a brother-in-law of Albert O. Nicholas.

The Fund’s Statement of Additional Information includes additional information about Fund directors and is available, without charge, upon request, by calling 800-544-6547 (toll-free) or 414-276-0535.

Privacy Policy

(unaudited)

Nicholas Fund, Inc. respects each shareholder's right to privacy. We are committed to safeguarding the information that you provide us to maintain and execute transactions on your behalf.

We collect the following non-public personal information about you:

- * Information we receive from you on applications or other forms, whether we receive the form in writing or electronically. This includes, but is not limited to, your name, address, phone number, tax identification number, date of birth, beneficiary information and investment selection.
- * Information about your transactions with us and account history with us. This includes, but is not limited to, your account number, balances and cost basis information. This also includes transaction requests made through our transfer agent.
- * Other general information that we may obtain about you such as demographic information.

**WE DO NOT SELL ANY NON-PUBLIC PERSONAL INFORMATION
ABOUT CURRENT OR FORMER SHAREHOLDERS.**

**INFORMATION SHARED WITH OUR TRANSFER AGENT,
A THIRD PARTY COMPANY, ALSO IS NOT SOLD.**

We may share, only as permitted by law, non-public personal information about you with third party companies. Listed below are some examples of third parties to whom we may disclose non-public personal information. While these examples do not cover every circumstance permitted by law, we hope they help you understand how your information may be shared.

We may share non-public personal information about you:

- * With companies who work for us to service your accounts or to process transactions that you may request. This would include, but is not limited to, our transfer agent to process your transactions, mailing houses to send you required reports and correspondence regarding the Fund and its Adviser, the Nicholas Company, Inc., and our dividend disbursing agent to process fund dividend checks.
- * With a party representing you, with your consent, such as your broker or lawyer.
- * When required by law, such as in response to a subpoena or other legal process.

The Fund and its Adviser maintain policies and procedures to safeguard your non-public personal information. Access is restricted to employees who the Adviser determines need the information in order to perform their job duties. To guard your non-public personal information we maintain physical, electronic, and procedural safeguards that comply with federal standards.

In the event that you hold shares of the Fund with a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with non-affiliated third parties.

Automatic Investment Plan — An Update

(unaudited)

The Nicholas Family of Funds' Automatic Investment Plan provides a simple method to dollar cost average into the fund(s) of your choice.

Dollar cost averaging involves making equal systematic investments over an extended time period. A fixed dollar investment will purchase more shares when the market is low and fewer shares when the market is high. The automatic investment plan is an excellent way for you to become a disciplined investor.

The following table illustrates what dollar cost averaging can achieve. Please note that past performance is no guarantee of future results. Nicholas Company recommends dollar cost averaging as a practical investment method. It should be consistently applied for long periods so that investments are made through several market cycles.

	Nicholas Fund	
	07/14/69*	03/31/01
\$1,000 initial investment on		
Number of years investing \$100 each month following the date of initial investment	41.7	10
Total cash invested	\$51,100	\$13,000
Total dividend and capital gain distributions reinvested	\$1,063,296	\$6,155
Total full shares owned at 03/31/11	22,658	395
Total market value at 03/31/11	\$1,091,709	\$19,049

The results above assume purchase on the last day of the month. The Nicholas Automatic Investment Plan actually invests on the 20th of each month (or on the alternate date specified by the investor). Total market value includes reinvestment of all distributions.

* Date of Initial Public Offering.

Nicholas Funds Services Offered

(unaudited)

- IRAs
 - Traditional
 - Roth
 - SIMPLE
 - SEP
- Coverdell Education Accounts
- Profit Sharing Plan
- Automatic Investment Plan
- Direct Deposit of Dividend and Capital Gain Distributions
- Systematic Withdrawal Plan with Direct Deposit
- Monthly Automatic Exchange between Funds
- Telephone Redemption
- Telephone Exchange
- 24-hour Automated Account Information (800-544-6547)
- 24-hour Internet Account Access (www.nicholasfunds.com)

Please call a shareholder representative for further information on the above services or with any other questions you may have regarding the Nicholas Funds (800-544-6547).

Directors and Officers

ALBERT O. NICHOLAS, President and Director
ROBERT H. BOCK, Director
JAY H. ROBERTSON, Director
DAVID L. JOHNSON, Executive Vice President
DAVID O. NICHOLAS, Senior Vice President
LYNN S. NICHOLAS, Senior Vice President
JEFFREY T. MAY, Senior Vice President, Secretary,
Treasurer and Chief Compliance Officer
LAWRENCE J. PAVELEC, Senior Vice President
CANDACE L. LESAK, Vice President

Investment Adviser

NICHOLAS COMPANY, INC.
Milwaukee, Wisconsin
www.nicholasfunds.com
414-276-0535 or 800-544-6547

Transfer Agent

U.S. BANCORP FUND SERVICES, LLC
Milwaukee, Wisconsin
414-276-0535 or 800-544-6547

Distributor

QUASAR DISTRIBUTORS, LLC
Milwaukee, Wisconsin

Custodian

U.S. BANK N.A.
Milwaukee, Wisconsin

Independent Registered Public Accounting Firm

DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin

Counsel

MICHAEL BEST & FRIEDRICH LLP
Milwaukee, Wisconsin

This report is submitted for the information of shareholders of the Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.