



Investment Manager's Report

LETTER TO SHAREHOLDERS

To the Shareholders of Pershing Square Holdings, Ltd.:

Pershing Square Holdings generated strong performance during the first half of 2020 and year-to-date,⁵ as our NAV total return per share increased 28.9% and 44.1%⁶ respectively, compared with the S&P's half-year and year-to-date total return of -3.1% and 7.9%.³ Our strong absolute and relative performance was driven by our late February and early March hedging program in the index CDS markets, the subsequent unwinding of that hedge beginning on March 12th, and the contemporaneous reinvestment of nearly all of the gains from hedging by March 18th, which allowed us to take advantage of the large decline in the share prices of our portfolio companies, and of certain new investments during that period.

As markets have recovered since late March, our portfolio companies' share prices have also increased, driving year-to-date performance. PSH's first-half and year-to-date total shareholder returns of 23.7% and 37.3%⁷ were less than our NAV total returns, as the discount to NAV at which our shares trade has widened from 29% to 33%⁸ since the beginning of the year.

Even with the overall market recovery, most of our portfolio companies' share prices remain below their levels on January 1st, and substantially below their all-time highs. For nearly all of our portfolio companies, we do not believe that the coronavirus has permanently impaired their intrinsic values. In fact, in most cases, we believe the economic, behavioral, and competitive effects of the virus, coupled with our portfolio companies' aggressive actions in response to the impact of the virus, have increased their intrinsic values. As a result, we believe our current holdings remain attractively valued, offering substantial additional profit potential over the long term.

Progress

In our 2017 Annual Letter to Shareholders released on March 23, 2018, I wrote:

“We believe that this is a particularly attractive time to invest in PSH because:

- our portfolio trades at a wide spread to intrinsic value with catalysts which we believe should contribute to value recognition (which we discuss in detail in the Portfolio Update);
- the shares are currently trading at approximately [a] 23% discount to NAV, which we would expect will narrow with improved investment performance;
- the idea generation engine is intact and productive;
- we have largely resolved the potential liabilities that have caused concern...; and
- fees are low as we have reduced management fees by \$14.4 million over the next eight quarters in connection with the Allergan settlement, and performance fees will not be payable until PSH recovers above the high-water mark NAV of \$26.37 per share.

While none of the above factors guarantee a good investment outcome, they substantially increase the probability of our success.... You can be assured that we are working very hard to deliver the results that you expect from us.”

Investors who purchased shares on March 23, 2018 would have been well rewarded as PSH's NAV total return since that time has been 153%,⁶ and our total shareholder return has been 117%,⁹ with the difference due to the widening of our shares' discount to NAV.



While our March 2018 statements about the attractiveness of PSH as an investment were accurate, our prediction that PSH's discount to NAV would narrow has not yet come to pass. It is conventional wisdom in the closed-ended fund investment community that strong performance, large buyback programs, the initiation of a quarterly dividend, and insider purchases by the manager should assist in reducing the discount to NAV at which a closed-ended fund trades.

Judged by this wisdom, we deserve high marks. Since our March 2018 annual letter, in fewer than two-and-one-half years, NAV per share has increased by 153%;⁶ PSH has repurchased 45.1 million shares representing 19.2% of shares outstanding; the company initiated a 10-cent quarterly dividend in the first quarter of 2019; and the Investment Manager and its affiliates have increased their beneficial ownership of PSH from 3.9% to 25.2%¹⁰ through open market purchases and share buybacks. Yet, in spite of all of the above, the discount has widened by approximately 1,000 basis points over the same period.

Whatever the explanation for today's large discount, our strong preference is for the shares to trade at or above net asset value over the long term. The only consolation prize to the wide discount is that our share repurchases have provided us with an attractive incremental investment opportunity that has enhanced our returns to shareholders marginally in recent years. While the expected catalysts for a closure of the discount have not yet been effective, another potential catalyst has recently emerged due to our strong performance.

FTSE 100 Index Inclusion

PSH is a member of the FTSE 250 index and the FTSE All-Share Index. Companies like PSH that are Premium Listed Equities admitted to trading on the London Stock Exchange with a Sterling-denominated price are eligible for inclusion in the FTSE 100. Assuming a company meets the requisite governance and liquidity requirements, which are currently met by PSH, FTSE 100 inclusion is determined based on the full Sterling market capitalization of a company's listed shares.

As an increasing amount of investment capital has been invested in index funds, and with the returns of global benchmark indexes having exceeded that of most active managers, index inclusion has become an increasingly important catalyst for stock price performance and intrinsic value recognition. The FTSE 100 index is the UK's globally recognized benchmark index equivalent to the S&P 100.

The FTSE 100 index seeks to represent the 100 largest companies by market capitalization on the London Stock Exchange that meet the relevant requirements. In order to be eligible for automatic inclusion, a company must have a market capitalization equal to or greater than the 90th largest market cap company in the index as of March, June, September, or December, the quarterly dates on which the FTSE calculates index inclusion. Alternatively, if companies in the index fall below the 110th largest company by market cap, they are removed from the index and create room for new additions.

We believe that PSH's inclusion in the FTSE 100 index would be a material positive catalyst in increasing demand for PSH shares by index funds who will be required to purchase the stock, by other investment managers who invest in companies included in the index, and by active managers that will be made aware of PSH and its bargain valuation compared to the other FTSE 100 index components.

As of this writing, the market value of PSH's public shares at £3.9 billion would make PSH the 100th largest company on the LSE, with a £646 million lower market cap than the 90th ranked company in the index. While the 5.2% increase in value of the pound versus the dollar since the last measurement date of June 2nd has reduced PSH's market cap by a corresponding amount, PSH's public market cap would need only increase by 16.6% in order to displace the 90th ranked company and be eligible for inclusion, all else remaining the same. Unfortunately, our large buyback program has been a hindrance to



inclusion. Had the 50.6 million shares that we have repurchased since the inception of our buyback program remained outstanding, PSH would have already been added to the FTSE 100 index.

To increase the probability of our addition to the FTSE 100 index, at the end of this year, we will be converting all of PSH's management shares to public shares, as management shares are not considered in the index inclusion calculation. This will add approximately 6 million public shares to our listed market capitalization. Had this conversion taken place previously, PSH would today be the 99th largest company in the index, and would only need to increase in market cap by 13.1%, all else remaining the same, in order to meet the FTSE 100 inclusion threshold.

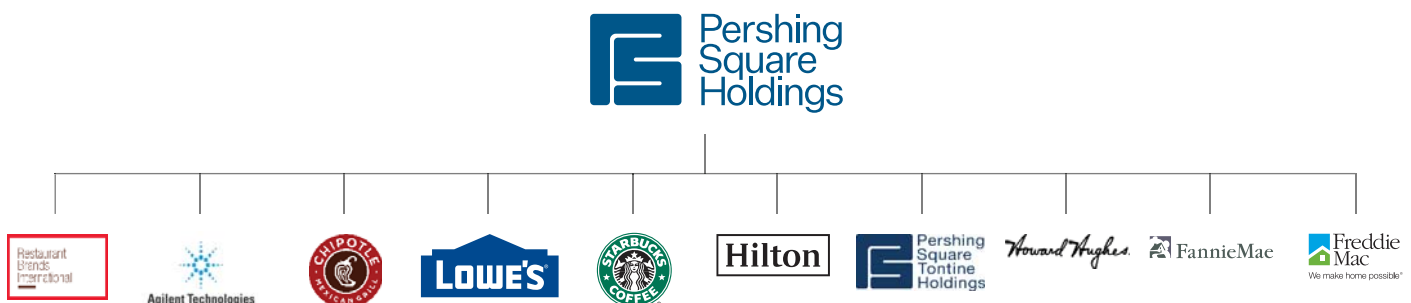
PSH could today reach the necessary threshold if the current discount to NAV declined to 20%. This relatively modest reduction in discount could become self-fulfilling if investors: (1) expect that PSH will be added to the index in the short term, (2) believe that FTSE 100 inclusion will be a catalyst for a significant upward revaluation of the company, and (3) therefore buy PSH shares driving the discount narrower and our market cap above the relevant threshold.

PSH could also over time continue to outperform the FTSE 100 index components, or a combination of the above factors could cause PSH to exceed the threshold market cap requirement. Alternatively, PSH may be added to the index by the removal of other constituents who rank lower than the 110th company by market cap. As of this writing, there is one such company that may be removed, and PSH is second in line to be admitted by this method. While there is no certainty that PSH will be admitted to the FTSE 100 index, we are close enough to inclusion to consider the potential implications for PSH.

When one compares PSH's track record with the other FTSE 100 index components, we believe our undervaluation will become starkly evident. Approximately three quarters of the companies in the index trade at a premium to book value. The FTSE 100 index weighted by market cap currently trades at 1.5 times book value, a level that makes sense in light of the 11% long-term, average return on equity of the similarly weighted FTSE 100 component companies.

Furthermore, the companies in the FTSE 100 index that currently trade at a discount to book value are comprised of loss-making companies in challenged industries, or banks and other financial institutions that earn inadequate returns on equity. Notably, the only closed-ended fund in the index that invests the substantial majority of its capital in publicly traded equities has generally traded at a narrow band around NAV or book value.

As we have previously explained, while PSH is legally a closed-ended fund, in our view it is best thought of as a tax-efficient investment holding company that owns minority interests in public companies which are of a quality and scale where legal control is often difficult if not impossible to achieve. Our strategy is to acquire smaller pieces of superb businesses over which we have substantial influence, rather than controlling interests in lower quality businesses. Today, PSH owns minority interests in ten "subsidiary" portfolio companies, as depicted below:





The formal definition of a subsidiary is a corporation controlled by a holding company, where control is typically represented by a 50% or greater ownership interest. In the case of PSH's "subsidiaries," however, we have generally owned less than 20% of shares outstanding, and usually less than 10% of shares outstanding. Even so, we are typically one of the largest shareholders of our investees, and we are an influential and supportive owner whether or not we have board seats, regardless of what percentage of the company we own.

We believe it is appropriate to value PSH as a tax-efficient investment holding company by reference to the long-term return on equity it has earned, and is expected to earn in the future. When the record of PSH is considered over the long term, calculated beginning with its predecessor funds' inception on January 1, 2004, we have earned a greater than 16% annual return on equity for nearly 17 years, and more than double this return over the last two years.¹¹ Companies that have long-term track records of earning mid-teens returns on equity generally trade at more than two times book value, and rarely, if ever, trade at a discount to book value.

PSH's short and long-term return on equity compare quite favorably with the 11% return on equity of the FTSE 100 as measured over comparable periods, which makes the current discount to NAV or book value that much more anomalous. We have been unable to identify another public company in the world that has earned similar returns on equity over the long term that has consistently traded below book value, let alone at a 33% discount to book value, which is readily determinable because of the highly liquid, publicly traded nature of our assets.

We believe that in the event that PSH were added to the FTSE 100 index, PSH's visibility in the global investible universe will be materially enhanced, and its undervaluation will be recognized. This may cause the discount to NAV at which our shares trade to narrow, but we caution that, based on our experience with other likely catalysts, discount closure is not assured.

Pershing Square Tontine Holdings, Ltd.

On July 22nd, Pershing Square Tontine Holdings, Ltd. ("PSTH") completed a \$4 billion IPO on the New York Stock Exchange. We designed PSTH to be the most investor- and merger-friendly SPAC in the world. Apparently investors agreed, as we had more than \$12 billion of demand for the offering when we stopped marketing the IPO on the second day of the road show. We capped the IPO at \$4 billion, which, when added to the Pershing Square funds' minimum \$1 billion commitment, created the largest blank check company in the world.

We capped the size of the public offering so that we would not materially limit the potential universe of merger candidates in which our shareholders would, via a merger, become a minority owner of the newly public company. We are seeking to own a minority interest in the newly merged company because we believe our willingness to be a minority owner will differentiate PSTH from the substantial majority of other private equity and strategic buyers who require control, and are therefore prepared to pay a substantial control premium.

Sellers are much more price sensitive when selling 100% or even a controlling interest in their business for obvious reasons. A seller's price sensitivity declines, however, when they are selling a smaller interest that allows them to achieve other important strategic objectives. We therefore expect that a potential PSTH merger partner will be much less price-sensitive in a transaction in which it, in effect, sells a minority interest in a merger with PSTH, which also allows it to raise \$5 billion of equity capital and retain control of a newly public New York Stock Exchange listed company. In fact, the smaller the interest they are selling, the lesser the price sensitivity, which makes mergers with larger companies more likely to come on more



advantaged terms than with smaller companies. PSTH's targeting of companies that are multiples of its size is designed to enable it to acquire a minority interest in the newly merged company at an attractive valuation.

We have always believed that SPACs are interesting investment constructs. We have had an excellent experience and strong investment results from the first SPAC we co-sponsored in 2011 that merged with Burger King, the predecessor company to Restaurant Brands, which remains a core holding more than eight years after the merger. In principle, a properly structured SPAC with a strong sponsor should offer a much more attractive alternative to going public than through an initial public offering. This fact has begun to be appreciated more widely, including by members of the venture capital community. Recently, Bill Gurley, one of the world's leading venture capitalists, wrote a detailed blog post comparing SPACs and direct listings with initial public offerings. Bill makes a powerful case for SPACs. We encourage you to read his post: <https://abovethecrowd.com/2020/08/23/going-public-circa-2020-door-3-the-spac/>

One of the limitations of SPACs, however, has been the compensation arrangements of their sponsors, which in almost all cases are best described as egregious. These compensation structures are also counterproductive to the intended goal of a SPAC because of the large amount of dilution they create in a merger transaction.

The typical compensation for SPAC sponsors comes in the form of so-called founder shares which entitle the sponsor to 20% of the SPAC's common stock for an investment of \$25,000 (this is not a typo!), which the sponsor receives if it completes a transaction. For example, a sponsor that raises a \$400 million SPAC will receive 20% of its common stock, initially worth \$100 million, if they complete a deal, whether the newly merged company's stock goes up or down when the transaction closes.

In other words, if the stock of the newly merged company in the above example declines by half after the transaction closes, the sponsor's common stock will be worth \$50 million, a 2,000 times multiple of the \$25,000 invested by the sponsor, a remarkable return for a failed deal. This value is realized by the sponsor while their shareholders have lost half of their investment. To make matters worse, many sponsors receive additional fees for completing transactions, which can include tens of millions of dollars in advisory fees, often paid to captive "investment banks" that are often 100% owned by the sponsors themselves.

The problem with the typical founder shares arrangement is not just the outsized nature of the compensation or the inherent misalignment of incentives, but also the fact that the massively dilutive nature of founder stock makes it difficult to complete a deal on attractive terms for the SPAC's shareholders. When coupled with the typical underwriting fees paid in a SPAC IPO of 5.5% of the capital raised, sponsors must overcome the combined 25% stock and fee dilution just to do a deal that breaks even. It is difficult to negotiate a deal that makes sense in a merger when one quarter of the value leaves the transaction at its inception, which is why the track record of SPACs is often poor.

In order to address these alignment issues, with PSTH we eliminated all forms of compensation, advisory fees, and founder shares. We further improved alignment issues by the Pershing Square funds committing to purchase a minimum of \$1 billion of common stock and shareholder warrants on the same terms as PSTH's public shareholders. In addition, the Pershing Square funds purchased so-called Sponsor Warrants for \$65 million – their estimated fair market value at the time of the IPO – that will become 10-year warrants on 5.95% of the newly merged company shares, only if we successfully complete a transaction.

The Sponsor Warrants have a strike price 20% above PSTH's IPO price, and are not transferable, salable or exercisable for



the first three years after the merger. The Sponsor Warrant's valuation was determined in consultation with a nationally recognized valuation agent, which considered, among other factors, that if we did not complete a transaction by the 30-month term of the SPAC, the Sponsor Warrants would likely lose substantially all of their value.

We also negotiated and capped the underwriting fees payable at 1.8% of the SPAC's minimum equity capital, further reducing frictional costs. We paid two-thirds of these fees with the purchase of the Sponsor Warrants, which reduces the total frictional costs of PSTH in a merger borne by shareholders and our merger partner to a *de minimis* amount.

We used the excess demand for the PSTH IPO to curate a shareholder list that would be the envy of any public company. We selected investors for their reputation as long-term, value-added owners. We expect our shareholder registry will contribute to PSTH's appeal as a merger partner for a high-quality company.

We also made a number of changes to the typical shareholder warrant structure of SPACs that minimizes the risk of shareholder redemptions. These structural changes, when coupled with our large amount of committed capital to the entity and our curated long-term shareholder base, reduce and likely eliminate the need to raise expensive so-called PIPE capital at the time a transaction is identified, a *de facto* requirement in nearly every other SPAC transaction.

The result of all of the above is that we now control a publicly traded, NYSE-listed company with \$5 billion of equity capital that is seeking to merge and take public a large capitalization private company that meets our investment criteria for business quality, growth, and an attractive valuation. PSTH is the largest SPAC in the world with the least amount of frictional costs in a merger, making it a highly attractive alternative to an IPO. As such, we expect that PSTH will give Pershing Square's investors and PSTH's public shareholders unique access to an untapped universe of bespoke, large-capitalization investment opportunities.

To give you a better understanding of the unique, large scale of PSTH, there have been only three U.S. IPOs in the last decade of \$5 billion or more – Alibaba, Uber, and Facebook – and the degree of difficulty for completing an IPO increases materially with its size. This makes PSTH an extremely attractive alternative for a company that would like to raise \$5 billion or more of capital and go public, particularly during a period in the capital markets which is likely to be highly volatile and uncertain because of the economic impact of the virus, the upcoming presidential election, and the challenging political, social, and economic environment. Uncertainty is the enemy of the IPO and the friend of a \$5 billion SPAC with the largest amount of committed capital.

We are in discussions with a number of potential companies that are owned and/or controlled by private equity firms, families, start-up company founders, as well as other private companies, and are encouraged by the initial interest that we have received. If you have a potential candidate in mind that meets our criteria and can provide an introduction, please call me directly.

PSH Versus PSTH's Valuation

Interestingly, but not surprisingly in our view, PSTH currently trades at 106% of its NAV, which is comprised entirely of cash. PSTH trades at a premium to its cash NAV because the market believes that it is probable that we will find an attractive merger candidate and complete a transaction that creates significant shareholder value. We believe that PSTH's share price reflects the compound probability of our completing a transaction, the potential increase in the stock price at the time of announcement, and the timing of transaction announcement and closure.



The fact that PSTH trades at 106% of NAV is particularly notable when it is compared with the 33% discount to NAV (comprised of cash and marketable securities) at which PSH trades, as PSH is managed by the same investment team, owns 91% of the PSTH Sponsor Warrants, and is a minimum \$1 billion forward purchaser, alongside the two Pershing Square private funds, of PSTH common stock and shareholder warrants, with the right to increase its forward purchase investment by up to an additional \$2 billion.^a

While the Sponsor Warrants are valued at \$84 million today,^b in the event PSTH completes a successful merger, the Sponsor Warrants would be worth 1.5% to 2% of the equity market capitalization of the merged company at the time of completion of the merger (based on a Black Scholes valuation) depending on its stock price volatility. As PSTH is targeting a company with a post-merger market cap of \$15 billion to as much as \$30 billion or more, the Sponsor Warrants could become a material asset to PSH. This becomes even more likely if, as we expect, the merged company stock price increases above the initial transaction value, as the warrants, in that event, will become much more valuable.

At PSH's current 33% discount to NAV, PSH shareholders are getting all of PSH's \$1.7 billion of net free cash, the Sponsor Warrants, the Forward Purchase commitment, the option to increase the Forward Purchase commitment, plus hundreds of millions of additional value for free. PSH's undervaluation has enhanced the benefits of our ongoing buyback program that endeavors each day to purchase the maximum number of shares permitted under the buyback regulatory regime.

It is important to note that all of the economics of PSTH are going to PSH shareholders and our private fund investors. This is an unusual approach as nearly every other SPAC sponsor has chosen to keep all or substantially all of the founder economics of launching a SPAC for the individuals that control the sponsor, rather than for the other funds they manage on behalf of their investors.

As the largest investors in PSH and in the Pershing Square funds, 23% of the capital invested in PSTH will indirectly come from the employees of Pershing Square Capital Management, which we believe provides the best form of alignment for both our investors and PSTH's shareholders.

The Current Environment

I write this letter at an extraordinary time in the history of the world. Approaching one million people have died from the effects of the virus, the global economy is suffering to a degree that was unheard of since the Great Depression, and we are faced with a greater degree of political uncertainty in the United States and globally as far back as we can remember. The economic and health effects of the virus have and will continue to have a disproportionately negative effect on the poor and disadvantaged in the U.S. and globally. Yet, we find ourselves optimistic about the companies in our portfolio, which include quick service restaurant and coffee companies, a hotel management company/franchisor, a home improvement retailer, two

a While PSH is unlikely to invest more than 20% of its NAV in PSTH – more likely, it will invest up to about 15% of NAV at the time of the closing of a SPAC merger – our right to invest additional capital remains an important valuable option to PSH.

b We are required under GAAP and IFRS to mark to market the Sponsor Warrants and our forward purchase commitment to PSTH (and we do so with the assistance of a third-party valuation agent). Therefore, effective beginning after the IPO of PSTH on July 22, 2020, the published NAV for PSH includes the mark-to-market value of the Sponsor Warrants and our forward purchase commitments to PSTH.



residential mortgage guarantors, a scientific equipment manufacturer, and a real estate development company. What explains this dramatic seeming disconnect?

In sum, we are entering an era in which we expect the dominant, well-capitalized, great companies that comprise our portfolio to accelerate their growth in market share and profitability over the long term as they effectively adapt to the changes wrought by the virus. While many have been puzzled by the stock market's resurgence, in our view, it can be best explained by this phenomenon writ large. Said differently, we have a corporate inequality phenomenon in addition to an income inequality problem.

The stock market is comprised of the biggest and strongest companies, and reflects the present value of what is to come for these businesses. It is not representative of the entire economy. If there were a stock market index of private, small businesses, it would likely be down 50% or more. Small business failures will make the income inequality problem even worse.

If we are to avoid continued political risk and disharmony which create serious risks to the sustainability of the capitalist system, we need to find a way for those left behind to participate to a greater extent in capitalism, broadly defined. This is an important problem that must be addressed, and it is incumbent upon all of us, particularly those of us who are the greatest beneficiaries of the system, to find a potential solution.

Despite its faults, we are strongly of the view that, while far from perfect, capitalism is by far the best system for maximizing the size of the economic pie. One of the principal problems with capitalism, particularly as it has functioned over the last several decades, however, is that wage growth has not kept pace with long-term wealth creation, which has disproportionately favored the wealthy and the upper middle class. This likely can be attributed to the higher after-tax returns generated by investment assets compared with wage growth over the same period. Without funds to invest for retirement – particularly after the housing crash destroyed many Americans' only other source of long-term wealth creation – one has almost no hope to build wealth for retirement, or to give the next generation a head's start. In sum, the American Dream has become a disappointment or worse for too many.

If capitalism continues to leave behind most Americans as the growth in wages has not come close to the more tax-efficient compound growth that has been achieved by investing in the stock market, more and more Americans will seek changes, potentially radical ones, to the current system, or seek an alternative system. Like those who rent rather than own their homes and thereby have no love lost for their landlords, Americans that have no ownership in the success of capitalism, and who are suffering economically, are more motivated to turn toward Socialism or other alternatives.

One potential solution to the wealth inequality problem is to create a way for those with no investment assets to participate in the success of capitalism. We need a program that makes every American an owner of the compounding growth in value of corporate America. Compounded returns over time are indeed one of the great wonders of the world, and every day we wait to address this issue, the problem looms larger.

There are a number of potential solutions to this problem. Among them, the government could establish and fund investment accounts for every child born in America. The funds could be invested in zero-cost equity index funds, be prohibited from withdrawal until retirement, and could compound tax free for 65 years. At historical rates of equity returns of 8% per annum, a \$6,750 at birth retirement account - which would cost \$26 billion annually based on the average number of children born in the U.S. each year - would provide retirement assets of more than \$1 million at age 65.



Alternatively, or hopefully in addition, corporations could be required to set aside a fixed percent of salary or wages in a tax-free investment account for all workers that would also be restricted from withdrawal until retirement, similar to the approach used by the highly successful and popular Australian superannuation system, which has created savings of scale for growing generations of its citizens. Since the superannuation system's launch in 1991, Australia now has \$2.7 trillion of superannuation assets – nearly twice the country's GDP. Remarkably, Australia has created the fourth largest pension system in the world, in the 53rd most populous nation.

In addition to helping all Americans build wealth for retirement, mandatory equity savings accounts for all would encourage greater financial literacy, and, as importantly, give all Americans the opportunity to participate in the success of capitalism.

We are not going to solve our country's problems in a few short paragraphs, but we highlight the above problems as they are critically important for the country to address, and, like Covid-19, they present black-swan-type risks for investors. These and other issues of global concern, like climate change, create substantial unresolved risks and uncertainties, and we therefore continue to remain extremely vigilant, cautious, and selective about our approach to investing your capital.

We are extremely grateful for your long-term commitment of capital that has enabled us to generate the returns for which you are therefore entitled.

Sincerely,

A handwritten signature in black ink, appearing to read 'William A. Ackman', with a long horizontal flourish extending to the right.

William A. Ackman



PORTFOLIO UPDATE

Performance Attribution

Below are the contributors and detractors to gross performance of the portfolio of the Company for the six-month period ended June 30, 2020 and year-to-date August 25, 2020.⁽¹²⁾

January 1, 2020 – June 30, 2020		January 1, 2020 – August 25, 2020	
Index CDS (Hedge)	39.0 %	Index CDS (Hedge)	37.0 %
Lowe's Companies Inc.	5.5 %	Lowe's Companies Inc.	11.7 %
Chipotle Mexican Grill, Inc.	4.1 %	Chipotle Mexican Grill, Inc.	8.0 %
Starbucks Corporation	2.3 %	Starbucks Corporation	3.7 %
Share Buyback Accretion	1.9 %	Agilent Technologies Inc.	3.2 %
Agilent Technologies Inc.	1.2 %	Share Buyback Accretion	2.4 %
Bond Interest Expense	(0.7)%	Pershing Square Tontine Holdings, Ltd.	2.0 %
Federal Home Loan Mortgage Corporation	(1.0)%	Federal Home Loan Mortgage Corporation	(0.9)%
Federal National Mortgage Association	(2.0)%	Bond Interest Expense	(0.9)%
Berkshire Hathaway Inc.	(3.1)%	Federal National Mortgage Association	(1.9)%
Hilton Worldwide Holdings Inc.	(5.5)%	Hilton Worldwide Holdings Inc.	(2.3)%
The Howard Hughes Corporation	(7.3)%	Berkshire Hathaway Inc.	(3.1)%
All Other Positions and Other Income and Expense	0.8 %	The Howard Hughes Corporation	(5.7)%
		All Other Positions and Other Income and Expense	0.4 %
Net Contributors and Detractors	35.2 %	Net Contributors and Detractors	53.6 %

Positions with contributions or detractions to performance of 50 basis points or more are listed above separately, while positions with contributions or detractions to performance of less than 50 basis points are aggregated, except for accretion and bond interest expense. Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and important disclaimers on pages 46-48.

Lowe's Companies ("LOW")

Earlier this year, Lowe's began to experience a significant acceleration in demand, as U.S. consumers in lock down began to invest more in their homes, which has contributed to Lowe's year-to-date stock price increase of 40%. In recent months, Lowe's sales have reflected unprecedented demand across the home improvement sector. Lowe's has also benefited from actions taken over the prior year to improve the company's competitive position, driving additional share gains.

Lowe's second quarter results reflected extraordinary 35% U.S. comparable sales growth, substantial operating margin expansion, and robust earnings growth. While comparable sales growth has moderated somewhat in recent months, demand patterns continue to be well above historical averages. Although it is difficult to know how much longer the elevated demand environment will persist, we believe the pandemic has provided Lowe's with a unique opportunity to showcase its improved merchandising, greater in-stock levels, and excellent customer service to a growing base of customers. This should drive greater customer frequency and loyalty, leading to correspondingly higher same-store-sales and profit margins over the long term.



In 2020, beyond adapting the business for surging demand and the associated operational strains imposed by Covid-19, Lowe's continues to invest behind critical strategic initiatives, including improving omnichannel capabilities. Management completed the re-platforming of its ecommerce platform earlier this year, and will now focus on enhancing online features and functionality, thereby improving the overall user experience. Lowe's is also accelerating investments in its supply chain initiatives, a critical element of the company's longer-term business transformation. We believe that Lowe's continues to make substantial progress toward achieving each of management's high-priority initiatives, which will aid Lowe's future competitive position.

In recent quarters, Lowe's management has begun to acknowledge its medium-term 12% operating margin target as "not the end point," but rather "a stop along [Lowe's] journey," and has further noted that they believe Lowe's "can do better than that over time." As Lowe's revenue productivity and margins begin to approach its best-in-class peer Home Depot, which achieved a greater than 14% profit margin last year, it will generate significant increases in profit, which, when coupled with the company's likely soon-to-be-relaunched, large share repurchase program should lead to accelerated future earnings-per-share growth.

Despite Lowe's significant stock price appreciation, it currently trades at approximately 19 times our estimate of Lowe's next-twelve-month earnings (vs. Home Depot at 25 times), a valuation which does not reflect its potential for significant future profit improvement. As a result, we believe that Lowe's share price has the potential to appreciate substantially as the company continues to make progress on its business transformation.

Chipotle Mexican Grill ("CMG")

Chipotle's outstanding performance this year has been driven by its successful business transformation led by CEO Brian Niccol and his team, who have made Chipotle one of the best performing restaurant brands globally, with 52% year-to-date stock price appreciation. Digital access has been a pillar of management's strategy, fueling double-digit same-store sales growth in 2019, and enabling the brand to return to growth only three months after the onset of Covid-19 in the U.S.

Following a very strong start to the year, with same-store sales up 12% to 13% in January and February, Chipotle's same-store sales bottomed at negative 35% in late March, as states implemented stay-at-home orders and dining room closures. Management quickly responded by reallocating marketing dollars and refocusing the organization on digital pickup and delivery.

Management's rapid response has caused the company's digital sales mix to increase from just under 20% of sales at the end of 2019, to a peak of 70% of sales in April, moderating to nearly 50% of sales in July, as states have reopened. These digital sales gains have proved to be resilient, with Chipotle retaining 70% to 80% of digital sales gains while recovering 40% to 50% of in-store sales as of July. The combination of triple-digit digital sales growth and a gradual recovery of in-store sales has enabled Chipotle to return to mid-single-digit, positive same-store-sales growth in July, an exceptional result in the current environment for a brand that did not previously derive a majority of sales from drive-thru or delivery.

Management is confident that Chipotle will emerge even stronger once the Covid-19 crisis is over. Unit growth should accelerate in 2021 as competition for high-quality locations has decreased, with Chipotlanes, the company's high-return, digital drive-thru format incorporated into most new restaurants going forward. Management has reiterated its medium-term goals of: (1) \$2.5 million in average restaurant sales, up from \$2.2 million today, (2) corresponding restaurant-level margins of 25%, and (3) a long-term goal of more than doubling the current number of Chipotle restaurants in the U.S. The key levers to achieve this growth are already in place including digital access initiatives, the Chipotle Rewards loyalty program – which has become a highly effective tool for personalized marketing that has seen enrollment grow 75% this year to nearly 15 million members – and a robust menu innovation pipeline, with popular new items in trial including cauliflower rice and quesadillas.



Restaurant Brands International (“QSR”)

Restaurant Brands’ sales continued to improve through July due to the company’s quick response to Covid-19, the benefits of its off-premise and value-focused business model, and the easing of shelter-in-place orders. While Restaurant Brands’ share price has recovered more than 90% from its bottom in March, it still remains down 13% year to date, and 28% below its high last year prior to the onset of the Coronavirus.

In addition to bolstering safety procedures, QSR shifted its marketing to highlight its off-premise business including drive-thru, delivery, and digital ordering. The company is making significant digital investments by expanding its delivery footprint, driving mobile app adoption, and improving loyalty programs. To support franchisees, the company moved from fixed to variable rent at locations it controls, and temporarily deferred rents for certain franchisees. QSR also provided franchisees with additional liquidity from rebates and cash advance programs, and by pausing capital commitment requirements.

At Burger King U.S., same-store sales have improved to flat, primarily due to an increase in drive-thru sales. At Popeyes U.S., same-store sales quickly recovered, now growing in the high-twenties percent, even as this year’s sales begin to lap the launch last year of its highly successful chicken sandwich. While Tim Horton’s same-store sales have recovered to negative low-single-digits percent in the U.S., they remain in the negative mid-teens percent in Canada due to a slower pace of reopening, and lower drive-thru penetration. With the easing of shelter-in-place orders, more than 90% of QSR’s restaurants are now open.

As a result of the company’s quick actions and significant recovery in sales along with the support of various government programs, management estimates that the vast majority of franchisees at all three concepts are cash-flow positive in their home markets. The company expects its system-wide unit growth to be flat in 2020 as it works with franchisees to optimize its global footprint, and to return to its mid-single-digit historical growth rate in 2021.

We believe that each of Restaurant Brands’ concepts will emerge stronger from the crisis as its restaurant concepts are competitively advantaged in a socially distant and more budget-conscious consumption environment, enhanced by the company’s continued investment in drive-thru, delivery and digital.

We believe that Restaurant Brands’ current valuation does not reflect its improving business fundamentals, strengthening competitive position, ample liquidity, and long-term unit growth opportunity. We believe that as underlying sales trends at each of its brands, in particular, Tim Hortons, continue to improve, QSR’s share price will more accurately reflect our view of the company’s business fundamentals.

Agilent (“A”)

Agilent’s fiscal third quarter results were demonstrative of the company’s high-quality, resilient business model and significant margin expansion opportunity. In what the company expects to be its most challenging quarter of the year, organic revenue declined only 3%, supported by stable performance in its CrossLab service and consumables segment, which grew 1%. While the pace of recovery throughout the quarter varied by region depending on when each region faced the brunt of the pandemic, the company exited July with positive growth across all of its regions. Notably, even with a modest revenue decline, the company was able to expand operating margins by 90 basis points year-over-year by effectively managing its cost structure. Agilent’s stock has increased 16% year-to-date.

Since the onset of the pandemic, Agilent has outperformed its comparable peer group with meaningfully lower revenue declines than peers. Despite the ongoing disruption from the pandemic, the company remains highly focused on product innovation and sales efforts to drive market share gains. For example, in its service business, Agilent introduced new



workflow solutions to capitalize on the trend of labs outsourcing multiple services to a single vendor. The company has recently won several large, lab-wide, enterprise service contracts. Likewise, in its instrument portfolio, Agilent launched two new mass spectrometry product lines aimed at increasing testing throughput and reducing downtime. We expect these initiatives to drive long-term sales growth as they expand the installed base of Agilent instruments, and increase the penetration of its service and consumables offerings.

We are encouraged by Agilent's ability to expand operating margins over the last two quarters by 50 and 90 basis points year-over-year, respectively, despite facing modest revenue declines from the pandemic. This improvement in operating profitability in a highly challenging environment highlights the magnitude of the company's future margin expansion potential. We believe the pandemic has provided the company with a timely opportunity to closely review its discretionary overhead expenses and accelerate investments in digital tools and capabilities. Agilent was able to deliver cost savings without furloughing a single employee. The resulting organizational stability has allowed the Agilent team to remain focused on engaging with customers and driving new business.

With increasing visibility on improving business conditions, the company resumed its share buyback program which it had temporarily suspended in March. We continue to believe Agilent's current valuation does not give sufficient recognition to the company's high-quality business model, strong revenue growth outlook, and significant margin expansion potential.

Hilton Worldwide Holdings Inc. ("HLT")

Hilton is a high-quality, asset light, high-margin business with significant long-term growth potential, led by a superb management team. We invested in Hilton in 2018, among other reasons, because we believed Hilton's unique value proposition would allow the company to compound earnings per share at a mid-teens growth rate over the long-term. In 2019, our investment thesis began to play out, as Hilton delivered strong business performance and increased earnings 14%, despite a muted industry backdrop.

Unfortunately, Covid-19 and the associated travel restrictions and domestic stay-at-home orders severely impacted the global hotel industry beginning earlier this year. Industrywide revenue declined precipitously beginning in March 2020, as many hotels closed or experienced large declines in occupancy. In response, Hilton's management team took decisive action, right-sizing Hilton's cost structure for the current economic situation, and fortifying its balance sheet.

System-wide occupancy appears to have bottomed in April 2020 at roughly 13%, and has rebounded as the lifting of travel restrictions has led to a slow but steady sequential improvement in occupancy. In the Americas, occupancy increased to approximately 45% as of August, and in China, occupancy is now greater than 60%, a faster recovery than initially expected. While we expect Hilton's revenues to continue to be negatively impacted by the crisis, hotel revenues and occupancy should progressively recover with increases in economic activity, leading to a recovery over the next several years. We believe the decisive cost reductions taken by Hilton management will likely lead to higher profit margins when it eventually returns to 2019 levels of demand.

While it is difficult to determine the long-term impact of the pandemic on business travel, we believe that an increase in working from home may drive greater hotel demand over the long term, as workers return to corporate headquarters periodically from more distant home-work locations, and companies choose to hold more corporate offsites to maintain and build culture. While video conferencing has been an effective tool during the crisis, we believe that in-person presentations and meetings will remain more effective than Zoom. When a company loses a piece of business to its competitor's in-person sales pitch, it won't be long for the sales manager to require all future pitches to be in person. Video conferencing does



not come close to the business and networking benefits of corporate conferences. Technology has yet to create a virtual replacement for in-person networking.

Vacation travel is beginning to recover as perceived and actual pandemic risk fades, and as hotels adopt safety procedures that satisfy their customers concerns. As Hilton management has noted, occupancy has been boosted by increasing demand for limited service hotels and drive-to leisure markets. For example, over the July 4th weekend, approximately 800 of Hilton's hotels in the U.S. (~16%) experienced greater than 80% occupancy.

Moreover, we believe that the crisis will likely increase Hilton's market share as independent hotels seek an affiliation with global brands like Hilton – whose safety standards (Hilton recently announced a Mayo Clinic-approved protocol) and reputation for consistency should generate greater consumer confidence than protocols developed by independents. We believe that Hilton is well positioned to succeed because it has the best management team in the industry, a portfolio of great brands, a dominant market position, a capital-light economic model, a deep development pipeline, and a strong balance sheet.

Hilton's stock has decreased 20% year-to-date. After adjusting Hilton's intrinsic value for the reduction in its valuation from the crisis' impact on short, intermediate and long-term revenues and cash flows, we believe that Hilton's stock remains highly attractive at its current valuation.

The Howard Hughes Corporation (“HHC”)

The pandemic initially had a draconian effect on HHC. Rent collections declined dramatically, lot sales came to a halt, and buyers of assets that HHC had been marketing for sale walked away from contract negotiations, and/or reduced bids dramatically. When the pandemic hit, HHC was in the process of arranging non-recourse financing to replace a bridge loan that had been drawn to fund the closing of the Anadarko corporate campus in the Woodlands, a highly strategic asset for HHC, from Occidental Petroleum. The dramatic decline in oil prices and its effect on Oxy's share price and perceived creditworthiness (Oxy leased back 100% of one of the two Anadarko towers) led to the withdrawal of CMBS financing that had been arranged to fund the replacement of the bridge loan.

In response, management and the board took aggressive steps to stabilize the company's balance sheet by raising \$600 million of equity on March 27th. Pershing Square committed \$500 million of capital in the offering to protect our existing investment, and to position the funds to benefit from an eventual recovery of HHC's stock price. HHC's stock price has declined 54% year to date.

The company's recently announced second quarter results reflect a rebound in residential land and new home sales in May and June, and the beginnings of a recovery in its income-producing operating assets. Summerlin and Bridgeland, the company's master planned communities (“MPCs”) with the largest remaining value of unsold land, have both seen new home sales recover rapidly since bottoming in April. New home sales are a leading indicator of future lot sales. For the first half of the year, new home sales across the company's MPCs totaled 1,248, only three fewer homes sold than during the same period in 2019. Based on the company's recent sales experience, we believe that underlying demand for residential land in the company's MPCs will remain robust, as the MPC's numerous amenities and wide-open spaces are more appealing than ever to new homeowners as a result of the pandemic.

Rent collections for HHC's office and multi-family assets remained in the high 90% range throughout the quarter and in July, consistent with prior year performance. Because of government stay-at-home orders and closed operations, the company's retail and hospitality assets and its Las Vegas ballpark faced a much more challenging environment. Retail rent collections have steadily improved from 44% in April to 60% in June, and 64% in July. HHC's hotels, which were closed for the majority of the



second quarter, began selectively reopening in June. By the end of June, 54% of rooms returned to service. As states reopen and the economy continues to recover, we expect HHC's net operating income to eventually normalize to historical levels.

In Ward Village, HHC's Hawaiian vertical MPC, HHC is experiencing strong sales momentum in its two towers currently under construction, and in pre-development sales for a new tower. Since beginning a virtual-only marketing campaign in mid-March, the Ward Village sales team has sold 21 homes. The current pace of sales, even under far from ideal marketing conditions, reaffirms strong demand for HHC's condo projects.

The Seaport has been closed since March to comply with New York City guidelines. The company has taken this opportunity to review and refine changes to the Seaport's plans including permanently closing 10 Corso Como, and entering into a culinary management agreement to outsource its restaurant operations. The Seaport remains the company's most challenging asset as its success depends largely on a full recovery in restaurant, entertainment and retail, activities that remain limited in New York City.

We believe the impact of the pandemic on HHC's assets is, for the most part, transitory, and has largely overshadowed the significant progress the company has made on its transformation plan announced last October. Management has taken meaningful steps to reduce overhead expenses and transition to a more decentralized operating model focused around its core MPCs. These actions have enabled HHC to react more nimbly and efficiently in the current environment. We expect the company to reengage on its plan to dispose non-core assets when market conditions stabilize.

On June 25th, HHC announced that its CFO, David O'Reilly, will expand his duties to become President. David has been an exceptional CFO and leader over the past four years, and we welcome his growing role in driving value at the company.

Starbucks ("SBUX")

In January, we exited our position in Starbucks after generating a 73% total shareholder return during our initial 19-month investment in the company.^c At the time of our exit, Starbucks was performing strongly after a successful turnaround of its business under CEO Kevin Johnson and his team, and while Covid-19 had emerged in China, the virus had not yet impacted the company's share price.

In March, shortly after our exit, the stock declined substantially along with the broader market, providing an opportunity for us to repurchase our stake in the company at a highly attractive valuation. Despite short-term sales headwinds from Covid-19, Starbucks remains one of the world's best businesses, which we believe will emerge even stronger from the current crisis. Starbucks results reported since we re-established our position have demonstrated that the company's recovery plan is working. The company's stock price has begun to reflect its business progress generating a total shareholder return of 39% from our average cost to repurchase our stake in the company.

Given the company's leading presence in China, Starbucks was well-prepared for the arrival of Covid-19 in the U.S. After an outstanding start to the calendar year with same-store sales growth between 6% and 7% through mid-March, the company rapidly shifted to a drive-thru and delivery-only model. With 44% of the store base open, April same-store sales declined and bottomed at negative 65%. As management steadily reopened both locations and in-store ordering, same-store sales

^c Total shareholder return for Starbucks is calculated using the Pershing Square funds' average acquisition cost at the date the position was made public, and the Pershing Square funds' weighted average sale price (excluding earlier sales made for rebalancing purposes). Average acquisition cost is calculated by taking into account the cost of outright purchases of stock and the per-share cost of shares underlying derivative instruments acquired by the funds to build the position, as applicable.



improved to negative 14% in July, with 96% of stores open. The sales recovery has been driven by store re-openings and underlying sales momentum, with same-store sales of stores open throughout the year improving from a low of negative 25% in April, to positive 2% in July. The recovery path in the U.S. closely parallels what Starbucks has achieved in China, albeit with a lag of about one quarter given the later arrival of the virus in U.S.

Starbucks is taking longer to recover than our other restaurant companies given that the brand generates 50% of sales from breakfast, a daypart which is geared towards work and school commuting routines. We believe that the company's long-term earnings power, however, is undiminished, and that recent developments have left Starbucks in perhaps its strongest-ever competitive position, underpinned by the company's leading digital ecosystem both in the U.S. and globally, as well as the demise of its key competitor, Luckin Coffee, in China. Management is playing offense by investing in key growth initiatives including digital, with the loyalty program set to receive another major upgrade this fall, new store formats such as pickup-only locations, and menu innovation including plant-based beverages and food. Management has cited improving speed of service at the drive-thru as the largest potential driver for increasing near-term sales.

Fannie Mae ("FNMA", or "Fannie") and Freddie Mac ("FMCC", or "Freddie," together "the GSEs")

Fannie and Freddie, along with their regulator and conservator FHFA, have continued to make substantial progress toward ending their conservatorships. While FNMA and FMCC common shares have declined 29% and 27%, respectively, year-to-date, possibly due to uncertainty created by the upcoming presidential election, we believe that both companies are now firmly on a path towards exiting conservatorship and raising substantial first-loss private capital.

Financial advisors for the eventual recapitalization of the GSEs are now in place, with FHFA hiring Houlihan Lokey in February, and Fannie and Freddie hiring Morgan Stanley and J.P. Morgan, respectively, in June. FHFA re-proposed the capital rule for the GSEs in May, which we expect will be finalized by the end of the year.

The re-proposed rule has been improved since the 2018 version, most notably with a clear goal of ending the conservatorships, and a reduction in pro-cyclicality, i.e., the requirement that the two GSEs raise more capital as housing values deteriorate, and hold less capital as housing values rise. We believe, however, that the newly proposed, substantially higher required capital ratio of 4.0% of assets and guarantees is far above what is required for the companies to comfortably withstand any future housing or financial crisis.

While banks are required to hold 4% of capital against the mortgages they hold on balance sheet, Fannie and Freddie hold only a fraction of the mortgages they guarantee on balance sheet. Rather, as mortgage insurers of whole mortgages, they guarantee only the timely payment of interest and principal on the mortgage securities they issue, which are backed by lower-risk mortgages than those typically held by banks. As a result, the GSEs do not have the same liquidity demands or mortgage risks as banks or other mortgage insurers that guarantee junior tranches of mortgages, which allows Fannie and Freddie to operate safely with substantially lower capital than banks.

We believe the recently proposed capital rule fails to balance the objectives of safety and soundness of the GSEs with the need to deliver affordable mortgage rates to consumers, and market returns to investors. In order to emerge from conservatorship, Fannie and Freddie must earn sufficiently high returns on capital to attract investors who can provide the tens of billions of equity capital for the companies to recapitalize. Earlier this month, we submitted a public comment letter on the re-proposed capital rule which addresses these issues.



In July, the U.S. Supreme Court agreed to hear appeals by both the plaintiffs and the Federal Government from the Fifth Circuit Court of Appeals' decision in the Collins case. The Fifth Circuit, sitting *en banc*, ruled in favor of the plaintiff-shareholders. On appeal to the Supreme Court, the parties will be arguing the legality of FHFA's structure, and, more importantly, the lawfulness of the net worth sweep, and the scope of various provisions under the HERA statute under which the Fannie and Freddie conservatorships were created.

We expect oral arguments to occur later this year or early next year with a decision by the Court around June of 2021. While we await further developments on both the administrative and legal fronts, Fannie and Freddie continue to build capital through retained earnings, with combined capital at both companies now approaching \$28 billion, up from zero, two-and-one half years ago.

The Covid-19 crisis has further highlighted the critical role Fannie and Freddie play in the housing finance system. When the crisis hit, competitors withdrew from the market, leaving Fannie and Freddie among the only sources of mortgage capital for homeowners.



Endnotes and Disclaimers

ENDNOTES TO CHAIRMAN'S STATEMENT

ⁱ Calculated with respect to Public Shares only. Results are presented on a net-of-fees basis. Net returns include the reinvestment of all dividends, interest, and capital gains from underlying portfolio companies and assume an investor has participated in any "new issues" as such term is defined under Rules 5130 and 5131 of FINRA. Net returns also reflect the deduction of, among other things, management fees, brokerage commissions, administrative expenses and performance allocation/fees (if any). Performance is based on the dollar return for the specific period, including any and all dividends paid by the Company, calculated from the beginning of such period to the end of such period. Past performance is not a guarantee of future results.

ⁱⁱ Calculated based on the Company's Public Shares traded on Euronext Amsterdam. Calculated based on the Company's Public Shares listed in GBP on the London Stock Exchange over the same periods, the Company's share price increased by 31.1% and 38.3%, respectively, over the same periods. Calculated based on the Company's Public Shares listed in USD on the London Stock Exchange over the same periods, the Company's share price increased by 23.3% and 37.0%, respectively, over the same periods. Performance is based on the return for the specific period, including any and all dividends paid by the Company, calculated from the beginning of such period to the end of such period. Past performance is not a guarantee of future results.

ⁱⁱⁱ Please see Endnote 3 in "Endnotes to Company Performance and Investment Manager's Report".

ⁱⁱⁱⁱ Please see Endnote 8 in "Endnotes to Company Performance and Investment Manager's Report".

ENDNOTES TO COMPANY PERFORMANCE AND INVESTMENT MANAGER'S REPORT

1. Performance results are presented on a net-of-fees basis. Net returns include the reinvestment of all dividends, interest, and capital gains from underlying portfolio companies and reflect the deduction of, among other

things, management fees, brokerage commissions, administrative expenses and accrued and/or crystallized performance allocation/fees (if any). Performance results assume an investor has been invested in PSLP since inception, has not invested in Tranche G, and has participated in any "new issues," as such term is defined under Rules 5130 and 5131 of FINRA. Where the Company's performance is presented with that of PSLP, results also assume that an investor invested in PSLP at its inception on January 1, 2004 and converted to PSH at its inception on December 31, 2012. Depending on the timing of an individual investor's specific investment in the Company and/or PSLP, net performance for an individual investor may vary from the net performance as stated herein. The Company's performance is based on the dollar return for the specific period, including any and all dividends paid by the Company, calculated from the beginning of such period to the end of such period. The cumulative return for an investor who invested in PSH at its inception through August 25, 2020 is 128.7%.

2. PSLP's net performance results are presented as it is the Pershing Square fund with the longest track record and substantially the same investment strategy to the Company. The inception date for PSLP is January 1, 2004. In 2004, Pershing Square earned a \$1.5 million (approximately 3.9%) annual management fee and PSLP's general partner earned a performance allocation equal to 20% above a 6% hurdle from PSLP, in accordance with the terms of the limited partnership agreement of PSLP then in effect. That limited partnership agreement was later amended to provide for a 1.5% annual management fee and 20% performance allocation effective January 1, 2005. The net returns for PSLP presented herein reflect the different fee arrangements in 2004, and subsequently, except that the performance of the tranche of interests subject to a 30% performance allocation and a 5% hard hurdle (non-cumulative) issued on January 1, 2017 is not reflected in PSLP's returns. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner of PSLP paid Pershing Square an additional \$840,000 for overhead expenses in connection with services provided unrelated to PSLP, which have not been taken into



- account in determining PSLP's net returns. To the extent that such overhead expenses had been included as fund expenses of PSLP, net returns would have been lower.
3. The S&P 500 Total Return Index ("index") has been selected for purposes of comparing the performance of an investment in the Company or PSLP, as applicable, with a well-known, broad-based equity benchmark. The statistical data regarding the index has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The index is not subject to any of the fees or expenses to which the Pershing Square funds are subject. The Pershing Square funds are not restricted to investing in those securities which comprise this index, their performance may or may not correlate to this index and they should not be considered a proxy for this index. The volatility of an index may materially differ from the volatility of the Pershing Square funds' portfolios. The S&P 500 is comprised of a representative sample of 500 U.S. large cap companies. The index is an unmanaged, float-weighted index with each stock's weight in the index in proportion to its float, as determined by Standard & Poor's. The S&P 500 index is proprietary to and is calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC. © 2020 S&P Dow Jones Indices LLC, its affiliates and/ or its licensors. All rights reserved.
 4. The inception date for the Company is December 31, 2012 and the inception date for PSLP is January 1, 2004. The performance data presented on page 2 under "Cumulative (Since Inception)" is calculated from January 1, 2004.
 5. All information herein presented year-to-date is as of August 25, 2020.
 6. Performance information is presented as net returns. Please refer to endnote i of the Chairman's Statement.
 7. Please refer to endnote ii of the Chairman's Statement.
 8. Calculated based on the Company's Public Shares traded on Euronext Amsterdam. Over the same period, the discount to NAV of Public Shares listed in Sterling and USD on the London Stock Exchange widened from 29% to 32% and 33%, respectively.
 9. Calculated based on the Company's Public Shares traded on Euronext Amsterdam. Over the same period, the total shareholder return for Public Shares listed in Sterling on the London Stock Exchange was 135%. Total shareholder return for Public Shares includes dividends paid with respect to such shares.
 10. Holdings of affiliates of the Investment Manager have not been aggregated for regulatory reporting purposes.
 11. Returns an investor would have earned if it invested in Pershing Square, L.P. at its January 1, 2004 inception and converted to PSH at its launch on December 31, 2012. Also see endnote 1.
 12. This report reflects the contributors and detractors to the performance of the portfolio of the Company. Other than accretion, positions with contributions or detractors to performance of 50 basis points or more are listed separately, while positions with contributions or detractors to performance of less than 50 basis points are aggregated.
- On June 20, 2019, the Company began a share buyback program whereby its buyback agent began to repurchase Public Shares subject to certain limitations. The accretion from the share buyback program is reflected herein.
- The contributions and detractors to performance presented herein are based on gross returns which do not reflect deduction of certain fees or expenses charged to the Company, including, without limitation, management fees and accrued performance allocation/fees (if any). Inclusion of such fees and expenses would produce lower returns than presented here.



In addition, at times, Pershing Square may engage in hedging transactions to seek to reduce risk in the portfolio, including investment-specific hedges that do not relate to the underlying securities of an issuer in which the Company is invested. The gross returns reflected herein (i) include only returns on the investment in the underlying issuer and the hedge positions that directly relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and also purchased puts on Issuer A stock, the gross return reflects the profit/loss on the stock and the profit/loss on the put); (ii) do not reflect the cost/ benefit of hedges that do not relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and short Issuer B stock, the profit/loss on the Issuer B stock is not included in the gross returns attributable to the investment in Issuer A); and (iii) do not reflect the cost/ benefit of portfolio hedges. Performance with respect to currency hedging related to a specific issuer is included in the overall performance attribution of such issuer. For all other currency derivatives, the long/short classification is determined by the non-USD leg of the derivative. For example, a long USD call/GBP put option position would be considered a short exposure, and a long USD put/GBP call option would be considered a long exposure.

The contributors and detractors to the gross returns presented herein are for illustrative purposes only. The securities on this list may not have been held by the Company for the entire period. All investments involve risk including the loss of principal. It should not be assumed that investments made in the future will be profitable or will equal the performance of the securities on this list. Past performance is not indicative of future results. Please refer to the net performance figures presented on page 2.

Limitations of Performance Data

Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. This report does not constitute a recommendation, an offer to sell or a solicitation of an offer to purchase any security or investment product. This report contains information and analyses relating to all publicly disclosed positions above 50 basis points in the Company's portfolio from January 1, 2020 to June 30, 2020. Pershing Square may currently or in the future buy, sell, cover or otherwise change the form of its investment in the companies discussed in this report for any reason. Pershing Square hereby disclaims any duty to provide any updates or changes to the information contained here including, without limitation, the manner or type of any Pershing Square investment.

Forward-Looking Statements

This report also contains forward-looking statements, which reflect Pershing Square's views. These forward-looking statements can be identified by reference to words such as "believe", "expect", "potential", "continue", "may", "will", "should", "seek", "approximately", "predict", "intend", "plan", "estimate", "anticipate" or other comparable words. These forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Should any assumptions underlying the forward- looking statements contained herein prove to be incorrect, the actual outcome or results may differ materially from outcomes or results projected in these statements. None of the Company, Pershing Square or any of their respective affiliates undertakes any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law or regulation.



Pershing Square Holdings, Ltd.
pershing-square-holdings.com