PERSHING SQUARE HOLDINGS, LTD.

2016 Annual Report

Contents

The Company

Pershing Square Holdings, Ltd. (the "Company" or "PSH") was incorporated with limited liability under the laws of the Bailiwick of Guernsey on February 2, 2012. It commenced operations on December 31, 2012 as a registered open-ended investment scheme, and on October 2, 2014 converted into a registered closed-ended investment scheme. Public Shares of the Company commenced trading on Euronext Amsterdam N.V. ("Euronext Amsterdam") on October 13, 2014 with a trading symbol of PSH.

The Company has appointed Pershing Square Capital Management, L.P. ("PSCM," the "Investment Manager" or "Pershing Square"), a Delaware limited partnership, as its investment manager pursuant to an agreement between the Company and the Investment Manager. The Investment Manager has responsibility, subject to the overall supervision of the Board of Directors, for the investment of the Company's assets and liabilities in accordance with the investment strategy set forth in the Company's Prospectus.

The Company's investment objective is to preserve capital and to seek maximum, long-term capital appreciation commensurate with reasonable risk. The Company seeks to achieve its investment objective through long and short positions in equity or debt securities of public U.S. and non-U.S. issuers (including securities convertible into equity or debt securities), derivative instruments and any other financial instruments that the Investment Manager believes will achieve the Company's investment objective.

Chairman's Statement

INTRODUCTION

The turbulence experienced by the Company in the second half of 2015 continued into early 2016. Although the valuations of our portfolio companies have all been affected to a greater or lesser extent by the volatility in stock markets, movements in exchange rates, energy costs, and changes in the political environment, the majority of the decline in Net Asset Value ("NAV") of PSH in 2016 is due to our investment in Valeant Pharmaceutical International, Inc. ("Valeant"). We take some comfort from the fact that all the decline in NAV occurred in the first quarter of the year, and the Company generated positive performance in the second, third and fourth quarters of 2016, despite the continued fall in the Valeant share price. The Board notes that the Investment Manager is highly focussed on working with portfolio companies and identifying new investment opportunities to grow NAV per share.

INVESTMENT PERFORMANCE

During the year ended December 31, 2016, PSH's NAV fell by 13.5%[i], ending the year at $18.14 per share. This equates to a decline of 25.6% during the first quarter, followed by an increase of 16.3% over the subsequent three quarters. The Company's performance since inception on December 31, 2012, which includes the worst two-year period in the Investment Manager's history, shows a 1.4% compound annual net return. This stands in sharp contrast to Pershing Square's long-term track record of a 14.8%[ii] compound annual net return from its inception in 2004 through to the end of 2016.

In 2016, a number of portfolio companies made significant positive contributions to performance. However, the Company's stake in Valeant was the primary driver of negative performance, as it was in 2015. In early 2016, Bill Ackman and Steve Fraidin of PSCM joined the Valeant Board and led the effort to replace its CEO, refresh the board and stabilize the company. These actions were successful but have not led to an immediate recovery in the share price, and in March 2017, PSCM sold its remaining stake in Valeant. The Board supports the Investment Manager's decision to sell the position and to focus resources on new and existing investments which have the potential to generate greater returns for shareholders.

As I have stated in the past, the concentrated nature of PSCM's portfolio is likely to lead to lumpy investment performance on both the upside and the downside. Over the Company's four-year history we have experienced both extremes. The Board believes that the Investment Manager's strategy of holding a concentrated portfolio of investments in companies where it can help create shareholder value is sound, and should yield superior results over the long run.

Further analysis of the performance in 2016 and the specific events at our portfolio companies may be found in the 2016 Key Highlights and the Investment Manager's Report on pages 6 to 20.

INVESTMENT MANAGER

The Board has delegated the task of managing the Company's assets to the Investment Manager, as set out in the Investment Management Agreement (the "IMA") entered into by PSH and PSCM at inception of PSH. However, as described in the Corporate Governance Report on page 23, although the Board does not approve individual investment decisions, the Board is still accountable for the performance of the Investment Manager and the system of internal controls used to manage the risks to which the Company is exposed. The Board undertook a formal review of the Investment Manager's performance in 2016, along with a review of the Investment Manager's investment processes, particularly in connection with the investment in Valeant. The lessons learned from the investment have been discussed at length in prior communications with PSH shareholders and a further update is given in the Investment Manager's Letter to Shareholders in this report. The Board appreciates the openness of the Investment Manager in analyzing the reasons for the Valeant losses, and welcomes the impact which the lessons learned will have on future investment decisions. The Board is satisfied that it is in the best interests of PSH for the Investment Manager to continue to manage our portfolio and create value for our shareholders.

News about the Investment Manager has been dominated by events at Valeant. I would also like to draw your attention to progress made by the Investment Manager in other areas. In the June 30, 2016 Interim Financial Report, I commented that the Investment Manager might make one or more new investments. During the second half of the year, PSCM exited two successful but mature investment positions and freed up capital for two new investments. Also, PSCM implemented a long-term compensation arrangement for eligible Pershing Square employees. After a period of negative investment performance, it is important that the Investment Manager's employees are committed to creating long-term value for the shareholders of PSH.

INVESTMENT MANAGEMENT FEES/HIGH WATER MARK

The Board is aware that there has been much discussion in the media and elsewhere about the level of fees paid to investment managers. For many years the industry standard has been a 2% asset-based management fee and a 20% performance fee paid on annual profits. The terms of our IMA with PSCM (a 1.5% management fee and a 16% performance fee) are substantially below this level, and include a variable performance fee (the "Variable Performance Fee") provision that is unique in the industry. The Variable Performance Fee has the potential to further reduce the 16% PSH performance fee by an amount equivalent to 20% of the performance allocation/fees generated by PSCM and its affiliates from its affiliated funds[iii].

In 2016, the Investment Manager offered a new fee structure to its private fund investors that will increase the level of total fees paid in years in which the gross return exceeds 16.5% and decrease the level of total fees paid in years when the gross return is less than 16.5%. PSCM has generated an annualized gross return of 20.6% since the inception of its fund with the longest track record. Over the long run the Investment Manager believes that it will earn higher performance fees from this share class, and this in turn will benefit PSH shareholders by reducing the 16% PSH performance fee.

The terms of PSH's IMA with PSCM also have a "high water mark" feature such that investors in PSH only pay performance fees on increases in NAV above the highest NAV at which a performance fee has previously been charged. As a result, PSH investors will not incur any performance fees until PSH's NAV exceeds the high water mark of $26.37 per share.

PSH BONDS

The PSH Bonds ($1 billion aggregate principal amount of Senior Notes with a 5.5% per annum interest rate), traded as low as $85 in March 2016, but have generally traded at or in excess of par since August 2016. Currently the Bonds are rated BBB+ with a stable outlook by Fitch Ratings. In July 2016 S&P Ratings removed its Negative Credit Watch and reiterated its BBB rating with a negative outlook.

As of December 31, 2016, the Company's Total Indebtedness to Total Capital Ratio was 18.1%. The leverage of the Bonds has amplified losses during the first quarter of the year as the portfolio declined in value, but it should also accelerate the increase in NAV as the portfolio recovers. The Board and PSCM continue to believe that a prudent amount of long-term leverage should enhance the returns to PSH shareholders.

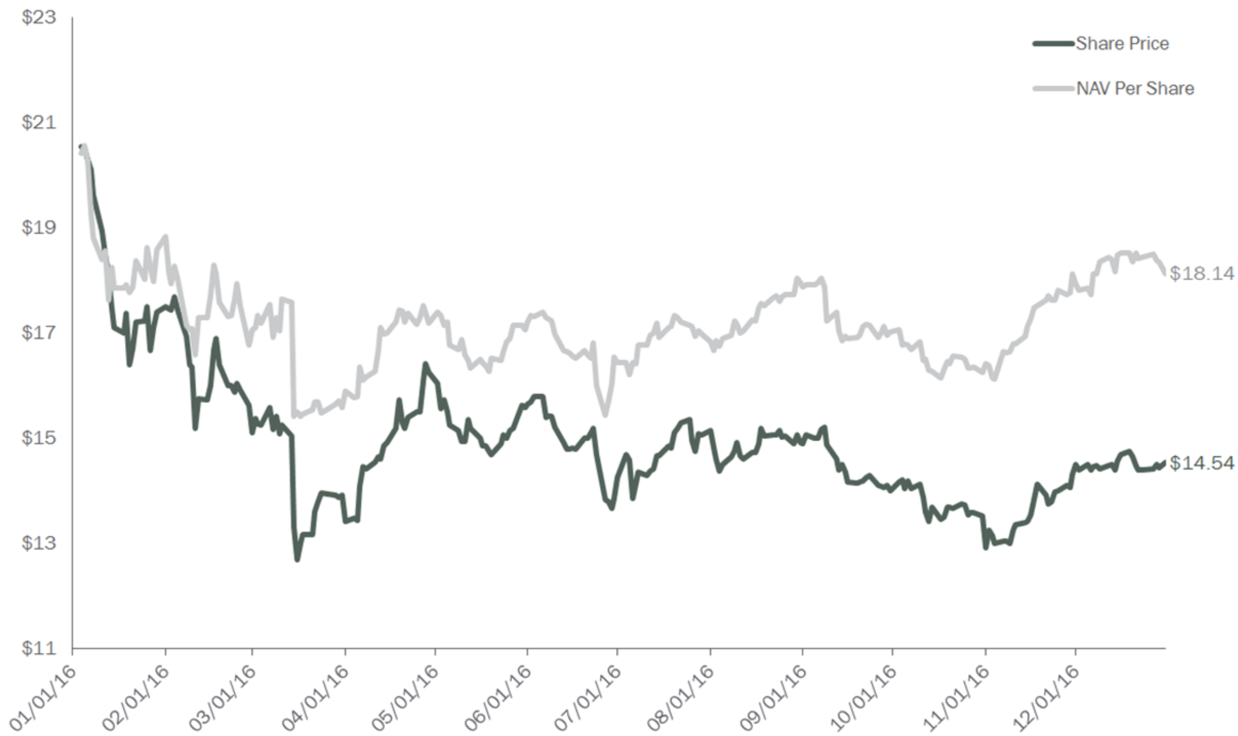
CORPORATE GOVERNANCE/BOARD

The PSH Board continues to work effectively. I would like to thank the Board members for their continued wisdom and support over the past year. We conducted a review of the performance of the Directors in the second half of 2016 and have concluded that the current Board members possess the skills required to carry out our duties, and it is not necessary to add new Board members at the current time. All Directors will offer themselves for re-election at the Annual General Meeting in April 2017.

SHARE PRICE PERFORMANCE/PREMIUM AND DISCOUNT

The graph below compares the PSH share price to the PSH NAV for 2016. It shows that the shares traded at a discount to NAV for nearly the entire year. Over the course of the year the discount widened significantly, reaching a peak of over 22% in November 2016 and ending the year at 19.8% on December 31, 2016. The average discount to NAV during 2016 was 13.0%. Since the beginning of 2017 the discount has begun to tighten; the average discount in the two months to February 28, 2017 was 17.3%, and this has tightened further in March.

PSH NAV vs. Trading Price (January 1, 2016 – December 31, 2016)



The Board monitors the trading activity of the Company's shares on a regular basis. We are not happy with the level and duration of the discount and continue to explore a number of actions that could help narrow the discount, in addition to engaging in an ongoing, pro-active investor relations effort.

On March 23, 2017, the Company announced its intention to apply for admission of its Public Shares to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange (the "London Listing"). The Company is seeking this listing in an effort to improve market access for investors, increase liquidity in the Public Shares and to assist in narrowing the current discount to NAV at which the public shares currently trade. In order to obtain the London Listing and to comply with the rules of the UK Financial Conduct Authority, the Company must, among other things, amend its investment policy, amend its articles of incorporation, and make certain revisions to its shareholder voting structure. Further details of the process required to make these changes are set out in the Notice for the Company's Annual General Meeting. The London Listing will be conditional, among other things, upon shareholders voting in favour of resolutions to implement these changes at the Annual General Meeting.

EVENTS: SHAREHOLDER PORTFOLIO UPDATE AND ANNUAL GENERAL MEETING

The Investment Manager will present a portfolio update to shareholders in London on April 24, 2017. Shareholders will have the opportunity to hear from and submit questions to Bill Ackman and other members of the Pershing Square team.

The Company's Annual General Meeting will be held in Guernsey on April 25, 2017.

Details of both events will be posted on the Company's website www.pershingsquareholdings.com.

I will report to you on the first half of 2017 in August 2017, and the Investment Manager will keep you informed of any significant developments in the portfolio before then, when appropriate.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 28, 2017

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[i] Calculated with respect to Public Shares only.

[ii] Past performance is not a guarantee of future results. Compound annual returns are those of Pershing Square, L.P. ("PSLP"), the Pershing Square fund with the longest track record and substantially the same investment strategy to the Company. Net returns include the reinvestment of all dividends, interest, and capital gains 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). Please see footnote 5 in "Footnotes to 2016 Key Highlights and Investment Manager's Report" on page 20 for further information.

[iii] Please see page 64 for a complete description of the Variable Performance Fee.

2016 Key Highlights

PERFORMANCE

Pershing Square Holdings, Ltd. Performance vs. the S&P 500			
	PSH Gross Return [1]	**PSH Net Return** [1]	**S&P 500**[3]
2016	(12.1)%	(13.5)%	11.9%

PERFORMANCE ATTRIBUTION[4]

Below are the attributions to gross performance of the portfolio of the Company for 2016.

Winners	
Restaurant Brands International Inc.	3.3%
Air Products & Chemicals, Inc. & Versum Materials Inc.	3.1%
Federal National Mortgage Association	3.1%
Federal Home Loan Mortgage Corporation	1.7%
Canadian Pacific Railway Limited	1.2%
Undisclosed Position	1.0%
All Other Positions	0.6%
Total Winners	14.0%

Losers	
Valeant Pharmaceuticals International, Inc.	(19.2)%
Currency Derivatives	(1.4)%
Mondelez International, Inc.	(1.4)%
Platform Specialty Products Corporation	(1.0)%
Chipotle Mexican Grill, Inc.	(0.8)%
Nomad Foods Limited	(0.6)%
All Other Positions	(1.7)%
Total Losers	(26.1)%
Total Winners and Losers 2016	**(12.1)%**

Positions with performance attributions of at least 50 basis points are listed above separately, while positions with performance attributions of 50 basis points or less are aggregated.

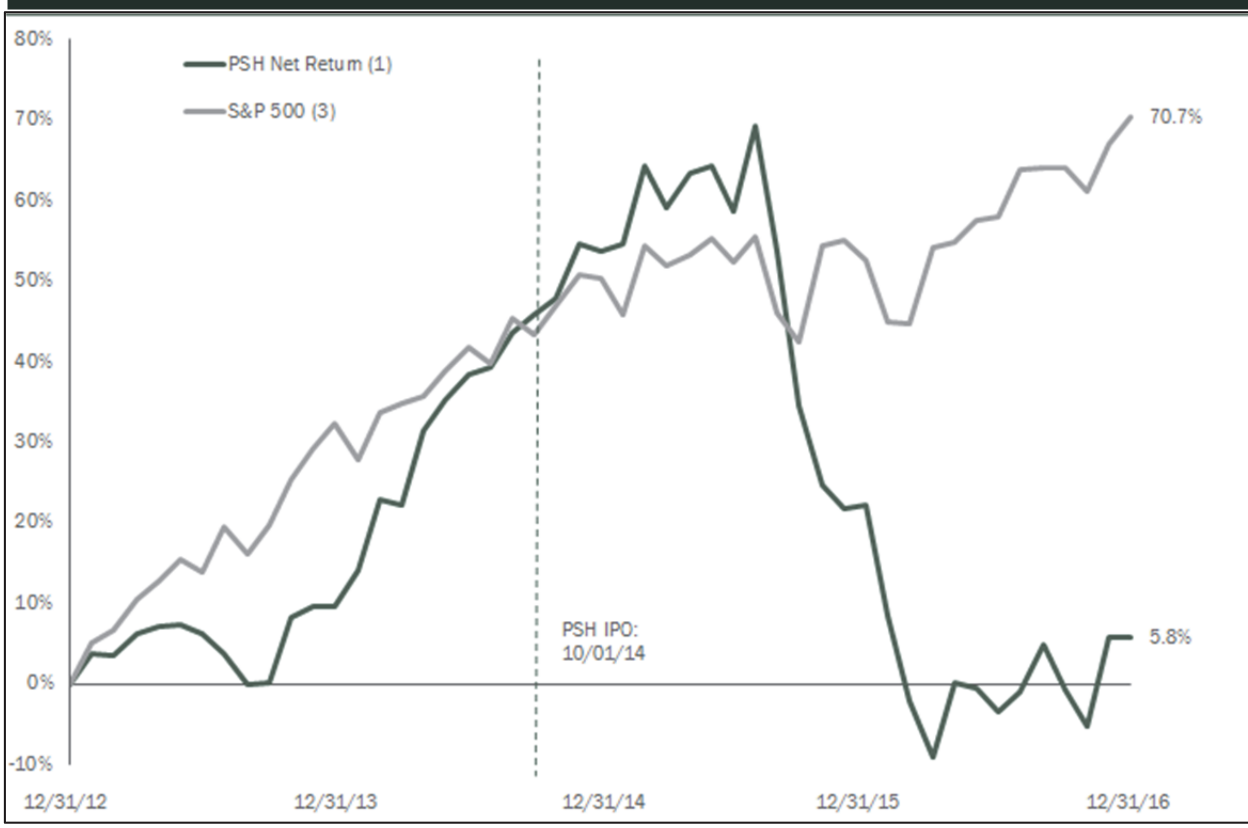
Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying footnotes on page 20.

Investment Manager's Report

HISTORICAL PERFORMANCE

Pershing Square Holdings, Ltd. Performance vs. the S&P 500		
	PSH Net Return (1)	**S&P 500**(3)
2013	9.6%	32.4%
2014	40.4%	13.7%
2015	(20.5)%	1.4%
2016	(13.5)%	11.9%
2013 – 2016 (2)		
Cumulative (Since Inception)	5.8%	70.7%
Compound Annual Return	1.4%	14.3%

Pershing Square Holdings, Ltd. Performance vs. the S&P 500



Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying footnotes on page 20.

The table and chart below reflect the net performance of Pershing Square, L.P. ("PSLP"), the Pershing Square fund with the longest track record, since inception. We present the PSLP track record using its historical performance fee of 20%.

Pershing Square, L.P. Performance vs. the S&P 500		
	PSLP Net Return (1,5)	**S&P 500**(3)
2004	42.6%	10.9%
2005	39.9%	4.9%
2006	22.5%	15.8%
2007	22.0%	5.5%
2008	(13.0)%	(37.0)%
2009	40.6%	26.5%
2010	29.7%	15.1%
2011	(1.1)%	2.1%
2012	13.3%	16.0%
2013	9.7%	32.4%
2014	36.9%	13.7%
2015	(16.2)%	1.4%
2016	(9.6)%	11.9%
2004 – 2016 (2)		
Cumulative (Since Inception)	503.1%	163.4%
Compound Annual Return	14.8%	7.7%

Pershing Square, L.P. Performance vs. the S&P 500

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying footnotes on page 20.

PUBLIC ACTIVIST INVESTMENTS SINCE INCEPTION(6)

Below are all of the companies to date, both long and short, in which Pershing Square has taken a public, active role in seeking to effectuate change.

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying footnotes on page 20.

LETTER TO SHAREHOLDERS

Dear Pershing Square Investor,

Despite negative performance for the year, 2016 was an important year of progress for Pershing Square. Our progress is reflected in the 16.3% increase in NAV from the bottom on March 31, 2016 through the end of 2016 despite a further 390 basis point headwind from our investment in Valeant. More importantly, with the benefit of the perspective which comes from looking in the rear view mirror, we have had the opportunity to understand and learn from our mistakes, to reaffirm the core principles that have driven our substantially above-market returns since inception, and to make a number of important human resource and process changes to the organization that should serve us well going forward.

Viewed in its entirety, our 13-year performance since the inception of our strategy (as represented by Pershing Square, L.P., our fund with the longest-term record) has been strong, despite the recent period, as we have generated a compound annual return of 14.8% compared to the S&P returns of 7.7% for a cumulative total return of 503.1% vs 163.4% as depicted in the chart on page 8 of this report. While our long-term record has been strong, this is not helpful to investors who have joined us more recently due to the large loss we incurred in Valeant over the last 20 months.

While Valeant was initially a passive investment, after the stock price collapsed, in March 2016, our Vice Chairman, Steve Fraidin, and I joined the board. Over the past year, the company has replaced senior management with new executives, recruited 10 new directors, refinanced and renegotiated covenants on the company's debts, initiated a non-core asset sale program which has resulted in asset sales at value- and credit-accretive prices, provided improved investor transparency, increased R&D investment, and achieved major new product approvals. Normally, one would have expected this progress to be reflected in an increase in share price, but that has not yet materialized.

We have grown to admire Joe Papa and the new, extremely hard-working, Valeant management team. We have enormous respect for the other very talented members of the Valeant organization who have stayed at the company through this challenging time. Valeant would not exist without the commitment of these individuals. The new board, which includes a few members of the original board, is doing an excellent job overseeing the company and navigating a difficult situation.

With a new senior management team, new board, and the company's recently executed debt transactions, we believe that Valeant has been stabilized and now has sufficient resources to enable it to recover to its full potential. In addition, we continue to believe that the company owns high quality non-core assets which can be sold at prices which will enable the company to reduce debt on an economic and credit-accretive basis. We wish Joe, the new board, and the entire Valeant team great success in the future.

We recently sold Valeant at a price that may end up looking cheap. Why?

At the time of sale, Valeant represented about 3% of the Company. If the stock price had increased even very substantially from here, the impact on our overall performance would have been modest, and would not compensate us for the human resources and substantial mindshare that this investment had and would have continued to consume if we had remained a shareholder. Furthermore, while Valeant has made significant progress and we expect management to continue to do so, there is still a lot of work to be done.

Clearly, our investment in Valeant was a huge mistake. The highly acquisitive nature of Valeant's business required flawless capital allocation and operational execution, and therefore, a larger than normal degree of reliance on management. In retrospect, we misjudged the prior management team and this contributed to our loss. We deeply regret this mistake, which has cost all of us a tremendous amount, and which has damaged the record of success of our firm.

While there are many lessons from our investment in Valeant which we have previously discussed at length, we highlight a few important reminders from this experience:

- Management's historic ability to deploy capital in acquisitions and earn high rates of return is not a sufficiently durable asset that one can assign material value to in assessing the intrinsic value of a business.

  When we acquired Valeant, we viewed our purchase price as representing a modest discount to the value of the company's existing assets, but a large discount to intrinsic value in light of our expectation that management would continue to be able to invest capital in new transactions on terms that would create significant long-term value as it had done over the previous eight years. In retrospect, it appears that prior management substantially overpaid for the company's largest acquisition – its acquisition of Salix – which occurred contemporaneously with the substantial majority of our investment in the company.

- Intrinsic value can be dramatically affected by changes in regulations, politics, or other extrinsic factors we cannot control, and the existence of these factors is a highly important consideration in position sizing.

  In retrospect, our investment in Valeant was too large a percentage of capital in light of the greater risk of these factors having a negative impact on intrinsic value.

- A management team with a superb long-term investment record is still capable of making significant mistakes.

  We had the opportunity to work alongside Valeant management for nearly one year on the Allergan transaction, and were favorably impressed. In particular, management's decision to walk away from the Allergan deal on terms that we believed continued to offer high rates of return and significant strategic value reinforced our view that the company had a highly disciplined approach to investing capital. This coupled with the company's historic acquisition and integration track record over approximately 100 previous transactions gave us comfort that the Salix transaction would be highly value-creating for Valeant. In retrospect, it appears that the company substantially overpaid for Salix, and it has not yet achieved the results anticipated by prior management.

- A large stock price decline can destroy substantial amounts of *intrinsic* value due to its effects on morale, retention and recruitment, and the perception and reputation of a company.

  Our superb investment results in General Growth Properties, where the stock price had declined more than 99% before we made our first purchase, gave us confidence that we could assist Valeant in a turnaround after its stock price collapsed. In retrospect, Valeant's underlying businesses were not sufficiently durable to withstand the impact of the reputational damage caused by the stock price decline, negative media attention, and its impact on employee morale, retention, recruitment and the reputation of the company.

My approach to mistakes is that I personally assume 100% of the responsibility on behalf of the firm while sharing the credit for our successes. While I and the rest of the Pershing Square team have suffered significant losses from this failed investment as we are collectively the largest investors in the funds, it is much more painful to lose our shareholders' money, and for this I deeply and profoundly apologize.

We are extremely focused and working hard to continue to repair the damage from our investment in Valeant by diligently overseeing our existing portfolio companies and identifying new opportunities. With a strong commitment to the core principles that have generated the vast majority of our returns since inception and the best and most experienced team that we have had since the formation of the firm more than 13 years ago, we are well positioned for a strong recovery.

We are extremely grateful for your support.

Sincerely,

William A. Ackman

PORTFOLIO UPDATE

Air Products and Chemicals, Inc. (APD)

During 2016, Air Products and Chemicals, Inc. continued to make substantial progress on its transformation under its CEO Seifi Ghasemi. Management has restructured the company into a decentralized organization with greater accountability while transforming the culture and aligning pay with improvements in regional operating results.

Operating margins continued to improve during the most recent fiscal year, increasing 400 basis points to 23.1% in 2016 (APD's fiscal year ends September 30th, and this year's results included the non-core businesses subsequently divested and spun). This significant improvement in operating margins drove a 14% increase in earnings per share, exceeding the high end of the company's fiscal year guidance despite 3% foreign exchange headwinds.

During the year, Air Products executed spinoff and sale transactions for its non-core electronic materials and performance materials businesses, generating substantial cash proceeds. Following these transactions, the company now has minimal net debt with cash on hand and leverage capacity totaling approximately $5 billion. We expect management to invest this capital wisely in the currently opportunistic acquisition environment for core industrial gas assets. The company has highlighted potential small acquisitions and the purchase of captive assets from customers as two potential sources of opportunity.

In January, Air Products issued fiscal year 2017 first quarter results, which showed 9% growth in earnings per share. The quarterly result announcement included a reduction in fiscal year 2017 guidance originally issued in October. While the company reduced guidance by $0.25, only five cents of this reduction is related to the core industrial gases business with the remainder driven by spin-related accounting adjustments, foreign exchange movements, and lower sales of equipment. Seifi highlighted concerns relating to the current uncertainty resulting from the new U.S. administration, Brexit, and upcoming European elections as the cause for his reduced outlook for the core industrial gas business. Notably, Seifi emphasized that the company has not seen any particular weakness in its business, but is simply taking a cautious tone on guidance given the current uncertainty.

If Seifi's caution about the economy turns out to be conservative and in fact, the new administration contributes to economic growth with successful initiatives in corporate tax reform, infrastructure spending and deregulation, Air Products should be a big beneficiary. While our investment thesis is not predicated on improvements in economic growth, any improvements in growth from recently weak levels should improve Air Products' organic volume and pricing trends in its merchant business.

Air Products' revised fiscal year 2017 EPS guidance of $6.00 to $6.25 represents growth of 6% to 11% over the prior year. The guidance is principally driven by continued operating productivity and returns on growth capex and assumes continued economic weakness. Seifi has emphasized that the guidance for the fiscal year does not include any use of the company's excess capital. As such, this earnings estimate meaningfully understates the company's true underlying earnings power. We also believe that GAAP earnings understate the true economic earnings of the company as we believe the company's core assets are longer-lived than the periods over which they are depreciated.

We believe the upside in APD remains significant. APD's business is extremely high-quality, reasonably priced and run by outstanding management.

Air Products' total shareholder return [7], including dividends and the spinoff of Versum, was 24.0% in 2016.

Chipotle Mexican Grill, Inc. (CMG)

On September 6, 2016, we announced a 9.9% stake in Chipotle Mexican Grill which we purchased at an average price of $405 per share. Chipotle has built a superb brand pioneering the "fast casual" restaurant industry with the success of its outstanding product offering, unique culture, and powerful economic model. We have followed the business for years, noting how it has disrupted the fast food industry with its high quality, delicious and customizable hot meals that are prepared quickly and sold at affordable prices. The company has been significantly negatively impacted by food safety issues beginning in the fourth quarter of 2015 which caused a peak decline in average unit sales of 36%. In response, the company has implemented enhanced food safety protocols over the past year, and worked to win back lost customers. While traffic and sales have begun to recover, average unit volumes were still 19% below peak levels as of the fourth quarter of 2016.

We have always believed that a good time to buy a great business is when it is in temporary trouble. While Chipotle's reputation has been bruised, we think that with the passage of time and improved operations, marketing, technology, and governance initiatives, the business will not only recover but become much stronger. Chipotle's sales recovery will be neither smooth nor predictable over the next few quarters; yet, we believe that all of the key drivers of Chipotle's powerful economic moat and long-term success remain intact. These drivers include:

1. A strong and relevant brand built by visionary leadership;
2. A differentiated product offering with a highly attractive value proposition;
3. Substantial scale in the fast casual industry and first-mover advantage in real estate;
4. Strong unit economics and extremely high returns on capital, driven by a well-honed model that facilitates best-in-class throughput; and
5. Enormous growth opportunities including new units and operating enhancements such as mobile ordering and catering.

<u>Strong Brand</u>
The Chipotle brand was developed by founder Steve Ells with the philosophy that food served fast does not have to be a traditional "fast-food" experience. This vision later evolved into an ambition to change the way the world thinks about and eats fast food. Chipotle's authentic brand developed a loyal following, which allowed the company to grow from one restaurant to more than 2,200 relying primarily on customer word of mouth, supplemented by non-traditional marketing techniques including digital and social media, owned content, and local events. Today, we believe that Chipotle is one of the most compelling and authentic large-scale food brands in the U.S.

<u>Differentiated Product Offering</u>
Chipotle's product offering is differentiated by the fact that it successfully competes in all of the desirable attributes of out-of-home fast food. As part of our research, we compared Chipotle's customer value proposition to those of fast casual, quick service, and casual dining competitors across six key metrics: food quality, taste, in-store experience, customization ability, speed, and value. We believe Chipotle's food quality is superlative given the focus on cooking from scratch with the best available and simplest ingredients. Chipotle's "burrito line" service format engages customers from the moment they walk in the door, allows exact customization of each order to accommodate individual preferences, and facilitates the fastest throughput in the industry. The product price point offers outstanding value given the quality and quantity of food served. While some other concepts can successfully compete on one or more of these attributes, we believe that few are able to replicate the Chipotle offering at comparable price points at scale.

<u>Enormous Growth Opportunity</u>
Prior to the recent food safety issues, Chipotle's average unit volumes were approximately $2.5 million, among the highest in the industry, despite only serving two day-parts, and with limited store hours, i.e., 11 versus as much as 24 hours for other fast food competitors. We believe that initiatives such as mobile and digital ordering as well as catering will drive an accelerated rate of same-store sales growth for the foreseeable future, incremental to the impact of recovering lost customers. Returns on capital for new units remain extremely compelling even at today's lower sales levels. Management believes that the U.S. can ultimately support more than double the current store base of approximately 2,200.

<u>Food Safety</u>
We have researched the initiatives that Chipotle has taken to enhance its food safety policies and procedures. While food safety risk can never be completely eliminated in any restaurant, we believe the company has done an excellent job of significantly reducing the risk of another incident while maintaining the quality and taste of its food.

Chipotle has a number of other attractive attributes which include limited global macroeconomic sensitivity and foreign currency exposure, a simple business model with limited non-GAAP earnings adjustments, a high effective tax rate of nearly 40% (which means the company will be a big beneficiary in the event of U.S. corporate tax reform), and an unlevered balance sheet with a strong net cash position.

Management and Board Developments
On December 12, 2016, Chipotle named Steve Ells sole CEO concurrent with the resignation of former co-CEO Monty Moran. In conjunction with this leadership change, Chipotle announced a renewed focus on delivering an excellent guest experience and removing unnecessary complexity from restaurant operations. The company also announced an expanded company mission to "ensure that better food, prepared from whole, unprocessed ingredients is accessible to everyone."

On December 16, 2016, Chipotle announced a board refresh in which four new directors were named including Pershing Square partner and investment team member Ali Namvar and Pershing Square advisory board member and former McDonald's CFO Matthew Paull. On March 17, 2017, the company announced that four incumbent directors will not stand for election at the upcoming annual meeting. The new board will have eight members including the four recent appointees.

Chipotle's total shareholder return was -6.3% from the inception of the position in August through year-end 2016.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

The 30-yr fixed rate mortgage is a unique feature of the US mortgage market that significantly improves affordability and is vital to maintaining current home values. Fannie and Freddie have historically been, and continue to be, essential to allowing for widespread access to the 30-year fixed rate mortgage at a reasonable cost.

Since Fannie and Freddie were put into conservatorship in 2008, there have been a variety of proposals to replace or wind them down, however, none of the proposals have been adopted because there is simply no credible alternative to Fannie and Freddie. Fortunately, there is a relatively quick and simple solution to the current situation: Fannie and Freddie's business models can be reformed by significantly increasing the GSE's capital requirements, eliminating their fixed-income arbitrage business, substantially strengthening their regulatory oversight, and developing appropriate compensation and governance policies.

We believe the new administration has the willingness and ability to make the necessary changes to Fannie and Freddie's business model to preserve widespread access to the 30-year fixed-rate mortgage. The new Treasury Secretary, Steven Mnuchin, is a mortgage market expert, and his recent public comments highlight his desire to reform Fannie and Freddie:

> "[We have got to] get Fannie and Freddie out of government ownership. It makes no sense that these are owned by the government and have been controlled by the government for as long as they have. In many cases this displaces private lending in the mortgage markets and we need these entities that will be safe. So let me just be clear we'll make sure that when they're restructured they're absolutely safe and they don't get taken over again but [we have got to] get them out of government control." *(Footnote: Nov. 30, 2016)*
>
> "[…] it's right up there in the top 10 list of things that we're going to get done and we'll get it done reasonably fast." *(Footnote: Nov. 30, 2016)*
>
> "For very long periods of time, I think that Fannie and Freddie have been well run without creating risk to the government, as well as they've played an important role…I believe these are very important entities to provide the necessary liquidity for housing finance and what I've committed to is that I will work with both of the Democrats and Republicans. What I've said and I believe, we need housing finance reform, so we shouldn't just leave Fannie and Freddie as is for the next 4 or 8 years under government control, without a fix. I believe we can find a bipartisan fix for these so on the one hand we don't end up with a giant bailout, on the other hand that we don't run the risk of completely limiting housing finance." *(Footnote: Jan. 19, 2017)*

In 2016, Fannie and Freddie's total shareholder returns were 137.8% and 130.9%, respectively, as the share prices rose dramatically after the election. In the first two months of 2017, Fannie and Freddie's share prices have declined nearly 25% after a ruling in the appellate court upheld most of the original rulings of the D.C. District Court in September 2014. We think the market has overreacted to the recent ruling, and several other legal cases, including the Court of Federal Claims case under Judge Sweeney, continue to proceed favourably.

We believe that Fannie and Freddie offer a compelling risk-reward as there are various scenarios which will generate a many-fold multiple from current levels. While a total loss is possible, we believe the probability of a total loss is relatively modest, and has become lower in the new political environment.

Herbalife Ltd. (HLF) Short

On July 15, 2016 the FTC filed a damning Complaint against Herbalife and simultaneously entered into a Stipulation to Entry of Order for Permanent Injunction and Monetary Judgment (the "Permanent Injunction"). The FTC alleged that Herbalife operates illegally and alleged violations of Section 5(a) of the FTC Act. Notably, the findings of the FTC substantially agree with our long held assertion that Herbalife operates as a pyramid scheme. Select assertions by the FTC include that:

- "[Herbalife] does not offer participants a viable retail-based business opportunity."
- "Herbalife's business model primarily compensated members for recruiting new distributors to purchase product, not for selling product at retail…"
- "[P]articipants' wholesale purchases from Herbalife are primarily a payment to participate in a business opportunity that rewards recruiting at the expense of retail sales."
- "The overwhelming majority of Distributors who attempt to retail the product make little or no net income, or even lose money, from retailing the product."

The Permanent Injunction, as described by the FTC, represents Herbalife's agreement to engage in a "top to bottom" restructuring of its business model in the United States to "start complying with the law."

In November 2016, Herbalife announced that Michael Johnson will transition to Executive Chairman in June 2017 (shortly after the FTC Permanent Injunction takes full effect in May) at which point Rich Goudis, the current COO, will take over as CEO.

Also in November, John Oliver's Last Week Tonight aired a 30-minute segment on multi-level-marketing companies with a specific focus on Herbalife which has been viewed more than 9.5 million times on YouTube (including 2 million views in Spanish). We believe this segment, coupled with the recent theatrical release of "Betting on Zero" on March 17, 2017 (with AppleTV and Amazon distribution to follow in April), will continue to shape the public narrative and highlight the tremendous harm Herbalife has and continues to inflict upon millions of Americans.

From a financial perspective, HLF's operating results in 2016 were disappointing to long investors as mid-single-digit topline organic growth was negatively impacted by significant foreign exchange headwinds causing sales to be relatively unchanged vs. 2015. Organic growth decelerated across most regions as the year progressed, declining 1% in Q4. The deceleration of Herbalife's China business was particularly notable, posting a -6% organic decline in Q4 (-12% actual). Adjusted EPS, which for Herbalife substantially overstates economic earnings, declined modestly in 2016.

Management has guided to 4% to 7% 2017 constant currency revenue growth and currency neutral EPS growth of -13% to -5%. HLF's 2017 EPS guidance of $3.65 to $4.05 implies realized EPS declines of -25% to -16%. This guidance includes the incremental interest expense associated with the company's $1.3 billion refinancing completed in February 2017, but does not include any benefit from potential share buybacks (the board has put in place a $1.5 billion normal-course authorization). Actual EPS will likely be better than current guidance if the company repurchases shares.

In February 2017, Herbalife disclosed a new investigation by the SEC and Department of Justice related to Herbalife's anti-corruption compliance in China. While it's difficult to know the specific focus of the probe, any disruption to Herbalife's China business would likely impact the company's financial performance given the large size of the China market for Herbalife (~19% of revenue).

Pyramid schemes are confidence games. The newly disclosed SEC/DOJ corruption probe, the CEO departure, declining earnings, and the deteriorating popular perception of Herbalife will likely impair distributor confidence. Furthermore, we believe the injunctive relief demanded by the FTC is likely to affect Herbalife's financial performance beginning in the second quarter of 2017. With decelerating growth in many international markets, Herbalife's earnings will likely decline in 2017. We remain short Herbalife because we believe its intrinsic value is meaningfully below the current share price, and we believe the stock should eventually decline to zero.

Herbalife's total shareholder return was -10.2% in 2016.

The Howard Hughes Corporation (HHC)

The Howard Hughes Corporation was formed in November 2010 as a tax-free spinoff from General Growth Properties, with a collection of disparate real estate holdings designed to receive appropriate management attention and recognition in the public markets. Pershing Square helped orchestrate the spinoff, hired the management team, and has been the largest investor in HHC since its inception. Management has done a superb job growing asset value, yet, the company has not received the recognition it deserves, i.e., an appropriate valuation in the public markets. Despite a more than three-fold increase over the last six years, it remains undervalued in our view.

HHC's mission is to be the preeminent developer and operator of master planned communities ("MPCs") and mixed-use properties. HHC's management team has transformed the company's disparate assets into a collection of high-quality core trophy assets. The majority of HHC's value is now represented by the South Street Seaport, Ward Village in Hawaii and master planned communities in Houston, Las Vegas and Maryland. These assets are comprised of steady cash-flow generating properties and longer-term development opportunities that encompass more than 50 million square feet of real estate development potential.

HHC continued to make meaningful progress in 2016 to enhance the value of its key assets. In its operating asset segment, HHC grew net operating income ("NOI") in 2016 to $135 million or $156 million annualizing Q4 NOI, from $118 million in 2015 (all excluding the Seaport, which is undergoing redevelopment). HHC management increased its projected stabilized 2020 NOI estimate to $232 million from $219 million.

In Hawaii, at its 60-acre coastal Ward Village property in the heart of Honolulu, HHC has four condo towers with nearly 1,400 units in various stages of completion. These towers have an estimated total cost of $1.5 billion on which the company expects to generate net margins of approximately 25% to 30%. These towers are over 80% sold with one tower projected to be delivered each year from now until 2019 (generating meaningful cash proceeds for the company). In total, HHC has entitlements to build more than 9 million square feet of mixed-use development with over 4,000 residences and 1 million square feet of retail upon completion of its plan at Ward Village.

At the Seaport, HHC owns more than 400,000 square feet of highly valuable real estate (along with 700,000 square feet of future development rights). Construction on the 170,000 square foot Pier 17 building is expected to be substantially completed by the end of 2017, with a grand opening in summer 2018. This architecturally significant building on the East River will have a unique group of tenants and a 1.5 acre rooftop year-round entertainment venue with iconic views. HHC advanced the revitalization of the Seaport with the approval for its Pier 17 Minor Modification, which will allow HHC to move and reconstruct the 53,000 square foot Tin Building. In Q1 2016, HHC sold an assemblage of properties it had acquired in 2014 and 2015 at the Seaport for $390 million generating a $140 million profit, which demonstrates the market appeal of the Seaport and management's ability to create value.

While HHC's share price performance (and intrinsic valuation creation) since its spinoff have been impressive, the share price has been flat over the last three years. Although management has done a superb job growing intrinsic value, the HHC story is largely unknown in the investment community. The HHC story and value proposition is complicated by the vast development potential that cannot be estimated by simply applying a multiple to existing cash flows. To address this concern, HHC recently started conducting quarterly earning conference calls and taking a more proactive approach to investor and analyst outreach. We believe HHC is undervalued and that further progress on asset stabilization and clarity around some of its bigger projects (e.g., Seaport and Ward Village) will help drive stock appreciation.

Howard Hughes' total shareholder return was 0.8% in 2016.

Mondelez International (MDLZ)

Mondelez was created out of the breakup of Kraft Foods in 2012, and today is one of the largest global snacks companies with 2016 revenues of $26 billion. Branded biscuits, chocolate, and confectionary businesses are wonderful businesses because of their high category margins, large economic moats, high returns on capital, and attractive long-term global growth potential. Mondelez has the most attractive stable of sweet snack brands of any publicly traded food company with seven brands that each generate over $1 billion in annual sales, many of which have been building brand equity with consumers for over one hundred years. Despite owning some of the best brands in the industry, Mondelez has among the lowest profit margins in large cap packaged food, presenting a meaningful opportunity to increase efficiency that management is currently addressing.

Mondelez made good progress on this productivity opportunity in 2016. Operating profit margins expanded by 220 basis points to 15.3%, driven primarily by a reduction in overhead costs as a percentage of sales reflecting the implementation of zero-based budgeting and the rollout of global shared services, as well as an increase in gross margin reflecting the company's supply chain transformation. Management remains committed to its 2018 operating profit margin target of 17% to 18%, and has stated that they have good visibility to expand margins even further beyond 2018.

Mondelez's underlying organic sales growth in 2016 was generally in-line with the company's categories at 2.2%, tempered by a slowdown in developing markets. We note that Mondelez is one of the few large publicly traded packaged food companies that are demonstrating any underlying volume growth, however modest. While the global growth rate of Mondelez's snacking categories moderated over the course of the year, primarily due to macroeconomic headwinds, we continue to believe that the long-term outlook for these categories remains robust, especially in the developing markets where Mondelez has large market shares and hard-to-replicate routes to market.

While consolidation in packaged foods could represent an opportunity for Mondelez, we believe the business is an attractive investment assuming no contribution from mergers or acquisitions. Sustained operating improvements should continue to drive attractive shareholder returns.

Mondelez's total shareholder return, including dividends, was 0.5% in 2016.

Nomad Foods (NOMD)

Nomad has built the leading branded frozen food business in Europe with its acquisitions of Iglo and the non-UK assets of Findus. The frozen food business is generally stable, and Nomad enjoys high margins and strong cash-flow generation with low capital expenditure requirements and modest cash taxes.

Nomad's recent results have been disappointing as revenue trends have been weak. The new management team believes this has been caused by legacy strategic decisions to focus on new product development at the expense of the company's core offerings. As a result, they have redirected their resources behind the company's core offerings, or Must Win Battles. While this strategy shift will take time to have full effect recent, initial results have been encouraging. Following significant declines in 2015, bottoming in Q3 2015, Nomad's team has produced four straight quarters of sequential improvement in like-for-like sales declines through Q3 2016. Moreover, the management team has highlighted positive results in the Must Win Battle categories and countries where they have thus far activated their strategy.

While top-line trends are improving, Nomad's management team continues to control and reduce costs while extracting synergies from its Findus acquisition, allowing it to maintain profitability levels despite negative top-line growth. For 2016, Nomad has provided guidance that EBITDA will be broadly flat with last year at €332 million and levered free cash flow will be approximately €200 million before restructuring and other one-time items. The stock currently trades at about 9.5x times this free cash flow guidance, a valuation we find attractive.

Nomad remains focused on stabilizing its base business, integrating Findus and delivering the significant synergies it has identified. Over time, Nomad intends to create value as a consolidator in the packaged foods sector. Nomad's share price declined 18.9% in 2016, and currently it is up slightly since our investment in mid-2015.

Platform Specialty Products Corporation (PAH)

2016 was a year of stabilization and progress for Platform. The company solidified its core leadership team, as key new hires, including CEO Rakesh Sachdev and Ag President Diego Casanello started in early 2016. Platform returned to positive organic growth despite continued softness in its end markets, delivered on synergy commitments from its recent acquisitions, and improved its capital structure through a $400 million equity issuance and a $3 billion debt refinancing that lowered the interest rate and extended the maturity of the company's debt.

PAH's underlying EBITDA (adjusted for currency effects) grew 6% in 2016, due to improved results in both the Performance Solutions and Agricultural Solutions businesses. Underlying EBITDA in Performance Solutions division grew 9% due to strong performance in the Asian electronics and industrial markets and cost synergies from the recent acquisition of Alent, while Agricultural Solutions grew 3% due to strength in the European and Latin America regions and continued cost synergies. Overall, PAH's EBITDA grew 4% in 2016 reflecting a modest headwind from foreign exchange.

Despite positive progress, Platform's share price declined 23.5% in 2016. However, in the first two months of 2017, Platform's share price appreciated 34%, more than offsetting the decline in 2016. Platform continues to trade at a discount to its publicly traded segment peers and private-market transaction values.

Restaurant Brands International Inc. (QSR)

QSR's franchised business model is best described as a capital-light, high-growth annuity. The company earns high-margin, brand royalty franchise fees (4% to 5% of unit sales) from Burger King and Tim Hortons franchisee operated stores which are relatively insulated from economic cycles. As a result of the business' structure and the market in which it operates, significant unit growth requires no capital from QSR.

The company's controlling shareholder 3G is an ideal operating partner and sponsor. It has installed an excellent management team and created a unique and impactful performance culture, compensation system, and business processes. We believe 3G's highly scalable and replicable operating strategy can be applied to potential future acquisition opportunities.

QSR's intrinsic value meaningfully increased in 2016, as the company continued to deliver strong financial performance: 16% organic EBITDA growth and 45% EPS growth. The high rate of EBITDA growth was driven by 2% Same-Store Sales (SSS) growth at Burger King and 3% at Tim Hortons, 5% net unit growth at both concepts, and continued cost reduction at Tim Hortons. QSR improved Tim Hortons' EBITDA margins by 500 basis points in 2016, due to margin improvement in both the franchise and distribution businesses and a 12% reduction in overhead costs. QSR's reported EBITDA grew 13%, including a 3% headwind from foreign exchange.

As a result of the positive business momentum, the total return for Restaurant Brands' shares was 29.2% in 2016. In February 2017, QSR announced the acquisition of Popeyes Louisiana Kitchen. We believe QSR will be able to meaningfully improve Popeye's cost structure and significantly accelerate its growth in new units, which will further increase Restaurant Brands' future earnings growth and intrinsic value.

Exited Positions

Canadian Pacific Railway Limited (CP)

In our August 26, 2016 Investor letter, we reported the sale of our remaining 9.8 million shares of CP on August 4, 2016, approximately five years from the inception of the investment. During the course of our investment, CP's share price increased four times, its operating performance went from worst to nearly tied for first with Canadian National, and its credit rating improved from a weak Baa-/BBB- to a strong Baa+/BBB+. While critics often accuse activists of being short-term investors focused primarily on stock buybacks and dividends, CP is a paradigmatic example of the long-term sustainable business performance enhancements and shareholder value creation we have achieved in our core activist holdings.

During our period of ownership, Canadian Pacific's total shareholder return, including dividends, was 318.9%.

Zoetis Inc. (ZTS)

On November 9, 2016, we sold our last shares of Zoetis, about two years after we publicly announced an 8.5% ownership stake. Despite the high quality nature of the business and its strong management team, we sold to redeploy the capital in certain new investments.

We purchased our stake in Zoetis at an average cost of approximately $37 per share. Shortly thereafter, we met with the Zoetis management to discuss our views on potential initiatives to create shareholder value. On February 4, 2015, Zoetis agreed to add then-Pershing Square investment team member (and healthcare industry veteran) Bill Doyle and Actavis Executive Chairman Paul Bisaro to the board on April 13, 2015.

Over the course of our ownership, ZTS developed and implemented a number of value-enhancing initiatives including restructuring its supply chain, pursuing organic revenue growth opportunities while reducing costs, and setting a goal of increasing operating margins from ~25% in 2014 to ~34% by 2017. Zoetis outperformed each of these objectives during our ownership.

During our more than two-year ownership, Zoetis generated a total shareholder return, including dividends, of 57.9%.

FOOTNOTES TO 2016 KEY HIGHLIGHTS AND INVESTMENT MANAGER'S REPORT

1 Performance results are presented on a gross and net-of-fees basis. Gross and net returns include the reinvestment of all dividends, interest, and capital gains and reflect the deduction of, among other things, brokerage commissions and administrative expenses. Net returns also reflect the deduction of management fees and historical or accrued performance allocation/fees (if any). All performance results provided herein assume an investor has been invested in the Company or PSLP, as applicable, since inception and participated in any "new issues", as such term is defined under Rules 5130 and 5131 of FINRA.

2 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 pages 7 to 8 for the S&P 500 under "Cumulative (Since Inception)" is calculated from December 31, 2012 or January 1, 2004, as applicable.

3 The S&P 500 ("index") has been selected for purposes of comparing the performance of an investment in the Company or PSLP as applicable (together the "Pershing Square funds") 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 a Pershing Square fund is 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 it 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' portfolio. 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. © 2016 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

4 This report reflects the attributions to performance of the portfolio of the Company. Positions with performance attributions of at least 50 basis points are listed above separately, while positions with performance attributions of 50 basis points or less are aggregated.

The attributions 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 (i.e., 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 (i.e., 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.

The performance attributions to the gross returns provided herein are for illustrative purposes only. The securities on this list may not have been held by the Company for the entire calendar year. 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. It should not be assumed that investments made in the future will be profitable. Past performance is not indicative of future results. Please refer to the net performance figures presented on page 7.

5 PSLP's 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, PSLP earned a $1.5 million (approximately 3.9%) annual management fee and 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 set out herein reflect the different fee arrangements in 2004, and subsequently, except that 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 the returns. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner 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, net returns would have been lower.

6 While the Pershing Square funds are concentrated and often take an active role with respect to certain investments, they will own, and in the past have owned, a larger number of investments, including passive investments and hedging-related positions. "Short equity" includes options and other instruments that provide short economic exposure. All trademarks are the property of their respective owners.

It should not be assumed that any of the securities transactions or holdings discussed herein were or will prove to be profitable, or that the investment recommendations or decisions Pershing Square make in the future will be profitable or will equal the investment performance of the securities discussed herein. Specific companies shown in this presentation are meant to demonstrate Pershing Square's active investment style and the types of industries in which the Pershing Square funds invest and are not selected based on past performance.

7 Total returns take into account share price performance and the issuer's dividends, if any. Total returns are provided for illustrative purposes only and are not an indication of actual returns to the Company over the periods presented or future returns of the Company. Additionally, it should not be assumed that any of these returns indicate that the investment recommendations or decisions that Pershing Square makes in the future will be profitable or will generate values equal to those of the companies discussed herein.

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 during 2016. 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.

Directors

Anne Farlow
(Chairman)

Ms Farlow, a Hong Kong resident, is an independent Director of the Company and is an experienced private equity investment professional and non-executive director. From 2000 to 2005, she was a director of Providence Equity Partners in London, and was one of the partners responsible for investing a $2.8 billion fund in telecom and media companies in Europe. From 1992 to 2000, she was a director of Electra Partners, and was based in London from 1992 to 1996 and Hong Kong from 1996 to 2000. Prior to working in private equity, Ms Farlow worked as a banker for Morgan Stanley in New York, and as a management consultant for Bain and Company in London, Sydney and Jakarta. Since 2005, she has been an active investor in and non-executive director of various unlisted companies. Ms Farlow graduated from Cambridge University with a MA in engineering in 1986 and a MEng in chemical engineering in 1987. She obtained a MBA from Harvard Business School in 1991.

Richard Battey

Mr Battey, a Guernsey resident, is an independent Director of the Company and also serves as a non-executive director of a number of investment companies and funds, of which AcenciA Debt Strategies Limited, Juridica Investments Limited, Princess Private Equity Holding Limited, Better Capital PCC Limited, Prospect Japan Fund Limited, and NB Global Floating Rate Income Fund Limited are listed. From 2005 to 2006, Mr Battey was chief financial officer of CanArgo Energy Corporation. Mr Battey also worked for the Schroder Group from 1977 to 2005, first in London with J. Henry Schroder Wagg & Co. Limited and Schroder Investment Management, then in Guernsey as finance director and chief operating officer of Schroders (C.I.) Limited, and retired as a director of his last Schroder Group Guernsey company in 2008. Mr Battey received his Bachelor of Economics from Trent Polytechnic Nottingham in 1973. Mr Battey is a chartered accountant having qualified with Baker Sutton & Co. in 1977.

Nicholas Botta

Mr Botta, a U.S. resident, is a Director of the Company. He is also a director of Pershing Square International, Ltd. Until March 1, 2017, when Mr Botta became President of the Investment Manager, he was the Investment Manager's Chief Financial Officer. He also worked as controller and then as Chief Financial Officer of Gotham Partners from 2000 to 2003. From 1997 to 2000, Mr Botta was a senior auditor at Deloitte & Touche in its securities group. He was also a senior accountant from 1995 to 1997 for Richard A. Eisner & Co., LLP. Mr Botta received his Bachelor of Accounting from Bernard Baruch College in 1996. Mr Botta is a certified public accountant.

Jonathan Kestenbaum

Lord Kestenbaum, a U.K. resident, is an independent Director of the Company. Lord Kestenbaum is currently the chief operating officer of RIT Capital Partners plc and a member of its executive committee. He is also a director of the company's operating business, J Rothschild Capital Management. Lord Kestenbaum is a director of The Capital Holdings Funds plc and a director of Windmill Hill Asset Management. He is a former chief executive of the National Endowment for Science, Technology and the Arts (NESTA) and previously chief of staff to Sir Ronald Cohen, the chairman of Apax Partners. Lord Kestenbaum graduated from the London School of Economics before pursuing post graduate work at Cambridge University. He earned a MBA with distinction from the Cass Business School, and is also a graduate of the Strategic Agility Programme at Harvard Business School. He completed the cabinet office top management programme and is an adjunct professor at the Imperial College Business School. Jonathan Kestenbaum was created a life peer in November 2010 and became Lord Kestenbaum of Foxcote in the county of Somerset. He was introduced in the House of Lords on January 26, 2011 and speaks in the Lords on Economic Affairs and Innovation. In December 2013, Lord Kestenbaum was appointed as chancellor of Plymouth University.

William Scott

Mr Scott, a Guernsey resident, is an independent Director of the Company. Mr Scott also currently serves as independent non-executive director of a number of investment companies and funds, of which AcenciA Debt Strategies Limited is listed on the London Stock Exchange, and Axiom European Financial Debt Fund Limited is listed on the Specialist Fund Market of the London Stock Exchange. He is also a director of The Flight and Partners Recovery Fund Limited which is listed on the Channel Islands Securities Exchange in addition to a number of funds sponsored by Man Group which are listed on the Channel Islands Securities Exchange (Absolute Alpha Fund PCC Limited, AHL Strategies PCC Limited and MAN AHL Diversified PCC Limited). From 2003 to 2004, Mr Scott worked as senior vice president with FRM Investment Management Limited, which is now part of Man Group plc. Previously, Mr Scott was a director at Rea Brothers (which became part of the Close Brothers group in 1999) from 1989 to 2002 and assistant investment manager with the London Residuary Body Superannuation Scheme from 1987 to 1989. Mr Scott graduated from the University of Edinburgh in 1982 and is a chartered accountant having qualified with Arthur Young (now E&Y) in 1987. Mr Scott also holds the securities institute diploma and is a chartered fellow of the Chartered Institute for Securities & Investment. He is also a chartered wealth manager.

Corporate Governance Report

As an entity authorized and regulated by the Guernsey Financial Services Commission (the "GFSC"), the Company is subject to the GFSC's "Finance Sector Code of Corporate Governance" (the "Guernsey Code"). In addition, the Company is a member of the Association of Investment Companies and complies with the AIC Code of Corporate Governance (the "AIC Code"), to the extent practicable. The Guernsey Code provides that companies which report in accordance with the AIC Code are deemed to meet the requirements of the Guernsey Code.

The manner in which the Board has complied with the various principles of the AIC Code is explained in this report, the Report of the Directors and Report of the Audit Committee. The Directors believe that the corporate governance framework that has been established by the Board is appropriate for the Company.

The Board considers that the Company has materially complied with the principles and recommendations of the AIC Code, with the exception of the following aspects and those set out in the Report of the Audit Committee:

- The Company has not established separate nomination, management engagement or remuneration committees as the Board considers that, due to its composition and the structure of the Company, establishing separate nomination, management engagement or remuneration committees is unnecessary. The Board is satisfied that any relevant matters are properly considered by the Board as a whole.
- The Board does not have a formal policy on tenure as the Directors are required to submit themselves to annual re-election by shareholders in accordance with the Articles of the Company.

The AIC Code includes provisions relating to:

- The role of the chief executive;
- Executive directors' remuneration; and
- The need for an internal audit function.

For the reasons set out in the AIC Guide, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. The Company has therefore not reported further in respect of these provisions.

THE BOARD COMPOSITION AND DELEGATION OF FUNCTIONS AND ACTIVITIES

The Board consists of five non-executive Directors, four of whom are independent. Mr Botta, as President of the Investment Manager, is deemed not to be an independent Director of the Company. Ms Farlow is the Chairman and, as she is independent, the Board does not consider it necessary to appoint a senior independent director.

The Company has no executive directors and no employees, and has engaged external parties to undertake the daily management, operational and administrative activities of the Company. In particular, the Directors have delegated the function of managing the assets comprised in the Company's portfolio to the Investment Manager, which is not required to, and generally will not, submit individual decisions for the approval of the Board. Clear documented contractual arrangements exist between the Company and these firms that define the areas where the Board has delegated certain functions to them. The Board retains accountability for the various functions it delegates. Further information is provided in the Report of the Audit Committee.

The diverse backgrounds of the Directors help to ensure that the Board and its committees have the right balance of relevant skills, experience, independence and knowledge to discharge their responsibilities efficiently and effectively. The right blend of perspectives is critical to ensure that the Board, committees and Company are successful.

BOARD TENURE

Any Director appointed in accordance with the Articles of Incorporation will hold office only until the next following Annual General Meeting, and will then be eligible for re-election. As such, no issues are expected to arise with respect to long tenure.

Any future changes to the Board's composition are expected to be managed without undue disruption.

THE BOARD'S PROCESSES

The Board meets regularly throughout the year, at least on a quarterly basis, and maintains regular contact with the Investment Manager and Elysium Fund

Management Limited (the "Administrator"). At each quarterly Board meeting the Directors review the Company's investments, principal risks, share price performance and the premium/discount to NAV at which the Company's Public Shares are trading, investor relations and compliance with regulations.

In order to perform these reviews in an informed and effective manner, the Board receives formal reports from the Investment Manager at each quarterly Board meeting. The Directors are kept informed of investments and other matters relevant to the operation of the Company that would be expected to be brought to the Board's attention.

Between meetings there is regular contact amongst the Investment Manager, Administrator and the Board. The Board is supplied with information in a timely manner by the Investment Manager, Administrator and other advisers to enable it to discharge its duties efficiently and effectively.

The Directors, where necessary in the furtherance of their duties, have access to independent professional advice at the Company's expense.

All Board members are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance may be unavoidable in certain circumstances. The following table details the number of formal meetings attended by each Director in the year ended December 31, 2016:

	Scheduled Quarterly Board Meetings (attended / conducted)	*Ad-hoc Board Meetings (attended / conducted)*	*Audit Committee Meetings (attended / conducted)*
Anne Farlow	4 / 4	4 / 4	4 / 4
Richard Battey	4 / 4	4 / 4	4 / 4
Nicholas Botta	4 / 4	3 / 4	N/A
Jonathan Kestenbaum	4 / 4	4 / 4	4 / 4
William Scott	4 / 4	4 / 4	3 / 4

The above ad-hoc Board meetings were convened at short notice and required a minimum quorum of two Directors.

COMMITTEES OF THE BOARD

The Board has established an Audit Committee comprising of the independent Directors. Further details as to the composition and role of the Audit Committee are provided in the Report of the Audit Committee.

The Investment Manager operates a Valuation Committee and a Conflicts Committee, each of which meets no less frequently than annually and on an as-needed basis; a Best Execution Committee, which meets no less frequently than quarterly and on an as-needed basis; and a Disclosure Committee, which meets no less frequently than semi-annually and on an as-needed basis. The minutes from the meetings are presented to the Board at the quarterly Board meetings, or sooner if necessary.

BOARD PERFORMANCE

During 2016, the Board undertook its first formal evaluation of its own performance and that of each individual Director. Each Director completed a questionnaire formulated for the Company by the Administrator. The results were collated by the Administrator and communicated to the Board by the Chairman and any areas where the Board felt there was room for improvement were discussed in greater detail. It is intended that the Board evaluation process will be facilitated by an external adviser in 2017.

RELATIONS WITH SHAREHOLDERS

The Board recognizes that it is important to maintain appropriate contact with shareholders to understand their issues and concerns. The Investment Manager maintains regular contact with shareholders via quarterly investor calls, the publication of weekly and monthly NAV estimates, and on an ad-hoc basis when queries from shareholders arise. In addition, the Company has appointed Fidante Capital plc to act as corporate broker and to enhance communication with shareholders. Investor feedback from the Investment Manager and other advisers is reported to the Board on a regular basis.

Each year, shareholders will have the opportunity to vote and to attend the Annual General Meeting where the majority of the Directors will be present. In addition, on a more formal basis, the Directors report to shareholders throughout the year with the publication of the annual and half-yearly reports.

Shareholders may contact the Directors in writing at the Company's registered office or by email at elysium@elysiumfundman.com.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 28, 2017

Report of the Audit Committee

The Audit Committee was established upon admission of the Company to trading on Euronext Amsterdam and consists of the independent Directors of the Company. Mr Battey is the Chairman of the Audit Committee. As Ms Farlow is an independent non-executive Director, the Directors consider it appropriate for her to be a member of the Audit Committee.

All members of the Audit Committee are expected to attend each Board and Audit Committee meeting and to arrange their schedules accordingly, although non-attendance may be unavoidable in certain circumstances.

The Audit Committee has written terms of reference with formally delegated duties and responsibilities. The terms of reference of the Audit Committee are available on the Company's website or, on request, from the Company's Administrator.

The Audit Committee considers the appointment, independence and remuneration of the auditors and reviews the annual accounts and half-yearly reports. Where non-audit services are to be provided by the auditors, full consideration of the financial and other implications on the independence of the auditors arising from any such engagement will be considered before proceeding.

FINANCIAL STATEMENTS AND SIGNIFICANT REPORTING MATTERS

The principal duties of the Audit Committee are to monitor the integrity of the Financial Statements of the Company, including its annual and half-yearly reports and formal announcements relating to the Company's financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgments communicated to the Committee by the auditors. In particular, the Audit Committee reviews and assesses, where necessary:

- The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditors;
- The clarity of disclosure in the Company's financial reports and the context in which statements are made;
- All material information presented with the Financial Statements, such as the Chairman's Statement, Investment Manager's Report, Report of the Directors and the Corporate Governance Report; and
- The content of the Annual Report and Financial Statements and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

As part of the December 31, 2016 audit, prior to the year end, the Audit Committee was involved in the planning and preparation for the Annual Report, Financial Statements and the audit. The Audit Committee along with the Investment Manager, Administrator and the auditors had a meeting in November to discuss the overall cohesion and understandability of the Annual Report, Financial Statements and the auditors' audit plan. The Chairman of the Board and the Chairman of the Audit Committee were in regular contact with the Investment Manager, Administrator and auditors throughout the process.

The Audit Committee commented on the design and detailed content of the Annual Report and Financial Statements, ensuring that examples of best practices had been carefully considered in the context of the Company. The Audit Committee used the Investment Manager's, Administrator's and auditors' knowledge to determine the overall fairness, balance and understandability prior to final approval by the Board. This allowed the Audit Committee and the Board to be satisfied that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable. The Audit Committee will continue to monitor feedback for future enhancements.

The Audit Committee reviewed and discussed the most relevant issues for the Company and received a report from the auditors. The auditors focused on the risks faced by the Company, with focus on the valuation of investments other than Level 1 investments.

The Audit Committee also considered the valuation of investments and the calculation of performance fees (discussed more fully below), along with compliance of the Financial Statements with International Financial Reporting Standards (“IFRS”).

The Audit Committee considered matters related to the calculation of the performance fee which included addressing the accounting treatment of the “offset amount”, a component in calculating the performance fee (Please see Note 15 for further discussion related to calculation of performance fees). Under the IMA, the Investment Manager was entitled to receive amounts attributable to the offset amount, plus an accretion of 4.25% annually, as part of, and only if, performance fees were payable by the Company to the Investment Manager for services provided. (Please see Note 3 for further discussion of the significant judgments related to the classification of the IMA as an “executory contract” and the performance fee as a single unit of account.) The Company acknowledges that a lack of clarity in the IMA could lead to one taking the position that the offset amount be treated as a liability. The Company engaged an independent accounting firm that agreed that the Company’s historic accounting treatment had been appropriate. Notwithstanding that the Audit Committee was satisfied that the Company’s accounting treatment had been appropriate, the Audit Committee recognized that the 4.25% accretion factor made the determination more complex. Accordingly, the Company and the Investment Manager amended and clarified the IMA in December 2016, along with removing the 4.25% accretion factor, effective retroactively to the inception of this arrangement, and the Audit Committee concluded that this removed any material doubt about the accounting for the offset amount prospectively. Had the offset amount been treated as a liability in fiscal year 2015, it would have increased liabilities at December 31, 2015 by less than 0.5% of NAV.

The Audit Committee considered the processes surrounding the production of the Financial Statements and obtained comfort from these processes.

Members of the Audit Committee met with the auditors a number of times during the audit process and, after considering various discussions with the auditors, Investment Manager and Administrator, are satisfied that the audit was undertaken in an effective manner and addressed the main risks.

INTERNAL CONTROLS

It is the duty of the Audit Committee to examine the effectiveness of the Company’s internal control systems and for the Board to undertake an annual review of the significant operational risks faced by the Company and to consider the effectiveness of the procedures in place to control these operational risks. At each quarterly Board meeting since the Company was formed, the Board has reviewed the significant operational risks faced by the Company and the procedures that are in place to manage those operational risks.

The Board is ultimately responsible for the Company’s system of internal controls and for reviewing its effectiveness for managing the operational risks to which the Company is exposed. The internal control systems are designed to manage, rather than eliminate, the operational risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss. The Board confirms there is an ongoing process for identifying, evaluating and managing the significant operational risks faced by the Company, and that this process has been in place for the year ended December 31, 2016, and up to the date of the approval of the Annual Report and Financial Statements.

The Company does not have an internal audit department. All of the Company’s management functions are delegated to independent third parties and it is therefore felt that there is no need for the Company to have an internal audit facility. The Board has familiarized itself with the internal control systems of its material service providers, which report regularly to the Board. The Board is satisfied that the controls employed by these service providers adequately manage the operational risks to which the Company is exposed.

AUDITORS

It is the duty of the Audit Committee, among other things, to:

- Consider and make recommendations to the Board to be put to shareholders for approval at the Annual General Meeting, in respect of the appointment of external auditors;
- Discuss and agree with the external auditors the nature and scope of the audit;
- Keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditors; and
- Review the external auditors’ letter of engagement, audit plan and management letter.

The Audit Committee reviewed the scope of the audit and the fee proposal set out by the auditors in their audit planning report and discussed these with the auditors at the Audit Committee meeting held on November 21, 2016. The Audit Committee recommended to the Board that it accept the auditors’ proposed fee of approximately $150,000 (2015: $164,000) for the audit of the Annual Report and Financial Statements. During the year the Company paid the auditors approximately $46,000 (2015: $48,000) for the interim review and approximately $201,000 (2015: $690,000) for other permissible non-audit services.

The Audit Committee understands the importance of auditor independence and, during the year, the Audit Committee reviewed the independence and objectivity of the auditors. The Audit Committee received a report from the auditors confirming their independence and the controls that they have in place to ensure that its independence is not compromised.

Shareholders should note that the primary reporting framework for the Company's audit is International Standards on Auditing (UK & Ireland); the auditor's report thereunder is set out on pages 33 to 36. The Annual Report also includes on page 37 a report from the auditors to the Directors in accordance with U.S. Generally Accepted Auditing Standards in order to satisfy various U.S. regulatory requirements.

Ernst & Young LLP have been appointed to provide audit services to the Company, and have acted as the Company's auditors since they were appointed to audit the Company's first Financial Statements, for the period ended December 31, 2012. A resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the forthcoming Annual General Meeting.

/s/ Richard Battey
Richard Battey
Chairman of the Audit Committee
March 28, 2017

Report of the Directors

We present below the Annual Report and Financial Statements of the Company for the year ended December 31, 2016.

PRINCIPAL ACTIVITY

The Company was incorporated in Guernsey, Channel Islands on February 2, 2012. It became a registered open-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 and the Registered Collective Investment Scheme Rules 2008 (issued by the GFSC) on June 27, 2012, and commenced operations on December 31, 2012. On October 2, 2014, the GFSC approved the conversion of the Company into a registered closed-ended investment scheme under the Protection of Investors Law and the 2008 Rules.

Please refer to Note 11 for further information on the various classes of shares (any reference to "Note" herein shall refer to the Notes to the Financial Statements).

INVESTMENT OBJECTIVE

The Company's investment objective is to preserve capital and to seek maximum, long-term capital appreciation commensurate with reasonable risk. The Company seeks to achieve its investment objective through long and short positions in equity or debt securities of public U.S. and non-U.S. issuers (including securities convertible into equity or debt securities), derivative instruments and any other financial instruments that the Investment Manager believes will achieve the Company's investment objective.

RESULTS AND NAV

The Company had a loss attributable to all shareholders for the year ended December 31, 2016 of $700 million (2015: loss of $1.34 billion). The net assets attributable to all shareholders at December 31, 2016 were $4.52 billion (2015: $5.22 billion). For the Company's returns, please see the 2016 Key Highlights and Financial Highlights sections on pages 6 and 70, respectively.

The Company announces the monthly and weekly NAV of its Public Shares to the Euronext Amsterdam market and publishes this information on the Company's website (www.pershingsquareholdings.com). In addition, monthly performance and transparency reports are published on the Company's website.

The Company released half-yearly Financial Statements on August 26, 2016 relating to the first half of the year of 2016. The Company intends to release the half-yearly Financial Statements of 2017 in the third quarter.

The Dutch Act implementing the Revised European Transparency Directive (2013/50/EU) abolished the requirement to publish interim management statements from 2016 onward.

The Board monitors the trading activity of the Public Shares, and the discount or premium of the share price to NAV, on a regular basis. During 2016, the Board paid particular attention to the discount at which the share price has traded in relation to NAV and considered various options available in order to reduce the discount. In an effort to increase liquidity and narrow this discount, on March 23, 2017, the Company announced its intention to apply for admission of its Public Shares to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange.

BOND OFFERING

On June 26, 2015, the Company issued at par $1,000,000,000 in Senior Notes at 5.5% due 2022 (the "Bonds"). The Bonds will mature at par on July 15, 2022 and pay a fixed rate interest coupon of 5.5% per annum, which is paid semi-annually. The Bonds are listed on the Irish Stock Exchange.

DIVIDEND

The Directors did not recommend the payment of a dividend for the year ended December 31, 2016 (2015: $nil).

DIRECTORS

The present members of the Board, all of whom are non-executive Directors, are listed on pages 21 to 22 and served throughout the year.

Ms Farlow, Mr Battey, Lord Kestenbaum and Mr Scott are considered to be independent within the meaning of the AIC Code. Mr Battey and Mr Scott serve together as non-executive directors of another company, but the Board does not consider this to impact their independence. Mr Botta is not considered to be independent as he is President of the Investment Manager.

Any Director appointed in accordance with the Articles of Incorporation will hold office only until the next following Annual General Meeting, and will then be eligible for re-election.

At December 31, 2016, the Directors' interests in the Company were as follows:

Director	Class of Shares Held	Number of Shares
Richard Battey	Public Shares	4,000
Nicholas Botta	Management Shares	229,971
Anne Farlow	Public Shares	10,139
Jonathan Kestenbaum	Public Shares	10,000
William Scott	N/A	N/A

There were no changes in the interests of Directors between December 31, 2016 and the date of signing this report.

There are no service contracts in place between the Company and the Directors. The Chairman of the Board is paid an annual fee of £75,000 and the Chairman of the Audit Committee is paid an annual fee of £55,000. The other independent Directors are currently paid an annual fee of £50,000 per annum. Mr Botta does not receive a fee for his services as a Director.

The Directors received full information about the Company upon appointment to the Board and, through regular contact with the Company's service providers, are kept up to date. As all of the Directors are appropriately qualified and experienced and (where applicable) are required to undertake a sufficient amount of continuous professional development as part of their professional qualifications, the Chairman does not regularly review the training and development needs of each Director.

MATERIAL CONTRACTS

The Company's material contracts are with:

- PSCM which serves as Investment Manager to the Company and, as such, manages the investments of the Company and the risks related thereto; PSCM receives a quarterly management fee and a performance fee, if any, from the Company as described more fully in Note 15;
- Elysium Fund Management Limited, which serves as Administrator and Morgan Stanley Fund Services (Bermuda) Ltd., which serves as Sub-Administrator. The Administrator provides the Company with certain administration services, including, among other things, the maintenance of the Company's accounting and statutory records, and the Administrator delegates certain of these services to the Sub-Administrator;
- Goldman Sachs & Co and UBS Securities LLC, which each serve as Prime Broker and Custodian for the Company; and
- Fidante Capital plc serves as corporate broker for the Company.

A formal review of the Investment Manager's performance was undertaken during 2016, along with a review of the Investment Manager's investment process, particularly in connection with the Company's position in Valeant Pharmaceuticals International, Inc. After considering the Investment Manager's overall performance and the lessons learned, along with the Investment Manager's commitment to creating value for shareholders, the Board concluded that it was in the interests of shareholders for the Board to continue to retain the Investment Manager. The Board also reviewed and was satisfied with the robustness of the Investment Manager's investment process. As such the existing contractual arrangement with the Investment Manager was considered and determined to be appropriate to the needs of the Company and its shareholders.

The Directors reviewed the performance of the service providers and the material contracts in April 2016. The Board concluded that the external service providers performed well during the financial year and that it is in the best interests of the Company to retain the services of these entities.

RISK MANAGEMENT

The Board has ultimate responsibility for risk management. Given that there are certain inherent risks related to the business and operations of the Company, the Board believes that developing an effective risk management strategy is crucial to the ongoing viability of the Company.

The Company is subject to a number of risks specific to its investment activities, structure and operations, as well as risks relating to general market conditions. The Board has adopted procedures and controls for the ongoing assessment, monitoring and mitigation of material risks and reviews the management of these risks at each quarterly Board meeting.

The Board believes that the risks described below are the principal risks faced by the Company. This is not intended to be a complete list of all risks. Please refer to the Company's Prospectus, available on the Company's website (www.pershingsquareholdings.com), for a more complete description of the risks applicable to the Company. Additional information related to risk management is provided in Note 13.

Risks Related to Investment Activities

There are certain risks associated with the Investment Manager's investment activities that are largely a result of the Company's investment program (e.g., its highly concentrated portfolio) and certain investment techniques used by the Investment Manager, which are inherently risky (e.g., short selling).

With respect to the concentration of the Company's portfolio, the Board acknowledges that there are numerous risks associated with having a highly concentrated portfolio and that the primary risk management tool used by the Investment Manager is the extensive research performed by the investment team prior to investment, along with the ongoing monitoring of the position once held in the Company's portfolio. The Board reviews portfolio concentration and receives a detailed overview of the portfolio positions no less than quarterly, but more frequently as necessary.

From time to time, the Investment Manager's investment program may include short selling which theoretically could result in unlimited loss. The Board notes that the Investment Manager enters into these positions infrequently, may use CDS or other derivative positions to obtain economic short exposure and relies on extensive due diligence prior to putting on a short position.

The Board receives a report from the Investment Manager at each quarterly Board meeting or more frequently, as necessary, on developments and risks relating to portfolio positions, activist engagements, financial instruments used in the portfolio and the portfolio composition as a whole.

Risks Related to the Use of Leverage

The Company has incurred indebtedness as a result of issuing the Bonds, and may incur additional indebtedness in the future, provided that it complies with certain restrictive covenants contained in the Bonds' Indenture. While such leverage may have the effect of increasing losses, the Board notes that unlike margin debt, the Bonds do not have mark-to-market covenants which could require forced sales when equity prices decline.

The Board further notes that the Investment Manager generally does not believe in the use of a material amount of margin leverage because of the potential risk of forced sales at inferior prices in the event of short-term declines in security prices in a margined portfolio. The Company may however use derivatives, including equity options, in order to obtain security-specific non-recourse leverage in an effort to reduce the capital commitment to a specific investment, while potentially enhancing the returns on the capital invested in that investment. The Board regularly reviews information regarding the Bonds and the Company's other forms of leverage at each quarterly Board meeting.

Regulatory Risk

Regulatory risk can negatively impact the Company in a number of ways. For example, changes in laws or regulations, or a failure to comply with these, could have a detrimental impact on the Company's operations. Prior to initiating a position, the Investment Manager considers the possible legal and regulatory issues that could impact its ability to achieve the objective with respect to such position. The Investment Manager's legal and compliance team monitors regulatory changes on an ongoing basis. To monitor regulatory risks, the Board is apprised of any regulatory inquiries and material regulatory developments on a quarterly basis.

Reputational Risk

Reputational damage to the Investment Manager and the Company as a result of negative publicity could impair the Investment Manager's ability to affect its investment strategy on behalf of the Company. To address this risk, PSCM has an internal Director of Communications who works alongside an outside public relations firm to monitor media coverage and actively engage with media sources as necessary. Internal PSCM personnel and the Board receive media clips daily to monitor public sentiment of PSCM's activities. The Board receives an update on media-related activity on a quarterly basis and considers measures to address concerns as they arise.

Risk Related to Business Continuity

The Investment Manager is dependent on William Ackman to conduct its investment advisory services as he has ultimate investment discretion with respect to all investment decisions. As a result, one of the principal risks to the business is the loss of Mr. Ackman. The Board notes that the investment team and other senior personnel at the Investment Manager are experienced, longstanding employees. The Board has reviewed the Investment Manager's succession plan and has deemed it to be satisfactory. The Board further notes that, if necessary, there are key man provisions in place that will trigger a continuation vote if a key man event occurs prior to October 2021.

The Company's Shares May Trade at a Significant Discount to NAV

Another principal risk to the Company is that the shares of the Company will trade at a significant discount to NAV or that the shares will be illiquid. To mitigate this risk, the Company announced its intention to apply for admission of its Public Shares to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. The Company has also retained advisers to maintain regular contact with existing and potential shareholders and to consider other potential measures to reduce the discount of share price to NAV. The Board monitors the trading activity of the shares on a regular basis and addresses the discount to NAV at its regular quarterly meetings.

Market Risk

Adverse changes affecting the global financial markets and economy as a whole may have a material negative impact on the performance of the Company's investments. Further, the Company's non-U.S. currency investments may be affected by fluctuations in currency exchange rates. Prices of financial and derivative instruments in which the Company invests are subject to high volatility due to market risk.

In order to mitigate market-related downside risk, the Company may acquire put options, short market indices, baskets of securities and/or purchase credit default swaps, but the Company is not committed to maintaining market hedges at any time.

Counterparty Credit Risk

The Company is subject to the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that is entered into with the Company, resulting in a financial loss to the Company. In order to mitigate this risk the Company seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy. The Investment Manager negotiates its International Swaps and Derivatives Association ("ISDA") agreements to include bilateral collateral agreements and, in certain cases, tri-party agreements where collateral is held by a third party custodian. Thereafter, the Investment Manager monitors exposure, performs reconciliations, and posts/receives cash or U.S. Treasury collateral to/from each of the Company's counterparties on a daily basis. The Company invests substantially all cash collateral in U.S. Treasuries or short-term U.S. Treasury money market funds to protect against counterparty failure. In addition, from time to time, the Company purchases credit default swap contracts on the Company's counterparties as a form of credit protection.

GOING CONCERN

The Company's investment activities, together with factors likely to affect its future development, performance and position are set out in the Risk Management section above and Note 13. In assessing the going concern status of the Company, the Directors have considered:

- The Company's net assets attributable to all shareholders at December 31, 2016 of $4,516,772,022;
- The liquidity of the Company's assets (at December 31, 2016, 74.9% of its assets comprised of cash and cash equivalents and Level 1 assets); and
- The ability of the Company to meet its total liabilities (excluding net assets attributable to management shareholders), which were 28.2% of its total assets at December 31, 2016.

After making reasonable enquiries, and assessing all data relating to the Company's liquidity, particularly its holding of cash and Level 1 assets, the Directors and the Investment Manager believe that the Company is well placed to manage its business risks. Furthermore, the Directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due for the foreseeable future and they do not consider there to be any threat to the going concern status of the Company. For these reasons, the Directors have adopted the going concern basis in preparing the Financial Statements.

VIABILITY STATEMENT

In accordance with Principal 21 of the AIC Code, the Board has carefully considered the aforementioned principal risks alongside the measures in place to mitigate those risks – both at the Investment Manager level and the Company level - and has determined that they are sufficient such that the risks will not likely impair the long term viability of the business. The Board has made this assessment with respect to the upcoming three-year period.

The Board has evaluated quantitative data as of December 31, 2016 including shareholders' net assets, the liquidity of the Company's assets and the Company's total liabilities, and has also considered projections of expected outflows, management fees and performance fees for the next three years (if any). The Board believes that the three-year timeframe is appropriate given the general business conditions affecting PSH portfolio positions and the regulatory environment in which PSH operates, which is undergoing constant change.

On the basis of these projections, the Board has determined that the Company will remain viable for the upcoming three year period.

The Board is confident that these projections can be relied upon to form a conclusion as to the viability of the Company with a reasonable degree of accuracy over the three-year timeframe. This assessment will be conducted annually by the Board.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report of the Directors and the Financial Statements in accordance with applicable laws and regulations. The Companies (Guernsey) Law, 2008 requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing those Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008, Protection of Investors (Bailiwick of Guernsey) Law, 1987, the requirements of Euronext Amsterdam, the Company's governing documents and the applicable regulations under Dutch law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements and that this Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance and strategy.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and each has taken all the steps he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

/s/ Anne Farlow	/s/ Richard Battey
Anne Farlow	Richard Battey
Chairman of the Board	Chairman of the Audit Committee
March 28, 2017	March 28, 2017

Report of Independent Auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERSHING SQUARE HOLDINGS, LTD.

Our Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS"); and

- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008 ("the Companies Law").

What We Have Audited

The Company's Financial Statements comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year ended 31 December 2016;
- the Statement of Changes in Net Assets Attributable to Management Shareholders for the year ended 31 December 2016;
- the Statement of Changes in Equity for the year ended 31 December 2016;
- the Statement of Cash Flows for the year ended 31 December 2016; and
- Related Notes 1 to 19 to the Financial Statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS.

Overview of Our Audit Approach

We have determined that misstatement or manipulation of the valuation of the Company's investments (other than Level 1) and accounting for the offset amount element of the Company's performance fee are the only risks of material misstatement for the current year.

Audit Scope:

We have audited the Financial Statements of Pershing Square Holdings, Ltd. for the year ended 31 December 2016.

The audit was led from Guernsey. The team included individuals from Guernsey and from the New York office of Ernst & Young LLP and utilised valuation specialists from Ernst & Young LLP in New York. We operated an integrated audit team across Guernsey and the United States of America and we performed audit procedures and responded to the risks identified as described below.

Materiality:

Overall materiality of $43.6 million (2015: $50.3 million) which is approximately 1 per cent. of equity.

Our Assessment of Risk of Material Misstatement

We identified the risks of material misstatement described below as those which had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the Financial Statements as a whole and, consequently, we do not express any opinion on the individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of investments other than Level One investments (2016 – assets: $1,022.4 million and liabilities: $217.9 million; 2015 – assets: $580.7 million and liabilities: $126.0 million) The fair value of over the counter products (such as derivatives and private investments) may be misstated due to application of inappropriate methodologies or inputs to the valuations. Management may be able to manipulate the valuations because values for such instruments are not directly observable.	We confirmed our understanding of the processes, policies and methodologies used by management to value investments (other than level one), which comprised options, forwards, swaps, and warrants. For options, forwards, swaps and warrants we instructed our internal valuation specialists to independently value a sample of positions and we compared their values to the Company's valuations. We assessed the reasonableness and appropriateness of valuations for management bias and whether the valuations were in accordance with International Financial Reporting Standards.	We confirmed that there were no material instances of use of inappropriate policies or methodologies and that there were no material matters arising from our audit work that we wanted to bring to the attention of the Audit Committee.
Accounting for the offset amount element of performance fees As explained in the report of the Audit Committee on page 26, the Committee reconsidered whether the offset amount element of performance fees had been correctly accounted for in prior years. It was recognised that the accretion factor of 4.25% made the determination more complex. Therefore, the Company and the Investment Manager changed the IMA, including removing the accretion factor, so that there was no material risk that the offset amount should be recorded as a liability at 31 December 2016. The significant judgments made by the Company are described in Note 3, particularly, - the offset amount element of performance fees was part of an executory contract. Fees payable were therefore accounted for as services were received, and liabilities were accrued accordingly; and - the performance fee, including the offset amount, was a single unit of account; and - the Company has substantive rights to terminate the IMA.	We re-examined the relevant historic contractual obligations for performance fees, including the offset amount, and we discussed them with the Company and its legal advisers. We assessed whether it was appropriate to treat the IMA as an executory contract with a single unit of account and whether the Company had substantive rights to terminate the IMA. We assessed whether the contractual obligations gave rise to a financial liability under IAS 32 para11 and/or a contingent settlement provision under IAS 32 para25. We engaged our own IFRS accounting specialists to review the Company's accounting treatment and the audit team's assessment thereof. We engaged in discussions and read reports prepared by the independent accounting firm retained by the Company to consider the accounting treatment of the offset amount. We noted that the independent firm agreed with the Company's accounting treatment. We assessed whether appropriate disclosures had been made about significant judgments in Note 3 to the Financial Statements.	We confirmed that we agreed with the Company's judgments and the accounting treatment of the offset amount.

The Scope of our Audit

Tailoring the Scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope and the allocation of work between the audit team and internal valuation experts. Taken together, this enables us to form an opinion on the Financial Statements.

Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our opinion.

Materiality

"Materiality" is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be $43.6 million (2015: $50.3 million) which is approximately 1 per cent. (2015: 1 per cent.) of equity. We used equity as a basis for determining planning materiality because the Company's primary performance measures for internal and external reporting are based on equity.

During the course of our audit, we reassessed initial materiality and noted no factors leading us to amend materiality levels from those originally determined at the audit planning stage.

Performance Materiality

"Performance materiality" is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that performance materiality for the Company should be 75 per cent. of materiality, namely $32.7 million (2015: $37.7 million, 75 per cent. of planning materiality). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting Threshold

"Reporting threshold" is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all audit differences in excess of $2.2 million (2015: $2.5 million) which is set at 5 per cent. of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies Law. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matters on Which We Are Required to Report by Exception

ISAs (UK and Ireland)

We are required to report to you, if in our opinion, financial and non-financial information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' Statement that they consider the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

We have no exceptions to report.

Companies Law Requirements

We are required to report to you, if, in our opinion:

- proper accounting records have not been kept; or
- the Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for the audit.

We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks That Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) Reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' Statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

/s/ Michael Bane
Michael Bane
For and on behalf of Ernst & Young LLP
Guernsey
March 28, 2017

(1) The maintenance and integrity of the Company's website is the sole responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
(2) Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF PERSHING SQUARE HOLDINGS, LTD.

We have audited the accompanying Financial Statements of the Company, which comprise the Statement of Financial Position as of December 31, 2016, and the related Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Management Shareholders, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and the related notes to the Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in conformity with International Financial Reporting Standards. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Financial Statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of Pershing Square Holdings, Ltd. at December 31, 2016, and the results of its operations, changes in net assets attributable to management shareholders and equity, and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Financial Statements as a whole. The accompanying Supplemental U.S. GAAP Disclosures and Certain Regulatory Disclosures are presented for the purposes of additional analysis and are not a required part of the Financial Statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Financial Statements. The information has been subjected to the auditing procedures applied in the audit of the Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Financial Statements or to the Financial Statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the Financial Statements as a whole.

/s/ Ernst & Young LLP
Ernst & Young LLP
Guernsey
March 28, 2017

Statement of Financial Position
(Stated in United States Dollars)

	Notes	2016	2015
Assets			
Cash and cash equivalents	10	$ 2,076,161,696	$ 420,414,449
Due from brokers	13	542,850,061	594,122,857
Trade and other receivables	9	11,740,284	9,171,399
Financial assets at fair value through profit or loss			
Investments in securities	6	2,636,767,173	5,356,209,177
Derivative financial instruments	6, 8	1,022,162,881	499,385,851
Total assets		**$ 6,289,682,095**	**$ 6,879,303,733**
Liabilities			
Due to brokers	13	$ 150,995,192	$ 132,377,617
Trade and other payables	9	32,313,479	2,698,530
Financial liabilities at fair value through profit or loss			
Securities sold, not yet purchased	6	385,314,274	387,055,112
Derivative financial instruments	6, 8	190,734,223	125,974,203
Bonds	18	1,013,552,905	1,014,688,599
Liabilities excluding net assets attributable to management shareholders		1,772,910,073	1,662,794,061
Net assets attributable to management shareholders(1)	11	161,137,460	183,368,504
Total liabilities		**1,934,047,533**	**1,846,162,565**
Equity			
Share capital	11	6,003,372,824	6,003,372,824
Retained earnings		(1,647,738,262)	(970,231,656)
Total equity(2)		**4,355,634,562**	**5,033,141,168**
Total liabilities and equity		**$ 6,289,682,095**	**$ 6,879,303,733**
Net assets attributable to Public Shares		$ 4,355,519,077	$ 5,033,007,719
Public Shares in issue		240,128,546	240,128,546
Net assets per Public Share		$ 18.14	$ 20.96
Net assets attributable to Management Shares		$ 161,137,460	$ 183,368,504
Management Shares in issue		8,500,796	8,500,796
Net assets per Management Share		$ 18.96	$ 21.57
Net assets attributable to Class B Shares		$ 115,485	$ 133,449
Class B Shares in issue		5,000,000,000	5,000,000,000
Net assets per Class B Share		$ 0.00002	$ 0.00003

(1) Net assets attributable to management shareholders are comprised of the aggregate net asset values of all non-redeemable Management Shares as of December 31, 2016 and December 31, 2015, respectively.

(2) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and Class B Shares as of December 31, 2016 and December 31, 2015, respectively. Under IFRS, non-redeemable Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 48 for further details.

The accompanying notes form an integral part of these Financial Statements.

Statement of Financial Position (continued)
(Stated in United States Dollars)

These Financial Statements were approved by the Board of Directors on March 28, 2017, and were signed on its behalf by

/s/ Anne Farlow	/s/ Richard Battey
Anne Farlow	Richard Battey
Chairman of the Board	Chairman of the Audit Committee
March 28, 2017	March 28, 2017

Statement of Comprehensive Income

(Stated in United States Dollars)

	Notes	2016	2015
Investment gains and losses			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		$ (494,233,038)	$ (1,210,007,639)
Net realized gain/(loss) on commodity interests		(71,064,508)	(12,907,441)
Net change in unrealized gain/(loss) on commodity interests (net of brokerage commissions of (2016: $629,978, 2015: $3,990,307))		(2,682,541)	5,515,589
	6	(567,980,087)	(1,217,399,491)
Income			
Dividend income		49,703,578	43,129,139
Interest income	12	624,621	179,462
Other income		71,186	-
		50,399,385	43,308,601
Expense			
Management fees	15	(63,143,490)	(93,921,719)
Interest expense	12	(64,812,601)	(45,346,032)
Professional fees		(10,661,364)	(17,750,846)
Legal reserve	14	(29,176,480)	-
Other expenses		(1,107,012)	(1,327,984)
		(168,900,947)	(158,346,581)
Profit/(loss) attributable to equity and management shareholders before tax		**(686,481,649)**	**(1,332,437,471)**
Withholding tax (dividends)		(13,256,001)	(11,425,924)
Profit/(loss) attributable to equity and management shareholders		**(699,737,650)**	**(1,343,863,395)**
Amounts attributable to management shareholders		(22,231,044)	(43,857,756)
Profit/(loss) attributable to equity shareholders[1]		**$ (677,506,606)**	**$ (1,300,005,639)**
Earnings per share (basic & diluted)			
Public Shares	17	$ (2.82) [2]	$ (5.41) [2]
Class B Shares	17	$ (0.00)	$ (0.00)

All the items in the above statement are derived from continuing operations.

There is no other comprehensive income for the years ended 2016 and 2015.

(1) Profit/(loss) attributable to equity shareholders is comprised of the net profits earned and losses incurred by shareholders of Public Shares and Class B Shares.

(2) EPS is calculated using the profit/(loss) for the year attributable to equity shareholders divided by the weighted average shares outstanding over the full years of 2016 and 2015 as required under IFRS. The weighted average shares outstanding was calculated by taking the Public Shares outstanding for the year ended December 31, 2016 and December 31, 2015 of 240,128,546.

The accompanying notes form an integral part of these Financial Statements.

Statement of Changes in Net Assets Attributable to Management Shareholders
(Stated in United States Dollars)

		Net Assets Attributable to Management Shareholders
As at December 31, 2014	$	227,226,260
Amounts attributable to management shareholders		(43,857,756)
As at December 31, 2015	**$**	**183,368,504**

		Net Assets Attributable to Management Shareholders
As at December 31, 2015	$	183,368,504
Amounts attributable to management shareholders		(22,231,044)
As at December 31, 2016	**$**	**161,137,460**

The accompanying notes form an integral part of these Financial Statements.

Statement of Changes in Equity

(Stated in United States Dollars)

	Share Capital	Retained Earnings	Total Equity
As at January 1, 2015	**$ 6,003,372,824**	**$ 329,773,983**	**$ 6,333,146,807**
Total profit/(loss) attributable to equity shareholders(1)	-	(1,300,005,639)	(1,300,005,639)
As at December 31, 2015(2)	**$ 6,003,372,824**	**$ (970,231,656)**	**$ 5,033,141,168**

	Share Capital	Retained Earnings	Total Equity
As at January 1, 2016	**$ 6,003,372,824**	**$ (970,231,656)**	**$ 5,033,141,168**
Total profit/(loss) attributable to equity shareholders(1)	-	(677,506,606)	(677,506,606)
As at December 31, 2016(2)	**$ 6,003,372,824**	**$ (1,647,738,262)**	**$ 4,355,634,562**

(1) Profit/(loss) attributable to equity shareholders is comprised of the net profits earned and losses incurred by shareholders of Public Shares and Class B Shares.

(2) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and Class B Shares as of December 31, 2016 and December 31, 2015, respectively. Under IFRS, non-redeemable Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 48 for further details.

The accompanying notes form an integral part of these Financial Statements.

Statement of Cash Flows

(Stated in United States Dollars)

	Notes	2016	2015
Cash flows from operating activities			
Profit/(loss) for the year attributable to equity and management shareholders		$ (699,737,650)	$ (1,343,863,395)
Adjustments to reconcile changes in profit/(loss) for the year to net cash flows:			
Bond interest expense	18	56,744,142	29,213,871
Bond interest paid		(57,902,776)	-
(Increase)/decrease in operating assets:			
Due from brokers		51,272,796	(78,561,934)
Trade and other receivables	9	(2,568,885)	(4,384,969)
Investments in securities	6	2,719,442,004	434,978,606
Derivative financial instruments	6	(522,777,030)	(210,270,918)
Increase/(decrease) in operating liabilities:			
Due to brokers		18,617,575	63,927,473
Trade and other payables	9	29,637,889	(116,536,436)
Securities sold, not yet purchased	6	(1,740,838)	(4,230,013)
Derivative financial instruments	6	64,760,020	98,834,579
Net cash (used in)/from operating activities		**1,655,747,247**	**(1,130,893,136)**
Cash flows from financing activities			
Proceeds from issuance of the Bonds	18	-	1,000,000,000
Expenses relating to issuance of the Bonds	18	-	(14,502,328)
Net cash (used in)/from financing activities		**-**	**985,497,672**
Net change in cash and cash equivalents		1,655,747,247	(145,395,464)
Cash and cash equivalents at beginning of year		420,414,449	565,809,913
Cash and cash equivalents at end of year	10	**$ 2,076,161,696**	**$ 420,414,449**
Supplemental disclosure of cash flow information			
Cash paid during the year for interest		$ 66,648,123	$ 15,616,338
Cash received during the year for interest		$ 634,615	$ 164,976
Cash received during the year for dividends		$ 50,032,559	$ 37,299,255
Cash deducted during the year for withholding taxes		$ 13,412,324	$ 9,774,187
Equity securities (with unrealized appreciation of $28,099,616) received in-kind for proceeds from the distribution from PS V International, Ltd.		$ 94,502,389	$ -

The accompanying notes form an integral part of these Financial Statements.

Notes to Financial Statements

1. CORPORATE INFORMATION

Organization

The Company was incorporated with limited liability under the laws of the Bailiwick of Guernsey on February 2, 2012. It became a registered open-ended investment scheme, under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 and the Registered Collective Investment Scheme Rules 2008 (issued by the Guernsey Financial Services Commission, the "GFSC"), on June 27, 2012, and commenced operations on December 31, 2012.

On October 2, 2014, the GFSC approved the conversion of the Company into a registered closed-ended investment scheme under the Protection of Investors Law and the 2008 Rules.

The Company's registered office is at 1st Floor, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey, Channel Islands.

The latest traded price of the Public Shares is available on Reuters, Bloomberg and Euronext Amsterdam. A copy of the Prospectus of the Company is available from the Company's registered office and on the Company's website (www.pershingsquareholdings.com).

Investment Objective

The Company's investment objective is to preserve capital and to seek maximum, long-term capital appreciation commensurate with reasonable risk. The Company seeks to achieve its investment objective through long and short positions in equity or debt securities of public U.S. and non-U.S. issuers (including securities convertible into equity or debt securities), derivative instruments and any other financial instruments that the Investment Manager believes will achieve the Company's investment objective.

Bond Offering

On June 26, 2015, the Company closed on the offering of $1 Billion Senior Notes that mature on July 15, 2022 (the "Bonds"). The Bonds were issued at par at a coupon rate of 5.5% per annum, which is paid semi-annually. The Bonds are listed on the Irish Stock Exchange with a trading symbol of PSHNA.

Investment Manager

The Company has appointed PSCM as its investment manager pursuant to the IMA. The Investment Manager has responsibility, subject to the overall supervision of the Board of Directors, for the investment of the Company's assets in accordance with the strategy set forth in the Prospectus. The Company delegates certain administrative functions relating to the management of the Company to PSCM. William A. Ackman is the managing member of PS Management GP, LLC, the general partner of PSCM.

Board of Directors

The Company's Board of Directors is comprised of Nicholas Botta, President and a partner of the Investment Manager, Anne Farlow, Richard Battey, Jonathan Kestenbaum and William Scott, all of whom are non-executive Directors. Anne Farlow is the Chairman of the Board.

Audit Committee

The Company has established an audit committee (the "Audit Committee") that is comprised of Ms Farlow and Messrs Battey, Kestenbaum and Scott. Mr Battey was appointed as Chairman of the Audit Committee. The Audit Committee's responsibilities may include, but are not limited to, the appointment of external auditors, discussion and agreement with the external auditors as to the nature and scope of the audit, review of the scope, results and cost effectiveness of the audit and the independence and objectivity of the external auditor, review of the external auditors' letter of engagement and management letter and review of the key procedures adopted by the Company's service providers. The Audit Committee reports regularly and makes such recommendations as it deems appropriate to the Board on any matter within its remit.

Prime Brokers

Pursuant to prime broker agreements, Goldman Sachs & Co. and UBS Securities LLC (the "Prime Brokers") both serve as custodians and primary clearing brokers for the Company.

Notes to Financial Statements (continued)

1. CORPORATE INFORMATION (continued)

Administrator and Sub-Administrator

Pursuant to an administration and sub-administration agreement dated April 2, 2012, Elysium Fund Management Limited (the "Administrator") and Morgan Stanley Fund Services (Bermuda) Ltd. (the "Sub-Administrator") have been appointed as administrator and sub-administrator, respectively, to the Company. The Administrator provides certain administrative and accounting services including the maintenance of the Company's accounting and statutory records. The Administrator delegates certain of these services to the Sub-Administrator. The Administrator and Sub-Administrator receive customary fees, plus out of pocket expenses, based on the nature and extent of services provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Financial Statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Financial Statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities at fair value through profit or loss that have been measured at fair value.

The Company presents its statement of financial position with assets and liabilities listed in order of liquidity. An analysis regarding settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 13.

After making reasonable inquiries and assessing all data relating to the Company's liquidity and having considered in particular its holding of cash and Level 1 assets held at fair value through profit or loss, the Investment Manager and the Directors believe that the Company is well placed to manage its business risks, has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For these reasons, they have adopted the going concern basis in preparing the Financial Statements.

Financial Instruments

Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

(i) Classification

The Company classifies its financial assets and financial liabilities at fair value through profit or loss at initial recognition, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

The category of financial assets and financial liabilities at fair value through profit or loss is sub-divided into:

a) Financial assets and financial liabilities held for trading: these financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term and are acquired principally for the purpose of generating a profit from fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading by definition. Equity instruments and other non-derivative instruments can be classified as held for trading depending on the purpose for which they are acquired. The Company's policy is not to apply hedge accounting.

b) Financial instruments designated as at fair value through profit or loss upon initial recognition: these financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with investment strategies and risk management of the Company, as set out in the Company's Articles of Incorporation. Investments in affiliated entities are included in this category.

(ii) Recognition

The Company recognizes financial assets and financial liabilities held at fair value through profit or loss on trade date. From this date, any gains and losses arising from the changes in fair value of the assets and liabilities are recognized in the statement of comprehensive income.

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Purchases or sales of financial assets and financial liabilities that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(iii) Initial Measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognized directly within investment gains and losses.

(iv) Subsequent Measurement

After initial measurement, the Company measures financial instruments which are classified at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and financial liabilities at fair value through profit or loss in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired.

The Company will derecognize a financial liability when the obligation under the liability is discharged, cancelled or expired.

Bonds at Amortized Cost

(i) Classification

The Company classifies its Bonds, as discussed in Note 1 and Note 18, at initial recognition, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

(ii) Recognition

The Company recognizes its Bonds upon the date of issuance of the Bonds.

(iii) Initial Measurement

Bonds are measured initially at their fair values plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent Measurement

After initial measurement, the Company measures the Bonds at amortized cost using the effective interest method. Interest expense relating to the Bonds is calculated using the effective interest method and allocated over the relevant period and is recognized in the statement of comprehensive income accordingly. The interest expense relating to the Bonds includes coupon interest accrued as well as amortization of the transaction costs from the bond offering.

(v) Derecognition

The Company will derecognize its liability associated with the Bonds upon maturity of the Bonds or in the event that the Company exercises its prepayment option for all or some of the Bonds, in which case all or some of the liability would be derecognized at the settlement date.

Fair Value Measurement

The Company measures its investments in financial instruments, such as equities, options and other derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In general, the Company values securities listed on a securities exchange at the official closing price reported by the exchange on which the securities are primarily traded on the date of determination. In the event that the date of determination is not a day on which the relevant exchange is open for business, such securities are valued at the official closing price reported by the exchange on the most recent business day prior to the date of determination. Exchange-traded options are valued at the average of the most recent "bid" and "ask" prices.

Securities that are not listed on an exchange but for which external pricing sources (such as dealer quotes or independent pricing services) may be available are valued by the Investment Manager after considering, among other factors, such external pricing sources, recent trading activity or other information that, in the opinion of the Investment Manager, may not have

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

been reflected in pricing obtained from external sources. When dealer quotes are being used to assess the value of a holding, an attempt is made to obtain several independent quotes. The practical application of quoted market prices to portfolio positions is a function of the quoted differential in bid/offer spreads. Long and short positions generally are marked to mid-market (subject to the Investment Manager's discretion to mark such positions differently if and when deemed appropriate).

The valuation committee of the Investment Manager considers the appropriateness of the valuation methods and inputs, including information obtained after the close of markets, and may request that alternative valuation methods be applied to support the valuation arising from the method discussed. Any material changes in valuation methods are discussed and agreed with the Board of Directors.

In the years ended 2016 and 2015, investments where no market prices were available were valued at fair value based upon independent third-party prices.

The Company's investments in affiliated entities are valued at fair value and represent the Company's proportionate interest in the net asset value of the affiliated entities at the reporting date. Having considered whether there are any circumstances requiring the need for adjustments to the net asset value of the affiliated entities in arriving at fair value, the Board of Directors in consultation with the Investment Manager concluded that no such adjustments were necessary and that net asset value approximated fair value.

Offsetting of Financial Instruments

IFRS allows financial assets and financial liabilities to be reported net by counterparty on the statement of financial position, provided the legal right and intention of offset exists. Financial assets and financial liabilities are reported gross by counterparty in the statement of financial position as it is not the Company's intention to offset financial assets and financial liabilities with the collateral pledged to or received from counterparties in the statement of financial position.

See Note 8 for the offset of the Company's derivative assets and liabilities, along with collateral pledged to or received from counterparties.

Functional and Presentation Currency

The Company's functional currency is the United States Dollar ("USD"), which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in USD. Therefore, USD is considered the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Company's Financial Statements presentation currency is USD. The Company's stock is traded in USD and the price is quoted in USD.

Foreign Currency Translations

Assets and liabilities denominated in non-U.S. currencies are translated into USD at the prevailing exchange rates at the reporting date. Transactions in non-U.S. currencies are translated into USD at the prevailing exchange rates at the time of the transaction. The Company does not isolate that portion of gains and losses on investments that is due to changes in foreign exchange rates from the portion due to changes in market prices of the investments. Such fluctuations are included in net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss in the statement of comprehensive income.

Amounts Due To and Due From Brokers

Due from brokers includes cash balances held at the Company's clearing brokers, cash collateral pledged to counterparties related to derivative contracts and amounts receivable for securities transactions that have not settled at the reporting date. Cash that is related to securities sold, not yet purchased, is restricted until the securities are purchased. Due to brokers consists of cash received from brokers to collateralize the Company's derivative contracts and amounts payable for securities transactions that have not settled at the reporting date.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents in the statement of financial position comprise cash at banks and money market funds which are invested in U.S. treasuries and obligations of the U.S. government.

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Income/Expense

Dividend income is recognized on the date on which the investments are quoted ex-dividend and presented gross of withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to securities sold not yet purchased is recognized when the shareholders' right to receive the payment is established.

Interest income and expense relates to the Bonds, cash, collateral cash received/posted by the Company, interest/amortization on fixed income securities and rebate expense on securities sold not yet purchased. Interest income and expense is recognized when earned/incurred.

Net Gain or Loss on Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

The Company records its security transactions and the related revenue and expenses on a trade date basis. Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of prior years' unrealized gains and losses for financial instruments which were realized in the reporting period.

Realized gains and losses on disposals of financial instruments classified at fair value through profit or loss are calculated using the highest cost relief method (specific identification). These gains or losses represent the differences between an instrument's initial carrying amount and disposal amount, or cash payments on, or receipts received, from derivative contracts.

Professional Fees

Professional fees include, but are not limited to, expenses relating to accounting, auditing, entity-level taxes and tax preparation expenses, legal fees and expenses, professional fees and expenses (including fees and expenses of investment bankers, advisers, appraisers, public and government relations firms and other consultants and experts) and investment-related fees and expenses including research, but excluding investment transaction costs.

Other Expenses

Other expenses include, but are not limited to, investment-related expenses associated with activist campaigns including expenses for: (i) proxy contests, solicitations and tender offers; (ii) compensation, indemnification and expenses of nominees proposed by the Investment Manager as directors or executives of portfolio companies; and (iii) printing and postage expenses, bank service fees, insurance expenses, and expenses relating to regulatory filings and registrations made in connection with the Company's business and investment activities.

Taxes

The Company is not subject to any income or capital gains taxes in Guernsey. The only taxes payable by the Company on its income are withholding taxes applicable to certain investment income, including dividends. As a result, no other income tax liability or expense has been recorded in the accompanying Financial Statements.

Management Fees and Performance Fees

The Company recognizes management fees and performance fees in the period in which they are incurred in accordance with the terms of the IMA, which is an executory contract under IAS 37 as discussed in Note 3, between the Company and the Investment Manager. Refer to Note 15 for detailed information regarding the calculation of both fees.

Net Assets Attributable to Management Shareholders

In accordance with IAS 32, the Company classifies its Public Shares and Class B Shares as equity as shareholders do not have any rights of redemption.

Non-redeemable Management Shares can be converted into a variable number of Public Shares based upon the net asset values as of the last day of each calendar month and are therefore classified as financial liabilities in accordance with IFRS. At no time can non-redeemable Management Shares be redeemed in cash at the option of the management shareholders. Net assets attributable to Management Shares are accounted for on an amortized cost basis at the net asset value calculated in accordance with IFRS. The change in the net assets attributable to Management Shares, other than that arising from share issuances or conversions, is recognized in the statement of comprehensive income.

Notes to Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the Financial Statements and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have a significant effect on the amounts recognized in the Financial Statements:

Assessment of Investment Management Agreement as an executory contract

The Company classifies the IMA as an executory contract. Under paragraph 3 of IAS 37, "executory contracts" are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent. The objective of IAS 37 is to ensure, inter alia, that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets. The Board has determined that the IMA meets the definition of an executory contract in that: it is a contract for the performance of services, it imposes continuing obligations on each party, and it has been entered into for a renewable term.

Under the IMA, the services that the Company contracted for consist of investment management services to be delivered by the Investment Manager. The Investment Manager has sole authority to make investments on behalf of the Company throughout the term of the IMA. In consideration for those services, the Company has continuing obligations to pay fees, including performance fees crystallizing annually on December 31 (if any). See Note 15 - Investment Management Fees and Performance Fees. As explained in Note 15, the performance fee is made up of three components including the offset amount. In the Company's judgment these components constitute a single unit of account because no component is payable without the others being payable, the components are settled as a single amount and it is not possible to segregate the different services provided by the Company and attribute them to the different components of the performance fee.

The IMA is automatically renewable each December 31 for one year. The IMA is terminable at December 31 of any year by each party upon four months' prior notice (subject, in the case of termination by the Company, to shareholder approval requiring a two-thirds majority by voting power of the outstanding shares and a two-thirds majority of the outstanding Public Shares, as prescribed by the Company's Articles of Incorporation) or at any time if the other party liquidates, a receiver or liquidator or administrator is appointed in respect of the other party's assets or the other party commits a material breach that remains uncured for more than 30 days after notice thereof. The Company considers that its termination rights are substantive. In the event that the IMA is terminated the Company is only liable for performance fees up to the date of termination and the Investment Manager cannot recover any offset amount (except to the extent that it is part of the performance fee).

In its application of IAS 37, the Board has determined that payment of performance fees is entirely dependent on performance of services under the IMA and on the Company's profitability generated by those services (subject to standard high water mark arrangements). Accordingly, those fees (including the offset amount component of performance fees) arise and are recognized as the services are performed by the Investment Manager and the Company earns net profits (if any), and the Company accrues a provision for performance fees over the applicable period based on its net profits (after recovery of any loss carry forward amount). The Board has assessed that in this manner, the timing of recognizing the Company's profits appropriately matches the timing of recognizing the Company's obligation to pay fees that may be triggered by those profits.

The Company also assessed whether the offset amount gave rise to a financial liability under the requirements to record contingent settlement obligations in IAS 32 paragraph 25. The Company concluded that no financial liability arises until December 31 of each year, at which point the performance fee including the offset amount crystallises, because the arrangements only give rise to a financial asset for the Investment Manager at that point.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and

Notes to Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined by the Investment Manager using prices obtained from counterparties or independent third-party pricing service/valuation agent. The independent third-party pricing service/valuation agent utilizes proprietary models to determine fair value. The valuation agents' modeling may consider, but is not limited to, the following inputs: amount and timing of cash flows, current and projected financial performance, volatility of the underlying securities' stock prices, dividend yields and/or interest rates. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are calibrated regularly and tested for validity using prices from observable current market transactions in the same instrument (without modification or repackaging) or based on available observable market data.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The following relevant standards, which have been issued by the IASB, have an effective date after the date of these Financial Statements:

International Accounting Standards (IAS/IFRS)	Description	Effective Date
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018

The Directors have chosen not to early adopt the above standards and amendments and other standards issued by the IASB which have an effective date after the date of these Financial Statements. The Directors do not anticipate that these standards and amendments would have an impact on the Company's Financial Statements in the period of initial application.

Amendments to Standards in Effect

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendment is applied retrospectively and clarifies the exception under IFRS 10 Consolidated Financial Statements. These amendments have no impact to the Company as the Company does not apply the consolidation exception.

Annual Improvement Cycle 2012 – 2014

These improvements amend IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments Disclosure, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.

Amendment under IAS 34 clarifies that the required interim disclosures must be either in the interim Financial Statements or incorporated by cross-reference between the interim Financial Statements and within the interim financial report. The information must also be available to users on the same terms and at the same time as the interim Financial Statements. This amendment has no impact on the Company as all required disclosures, including cross-references, have been made to the Company's interim financial reports and all disclosures were made available at the same time to the Company's shareholders.

Amendments under IFRS 5 relate to changes in the method of disposal on non-current assets, IFRS 7 relate to disclosures of servicing contracts and IAS 19 relate to analysis of high quality corporate bonds based on the bond denominated currency. These amendments have no impact on the Company as the Company does not hold such assets or have such arrangements.

Several other new standards and amendments apply for the first time in 2016. However, they do not impact the Financial Statements of the Company.

Notes to Financial Statements (continued)

5. SEGMENT INFORMATION

In accordance with IFRS 8: Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance.

Management information for the Company as a whole is provided internally to the Directors for decision-making purposes. The Directors' decisions are based on a single integrated investment strategy and the Company's performance is evaluated on an overall basis. The Company has a portfolio of long and short investments that the Board and Investment Manager believe exhibit significant valuation discrepancies between current trading prices and intrinsic business value, often with a catalyst for value recognition. Therefore, the Directors are of the opinion that the Company is engaged in a single economic segment of business for all decision-making purposes. The financial results of this segment are equivalent to the results of the Company as a whole.

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss:

	2016	2015
Financial assets at fair value through profit or loss		
Investments in securities	$ 2,636,767,173	$ 5,356,209,177
Derivative financial instruments	1,022,162,881	499,385,851
Financial assets at fair value through profit or loss	**$ 3,658,930,054**	**$ 5,855,595,028**

Financial liabilities at fair value through profit or loss:

	2016	2015
Financial liabilities at fair value through profit or loss		
Securities sold, not yet purchased	$ 385,314,274	$ 387,055,112
Derivative financial instruments	190,734,223	125,974,203
Financial liabilities at fair value through profit or loss	**$ 576,048,497**	**$ 513,029,315**

Net changes in fair value of financial assets and financial liabilities through profit or loss:

	2016			2015		
	Realized	Unrealized	Total Gains/(Losses)	Realized	Unrealized	Total Gains/(Losses)
Financial assets						
At fair value through profit or loss	$ 310,568,832	$ (760,589,597)	**$ (450,020,765)**	$ 774,542,642	$ (1,821,101,414)	**$ (1,046,558,772)**
Financial liabilities						
At fair value through profit or loss	(42,833,669)	92,131,134	**49,297,465**	(55,068,801)	(97,586,882)	**(152,655,683)**
Derivative financial instruments	(344,335,912)	177,079,125	**(167,256,787)**	24,849,446	(43,034,482)	**(18,185,036)**
Net changes in fair value	$ (76,600,749)	$ (491,379,338)	**$ (567,980,087)**	$ 744,323,287	$ (1,961,722,778)	**$ (1,217,399,491)**

Notes to Financial Statements (continued)

7. FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgment and considers factors specific to the asset or liability. Financial instruments are recognized at fair value and categorized in the following table based on:

> *Level 1* – Inputs are unadjusted quoted prices in active markets at the measurement date. The assets and liabilities in this category will generally include equities listed in active markets, treasuries (on the run) and listed options.

Level 2 – Inputs (other than quoted prices included in Level 1) are obtained directly or indirectly from observable market data at the measurement date. The assets and liabilities in this category will generally include fixed income securities, OTC options, total return swaps, credit default swaps, foreign currency forward contracts and certain other derivatives. Also, included in this category is the Company's investment in an affiliated entity valued at net asset value, which can be redeemed by the Company as of the measurement date, or within 90 days of the measurement date.

Level 3 – Inputs, including significant unobservable inputs, reflect the Company's best estimate of what market participants would use in pricing the assets and liabilities at the measurement date. The assets and liabilities in this category will generally include private investments and certain other derivatives.

Recurring Fair Value Measurement of Assets and Liabilities

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Financial Assets:								
Equity Securities (Designated at Fair Value):								
Common Stock:								
Chemicals	$ 169,327	$ -	$ -	$ 169,327	$ 221,453	$ -	$ -	$ 221,453
Consumer Products	560,295	-	-	560,295	991,953	-	-	991,953
Financial Services	272,162	-	-	272,162	107,940	-	-	107,940
Healthcare	127,487	-	-	127,487	1,703,748	-	-	1,703,748
Industrials/Chemicals	89,828	-	-	89,828	801,306	-	-	801,306
Real Estate Development and Operating	142,018	-	-	142,018	140,848	-	-	140,848
Restaurant	1,265,153	-	-	1,265,153	578,592	-	-	578,592
Transportation	-	-	-	-	722,674	-	-	722,674
Preferred Stock:								
Financial Services	10,253	244	-	10,497	5,688	150	-	5,838
Investment in Affiliated Entity	-	-	-	-	-	81,858 ④	-	81,858
Derivative Contracts (Held for Trading):								
Currency Call/Put Options Purchased	-	12,303 ①	-	12,303	-	106,915 ①	-	106,915
Equity Forwards:								
Consumer Products	-	-	-	-	-	20,768 ①	-	20,768
Equity Options Purchased:								
Consumer Products	-	284,692 ①	-	284,692	682	176,184 ①	-	176,866
Healthcare	-	4,113 ①	-	4,113	-	105,830 ①	-	105,830
Industrials/Chemicals	-	530,831 ①	-	530,831	-	-	-	-
Foreign Currency Forward Contracts	-	5,329 ①	-	5,329	-	40,780 ①	-	40,780
Total Return Swaps								
Financial Services	-	86,633 ②	-	86,633	-	-	-	-
Healthcare	-	-	-	-	-	2,664 ②	-	2,664
Real Estate Development and Operating	-	53,602 ②	-	53,602	-	-	-	-
Warrants:								
Real Estate Development and Operating	-	-	44,660 ③	44,660	-	-	45,562 ③	45,562
Total	$ 2,636,523	$ 977,747	$ 44,660	$ 3,658,930	$ 5,274,884	$ 535,149	$ 45,562	$ 5,855,595

Notes to Financial Statements (continued)

7. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Financial Liabilities:								
Debt Securities (Held for Trading):								
Convertible Bonds:								
Consumer Products	$ -	$ 27,154	$ -	$ 27,154	$ -	$ -	$ -	$ -
Equity Securities (Held for Trading):								
Common Stock:								
Consumer Products	358,160	-	-	358,160	387,055	-	-	387,055
Derivative Contracts (Held for Trading):								
Credit Default Swaps	-	-	-	-	-	400 ①	-	400
Currency Call/Put Options Written	-	-	-	-	-	9,556 ①	-	9,556
Equity Options Written:								
Healthcare	-	190,734 ①	-	190,734	-	52,730 ①	-	52,730
Total Return Swaps	-	-	-	-	-	-	-	-
Financial Services	-	-	-	-	-	13,608 ②	-	13,608
Real Estate Development and Operating	-	-	-	-	-	49,680 ②	-	49,680
Net assets attributable to management shareholders	-	-	161,137 ⑤	161,137	-	-	183,369 ⑤	183,369
Total	$ 358,160	$ 217,888	$ 161,137	$ 737,185	$ 387,055	$ 125,974	$ 183,369	$ 696,398

① Level 2 financial instruments include OTC currency call/put options, equity options, equity forwards, foreign currency forward contracts and credit default swap contracts that are fair valued by the Investment Manager using prices received from an independent third-party pricing service. The fair values of these financial instruments may consider, but are not limited to, the following inputs by the independent third-party pricing service: current market and contractual prices from market makers or dealers, market standard pricing models that consider the time value of money, volatilities of the underlying financial instruments and/or current foreign exchange forward and spot rates. The independent third-party pricing service uses widely recognized valuation models for determining fair values of OTC derivatives. The most frequently applied valuation techniques include forward pricing, option models and swap models, using present value calculations. The significant inputs into their valuation models are market observable and are included within Level 2.

② Level 2 financial instruments include total return swap contracts that are fair valued by the Investment Manager using market observable inputs. The fair values of these financial instruments may consider, but are not limited to, the following inputs: market price of the underlying security, notional amount, expiration date, fixed and floating interest rates, payment schedules and/or dividends declared.

③ Level 3 investments include warrants that are fair valued by the Investment Manager using prices obtained from an independent third-party valuation agent. The independent third-party valuation agent utilizes proprietary models to determine fair value. The valuation agent's modeling may consider, but is not limited to, the following inputs: amount and timing of cash flows, current and projected financial performance, volatility of the underlying securities' stock price, dividend yields and/or interest rates. The valuation committee of the Investment Manager considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods be applied to support the valuation arising from the method discussed. Any material changes in valuation methods are discussed and agreed with the Board of Directors.

④ This related to the Company's investment in PS V (as defined herein) as of the year ended 2015 as discussed in Note 16. The Company's investment in PS V included 99.52% of Level 1 financial instruments and 0.48% of other assets and liabilities that are outside the scope of IFRS 13 as of the year ended 2015. As of the year ended 2016, the Company no longer held an investment in PS V. The level of underlying investments had no impact in the level used for the investment held by the Company. See fair value measurement discussion in Note 2 for the Company's valuation policy related to investments in affiliated entities.

⑤ Net assets attributable to management shareholders are classified as Level 3 and are valued based on their net asset value which approximates carrying value. In assessing the appropriateness of net asset value as a basis for fair value, consideration is given to the need for adjustments so that net asset value based on a variety of factors including liquidity and the timeliness and availability of accurate financial information. No such adjustments were deemed necessary. The movements for the year are disclosed in the statement of changes in net assets attributable to management shareholders.

Notes to Financial Statements (continued)

7. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The Company's cash and cash equivalents and short-term receivables and payables are recorded at carrying value which approximates fair value. The fair value of the Bonds is classified as Level 1 and the carrying value of the Bonds is discussed further in Note 18.

Some of the Company's investments in Level 1 securities represent a significant proportion of the Company's portfolio. If such investments were sold or covered in their entirety, it might not be possible to sell them at the quoted market price which IFRS requires to be used in determining their fair value. Many factors affect the price that could be realized for large investments. The Investment Manager believes that it is difficult to accurately estimate the potential discount or premium to the quoted market prices that the Company would receive or realize if investments that represent a significant proportion of the Company's portfolio were sold or covered.

Transfers Between Levels

Transfers between levels during the period are determined and deemed to have occurred at each financial statement reporting date. There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements of material significance since the last Financial Statement reporting date.

Level 3 Reconciliation

The following table summarizes the change in the carrying amounts associated with Level 3 investments for the years ended 2016 and 2015.

		Warrants
Balance at December 31, 2014	**$**	**57,652,072**
Total gains and losses in profit or loss		(12,090,283)
Balance at December 31, 2015	**$**	**45,561,789**
Total gains and losses in profit or loss		(901,521)
Balance at December 31, 2016	**$**	**44,660,268**
Total unrealized gains and losses for the year included in profit or loss for assets held at December 31, 2015	$	(12,090,283)
Total unrealized gains and losses for the year included in profit or loss for assets held at December 31, 2016	$	(901,521)

All gains and losses from Level 3 securities during the year are recognized in the net gain/(loss) on financial assets and financial liabilities at fair value through profit or loss in the statement of comprehensive income.

Quantitative Information of Significant Unobservable Inputs – Level 3

The table below summarizes quantitative information about the unobservable inputs used in the fair value measurement and the valuation processes used by the Company for Level 3 securities:

Financial Asset	Year Ended		Fair Value	Valuation Techniques	Unobservable Input	Inputs(1)
Warrants	2016	$	44,660,268	Black-Scholes pricing model	Volatility	49%
Warrants	2015	$	45,561,789	Black-Scholes pricing model	Volatility	47%

(1) Refer to footnote ③ on page 53 for details regarding level 3 valuation techniques.

Sensitivity Analysis to Significant Changes in Unobservable Inputs with Level 3 Hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are shown as follows:

Financial Asset	Year Ended	Unobservable Input	Sensitivity Used *	Effect on Fair Value
Warrants	2016	Volatility	+2	$ 74,138
Warrants	2016	Volatility	-2	$ (66,999)
Warrants	2015	Volatility	+2	$ 234,759
Warrants	2015	Volatility	-2	$ (218,449)

*The sensitivity analysis refers to the volatility unit added and deducted from the input and the effect this has on the fair value.

Notes to Financial Statements (continued)

8. DERIVATIVE CONTRACTS

In the normal course of business, the Company enters into derivative contracts for investment purposes. Typically, derivative contracts serve as components of the Company's investment strategies and are utilized primarily to structure the portfolio to economically match the investment objectives of the Company. These instruments are subject to various risks, similar to non-derivative instruments, including market, credit and liquidity risk (see Note 13). The Company manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policy.

The Company's derivative trading activities are primarily the purchase and sale of OTC and listed options, equity forwards, credit default swaps and investment grade index tranche swap contracts along with total return swap contracts and foreign currency forward contracts. All derivatives are reported at fair value (as described in Note 2) in the statement of financial position. Changes in fair value are reflected in the statement of comprehensive income.

Total Return Swaps

Total return swap contracts represent agreements between two parties to make payments based upon the performance of a certain underlying asset. The Company is obligated to pay or entitled to receive as the case may be, the net difference in the value determined at the onset of the swap versus the value determined at the termination or reset date of the swap. The amounts required for the future satisfaction of the swaps may be greater or less than the amounts recorded in the statement of financial position. The ultimate gain or loss depends upon the prices of the underlying financial instruments on settlement date.

Credit Default Swaps

A credit default swap contract represents an agreement that one party, the protection buyer, pays a fixed fee, the premium, in return for a payment by the other party, the protection seller, contingent upon a specified credit event relating to an underlying reference asset. While there is no credit event, the protection buyer pays the protection seller a quarterly fixed premium. If a specified credit event occurs, there is an exchange of cash flows and/or securities designed so that the net payment to the protection buyer reflects the loss incurred by holders of the referenced obligation in the event of its default. The ISDA agreement establishes the nature of the credit event and such events include bankruptcy and failure to meet payment obligations when due.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Company purchases and sells put and call options through regulated exchanges and OTC markets. Options purchased by the Company provide the Company with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Company is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Company provide the purchaser the opportunity to purchase from or sell to the Company the underlying asset at an agreed-upon value either on or before the expiration of the option. In writing an option, the Company bears the market risk of an unfavorable change in the financial instrument underlying the written option. The exercise of an option written by the Company could result in the Company buying or selling a financial instrument at a price higher or lower than the current market value, respectively. The maximum payout for written put options is limited to the number of contracts written and the related strike prices, and the maximum payout for written call options (which could be unlimited) is contingent upon the market price of the underlying security at the date of a payout event. At December 31, 2016 and December 31, 2015, the Company had a maximum payout amount of approximately $254,480,220 and $221,246,640, respectively, relating to written equity put option contracts. The maximum payout amount could be offset by the subsequent sale of the financial instrument obtained via the execution of a payout event. The fair value of these positions as of December 31, 2016 and December 31, 2015 was ($190,734,223) and ($26,549,597).

Equity Forwards

An equity forward involves a commitment by the Company to purchase or sell equity securities for a predetermined price, with payment and delivery of the equity securities at a predetermined future date.

Notes to Financial Statements (continued)

8. DERIVATIVE CONTRACTS (continued)

Currency Forwards

Foreign currency forward contracts are used for trading purposes and may hedge the Company's exposure to changes in foreign currency exchange rates on its foreign portfolio holdings. A foreign currency forward contract is a commitment to purchase or sell a foreign currency on a future date at a negotiated forward exchange rate.

The following table shows the fair values of derivative financial instruments recorded as assets or liabilities as of December 31, 2016 and December 31, 2015, together with their notional amounts (or shares, when applicable). The notional amount, which is recorded on a gross basis, is the amount of a derivative's underlying asset, reference rate or index, and is the basis upon which changes in the value of derivatives are measured. The notional amounts and shares indicate the volume outstanding at the reporting dates and are indicative of neither the market risk nor the credit risk.

	2016		2015	
	Fair Value	Notional/Shares	Fair Value	Notional/Shares
Derivatives primarily held for trading purposes				
Assets				
Currency call/put options purchased	$ -	-	$ 92,932,598	$ 10,679,718,029 ±
Equity forwards	-	-	20,768,486	2,972,624 #
Equity options purchased	819,635,713	46,541,690 #	282,696,108	25,646,340 #
Total return swaps	140,234,925	54,263,258 #	2,664,152	1,223,626 #
Warrants	44,660,268	688,138 #	45,561,789	688,138 #
Total Assets	$ 1,004,530,906		$ 444,623,133	
Liabilities				
Credit default swaps	$ -	-	$ 366,977	$ 40,043,000 ±
Currency call/put options written	-	-	9,556,016	$ 3,773,322,000 ±
Equity options written	190,734,223	4,241,337 #	52,730,448	7,374,888 #
Total return swaps	-	-	63,287,632	40,764,407 #
Total Liabilities	$ 190,734,223		$ 125,941,073	
Derivatives primarily held for risk management purposes				
Assets				
Currency call/put options purchased	$ 12,302,780	$ 393,533,000 ±	$ 13,982,362	$ 393,533,000 ±
Foreign currency forward contracts	5,329,195	$ 292,125,154 ±	40,780,356	$ 751,544,965 ±
Total Assets	$ 17,631,975		$ 54,762,718	
Liabilities				
Credit default swaps	$ -	$ -	$ 33,130	$ 4,600,000 ±

± - represents notional value (in USD)
- represents number of underlying equity shares

The table below summarizes gains or losses from the Company's derivative trading activities for December 31, 2016 and December 31, 2015 included in net gain/(loss) on financial assets and financial liabilities.

Derivatives for Trading Activities	Year Ended 2016 Net Gain/(Loss)	Year Ended 2015 Net Gain/(Loss)
Credit Default Swaps	$ (41,881)	$ (197,260)
Currency Call/Put Options	(73,747,050)	(5,423,008)
Equity Forwards	(20,186,341)	70,914,127
Equity Options	(175,518,160)	(114,857,673)
Foreign Currency Forward Contracts	(36,018,424)	121,681,612
Index Credit Default Swaps	-	15,341
Index Credit Default Swap Options	-	(1,984,186)
Total Return Swaps	139,156,590	(68,669,486)
Warrants	(901,521)	(19,664,503)
Total Net Gain/(Loss)	$ (167,256,787)	$ (18,185,036)

Offsetting of Derivative Assets and Liabilities

IFRS 7 requires an entity to disclose information about offsetting rights and related arrangements. The disclosures provide users with information to evaluate the effect of netting arrangements on an entity's financial position. The disclosures are required for all recognized financial instruments that could be offset in accordance with IAS 32 *Financial Instruments Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with IAS 32.

Notes to Financial Statements (continued)

8. DERIVATIVE CONTRACTS (continued)

The table below displays the amounts by which the fair values of derivative assets and liabilities could be offset in the statement of financial position as a result of counterparty netting. Collateral pledged represents the amounts by which derivative assets and liabilities could have been further offset for financial presentation purposes if the Company did not include collateral amounts in due from brokers in the statement of financial position.

As of December 31, 2016	(1) Gross Amounts	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Offsetting Permitted Under ISDA Netting Agreements	(2) Cash Collateral Pledged/(Received)	Net Amount
Derivative Assets	$ 780,791,498	$ -	$ 780,791,498	$ (190,734,223)	$ (590,057,275)	$ -
Total	$ 780,791,498	$ -	$ 780,791,498	$ (190,734,223)	$ (590,057,275)	$ -
Derivative Liabilities	$ (190,734,223)	$ -	$ (190,734,223)	$ 190,734,223	$ -	$ -
Total	$ (190,734,223)	$ -	$ (190,734,223)	$ 190,734,223	$ -	$ -

As of December 31, 2015	(1) Gross Amounts	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Offsetting Permitted Under ISDA Netting Agreements	(3) Cash Collateral Pledged/(Received)	Net Amount
Derivative Assets	$ 339,141,846	$ -	$ 339,141,846	$ (76,294,593)	$ (234,718,719)	$ 28,128,534
Total	$ 339,141,846	$ -	$ 339,141,846	$ (76,294,593)	$ (234,718,719)	$ 28,128,534
Derivative Liabilities	$ (125,974,203)	$ -	$ (125,974,203)	$ 76,294,593	$ 49,679,610	$ -
Total	$ (125,974,203)	$ -	$ (125,974,203)	$ 76,294,593	$ 49,679,610	$ -

(1) The gross amounts include derivative assets and liabilities which the Company has entered into with an ISDA counterparty and are collateralized.

(2) The Company has also received collateral of approximately $12.9 million and posted collateral of approximately $511.9 million (net of pending settlements) in addition that is unable to be reflected in the table above due to disclosure requirements. These amounts are within due to brokers and due from brokers, respectively, on the statement of financial position.

(3) The Company has also received collateral of approximately $10.6 million and posted collateral of approximately $238.3 million (net of pending settlements) in addition that is unable to be reflected in the table above due to disclosure requirements. These amounts are within due to brokers and due from brokers, respectively, on the statement of financial position.

9. TRADE AND OTHER RECEIVABLES/PAYABLES

The following is a breakdown of the Company's trade and other receivables/payables as stated in the statement of financial position.

	2016	2015
Trade and other receivables		
Dividend receivable	$ 8,121,916	$ 8,294,573
Receivable from PS V International, Ltd. (see Note 16)	-	306,432
Interest and other receivables	3,618,368	570,394
	$ 11,740,284	$ 9,171,399

	2016	2015
Trade and other payables		
Interest payable	$ 502,732	$ 1,179,620
Legal reserve (see Note 14)	29,176,480	-
Other payables	2,634,267	1,518,910
	$ 32,313,479	$ 2,698,530

10. CASH AND CASH EQUIVALENTS

The following is a breakdown of the Company's cash and cash equivalents as stated in the statement of financial position.

	2016	2015
Cash at banks	$ 86,604	$ 150,414
U.S. Treasury money market fund	2,076,075,092	420,264,035
	$ 2,076,161,696	$ 420,414,449

Notes to Financial Statements (continued)

11. SHARE CAPITAL

Authorized and Issued Capital

The Board of the Company is authorized to issue an unlimited number of Public Shares, Class B Shares, Management Shares, and such other shares, classes of shares or series as determined by the Board. All of the Company's share classes participate pro rata in the profits and losses of the Company based upon the share class's ownership of the Company at the time of such allocation.

Class B Shares are held by PS Holdings Independent Voting Company Limited ("VoteCo") which was established as a limited liability company with the sole objective to vote in the interest of the Company's shareholders as a whole. Class B Shares at all times carry 50.1% of the aggregate voting power in the Company. The Investment Manager has no affiliation with VoteCo. VoteCo is wholly owned by a trust established for the benefit of one or more charitable organizations.

The Investment Manager waived the management fee and/or the performance fee with respect to shares issued to certain shareholders, including the Investment Manager itself and certain members, partners, officers, managers, employees or affiliates of the Investment Manager or certain other shareholders. Such persons hold Management Shares.

During the years ended December 31, 2016 and December 31, 2015, there were no changes to the number of Public Shares, Class B Shares and Management Shares in issue.

Lock-up

Mr. Ackman and other members of the management team and officers of the Investment Manager have each agreed with the Company to a lock-up of ten years commencing from October 1, 2014, of their aggregate Management Shares, less amounts (i) attributable to any sales required to pay taxes on income generated by the Company; (ii) required to be sold due to regulatory constraints, including, without limitation, sales required due to ownership limits; or (iii) attributable to sales following separation of employment from the Investment Manager. Under the terms of the lock-up arrangement, shares subject to lock up may from time to time be transferred to affiliates, provided that the transferee agrees to be subject to the remaining lock-up period.

As of December 31, 2016 and December 31, 2015, the total Management Shares outstanding were 8,500,796 with a value of $161,137,460 (2015: $183,368,504).

Share Conversion

Subject to the terms of the lock-up agreements, holders of Management Shares will be entitled to convert into Public Shares at the current NAV as of the last day of each calendar month upon such days' prior written notice to the Company as the Board may determine.

Voting Rights

The holders of Public Shares have the right to receive notice of, attend and vote at general meetings of the Company.

Each Public Share and Management Share carries such voting power so that the aggregate issued number of Public Shares and Management Shares carries 49.9% of the total voting power of the aggregate number of voting shares in issue. Each Public Share carries one vote and each Management Share carries such voting power so that the total voting power of the Public Shares and Management Shares are pro-rated in accordance with their respective net asset values. Each Class B Share carries such voting power so that the aggregate issued number of Class B Shares carries 50.1% of the aggregate voting power in the Company.

Distributions

The Board may at any time declare and pay dividends (or interim dividends) based upon the financial position of the Company. No dividends shall be paid in excess of the amounts permitted by the Companies (Guernsey) Law, 2008 and without the prior consent of the Board and the Investment Manager. No dividends have been declared or paid for the years ended 2016 and 2015.

Capital Management

The Company's capital currently consists of Public Shares which are listed on Euronext Amsterdam, non-redeemable Management Shares which can be converted into Public Shares, and Class B Shares (as more fully described above). The proceeds from the Bonds which were issued on June 26, 2015 and are listed on the Irish Stock Exchange are being used to make investments in accordance with the Company's investment policy.

The Company's general objectives for managing capital are:

- To continue as a going concern;
- To maximize its total return primarily through the capital appreciation of its investments; and
- To minimize the risk of an overall permanent loss of capital.

Notes to Financial Statements (continued)

11. SHARE CAPITAL (continued)

To the extent the Investment Manager deems it advisable and provided that there is no legal, tax or regulatory constraints, the Company is authorized to manage its capital through various methods, including, but not limited to: (i) repurchases of Public Shares and (ii) further issuances of shares, provided that the Board only intends to exercise its authority to issue new shares if such shares are issued at a value not less than the estimated prevailing NAV per share (or under certain other specified circumstances). As discussed, the Investment Manager has also imposed a ten-year lock-up on certain holders of Management Shares, subject to certain exceptions, though this lock-up and conversion do not affect the capital resources available to the Company.

12. INTEREST INCOME AND EXPENSE

The following is a breakdown of the Company's interest income and expense as stated in the statement of comprehensive income.

Interest Income	2016	2015
Cash	$ 21,209	$ 872
Due from brokers on collateral posted	603,412	178,590
	$ 624,621	$ 179,462

Interest Expense	2016	2015
Short market rebate fees	$ 7,366,549	$ 16,006,434
Bond interest expense	54,696,150	28,171,374
Amortization of bond issue costs incurred as finance costs	2,047,992	1,042,497
Interest expense on securities sold, not yet purchased	258,156	-
Amortization of premiums on securities sold, not yet purchased	(148,575)	-
Due to brokers on collateral received	591,275	49,418
Cash	1,054	76,309
	$ 64,812,601	$ 45,346,032

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk Mitigation

The Investment Manager does not use formulaic approaches to risk management. Instead, risk management is integrated into the portfolio management process. The primary risk management tool is extensive research completed by the Investment Manager prior to an initial investment. The Investment Manager defines investment risk as the probability of a permanent loss of capital rather than price volatility. Factors considered by the Investment Manager in assessing long investment opportunities include, but are not limited to:

- The volatility/predictability of the business;
- Its correlation with macroeconomic factors;
- The company's financial leverage;
- The defensibility of the company's market position; and
- Its discount to intrinsic value.

The Investment Manager believes that the acquisition of a portfolio of investments, when acquired at a large discount to intrinsic value, provides a margin of safety that can mitigate the likelihood of an overall permanent loss of the Company's capital. The primary risks in the Company's portfolio are company specific risks which are managed through investment selection and due diligence.

The Investment Manager does not have a formulaic approach in evaluating correlations between investments, but is mindful of sector and industry exposures and other fundamental correlations between the businesses in which the Company invests.

The Investment Manager believes that an important distinguishing factor about the Company's (along with the other PSCM-managed funds') portfolio as compared to most other hedge funds is that it does not generally use margin leverage in its investment strategy.

Notes to Financial Statements (continued)

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

At times, the Investment Manager has also invested in other investments that have materially different risk and reward characteristics. These investments – because of the circumstances surrounding the companies at the time of the investment, the highly leveraged nature of the businesses or assets, the relative illiquidity of the investment, and/or the structure of the Company's investment – have a materially greater likelihood of a potential permanent loss of capital for the funds. In light of this greater risk, the Investment Manager generally requires the potential for a materially greater reward if successful, and sizes the investments appropriately.

Refer to the Risk Management section within the Report of the Directors for further information regarding principal risks faced by the Company (which are explicitly incorporated by reference into these Notes to Financial Statements).

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Securities sold, not yet purchased, represent obligations of the Company to deliver the specified securities and, thereby, create a liability to purchase the security in the open market at prevailing prices. Accordingly, these transactions may result in additional risk as the Company's satisfaction of the obligations may exceed the amount recognized in the statement of financial position.

The Company's derivative trading activities are discussed in detail in Note 8 and a portfolio of the derivatives held as of December 31, 2016 is presented in the Condensed Schedule of Investments on pages 68 to 69 (which is explicitly incorporated by reference into these Notes to Financial Statements).

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Generally, most financial assets decline in value when interest rates rise, and increase in value when interest rates decline. While nearly every one of the Company's investments is exposed to the economy to some degree, the Investment Manager attempts to identify companies for which increases or decreases in interest rates are not particularly material to the investment thesis. The Company does not generally hedge its interest rate exposure as the Investment Manager does not, generally, believe that hedging interest rate risk is a prudent use of capital.

The Company's investment in cash and cash equivalents has limited exposure to interest rate risk because the duration of these investments is less than 90 days. As of December 31, 2016 and December 31, 2015 cash and cash equivalents equalled $2,076,161,696 and $420,414,449, respectively.

Currency Risk

The Company invests in financial instruments and enters into transactions that are denominated in currencies other than USD. Consequently, the Company is exposed to risks that the exchange rate of the USD relative to other foreign currencies may change in a manner that has an adverse effect on the fair value of future cash flows of that portion of the Company's financial assets or liabilities denominated in currencies other than USD.

The primary purpose of the Company's foreign currency economic hedging activities is to protect against the foreign currency exposure associated with investments denominated in foreign currencies. The Company primarily utilizes forward exchange contracts and currency options to hedge foreign currency denominated investments. Increases or decreases in the fair value of the Company's foreign currency denominated investments are partially offset by gains and losses on the economic hedging instruments. Also refer to the Condensed Schedule of Investments on pages 68 to 69 (which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details of the Company's financial assets and liabilities.

The following tables show the currencies to which the Company had significant direct exposure at December 31, 2016 and December 31, 2015 on its financial assets and financial liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against USD on equity and on profit or loss with all other variables held constant.

Notes to Financial Statements (continued)

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency (2016)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$ 639,512,522	+7%	$ 36,016,234
EUR	$ 12,302,780	-5%	$ 14,815,114
EUR	$ 12,302,780	+5%	$ (9,259,078)

Currency (2015)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$ 549,720,969	+10%	$ 68,450,544
EUR	$ 13,982,362	-6%	$ 13,520,002
EUR	$ 13,982,362	+6%	$ (7,580,336)

An equivalent decrease in each of the aforementioned currencies against USD, except for EUR, would have resulted in an equivalent but opposite impact.

Equity Price Risk

As explained in the Company's Prospectus, the Company's portfolio is highly concentrated, and may invest a significant proportion of its capital in one or a limited set of investments. A substantial majority of the Company's portfolio is typically allocated to 8 to 12 core holdings usually comprised of highly liquid, listed mid-to-large cap North American companies. Because the portfolio is highly concentrated and primarily invested in public equities (or derivative instruments referenced to public equities), a significant risk to the portfolio is fluctuations in equity prices. Refer to the 2016 Key Highlights and Investment Manager's Report on pages 6 to 20 for quantitative and qualitative discussion of the Company's portfolio and the Condensed Schedule of Investments on pages 68 to 69 (each of which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details of the Company's financial assets and financial liabilities.

The following table indicates management's best estimate of the effect on the Company's net assets due to a possible change in equity prices with all other variables held constant.

Change in Equity Price (2016)	% Change in Net Assets Attributable to all Shareholders
+8%	+9%
-8%	-9%

Change in Equity Price (2015)	% Change in Net Assets Attributable to all Shareholders
+7%	+9%
-7%	-9%

The following table analyzes the Company's concentration of equity price risk in the Company's equity portfolio by geographical distribution (based on counterparties' place of primary listing or, if not listed, place of domicile).

	2016	2015
North America	100%	100%
Total	100%	100%

The following table analyzes the Company's concentration of equity price risk in the Company's equity portfolio by industry sectors:

	2016	2015
Restaurant	41%	11%
Consumer Products (Long Exposure)	27%	22%
Industrials/Chemicals	26%	21%
Consumer Products (Short Exposure)	-12%	-7%
Financial Services	12%	2%
Real Estate Development and Operating	8%	3%
Healthcare	-2%	34%
Transportation	-	14%
Total	100%	100%

Liquidity Risk

The Company's policy and the Investment Manager's approach to managing liquidity are to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressful market conditions. The Company invests primarily in liquid, large-capitalization securities which, under normal market conditions, are readily convertible to cash. Less liquidity is tolerated in situations where the risk/reward trade-off is sufficiently attractive to justify the degree of illiquidity.

The following tables summarize the liquidity profile of the Company's financial assets and financial liabilities, cash and cash equivalents (including due to/from broker) and trade receivables and payables based on undiscounted cash flows:

Notes to Financial Statements (continued)

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

As of December 31, 2016	Less than 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
Assets						
Cash and cash equivalents	$ 2,076,161,696	$ -	$ -	$ -	$ -	$ 2,076,161,696
Due from brokers	542,850,061	-	-	-	-	542,850,061
Trade and other receivables	11,740,284	-	-	-	-	11,740,284
Financial assets at fair value through profit or loss:						
Investments in securities	1,154,837,050	833,969,385	518,477,918	73,071,908	56,410,912	2,636,767,173
Derivative financial instruments	437,149,176	534,021,978	19,791,862	13,460,397	17,739,468	1,022,162,881
Total assets	**$ 4,222,738,267**	**$ 1,367,991,363**	**$ 538,269,780**	**$ 86,532,305**	**$ 74,150,380**	**$ 6,289,682,095**
Liabilities						
Due to brokers	$ 150,995,192	$ -	$ -	$ -	$ -	$ 150,995,192
Trade and other payables	32,313,479	-	-	-	-	32,313,479
Bonds	27,500,000	-	-	27,500,000	1,275,000,000	1,330,000,000
Financial liabilities at fair value through profit or loss:						
Securities sold, not yet purchased	123,231,697	240,861,954	21,220,623	-	-	385,314,274
Derivative financial instruments	190,734,223	-	-	-	-	190,734,223
Total liabilities excluding net assets attributable to management shareholders	524,774,591	240,861,954	21,220,623	27,500,000	1,275,000,000	2,089,357,168
Net assets attributable to management shareholders	-	12,942,713	-	-	148,194,747	161,137,460
Total liabilities	**$ 524,774,591**	**$ 253,804,667**	**$ 21,220,623**	**$ 27,500,000**	**$ 1,423,194,747**	**$ 2,250,494,628**

As of December 31, 2015	Less than 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
Assets						
Cash and cash equivalents	$ 420,414,449	$ -	$ -	$ -	$ -	$ 420,414,449
Due from brokers	594,122,857	-	-	-	-	594,122,857
Trade and other receivables	9,171,399	-	-	-	-	9,171,399
Financial assets at fair value through profit or loss:						
Investments in securities	2,403,909,210	2,286,566,210	405,306,474	128,112,255	132,315,028	5,356,209,177
Derivative financial instruments	332,168,872	129,503,500	8,226,659	16,074,962	13,411,858	499,385,851
Total assets	**$ 3,759,786,787**	**$ 2,416,069,710**	**$ 413,533,133**	**$ 144,187,217**	**$ 145,726,886**	**$ 6,879,303,733**
Liabilities						
Due to brokers	$ 132,377,617	$ -	$ -	$ -	$ -	$ 132,377,617
Trade and other payables	2,698,530	-	-	-	-	2,698,530
Bonds	28,171,374	-	-	-	986,517,225	1,014,688,599
Financial liabilities at fair value through profit or loss:						
Securities sold, not yet purchased	94,685,212	185,066,551	107,303,349	-	-	387,055,112
Derivative financial instruments	67,100,836	8,627,882	13,042,147	22,579,306	14,624,032	125,974,203
Total liabilities excluding net assets attributable to management shareholders	325,033,569	193,694,433	120,345,496	22,579,306	1,001,141,257	1,662,794,061
Net assets attributable to management shareholders	-	3,566,852	-	-	179,801,653	183,368,505
Total liabilities	**$ 325,033,569**	**$ 197,261,285**	**$ 120,345,496**	**$ 22,579,306**	**$ 1,180,942,910**	**$ 1,846,162,566**

Although a majority of the Company's portfolio comprises liquid, large-capitalization securities, there may be contractual or regulatory restrictions on trading, or "trading windows" imposed with respect to certain issuers for which a member of the Investment Manager holds a board seat or is otherwise restricted. Although these limitations are considered in connection with the portfolio liquidation analysis, these restrictions are not taken into consideration when calculating the overall liquidity of the portfolio as such securities may be liquidated pursuant to, for example, an automatic purchase/sale plan or via a block trade. The Investment Manager believes that the appropriate metric for assessing portfolio liquidity is to calculate how many days it would require to liquidate a position assuming the Investment Manager were able to capture 20% of the trailing 90-day average trading volume. On a monthly basis, this metric is applied to the existing portfolio to assess how long it will take to divest the Company (and the other PSCM-managed funds) of its portfolio positions.

Notes to Financial Statements (continued)

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that is entered into with the Company, resulting in a financial loss to the Company. It arises principally from derivative financial assets, cash and cash equivalents, and balances due from brokers. In order to mitigate credit risk, the Company seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy. The Investment Manager negotiates its ISDA agreements to include bilateral collateral agreements and, in certain cases, tri-party agreements where collateral is held by a third party custodian. Thereafter the Investment Manager monitors exposure, performs reconciliations, and posts/receives cash or U.S. Treasury collateral to/from each of the Company's counterparties on a daily basis. The Company invests substantially all cash collateral in U.S. Treasuries or short-term U.S. Treasury money market funds to protect against counterparty failure. In addition, from time to time, the Company purchases credit default swap contracts on the Company's counterparties as a form of credit protection. The Investment Manager prepares daily reports that set forth the Company's (along with the other PSCM-managed funds') exposure to each counterparty. Such reports include the credit default swap notional exposure, the net unhedged/(over hedged) exposure, initial margin posted and the net counterparty exposure. In addition, the Investment Manager reviews credit ratings reports on its counterparties on a weekly basis. Please refer to the Condensed Schedule of Investments on pages 68 to 69 (which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details of the Company's financial assets and financial liabilities.

After taking into effect the offsetting permitted under IAS 32, the Company views its credit exposure to be $498,971,659 and $257,293,367 at December 31, 2016 and December 31, 2015, respectively, representing the fair value of derivative contracts in net asset position net of derivative contracts in net liability position and net of any collateral received by or given to counterparties. The Company has purchased credit default swap contracts to hedge against a portion of the Company's credit exposure to certain derivative counterparties. At December 31, 2016, the Company held no credit default swap contracts. At December 31, 2015, the Company had purchased credit default swap contracts on these counterparties with a total notional value of $4,600,000.

The Company maintains its cash and cash equivalents position at major financial institutions. At times, cash balances may exceed federally insured limits and, as such, the Company has credit risk associated with such financial institutions. The cash and cash equivalents balances are reflected in the statement of financial position. At December 31, 2016 and December 31, 2015, cash was primarily invested in a U.S. Treasury money market fund with daily liquidity as disclosed in Note 10.

The Company's prime brokers are required to provide custody for the Company's securities and never lend out the Company's securities in excess of 140% of the debit balance that the prime broker extends to the Company as credit. The Company monitors its accounts to avoid running a debit balance for a significant period of time. Additionally, the Company has processes in place that allow it to quickly move securities from its prime brokers into a regulated bank entity which is not legally permitted to re-hypothecate client securities.

The following table analyzes the Company's cash and cash equivalents (2016: $2,076,161,696, 2015: $420,414,449), due from brokers (2016: $542,850,061, 2015: $594,122,857) and financial assets portfolio (2016: $3,658,930,054, 2015: $5,855,595,028) based on the underlying custodians' and counterparties' credit rating.

	2016	2015
AAA	33%	6%
A	67%	91%
BBB+	-	3%
Total	100%	100%

The following tables reconciles the Company's due from brokers and due to brokers balances from a gross basis to a net basis under which they are presented on the statement of financial position.

Due from brokers	2016	2015
Cash held at prime brokers	$ 486,959,736	$ 419,053,108
Gross ISDA collateral posted	511,002,848	315,152,682
Netting of collateral allowable under ISDA agreements	(455,112,523)	(140,082,933)
	$ 542,850,061	$ 594,122,857

Due to brokers	2016	2015
Gross ISDA collateral received	$ (602,952,523)	$ (245,322,933)
Pending settlements	(3,155,192)	(27,137,617)
Netting of collateral allowable under ISDA agreements	455,112,523	140,082,933
	$ (150,995,192)	$ (132,377,617)

Notes to Financial Statements (continued)

14. COMMITMENTS AND CONTINGENCIES

PSH, PSCM, PS Fund 1, LLC and other related parties (the "Pershing Square Parties") and Valeant Pharmaceuticals International, Inc. and other related parties (the "Valeant Parties") are defendants in a class action lawsuit entitled In Re Allergan, Inc. Proxy Violation Securities Litigation, Case No. 8:14-cv-2001-DOC, pending in the U.S. District Court for the Central District of California, relating to their investment in Allergan, Inc. ("Allergan"). The court file in the case is available to the public. Plaintiffs allege the defendants violated federal securities laws in their trading in Allergan common shares and related derivatives. The defendants believe they have meritorious defenses to plaintiffs' claims. Under the court's schedule, a trial, if needed, would not commence until January 30, 2018. In consultation with counsel, a $75 million reserve was taken at December 31, 2016 for the potential settlement of the class action lawsuit and allocated proportionately across the Company and the three affiliated entities managed by the Investment Manager, based on their adjusted net asset values. The Company was allocated $29,176,480 for this reserve which is listed as "legal reserve" in the statement of comprehensive income and trade and other payables in the statement of financial position.

On February 10, 2017, the Pershing Square Parties and the Valeant Parties entered into a Litigation Management Agreement (the "Litigation Agreement"). The Litigation Agreement provides that in the event of a settlement, the Pershing Square Parties will bear 40% and the Valeant Parties will bear 60% of any mutually agreed upon settlement amount. The Litigation Agreement further provides that in the event of a settlement, the Pershing Square Parties will release specified claims they may have against the Valeant Parties relating to their investment in Valeant securities. The Litigation Agreement was filed as an exhibit to a Schedule 13D on February 10, 2017 and is available to the public.

Other than above and as disclosed in Note 8, there were no other commitments or contingencies as of the reporting date and December 31, 2015.

15. INVESTMENT MANAGEMENT FEES AND PERFORMANCE FEES

The Investment Manager receives management fees and performance fees from the Company pursuant to an IMA.

The IMA was amended and restated as of December 1, 2016 to clarify the language describing the formulation of the performance fee and to eliminate the accretion of 4.25% annually in the computation of the Potential Offset Amount (referred to as the "offset amount" in the IMA prior to December 1, 2016) (the "Accretion"). The elimination of the Accretion is favorable to shareholders and resulted in a reduction of the Potential Offset Amount equal to $9.5 million as of December 1, 2016. Except for the elimination of the Accretion, these amendments to the IMA do not change the amount of the performance fee that may be payable from time to time to the Investment Manager.

Management Fee

The Investment Manager receives a quarterly management fee payable in advance each quarter in an amount equal to 0.375% (1.5% per annum) of the net assets (before any accrued performance fee) attributable to fee-paying shares. The fee-paying shares of the Company are the Public Shares and the Class B shares.

For the years ended December 31, 2016 and 2015, the Investment Manager earned management fees from the Company of $63,143,490 and $93,921,719, respectively.

Performance Fee

Generally, the Investment Manager receives an annual performance fee in an amount equal to 16% of the net profits attributable to the fee-paying shares of the Company (the "16% performance fee") minus the Additional Reduction (defined below). Such annual performance fee is defined as the "Variable Performance Fee" in the IMA. The Variable Performance Fee cannot be higher than the 16% performance fee, but it may, as a result of the Additional Reduction, be lower (although it can never be a negative amount).

The "Additional Reduction" is an amount equal to (i) the lesser of the 16% performance fee and the Potential Reduction Amount (defined below), offset (up to such lesser amount) by (ii) the then current portion of the Potential Offset Amount.

The "Potential Reduction Amount" is equal to (i) 20% of the aggregate performance fees and allocation earned by the Investment Manager and its affiliates in respect of the same calculation period on the gains of current and certain future funds managed by the Investment Manager or any of its affiliates plus (ii) if the Potential Reduction Amount for the previous calculation period exceeded the 16% performance fee, the excess amount (which is in effect carried forward).

Notes to Financial Statements (continued)

15. INVESTMENT MANAGEMENT FEES AND PERFORMANCE FEES (continued)

The "Potential Offset Amount" refers to the fees and other costs of the offering and admission on Euronext of the Public Shares and the commissions paid to placement agents and other formation and offering expenses incurred prior to the IPO of the Company that were, in each case, borne by the Investment Manager pursuant to the IMA. The Potential Offset Amount will be reduced by each dollar applied to reduce the Additional Reduction, until it is fully reduced to zero.

The Potential Offset Amount equaled $120 million in the aggregate at the time of the IPO. As of December 31, 2016 and 2015, after giving effect to the offset of the Potential Reduction Amount in the year ended December 31, 2014 and the amendments to the IMA removing the Accretion described above, the Potential Offset Amount was approximately $100.8 million.

The Potential Offset Amount is not a Company obligation but instead is a component used in the calculation of the Variable Performance Fee. Thus, if the Company or the Investment Manager terminates the IMA or the Company liquidates and the Company pays the Variable Performance Fee that may crystallize in connection therewith, the Company has no obligation to pay any remaining portion of the Potential Offset Amount.

For the years ended December 31, 2016 and 2015, the Investment Manager did not earn any performance fee from the Company.

Since the Company had no net profits and thus no 16% performance fee accrued for the years ended December 31, 2016 and 2015, but the Potential Reduction Amount was $2.9 million and $1.1 million, respectively, in those years, those amounts will be carried forward to calculate the Additional Reduction and reduce any Variable Performance Fee in future years, subject to any offset by the Potential Offset Amount.

16. RELATED PARTY DISCLOSURES

The relationship between the Company and the Investment Manager and the fees earned are disclosed in Note 15. In addition, the Investment Manager and related parties to the Investment Manager hold Management Shares, the rights of which are disclosed in Note 11.

The Investment Manager may seek to effect rebalancing transactions from time to time pursuant to policies that are intended to result in the Company and the affiliated entities managed by the Investment Manager generally holding investment positions on a proportionate basis relating to their respective adjusted net asset values, which are equal to each of the entities' net asset values plus any accrued (but not crystallized) performance fees, any deferred compensation payable to the Investment Manager to the extent such deferred compensation is determined by reference to the performance of such entity, and the net proceeds of any outstanding long-term debt, including the current portion thereof (which in the case of the Company, includes the net proceeds from the bond offering as further discussed below in Note 18). Rebalancing transactions involve either the Company purchasing securities or other financial instruments held by one or more affiliated entities or selling securities or other financial instruments to one or more affiliated entities. These transactions are subject to a number of considerations including, but not limited to, cash balances and liquidity needs, tax, regulatory, risk and other considerations, which may preclude these transactions from occurring or limit their scope at the time of the transactions.

For the period from January 1, 2016 to November 10, 2016 and as of December 31, 2015, the Company held an investment in PS V International, Ltd. ("PS V"). PS V was an affiliated investment fund managed by the Investment Manager. The investment objective of PS V was to create significant capital appreciation by investing in stock of Air Products and Chemicals, Inc. ("Air Products"). On October 3, 2016, PS V distributed in-kind 314,158 common stock shares of Versum Materials, Inc., which was received in a spinoff from Air Products, with a fair value of $8,796,424 and unrealized appreciation of $3,067,994 to the Company. On November 10, 2016, by way of a compulsory redemption, PS V distributed in-kind 624,588 common stock shares of Air Products with a fair value of $85,705,965 and unrealized appreciation of $25,031,622 to the Company. These in-kind distributions represented the Company's proportionate amount of Air Products and Versum Materials, Inc. common stock shares. Additionally, the Company received $949,642 which represented the Company's proportionate amount of the net assets and liabilities of PS V. As of December 31, 2016, the Company no longer holds an investment in PS V.

As of December 31, 2015, the Company had an investment in PS V with a capital balance of $81,857,614 reflected under financial assets at fair value through profit or loss in the statement of financial position. The investment in PS V represented an ownership in PS V of 12.47% and was classified as a Level 2 security in the fair value hierarchy in Note 7. At December 31, 2015, PS V distributed capital of $306,432 to the Company and such distributions are

Notes to Financial Statements (continued)

16. RELATED PARTY DISCLOSURES (continued)

recorded in the statement of financial position as trade and other receivables. This distribution of capital related to dividend income from PS V's investment in Air Products and Chemicals, Inc. common shares.

All realized and unrealized gains and losses from the investment in PS V were reflected in the statement of comprehensive income for the years ended 2016 and 2015. The maximum exposure to loss from this investment at December 31, 2015 was equal to the amount of the Company's investment in PS V. See Note 7 for the discussion on the fair value measurement.

The Investment Manager had determined that the investment in PS V was fair valued in accordance with IFRS and the Company's accounting policy. No fair value adjustments were made for trading restrictions. The Company was not charged a management fee or performance fee in relation to its investment in PS V.

For the year ended December 31, 2016, the Company's independent Directors' fees in relation to their services for the Company were $304,322 of which none were payable as of December 31, 2016. For the year ended December 31, 2015, the independent Directors' fees in relation to their services for the Company were $359,184 of which none were payable as of December 31, 2015.

In the normal course of business, the Company and its affiliates make concentrated investments in portfolio companies where the aggregate beneficial holdings of the Company and its affiliates may be in excess of 10% of one or more portfolio companies' classes of outstanding securities. At such ownership levels, a variety of securities laws may, under certain circumstances, restrict or otherwise limit the timing, manner and volume of disposition of such securities. In addition, with respect to such securities, the Company and its affiliates may have disclosures or other public reporting obligations with respect to acquisitions and/or dispositions of such securities.

At December 31, 2016 and December 31, 2015 the Company and its affiliates had beneficial ownership in excess of 10% of the outstanding common equity securities of Nomad Foods Limited, Platform Specialty Products Corporation, Restaurant Brands International Inc. and The Howard Hughes Corporation.

William A. Ackman is the chairman of the board of The Howard Hughes Corporation. Ryan Israel, a member of PSCM's investment team, is a board member of Platform Specialty Products Corporation. Brian Welch, a member of PSCM's investment team, is a board member of Nomad Foods Limited. Stephen Fraidin, Vice Chairman of PSCM, and William A. Ackman joined the board of Valeant Pharmaceuticals International, Inc. effective March 9, 2016 and March 21, 2016, respectively. Ali Namvar, a member of the investment team, joined the board of Chipotle Mexican Grill, Inc. effective December 14, 2016. Paul Hilal, a former member of PSCM's investment team, was a director of Canadian Pacific Railway Ltd. until January 26, 2016. William F. Doyle, a former member of PSCM's investment team, was a board member of Zoetis Inc. until May 12, 2016.

17. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit/(loss) for the year attributable to the Public Shares and Class B Shares over the weighted average number of Public Shares, Public Shares (Adjusted) and Class B Shares outstanding, respectively. For the years ended 2016 and 2015, in accordance with IFRS, the weighted average shares outstanding calculated for the Public Shares and Class B Shares were 240,128,546 and 5,000,000,000, respectively.

18. BONDS

On June 26, 2015, the Company issued at par $1,000,000,000 in Senior Notes at 5.5% due 2022. The Bonds will mature at par on July 15, 2022 and pay a fixed rate interest coupon of 5.5% per annum, which is paid semi-annually. The Bonds are listed on the Irish Stock Exchange. The proceeds from the offering were in U.S. Dollars and were used to make investments or hold assets in accordance with the Company's investment policy.

The Company has the option to redeem all or some of the Bonds prior to June 15, 2022, at a redemption price equal to the greater of (1) 100% of the principal amount of the Bonds to be redeemed or (2) the sum of the present values of the remaining scheduled principal and interest payments (exclusive of accrued and unpaid interest to the date of redemption) on the Bonds to be redeemed, discounted to the redemption date on a semi-annual basis using the applicable treasury rate plus 50 basis points, plus accrued and unpaid interest. If the Company redeems all or some of the Bonds on or after June 15, 2022, the redemption price will equal 100% of the principal amount of the Bonds to be redeemed plus accrued and unpaid interest.

The fair value of the Bonds as of December 31, 2016 and December 31, 2015, based upon market value at that time, was $995,000,000 and $942,500,000, respectively. In accordance with IAS 39, the Bonds'

Notes to Financial Statements (continued)

18. BONDS (continued)

carrying value as of December 31, 2016 and December 31, 2015, in the amount of $1,013,552,905 and $1,014,688,599, respectively, on the statement of financial position is representative of amortized cost and the transaction costs of the Bonds issued in the amount of $14,502,332 that were capitalized and are to be amortized over the life of the Bonds using the effective interest method.

		2016
At December 31, 2015:	$	1,014,688,599
Write-off of Bond issue costs		22,940
Finance costs for the year		56,744,142
Bond coupon payment during the year		(57,902,776)
At December 31, 2016	**$**	**1,013,552,905**
Finance costs for the year:		
Bond interest expense	$	54,696,150
Amortization of Bond issue costs incurred as finance costs		2,047,992
Interest expense	**$**	**56,744,142**

		2015
At December 31, 2014:	$	-
Bonds issued		1,000,000,000
Bond issue costs		(14,525,272)
Finance costs for the year		29,213,871
At December 31, 2015	**$**	**1,014,688,599**
Finance costs for the year:		
Bond interest expense	$	28,171,374
Amortization of Bond issue costs incurred as finance costs		1,042,497
Interest expense	**$**	**29,213,871**

19. EVENTS AFTER THE REPORTING PERIOD

On March 23, 2017, the Company announced its intention to apply for admission of its Public Shares to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange.

The Investment Manager has evaluated the need for disclosures and/or adjustments resulting from subsequent events during the period between the end of the reporting period and the date of authorization of the Financial Statements. This evaluation together with the Directors' review thereof did not result in any additional subsequent events that necessitated disclosures and/or adjustments.

Supplemental U.S. GAAP Disclosures

(Stated in United States Dollars)

CONDENSED SCHEDULE OF INVESTMENTS

Shares/ Principal	Description/Name	Fair Value	Percentage of Net Assets Attributable to all Shareholders(1)
	Investments in Securities		
	Equity Securities		
	Common Stock		
	British Virgin Islands:		
	Consumer Products (cost $149,162,647)	$ 126,716,045	2.81%
	Canada:		
	Healthcare	127,487,488	2.82
	Restaurant:		
15,878,681	Restaurant Brands International Inc.	756,777,936	16.76
140,873	Restaurant Brands International Limited Partnership	6,714,233	0.15
	Total Canada (cost $2,231,829,496)	890,979,657	19.73
	United States:		
	Chemicals	169,326,329	3.75
	Consumer Products:		
9,780,707	Mondelez International, Inc.	433,578,741	9.60
	Financial Services		
44,741,273	Federal National Mortgage Association	174,490,965	3.86
	Other	97,671,349	2.16
	Industrials/Chemicals:		
624,588	Air Products and Chemicals, Inc.	89,828,246	1.99
	Real Estate Development and Operating	142,018,102	3.14
	Restaurant:		
1,329,537	Chipotle Mexican Grill, Inc.	501,660,901	11.11
	Total United States (cost $1,532,897,845)	1,608,574,633	35.61
	Total Common Stock (cost $3,913,889,988)	2,626,270,335	58.15
	Preferred Stock		
	United States:		
	Financial Services (cost $10,812,276)		
1,161,061	Federal National Mortgage Association Series T Preferred 8.25%	9,172,382	0.20
83,349	Federal National Mortgage Association Series S Preferred 8.25%	666,792	0.02
2,184	Federal National Mortgage Association Series F Preferred 0%	28,348	0.00
	Other	629,316	0.01
	Total United States (cost $10,812,276)	10,496,838	0.23
	Total Investments in Securities (cost $3,924,702,264)	$ 2,636,767,173	58.38%
	Securities Sold, Not Yet Purchased		
	Debt Securities		
	Convertible Bonds		
	Cayman Islands:		
	Consumer Products:		
29,616,000	Herbalife Ltd. (proceeds $30,503,893)	$ 27,154,022	0.60%
	Equity Securities		
	Common Stock		
	Cayman Islands:		
	Consumer Products:		
7,439,972	Herbalife Ltd. (proceeds $417,970,834)	358,160,252	7.93
	Total Securities Sold, Not Yet Purchased (proceeds $448,474,727)	$ 385,314,274	8.53%

(1) Net assets attributable to all shareholders are comprised of the equity balances of the Public Shares and Class B Shares as well as the net assets attributable to Management Shares. As of December 31, 2016, the net assets attributable to all shareholders was $4,516,772,022.

Supplemental U.S. GAAP Disclosures (continued)

(Stated in United States Dollars)

CONDENSED SCHEDULE OF INVESTMENTS (continued)

Shares	Description/Name	Fair Value	Percentage of Net Assets Attributable to all Shareholders[1]
	Derivative Contracts		
	Currency Call/Put Options Purchased		
	Various Currency Put Options, U.S. Dollar Call Options (cost $14,319,882)	$ 12,302,780	0.26%
	Equity Options Purchased		
	Canada:		
	Healthcare (cost $16,967,314)	4,112,928	0.09
	Cayman Islands:		
	Consumer Products (cost $9,954,586)	9,186,811	0.21
	United States:		
	Consumer Products:		
31,451,985	Mondelez International, Inc., Call Options, $30.00 - $41.39, 03/03/2017 - 01/19/2018	275,505,450	6.10
	Industrials/Chemicals:		
	Air Products and Chemicals, Inc., Call Options, $62.04, 03/01/2018 - 03/15/2018	530,830,524	11.75
	Total United States (cost $714,276,752)	806,335,974	17.85
	Total Equity Options Purchased (cost $741,198,652)	819,635,713	18.15
	Equity Options Written		
	Canada:		
	Healthcare (proceeds $157,306,948)	(190,734,223)	(4.22)
	Foreign Currency Forward Contracts		
	Currencies	5,329,195	0.12
	Total Return Swap Contracts, long exposure		
	United States:		
	Financial Services		
25,136,078	Federal National Mortgage Association	55,452,738	1.23
	Other	31,180,050	0.69
	Real Estate Development and Operating	53,602,137	1.19
	Total Return Swap Contracts, long exposure	140,234,925	3.11
	Warrants		
	United States:		
	Real Estate Development and Operating (cost $42,238,944)	44,660,268	0.99
	Total Derivative Contracts (net cost $640,450,530)	$ 831,428,658	18.41%

(1) Net assets attributable to all shareholders are comprised of the equity balances of the Public Shares and Class B Shares as well as the net assets attributable to Management Shares. As of December 31, 2016, the net assets attributable to all shareholders was $4,516,772,022.

Supplemental U.S. GAAP Disclosures (continued)

FINANCIAL HIGHLIGHTS

For the year ended 2016	Public Shares
Per share operating performance	
Beginning net asset value at January 1, 2016	$ 20.96
Change in net assets resulting from operations:	
Net investment loss	(0.54)
Net loss from investments and derivatives	(2.28)
Net change in net assets resulting from operations	(2.82)
Ending net asset value at December 31, 2016	$ 18.14
Total return prior to performance fees	(13.46)%
Performance fees	0.00
Total return after performance fees	(13.46)%
Ratios to average net assets	
Expenses before performance fees	3.93%
Performance fees	0.00
Expenses after performance fees	3.93%
Net investment income/(loss)	(3.08)%

Certain Regulatory Disclosures

1. None of the Company's assets are subject to special arrangements arising from an illiquid nature.

2. There have been no material changes to the Company's risk profile and risk management system as disclosed in the Prospectus of the Company dated October 2, 2014.

3. a) There have been no changes to the maximum amount of leverage which the Investment Manager may employ on behalf of the Company since the Company's inception.

   Articles 7 and 8 of the Level 2 Regulations of the Alternative Investment Fund Managers Directive (the "Directive") set forth the methodology of calculating the leverage of the Company in accordance with the gross method and the commitment method. Leverage is expressed as the exposure of the Company. Exposures are calculated using the sum of the absolute values of all positions valued in accordance with Article 19 of the Directive and all delegated acts adopted pursuant to Article 19. For derivatives, exposures are calculated using the conversion methodology set forth in Annex II to the Level 2 Regulations. For all other securities, exposures are calculated using market values. The gross method excludes cash and cash equivalents as per Article 7. The commitment method includes cash and cash equivalents and employs netting and hedging arrangements as per Article 8. The total amount of leverage employed by the Company as per these calculations as of December 31, 2016 is shown below.

Gross method:	$6,442,281,891
Commitment method:	$8,504,934,600

   The Company generally does not expect to use a significant amount of margin financing. In the past, securities purchased by the Company pursuant to prime brokerage services agreements typically, but not always, have been fully paid for. Although it is anticipated that securities purchased in the future typically will be fully paid for, this may not be the case in all circumstances.

   In addition, the Company, from time to time, enters into total return swaps, options, forward contracts and other derivatives some of which have inherent recourse leverage. The Company generally does not use such derivatives to obtain leverage, but rather to manage regulatory, tax, legal or other issues. However, depending on the investment strategies employed by the Company and specific market opportunities, the Company may use such derivatives for leverage.

   b) There have been no material changes to the right of the re-use of collateral or any guarantee granted under any leveraging arrangement.

   From time to time, the Company may permit third-party banks, broker-dealers, financial institutions and/or derivatives counterparties ("Third Parties"), to whom assets have been pledged (in order to secure such Third Party's credit exposure to the Company), to use, reuse, lend, borrow, hypothecate or re-hypothecate such assets. Typically with respect to derivatives, the Company pledges to Third Parties cash, U.S. Treasury securities and/or other liquid securities ("Collateral") as initial margin and as variation margin. Collateral may be transferred either to the Third Party or to an unaffiliated custodian for the benefit of the Third Party. In the case where Collateral is transferred to the Third Party, the Third Party pursuant to these derivatives arrangements will be permitted to use, reuse, lend, borrow, hypothecate or re-hypothecate such Collateral. The Third Parties will have no obligation to retain an equivalent amount of similar property in their possession and control, until such time as the Company's obligations to the Third Party are satisfied. The Company has no right to this Collateral but has the right to receive fungible, equivalent Collateral upon the Company's satisfaction of the Company's obligation under the derivatives. Collateral held as securities by an unaffiliated custodian may not be used, reused, lent, borrowed, hypothecated or re-hypothecated.

   From time to time, the Company may offer guarantees to Third Parties with respect to derivatives, prime brokerage and other arrangements. These guarantees are not provided by the Company as a guarantee of the payment and performance by other core funds managed by the Investment Manager to such Third Parties. Rather, the guarantees are typically to guarantee the payment and performance by entities that are direct or indirect subsidiaries of the Company. Such entities are typically set up to manage regulatory, tax, legal or other issues. To the extent that a subsidiary is not 100% owned by the Company, the Company will typically only guarantee such subsidiary for the benefit of Third Parties to the extent of the Company's ownership interest in the subsidiary.

4. With respect to the liquidity management procedures of the Company the Company is a closed-ended investment fund, the Public Shares of which are admitted to trading on Euronext Amsterdam. As such, Public Shares have no redemption rights and shareholders' only source of liquidity is their ability to trade Public Shares on Euronext Amsterdam.

5. Remuneration:

For the Year Ended 2016*	Fixed Remuneration	Variable Remuneration	Total	Number of Beneficiaries
Total remuneration paid to the entire staff of Pershing Square Capital Management, L.P. ("PSCM")	$ 112,440,814	$ 7,007,750	$ 119,448,564	78
Total remuneration of those staff of PSCM who are fully or partly involved in the activities of the Company	$ 108,034,802	$ 4,845,250	$ 112,880,052	46
The proportion of the total remuneration of the staff of PSCM attributable to the Company(1)	96.08%	69.14%	94.50%	46 out of 78
Aggregate remuneration paid to senior management and members of staff of PSCM whose actions have a material impact on the risk profile of the Company	$ 99,628,439	$ 2,309,000	$ 101,937,439	18

* includes certain remuneration in respect of 2015 that was paid in 2016.

(1) i.e., the proportion of the total remuneration of the staff of PSCM who are fully or partly involved in the activities of the Company.

6. The Bonds are subject to the following transfer restrictions:

(a) Each holder of the Bonds is required to be either (a) a qualified institutional buyer ("QIB") as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act") who is also a qualified purchaser ("QP") as defined in Section 2(a)(51) of the U.S. Investment Company Act, as amended (the "Investment Company Act") or (b) a non-U.S. person, provided that, in each case, such holder can make the representations set forth in the Listing Particulars, dated June 24, 2015,

(b) The Bonds can only be transferred to a person that is a QIB/QP in a transaction that is exempt from the registration requirements of the Securities Act pursuant to Rule 144A or to a non-U.S. person in an offshore transaction that is not subject to the registration requirements of the Securities Act pursuant to Regulation S, or to the Company, and

(c) The Company has the right to force any holder who is not a QIB/QP or a non-U.S. person to sell its Bonds.

Affirmation of the Commodity Pool Operator

To the best of the knowledge and belief of the undersigned, the information contained in the audited Financial Statements of Pershing Square Holdings, Ltd. for the year ended December 31, 2016 is accurate and complete.

/s/ Nicholas Botta

By: Nicholas Botta
President

Pershing Square Capital Management, L.P.
Commodity Pool Operator

Pershing Square Holdings, Ltd.
Commodity Pool