Pershing Square Holdings, Ltd.
2019 Annual Report

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Supplemental U.S. GAAP Disclosures

Disclosures

Company Overview

The Company

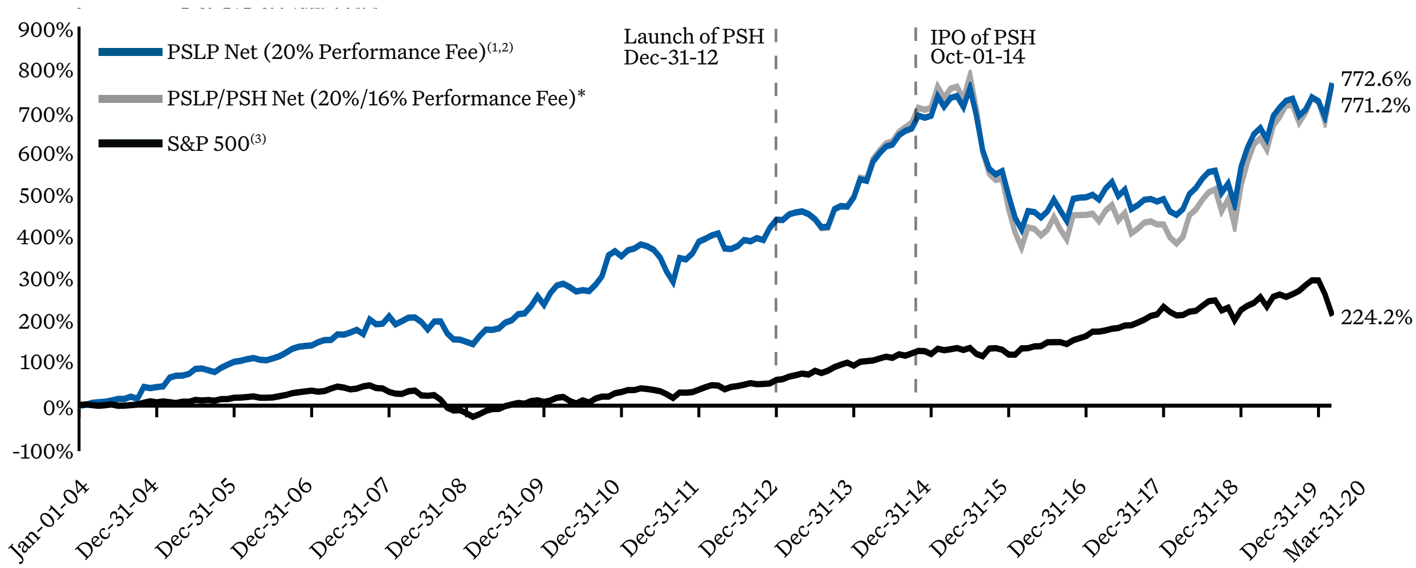
Pershing Square Holdings, Ltd. (“PSH”, or the “Company”) (LN:PSH) (LN:PSHD) (NA:PSH) is an investment holding company structured as a closed-ended fund that makes concentrated investments in publicly traded, principally North American-domiciled, companies. PSH’s objective is to maximize its long-term compound annual rate of growth in intrinsic value per share.

PSH has appointed Pershing Square Capital Management, L.P. (“PSCM,” the “Investment Manager” or “Pershing Square”), as its investment manager. The Investment Manager has responsibility, subject to the overall supervision of the Board of Directors, for the investment of PSH’s assets and liabilities in accordance with the investment policy of PSH set forth on pages 27-28 of this Annual Report (the “Investment Policy”).

PSCM, a Delaware limited partnership, was founded by William A. Ackman on January 1, 2004. 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 PSH commenced trading on Euronext Amsterdam N.V. on October 13, 2014. On May 2, 2017, PSH’s Public Shares were admitted to the Official List of the UK Listing Authority and commenced trading on the Premium Segment of the Main Market of the London Stock Exchange.

Company Performance

Pershing Square Holdings, Ltd. and Pershing Square, L.P. ("PSLP") Performance vs. the S&P 500



	PSLP/PSH Net Return*		PSLP Net Return[1,2]	S&P 500[3]
2004	42.6 %		42.6 %	10.9 %
2005	39.9 %		39.9 %	4.9 %
2006	22.5 %		22.5 %	15.8 %
2007	22.0 %		22.0 %	5.5 %
2008	(13.0)%	Pershing Square, L.P.	(13.0)%	(37.0)%
2009	40.6 %		40.6 %	26.5 %
2010	29.7 %		29.7 %	15.1 %
2011	(1.1)%		(1.1)%	2.1 %
2012	13.3 %		13.3 %	16.0 %
2013	9.6 %		9.7 %	32.4 %
2014	40.4 %		36.9 %	13.7 %
2015	(20.5)%		(16.2)%	1.4 %
2016	(13.5)%	Pershing Square Holdings, Ltd.	(9.6)%	11.9 %
2017	(4.0)%		(1.6)%	21.8 %
2018	(0.7)%		(1.2)%	(4.4)%
2019	58.1 %		44.1 %	31.5 %
Year-to-date through March 31, 2020	3.3 %		3.1 %	(19.6)%

2004–March 31, 2020[1,4]

Cumulative (Since Inception)	772.6 %	771.2 %	224.2 %
Compound Annual Return	14.3 %	14.2 %	7.5 %

* Return an investor would have earned if it invested in PSLP at its January 1, 2004 inception and converted to PSH at its launch on December 31, 2012. Also see endnote 1 on page 95. Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and important disclaimers on pages 95-97.

Chairman's Statement

INTRODUCTION

I am pleased to report that in 2019, PSH generated its highest annual return since it started investing in 2013. This is also the highest return generated by the Investment Manager since the inception of its investment strategy in 2004. In my letter to you last year, I noted that the Investment Manager took a number of steps in 2018 to refocus its organization following a period of underperformance and that those actions had begun to have a positive impact. The Investment Manager's performance in 2019 makes it clear that those steps have set PSH firmly back on track. During the year, PSH executed its investment strategy effectively, generating substantial Net Asset Value ("NAV") appreciation which significantly outperformed the S&P 500 Index ("S&P 500").[i] This 26.6 percentage points of outperformance in an already rising market demonstrates the skill of the Investment Manager in identifying investment opportunities, and then engaging with those companies to unlock value for shareholders.[ii]

Although the main purpose of this statement is to report to you on 2019, it is impossible to ignore the events of 2020 as the coronavirus rampages across the world. We are concerned about the effect it will have on the financial markets, our portfolio companies and their employees, our investors, our colleagues and our families. The Investment Manager will provide you with more details on the impact on our portfolio companies and the steps which were taken to protect your investment.

INVESTMENT PERFORMANCE

During the year ended December 31, 2019, PSH's NAV increased 58.1%, ending the year at $26.94 per share. Over the same period, the S&P 500 increased 31.5%.[i,ii] The Investment Manager continued to engage with PSH's portfolio companies through direct Board representation in some situations, and less formal, private engagement in others. Each investment in the portfolio was analyzed in detail to identify and determine the opportunity for long-term value creation. The result of such deep diligence is that the Investment Manager makes high-conviction, concentrated investment decisions. In 2019, all of PSH's portfolio companies were positive contributors to performance due to strong earnings growth and positive developments across all of our companies.

From the beginning of the year to March 31, 2020, PSH's NAV has increased 3.3% compared to a 19.6% decline in the S&P 500. This significant outperformance is due to large notional hedges acquired by the Investment Manager to offset potential portfolio losses in the event of severe declines in the financial markets. The Board appreciates the Investment Manager's foresight in identifying the coronavirus as a material risk to the portfolio and for taking these steps to mitigate the losses. The Investment Manager's Report sets out more information on the hedge positions and the diligence process which led to making this important investment decision.

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 Pershing Square Capital Management, L.P. at the inception of PSH. Although the Board does not make individual investment decisions, the Board is ultimately accountable for oversight of the Investment Manager. The Board has adopted terms of reference describing its principal responsibilities, which are available on the PSH website.

The Investment Manager continues to follow its strategy of investing primarily in large-cap companies that generate relatively predictable, growing free-cash-flows with formidable barriers to entry and a compelling value proposition. The Investment Manager is a fundamental value investor that utilizes a range of activist strategies to unlock long-term value for shareholders, and seeks to invest in excellent businesses with opportunities for improvement. In 2019, the Investment

Manager made two new investments in alignment with these investment principles. Equally important, is the decision of when to sell an investment. The Board was pleased to note the discipline exercised by the Investment Manager in 2019 and early 2020 in deciding to sell the shares of four portfolio companies. In most cases, the Investment Manager exits an investment because the value identified at the time of the investment is more fully reflected in the share price, and the Investment Manager believes there are more compelling investment opportunities in other companies.

PORTFOLIO CHANGES

In 2019, the Company established new investments in Agilent Technologies ("A") and Berkshire Hathaway ("BRK.B"). The Company exited its investments in Automatic Data Processing ("ADP"), Platform Specialty Products ("PAH") and United Technologies ("UTX"). In January 2020, PSH exited its position in Starbucks ("SBUX"). These portfolio changes are discussed in detail in the Investment Manager's Report.

CORPORATE ACTIONS

The PSH Board took a number of corporate actions in 2019 that we believe will contribute to the long-term success of the Company.

- **Dividend** In February 2019, PSH announced that it will pay a quarterly dividend of $0.10 per Public Share, a 2.2% yield at the current PSH share price.[iii] The dividend represents a return of capital at NAV which can currently be reinvested in PSH shares at a discount to NAV. The Board believes that the payment of a quarterly dividend expands PSH's potential investor base to include shareholders who prefer or are required to invest in dividend-paying equities. As PSH's current dividend yield is similar to that of the S&P 500[iv], we believe this further emphasizes that PSH is an attractive alternative to an S&P 500 portfolio.

- **Share Buyback Programs** Over the course of 2019, PSH instituted share buyback programs totaling $300,000,000 of PSH's outstanding Public Shares on the London Stock Exchange and Euronext Amsterdam. The Board and the Investment Manager instituted the share buyback programs after assessing PSH's available free cash, the trading prices of PSH's existing portfolio companies, PSH's leverage and discount level, and determined that the share buyback program was in the best long-term interest of the PSH shareholders. In 2019, 9.4 million PSH Public shares were repurchased with a total cost of $174 million at an average price of $18.56 per share and average discount of 28%. Since May 2, 2017, when PSH initiated its first share repurchase program, through March 31, 2020, the Company has repurchased 42,464,631 PSH Public Shares at a total cost of $650,468,642 at an average price of $15.32 per share and an average discount of 24.4%.

  The combined $650 million of PSH share buybacks and $540 million of cumulative share purchases by PSCM affiliates have reduced the free float of PSH by 32.9% since the IPO.[v] The daily trading volume of PSH across all exchanges has averaged $8.5 million per day in 2019. The Board notes that a further reduction in the free float could reduce daily trading volumes and monitors this consideration carefully.

- **2039 Bond Issuance** In July 2019, the PSH Board announced the issuance of $400,000,000 of 4.950% 20-year unsecured Bonds, callable at 100% of par after 15 years. This unsolicited, opportunistic issuance represented an attractive first step in beginning the process of refinancing PSH's existing debt which comes due in less than two-and-a-half years. The interest rate of the 2039 Bonds is materially below what was implied by the then-trading price of PSH's pre-existing 2022 Bonds.[vi] Following the issuance of the 2039 Bonds, PSH's 2022 Bonds saw significant spread compression; as of December 31, 2019 they traded at T+150 vs T+300 a year ago. Since the start of the market decline in 2020, the spread has widened significantly along with the credit spreads of other investment grade bonds. We believe that the issuance of the 2039 Bonds established a favorable benchmark spread which will assist PSH over time in refinancing, and/or extending the maturity of the 2022 Bonds. The PSH Board believes that the ability to access low-cost, investment-grade, long-term debt is an important competitive advantage for PSH and is appropriate for PSH's investment holding company structure.

DISCOUNT TO NET ASSET VALUE

In addition to PSH's NAV performance, the Board pays close attention to PSH's share price performance. In 2019, PSH's share price increased significantly by 51.2%[vii] but as this was less than the increase in NAV, it led to a modest widening of the discount from 25.2% to 28.9% over the course of the year. It may seem an anomaly that the discount should widen in a year when the Investment Manager delivered outstanding investment performance. However, investors often sell their holdings after a period of exceptional gain, or because they have a change in strategy, and new investors are often reluctant to buy after a significant rise in share price. The Board continues to believe that the best way to narrow the discount is to generate sustained positive performance over the long term.

It is interesting to note that as of February 29, 2020, we estimate that approximately 56% of our investors are based in the US, 23% in the UK, 6% in Europe and 15% in the rest of the world. PSH is not permitted to market its shares in various countries (including the US), but investors are generally able to buy our shares on the London Stock Exchange and on Euronext in Amsterdam. The Board welcomes the interest of all investors in the PSH investment strategy, and believes that attracting a wider group of investors to PSH will assist in reducing the discount to NAV at which the shares currently trade.

SHAREHOLDER ENGAGEMENT

Engaging with our shareholders and understanding your concerns has been a key focus of the Board in 2019. I personally spoke to shareholders holding over 40% of the Public Shares unaffiliated with the Investment Manager, and the other Directors and I intend to continue meeting with shareholders as our schedules permit. The Board actively considers feedback received through these interactions when making decisions that affect shareholders. I have both enjoyed and greatly benefited from meeting so many of you this past year. The Investment Manager also operates a robust investor relations program that acts as a resource for existing shareholders, and actively seeks to engage with potential future shareholders. The Board coordinates closely with the Investment Manager to ensure that it remains apprised of shareholder feedback.

PSH BONDS

The PSH Bonds include the $1 billion aggregate principal amount of 2022 Senior Notes with a 5.500% per annum interest rate and $400 million aggregate principal amount of 2039 Senior Notes with a 4.950% annual interest rate. The 2022 Bonds have traded down from approximately $105.94 at year-end 2019 to $99.78 as of March 31, 2020. The Bonds are rated BBB with a stable outlook by Fitch and rated BBB with a positive outlook by S&P.

The terms of the Bonds do not allow PSH to incur debt beyond a total debt-to-capital ratio of 33.3% and restrict Company buybacks and dividends that would cause the ratio to be exceeded. The Company's total debt to capital ratio was 19.7% as of December 31, 2019 and 19.6% as of March 31, 2020.[viii]

The Board and the Investment Manager continue to believe that a modest amount of long-term leverage is prudent. While the leverage of the Bonds amplified losses in previous years, as the Company's performance improved in 2019, it accelerated the increase in NAV.

CORPORATE GOVERNANCE / BOARD

The Board continues to prioritize maintaining high standards of corporate governance. The Board has recently made a number of enhancements to its governance practices, including adopting terms of reference and establishing a Risk Committee. These and other changes are discussed further in the Corporate Governance Report.

The Board continues to work effectively and diligently on behalf of all shareholders. I would like to thank my fellow directors for all of their contributions throughout the year. Bill Scott, who has been a Director since 2012, has informed me that he will not offer himself for re-election to the PSH Board at our Annual General Meeting ("AGM") in April 2020 due to his commitment to other directorships. We will miss his valuable input at our Board meetings. I am working with the Nomination Committee to find another suitably qualified director who will enhance the skills of the Board, and will report back to you in due course.

EVENTS: SHAREHOLDER PORTFOLIO UPDATE AND ANNUAL GENERAL MEETING

The Investment Manager presented a portfolio update to shareholders in New York on February 5, 2020, and in London on February 10, 2020. Slides from the presentation are available on PSH's website: www.pershingsquareholdings.com.

PSH's 2020 AGM will be held in Guernsey on April 27, 2020. On March 25, 2020, the States of Guernsey announced mandatory measures to reduce the transmission of the coronavirus. The measures require people to stay at home, except for very limited purposes, and prohibit all gatherings of more than two people in public. The Board fully supports these measures to protect public health and safety and requests that shareholders not attend the AGM in person but instead submit proxy votes in electronic form. The results of the voting will be announced as soon as practicable after the conclusion of the AGM.

I will report to you on the first half of 2020 in August 2020, 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
April 6, 2020

Investment Manager's Report

LETTER TO SHAREHOLDERS

To the Shareholders of Pershing Square Holdings, Ltd.:

2019 was an extraordinary year for PSH. We generated our best NAV returns in Pershing Square Capital Management, L.P.'s 16-year history with a total NAV return including dividends of 58.1%, and a total stock price return of 51.2%.[5] 2019 was also an excellent year for our portfolio companies as their operating and business progress largely kept pace with their stock price returns. We made two new investments, Agilent and Berkshire Hathaway, and exited three positions. We incurred no mark-to-market or realized losses on any of our holdings in 2019, a first for Pershing Square.

We continued to make progress after the turn of the year. In advance of recent market declines, in January we sold our stake in Starbucks as it approached our estimate of intrinsic value. In February, we sold a third of our stake in Chipotle in order to reduce what had become an outsized position. At the time of sale, Chipotle represented more than 20% of the portfolio due to the company's substantial business progress and strong share price appreciation.

Earlier this year, we were sufficiently concerned about the health and economic implications of the coronavirus that we considered, for the first time ever, liquidating the portfolio in its entirety because we believed it was likely that markets would decline materially. After a careful review of the portfolio, we concluded that a hedging strategy was more consistent with our long-term ownership philosophy, and would likely lead to a better long-term outcome than selling off all of our assets. To mitigate coronavirus risk, in late February, we entered into a series of large hedging transactions in the credit default swap market that have offset the substantial stock price declines of our investment holdings in the recent market downdraft.

After the initial market decline, we unwound our credit hedges and redeployed a substantial majority of capital by adding to existing investments including Restaurant Brands, Lowe's, Hilton, and Berkshire Hathaway, and by investing $500 million ($432 million from PSH) in a secondary share offering by Howard Hughes. We also re-established a position in Starbucks. PSH has approximately 18% of the portfolio in free cash, and we are continuing to look for only the most extraordinary opportunities.

We believe that our success in 2019 was driven by a series of organizational and investment-related changes we implemented in late 2017. In sum, we focused our investment strategy on the core principles that have driven our high rates of return since the inception of Pershing Square, and restructured the organization to an investment-centric operation without the attendant requirements to continually raise capital. Today, 85% of our total assets – approximately $7.2 billion out of $8.5 billion – is represented by Pershing Square Holdings.[6] Our competition is principally comprised of passive investors, and active investors with impermanent capital. Our greater capital stability is an important structural competitive advantage for our long-term investment strategy that should enable us to generate high risk-adjusted returns over the long term.

While we continue to manage two private funds for long-term investors of the firm, we are no longer actively raising capital for these vehicles. As a result, we are now able to operate with greater focus and substantially improved productivity. In addition, we moved last May from hedge-fund central in midtown Manhattan to our new office at 787 Eleventh Avenue, on the far west side in a neighborhood known as Hell's Kitchen. Without marketing or investor relations responsibilities, the investment team's resources are now entirely dedicated to investment analysis, selection, monitoring, and portfolio management.

During the year, PSH engaged in a series of corporate transactions including the initiation of a quarterly ten-cent dividend, the launch of a series of buyback programs totaling $300 million, and the issuance of a 20-year bond (callable beginning in year 10 and at par by year 15). Since the inception of PSH's buyback program on May 2, 2017, PSH has acquired $650 million of its shares representing 17.7% of initial shares outstanding.[7] We continue to believe that PSH is undervalued at current market prices and NAV discount levels, and we have substantial available free cash. We have therefore continued to opportunistically buy back shares.

During 2019 and after year end, affiliates of the Investment Manager continued to acquire additional shares of PSH. Unlike many other closed ended funds where the investment manager has only a *de minimis* investment, in PSH, the manager is by far the largest investor. We now own more than 22% of the fully diluted shares outstanding, representing $1.28 billion of PSH's equity.[8] Our large ownership stake in PSH materially improves the manager's alignment of interests with other shareholders, particularly when compared with other investment funds.

As a result of the incentive fee, we receive a larger percentage of the profits than other shareholders to compensate us for managing the portfolio. Many critics of incentive fees argue that they give investment managers an incentive to take excessive risk because if a fund is profitable, the manager receives a fee, but if the fund loses money, the manager can walk away without personal losses. In other words, if the manager does not have a substantial ownership stake in the fund, the incentive fee can be considered a free, or nearly free, option which increases the incentive to take risk because options become more valuable with increased volatility.

At PSH, the fact that affiliates of the manager own more than 22% of shares outstanding minimizes the incentive for the manager to take excessive risks, as losses are borne proportionately by the manager with other investors. In other words, the risk of loss and opportunity for gain of our large shareholding overwhelm the option value of the incentive fee. Furthermore, in our case, our PSH ownership is a disproportionately larger percentage of our net worths than for nearly all of our unaffiliated shareholders, so our principal incentive is to protect PSH from permanent losses, and then to maximize long-term profits.

Coronavirus

It would be inappropriate to write about the investment implications of the coronavirus without first acknowledging the severe health implications and tragic loss of life that we are all experiencing in our own neighborhoods, nations, and around the globe. It was in fact our initial focus on the health risks of the virus that led to our decision to deploy a hedging strategy to protect PSH's investment portfolio. Health and wealth are highly correlated, and we therefore must solve this global health crisis in order for global GDP to grow, and for job and wealth creation to occur.

We have previously summarized our thoughts on the coronavirus and our hedging strategy in a series of communications beginning on March 3rd (Link) when we disclosed that we had entered into hedging transactions, on March 9th (Link) when we disclosed the positive effect of the hedges on NAV, and on March 25th (Link) and March 26th (Link) when we provided detailed information about the unwinding of our hedges, and the reinvestment of capital in our portfolio and in certain new investments. Rather than repeat our coronavirus analysis in detail again here, I provide a short summary and then elaborate on the portfolio-specific implications of the virus.

On March 3, 2020, we disclosed in a press release that we had acquired large notional hedges which had asymmetric payoff characteristics. We did so because of our concern about the likely negative effect of the coronavirus on the U.S. and global economy, and on equity and credit markets. Our hedges were in the form of the purchase of credit default swaps (CDS) on the U.S. investment grade and high yield credit indices, and the European investment grade credit index.

After we purchased these hedges, U.S. and global equity and credit markets declined dramatically, and our hedges increased in value from zero to a peak of $2.7 billion (in PSH $2.3 billion).[9] At this value, our hedges were worth approximately 40% of our total capital as our equity investments declined substantially over the same period.

The risk of remaining short credit versus the potential rewards became less attractive as the hedges increased in value. Furthermore, the opportunity cost of this capital increased as the proceeds from the hedges could be reinvested in our portfolio companies and other new opportunities at highly discounted valuations.

As various U.S. state, city and local governments began to aggressively confront the health and economic risks of the coronavirus through unprecedented non-essential business closures and shelter-in-place/stay-at-home implementations or "lockdowns," we believed that our worst case fears would not be realized.

The U.S. federal government and the U.S. Treasury have also intervened in financial markets in an unprecedented fashion, and Congress has passed legislation which will help bridge the economy and our country's workforce and citizens during what we believe to be a temporary but massive and extremely painful economic shock. We have been encouraged by the Treasury Secretary's and the Administration's all-in approach to mitigating the damage to the capital markets, and for keeping financial markets functioning and open, which are critical for our economy and capitalism to work.

For all of the above reasons, as we became increasingly positive on equity and credit markets, beginning on March 12th and entirely on March 23rd, we completed the exit of our hedges which generated total proceeds of $2.6 billion for the Pershing Square funds ($2.1 billion for PSH), compared with premiums paid and commissions totaling $27 million. These gains offset a similar amount of mark-to-market losses in our equity portfolio.

We have redeployed the substantial majority of our net proceeds from these hedges by adding to our investments in Agilent, Berkshire Hathaway, Hilton, Lowe's, Howard Hughes, Restaurant Brands, and by repurchasing our stake in Starbucks. We have done so at deeply discounted prices and now own substantially larger stakes in each company. Even after these additional investments, we maintain a cash position of about 18% of the portfolio.

In summary, as a result of the reinvestment of the proceeds from our hedging transactions, we have four percentage points more cash (free cash before the decline was equal to 14% of the portfolio), and we have increased our stakes in Agilent by 16%, Berkshire Hathaway by 39%, Hilton by 34%, Howard Hughes by 158%, Lowe's by 46%, and Restaurant Brands by 26%. We have also reestablished a 10% of capital position in Starbucks. If our portfolio companies grow in value and their stock prices increase over the long term as we expect, the long-term returns for PSH will be substantially greater than before as a result of the reinvestment of the proceeds from the hedging transactions.

You might ask whether it was prudent for us to have unwound hedges and reinvested capital without knowing whether equity markets had bottomed. We of course do not know whether the recent lows that have been achieved will be breached by further market declines. Our decision to unwind our hedges was driven by the less favorable risk-reward ratio offered by our credit hedges as spreads widened, and the much more favorable risk-reward ratio presented by the then-trading values of companies in which we bought shares. At the prices paid and based on our estimates of the long-term cash flows these businesses will generate, we believe our recent acquisitions will generate very high rates of return over a multi-year holding period. If stock prices decline further, the returns we could have earned by waiting to invest capital would be even higher. We have kept substantial cash on hand to allow us to buy more at lower prices if markets decline further.

In our experience, it is difficult for a large investor to buy stocks while markets are recovering as liquidity is generally limited when markets rise rapidly. It would not be a surprise to see a rapid recovery in the stock market when investors have greater confidence that the risks of the virus are largely behind us. We have therefore chosen to be a substantial buyer as markets have declined. While it is difficult to predict when markets will make a full recovery, we believe that the factors for a stock market recovery are coming into view. Namely, nearly the entire country and much of the world are essentially in lockdown, which implies that the number of cases and resulting deaths should peak over the next several months. This combined with the availability of cheaper and faster testing will enable many employees to go back to work allowing the U.S. and other countries to begin an economic recovery.

We are not, however, predicting a V-shaped recovery as it will be sometime before the virus' impact can be eliminated, and the required social distancing and other virus-safe behavioral requirements will somewhat restrain the global economy. Furthermore, the psychological and financial impact of the economic shock we are currently experiencing will likely cause many consumers to be hesitant about opening their wallets until the passage of time heals memories of this challenging time, and corporate and consumer balance sheets are repaired.

To share a note of optimism, the enormous economic and reputational incentives to discover therapeutic cures, more accurate, faster and cheaper testing, and a vaccine are driving scientists, technologists, corporations, governments and academic and research institutions around the globe to work toward a solution to our global malaise. This increases the likelihood that we may be positively surprised with a faster than expected cure or other mitigants to the virus and its negative health and economic effects.

It is important to be reminded that the value of a business is the present value of the cash it generates over its life. While many investors and market commentators use the heuristic of assigning a price-earnings multiple to analyst estimates of next year's earnings, this simplistic approach is not valid for the current environment, as the next 12 months of earnings are not representative of the true long-term earnings power of most companies.

The revenues and earnings for the majority of businesses over the next year or so will be extremely poor, and in some cases disastrous, but for companies with strong balance sheets, dominant market positions, and which do not need access to capital, the virus will likely only disrupt the next 12 to 24 months of cash flows. In a discounted cash flow valuation of a company, the loss or disruption of the first, and possibly second, year of cash flows, does not generally destroy more than 5% to 10% of the value of the business. The fact that many stocks have declined by 30% to 60% or more from levels that did not appear to be overvalued suggests that there are many compelling bargains in the equity markets. We discuss some of these opportunities in our portfolio below.

The Impact of Coronavirus on our Portfolio Companies

The important question is what impact will the virus have on our portfolio companies? We are fortunate to own businesses that are designed to withstand the test of time. Our strategy of investing in simple, predictable, free-cash-flow-generative, conservatively financed companies with limited exposure to extrinsic factors we cannot control should serve us well in the current, highly stressed environment. Importantly, our portfolio companies are generally considered essential businesses, and for the most part will remain open to the extent possible during a state and/or a national shutdown. All of our portfolio companies, however, will be affected to varying degrees in the short term by the virus' impact on the global economy. Below, we share a few observations on the short- and long-term impact of the crisis on each of our companies.

As a provider of testing equipment for labs around the globe, **Agilent** is well positioned to benefit from increasing investments in healthcare, safety-related testing, pharmaceuticals, and other industries where highly accurate testing is essential for environmental, safety, product design, quality control, and other reasons. In the short term, Agilent will be affected somewhat by the recent closure of university labs, generally lower global business activity, and the impact of lower energy prices on a small portion of the company's customer base. In sum, we believe the net impact of the virus on Agilent's long-term intrinsic value to be minimal.

Berkshire Hathaway was built by Warren Buffett to withstand a global economic shock like this one. With more than $120 billion of free cash available for investment, Berkshire is well positioned to deploy capital opportunistically. Pandemics are generally excluded from insurance policies, and we believe that Berkshire's insurance operations have limited exposure to the coronavirus. Berkshire is also highly advantaged in being able to invest its insurance company capital in equities when compared with other insurers who are generally limited to fixed income investments where there is little yield to be found.

Berkshire's privately owned portfolio of industrial and other businesses will absorb some short-term economic impact from the virus. In light of Berkshire's extraordinarily strong financial position and the nature of the portfolio companies it owns, we believe that Berkshire will not be materially negatively impacted as a result of the crisis. Rather, we believe that Berkshire will emerge from this crisis as a more valuable enterprise as the market decline will enable it to invest a substantial portion of its cash in investments which will accelerate its long-term growth in intrinsic value.

We believe that restaurants that have easy-to-use digital ordering, delivery, and drive-thru will emerge stronger from this crisis, as their customers will become more accustomed to ordering home delivery on the company's mobile apps, and using the drive-thru or digital order ahead for takeout orders (including Chipotlanes). While we expect that **Chipotle** – the **Restaurant Brands** concepts of Burger King, Popeye's and Tim Horton's – as well as **Starbucks** will lose a substantial amount of sales during shutdowns, they will likely gain digital and delivery market share during this period, and will thereby emerge stronger from the crisis.

Chipotle's burrito and bowl offerings are ideally suited for delivery, and offer families a healthy alternative to cooking at home. We expect Chipotle's superb digital delivery offering should benefit as its customers order home delivery of the company's low-priced, healthy, high quality food. For Restaurant Brands' concepts, drive-thru, pickup and delivery represent about two-thirds of sales suggesting that they are well positioned to provide low-cost food in the current environment. Starbucks' superb digital offering, delivery, and no-touch pick up are well adapted to service its consumers' global coffee habit, particularly when compared with competitors who have not built digital and delivery offerings.

Lowe's should also emerge stronger following the crisis as it has the capital structure and cash flows to withstand any short-term negative impact on its business. As consumers spend more time in their homes, they have historically shown a greater propensity to do repair and other home-related upgrades for which Lowe's will be a beneficiary. As a provider of cleaning supplies, masks, goggles, protective equipment and clothing, and appliances, Lowe's is also an important supplier of crisis-related items. We expect Lowe's to emerge a stronger, more dominant and more profitable company after the crisis.

Fannie Mae and **Freddie Mac** have already proven themselves essential to the U.S. housing finance system, which is a critically important bulwark for the U.S. economy. The current disarray in the non-agency residential and rental housing mortgage market, which has recently occurred as a result of the crisis, will remind the Congress and the American people of the critically important function that Fannie and Freddie perform during periods of economic stress. The crisis has also made manifestly clear the need to recapitalize Fannie and Freddie so that the private sector becomes the first loss capital in the housing finance system, which should provide even greater urgency for a recapitalization and privatization of the two companies. While we wait for the necessary steps for this to occur, both companies are quickly rebuilding needed capital through retained earnings. For these reasons, we believe that Fannie and Freddie will emerge as even stronger and more essential enterprises after the crisis.

The Howard Hughes Corporation has significant short-term exposure to the crisis. In particular, the decline in oil prices will negatively impact Houston, the location of the Woodlands and Bridgelands, two of HHC's master-planned communities. HHC's Summerlin master plan community will also be affected by the virus' impact on the casino and conference business in Las Vegas. The company's other assets will also be impacted to varying degrees. In order to mitigate these risks, on Friday, March 27th, HHC completed a $600 million equity offering, the first such equity offering of any company since the crisis began. HHC was able to complete the offering as a result of a $500 million investment from Pershing Square ($432 million from PSH) and $100 million from other long-term oriented shareholders.

The independent directors of HHC made a decision to raise capital to ensure the company would maintain a fortress balance sheet, now with more than $1 billion of cash, in light of the potential short- to intermediate-term impact of the crisis on the company's business. We believe that HHC will continue to create substantial long-term value for its shareholders, and that its portfolio of small cities with large population inflows will remain highly desirable places to live and work. We therefore viewed the opportunity to increase our investment to approximately 30% of the company to be highly attractive at the current share price.[10] While there is more short-term risk to HHC's business, we believe that this risk is more than compensated for by the opportunity to invest capital at the current valuation.

The hotel industry and **Hilton** have been highly impacted by the crisis as many hotels have closed or are experiencing very large declines in occupancy. As a result, we expect Hilton's revenues to decline over the next several or more quarters, and to begin to recover with increases in economic activity as the global economy reopens. After adjusting Hilton's intrinsic value for the impact on our valuation from reduced revenues and cash flows, we continue to believe that Hilton stock is highly attractive at current valuations. We also believe that the crisis will cause independent hotels to seek an affiliation with global brands like Hilton, which will contribute to the company's long-term growth. Hilton is well positioned to succeed because it has the best management team in the industry, a portfolio of great brands, a dominant market position, a capital-light economic model, and a strong balance sheet.

In all of our portfolio companies, we are fortunate in their being led by superb management teams who have the skills, leadership qualities, and adaptability to manage through these challenging times. We are extraordinarily grateful for their leadership.

We continue to expect that markets (and our performance) will remain volatile, and therefore, new opportunities may present themselves that are superior to investments we currently own. This may lead us to sell certain of our existing holdings including investments we recently purchased. We may also choose to reestablish similar or different forms of hedges or raise or deploy more cash based on developments with the coronavirus and other market factors. In other words, we are more likely to change our investment positioning and/or have higher portfolio turnover in this environment than we typically do.

We are in one of the most challenging periods of time for our country, and for the world. Tens of thousands of people have or will soon become severely sick, and many will die. Millions will lose jobs and struggle to regain employment. This is a global tragedy that could have been prevented with better long-term planning, which should have begun more than a decade ago. I have always said that experience is making mistakes and learning from them. And learn from this we must.

We are all incredibly fortunate to work alongside a superb team of talented, motivated, extremely high-quality human beings at Pershing Square. The recent market turmoil when combined with our transition to working from home would be a challenge to any company. I am proud to say that every team at Pershing Square rose to the challenge enabling us to flawlessly execute during this challenging period.

Thank you for your long-term commitment to Pershing Square. We are honored and fortunate to manage capital on behalf of investors who have committed to us for the long term.

Sincerely,

William A. Ackman

2019 PORTFOLIO UPDATE

Performance Attribution

Below are the contributors and detractors to gross performance of the portfolio of the Company for 2019 and year-to-date 2020[11].

January 1, 2019 – December 31, 2019	
Chipotle Mexican Grill, Inc.	14.7 %
Hilton Worldwide Holdings Inc.	9.0 %
Starbucks Corporation	5.7 %
Lowe's Companies Inc.	5.3 %
Restaurant Brands International Inc.	4.5 %
Federal National Mortgage Association	4.5 %
Automatic Data Processing, Inc.	4.4 %
Federal Home Loan Mortgage Corporation	2.7 %
The Howard Hughes Corporation	2.6 %
United Technologies Corporation	2.4 %
Agilent Technologies Inc.	2.1 %
Berkshire Hathaway Inc.	1.9 %
Share Buyback Accretion	1.9 %
Platform Specialty Products Corporation	1.0 %
Other Income and Expense	0.2 %
Bond Interest Expense	(1.8)%
Net Contributors and Detractors	**61.1 %**

January 1, 2020 – March 31, 2020	
Index CDS (Hedge)	37.7 %
Starbucks Corporation	1.0 %
Share Buyback Accretion	0.8 %
Bond Interest Expense	(0.3)%
Agilent Technologies Inc.	(2.0)%
Federal Home Loan Mortgage Corporation	(2.2)%
Berkshire Hathaway Inc.	(2.4)%
Chipotle Mexican Grill, Inc.	(2.9)%
Federal National Mortgage Association	(3.1)%
Lowe's Companies Inc.	(3.9)%
Restaurant Brands International Inc.	(5.0)%
Hilton Worldwide Holdings Inc.	(6.5)%
The Howard Hughes Corporation	(7.2)%
All Other Positions and Other Income and Expense	0.3 %
Net Contributors and Detractors	**4.3 %**

Positions with contributions or detractions to performance of 50 basis points or more are listed above separately, while positions with contributions or detractions to performance of less than 50 basis points are aggregated, except for accretion and bond interest expense. Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and important disclaimers on pages 95-97.

In this year's portfolio update, we report on the business progress made by our portfolio companies in 2019. In the Investment Manager's letter, we have previously summarized the impact of the coronavirus on these companies, and therefore do not do so again below.

Agilent ("A")

In 2019, PSH initiated an investment in Agilent, a leading analytical measurement and testing company. Agilent is a high-quality business with a strong competitive position in an attractive industry experiencing long-term secular growth. Agilent primarily sells chromatography and mass spectrometry instruments and the associated consumables and aftermarket services. Agilent's products and services enable mission-critical measurement and testing activities across a diversified set of end markets, including pharmaceuticals, chemicals, energy, food safety, environmental testing, and forensics.

Agilent operates with an advantaged "razor/razor blade" business model whereby profitable instrument sales enlarge the company's installed base and drive recurring sales of highly profitable consumables and services. Recurring revenue from consumables and services have historically grown at about double the rate of instrument sales, and now comprise nearly 60% of the company's total revenues.

The growth and stability of Agilent's recurring revenue has allowed the company to generate annual organic revenue growth of 6% over the last decade with its worst year revenue decline of 2% in the 2009 financial crisis. Agilent's future growth prospects remain strong as increasing regulatory standards and heightened consumer expectations drive further demand for analytical measurement and testing. As Agilent continues to increase the attachment rate of its consumables and services, recurring revenues will become an increasing percentage of overall revenues, as their growth rate is higher than instrument sales. Over time, we expect that Agilent will become an even more annuity-like, faster-growing business.

Since 2014, when Agilent spun off its more cyclical electronic measurement and testing business and appointed Mike McMullen as CEO, the company has generated 6% annual organic revenue growth while increasing profit margins by more than five percentage points, and delivering annual EPS growth of 15%. Despite this progress, Agilent's current 26% EBITDA margins are approximately nine percentage points lower than its closest peer, Waters Corp., despite having a revenue base more than twice as large. Agilent's lower EBITDA margins reflect lower gross profit margins, slightly higher R&D, and significantly higher overhead expenses. Given Agilent's meaningful scale advantage, we believe that the company should be able to more than close the margin gap with Waters.

In 2019, Agilent's organic revenue grew 5% due to 10% growth in its recurring consumables and services business, its highest level of growth since the spinoff over five years ago. The company's instrument business declined 1% due primarily to weakness in China, where government-led initiatives that are aimed at broadening access to generic pharmaceutical drugs and transitioning to a more scalable model for food safety testing, have led to a temporary deferral of instrument purchases. Although instrument sales may remain soft in the near-term, these Chinese government initiatives are likely to ultimately result in a significant increase in demand for Agilent's products and services over time, and further accelerate the company's revenue growth from current levels.

For the year, Agilent's operating profit grew 9% as margins increased 80 basis points due to an impressive 300 basis points of margin expansion in the consumables and services business. Earnings per share increased by 11%.

Agilent's current valuation does not reflect the company's high-quality business model, increasing mix of recurring revenue, strong long-term growth potential, and significant margin expansion opportunity. We believe the combination of Agilent's strong growth potential, significant margin expansion opportunity, and lower tax rate will allow the company to grow earnings per share at a mid-to-high teens annual rate for the foreseeable future driving long-term shareholder value.

Chipotle Mexican Grill ("CMG")

Chipotle achieved outstanding operating performance in 2019 due to the successful business transformation led by CEO Brian Niccol and his team. Same-store sales grew 11%, with 7% transaction growth. Each quarter sales grew faster than the previous one on both a one-year and two-year basis. Chipotle's digital business nearly doubled from 2018 levels, and now accounts for 20% of sales as customers increasingly choose to access Chipotle through order-ahead pickup and delivery. The successful launches of Lifestyle Bowl salads in January, the Chipotle Rewards loyalty program in March, and the carne asada limited time offering in September fueled sales momentum throughout the year.

Robust sales growth drove substantial operating leverage, highlighting the strength of Chipotle's economic model. Restaurant margins expanded 1.8 percentage points in 2019 to 20.5%, while average restaurant sales grew 10% to $2.2 million. Management estimates that restaurant margins will reach 25% or more once average restaurant sales return to peak historical levels of $2.5 million, a sales level previously attained with no meaningful contribution from digital orders.

Chipotle has an extensive pipeline of initiatives to drive continued momentum in 2020 and beyond. Management plans to introduce a few new menu items each year, including queso blanco which was launched nationwide on February 27 following strong customer feedback in test markets. The company's Chipotlane digital drive-thru channel will be installed in most newly opened restaurants, which should further enhance the company's high returns on capital and new-unit productivity. The company's loyalty program will also be a major focus for 2020, including the buildout of database marketing and personalization capabilities. We are confident that management will continue to execute on Chipotle's substantial unrealized growth potential for many years to come.

Restaurant Brands International ("QSR")

QSR's strong performance in 2019 continued to demonstrate the attractiveness of its high-quality, royalty-based franchised business model. Its three brands – Burger King, Tim Hortons and Popeyes – all have significant long-term growth potential. QSR's unique business model has allowed it to capitalize on its underlying brands' growth with minimal capital investment. The company grew total net units by 5%, with 6% growth at Burger King, 2% at Tim Hortons, and 7% at Popeyes. While same-store sales declined slightly at Tim Hortons, they increased by 3% at Burger King and 12% at Popeyes. QSR's strong overall performance led to 7% organic EBITDA growth in 2019.

Burger King's strong performance was bolstered by the launch of the Impossible Whopper and the continued expansion of delivery. Popeyes' strong results were driven by the launch of its iconic chicken sandwich, which is now considered one of the most successful product launches in the industry's history. Tim Hortons' results suffered during the year partly due to the launch of Tims Rewards, its loyalty program, which resulted in a headwind for same-store sales, as the negative impact from rewards redemptions more than offset the growth in incremental customer transactions. Management recently made improvements to the loyalty program that should moderate the program's negative impact on same-store sales. The company is working on several new initiatives to return the brand to its historical levels of growth.

Lowe's Companies ("LOW")

Lowe's is a high-quality business with significant long-term earnings growth potential. We initiated our investment in Lowe's in mid-2018 because we believed a new high-caliber management team would be able to narrow the performance gap with Home Depot that had materialized over the preceding decade. In late 2018, Lowe's outlined a credible plan to turn around the company, which we expect will improve margins and accelerate same-store sales growth.

In 2019, Lowe's began to lay the foundation for its multi-year transformation by working to reestablish best-in-class retail fundamentals including improved customer service and product merchandising, reduced structural costs and labor efficiencies, modernized technology systems, and expanded distribution capabilities. While significant progress was made in 2019, Lowe's experienced issues related to legacy pricing systems which pressured gross margins in 2019. 2019 U.S. same-store sales grew 3% and earnings-per-share grew 12%.

2020 will see Lowe's shift its attention from basic retail fundamentals to more strategic initiatives including improving omnichannel capabilities and investing behind the Pro customer (the professional tradesmen that perform repair and maintenance, remodeling and construction services for others). Lowe's will also be re-platforming its decade-old ecommerce platform in the coming months, which, when complete, will dramatically enhance functionality and the overall user experience, accelerating sales growth.

We believe that Lowe's is well positioned for the future given the critical function it fulfills in the retail ecosystem, its conservatively financed balance sheet, and significant cash flow generation.

Hilton Worldwide Holdings Inc. ("HLT")

Hilton is a high-quality, asset light, high-margin business with significant long-term growth potential led by a superb management team. We invested in Hilton because we believe Hilton has a unique value proposition which allows the business to sustain attractive high-single-digit, top-line growth, which, coupled with cost-control and a robust share repurchase program, should allow it to compound earnings per share at a mid-teens growth rate over the long-term. We believe this was underappreciated by the market at the time we made our investment in 2018.

Hilton delivered strong business performance in 2019. With only 1% systemwide comparable sales growth ("RevPAR"), franchise, licensing and management revenue grew 8%, and earnings increased 14%. This performance was driven by robust net unit growth of 7%, and significant share repurchases, highlighting Hilton's unique ability to grow earnings and generate substantial free cash flow even in a softer lodging environment. At the end of 2019, Hilton's development pipeline consisted of over 387,000 rooms in 116 countries, half of which are under construction (amounting to 40% of its existing room base), which should provide a continued runway for net unit growth over the coming years.

Berkshire Hathaway ("BRK.B")

Berkshire was one of PSH's two new investments in 2019. As long admirers of the company, we took advantage of the opportunity to invest at a valuation which represents one of its widest discounts to intrinsic value in many years. Berkshire's discounted valuation, large excess cash balances, and substantial margin opportunities at several key operating subsidiaries provided an attractive investment opportunity.

Berkshire's primary asset, the world's largest insurance business representing roughly half of the company's value, performed well in 2019. Berkshire's float (the net premiums received held on Berkshire's balance sheet that will be used to pay for expected losses in the future) grew at a 5% rate. Its insurance operations generated an underwriting profit (i.e. a negative cost of float), and net tangible book value grew by 45% driven by appreciation in Berkshire's investment portfolio and growing investment income.

Since the end of 2007, Berkshire has averaged an 8% annual rate of return on its insurance investment portfolio with an average of 20% of its portfolio in cash. While we expect the investment portfolio to be volatile in any given quarter or year, we believe the value of Berkshire's investments will grow significantly over time.

Berkshire's industrial business also performed well in 2019 with profits at Berkshire's non-insurance segment increasing by 3%. This performance was driven by strong results at Berkshire's Utilities & Energy portfolio which realized 8% net income growth. Burlington Northern Santa Fe reported 5% net income growth, as the railroad's operating ratio increased by two percentage points amidst a weak volume growth environment for the rail sector. Despite solid operating ratio improvement in 2019, BNSF still has significant opportunity for further improvement.

Progress in these two business units was partially offset by flat net income growth at the Manufacturing, Service & Retailing segment, which was impacted by certain negative one-time events offsetting growth in many of the other businesses in the segment. Notably, net income declined 15% at Lubrizol (one of the largest businesses in this segment) which experienced a major business disruption following a fire at one of its factories.

The Howard Hughes Corporation ("HHC")

2019 was a year of significant organizational change for HHC. In June 2019, HHC's Board of Directors announced a detailed review of all potential strategic alternatives. Following a thorough review, in October 2019 the Board concluded that the best interests of shareholders would be served by HHC executing a transformation plan under new executive leadership.

The company named Paul Layne as new CEO. Paul had previously served as President of HHC's Central Region, responsible for its master planned communities ("MPC") in Houston, which includes The Woodlands, The Woodlands Hills and Bridgeland. Under Paul's leadership, HHC is in the early innings of executing on a three-pillared transformation plan designed to create a lean, decentralized organization built around the company's core MPC business. The plan's three pillars are:

- **Streamlined organizational structure** and a $50 million per annum reduction in overhead expenses, achieved in part by relocating HHC's headquarters from Dallas to The Woodlands in Houston
- **Sale of $2 billion of non-core assets** with estimated net cash proceeds of $600 million which can be redeployed into development opportunities in the MPCs and possible share repurchases
- **Accelerated growth in the core MPC business,** where the company has extensive demand for attractive, near-to intermediate-term capital deployment opportunities, as evidenced by the recently announced $565 million acquisition of premium office space in The Woodlands

The company continued to demonstrate solid underlying business momentum amid substantial organizational transformation. In 2019, HHC recorded the highest level of residential land sales in its history. Operating asset NOI grew 20% on a full year basis driven by new development and continued stabilization of existing assets. Sales of units in HHC's Ward Village in Hawaii remained strong, with its latest luxury condo tower more than 50% pre-sold less than two months after launching public pre-sales.

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

FNMA and FMCC common and preferred shares performed exceptionally well in 2019 as major progress was made towards ending their conservatorships. Key milestones achieved include the appointment of Mark Calabria as FHFA Director in April, the release of Treasury's Housing Finance Reform Plan followed by the effective suspension of the net worth sweep in September, and favorable decisions in both the Fifth Circuit and Court of Federal Claims. This progress continued in February when FHFA hired Houlihan Lokey as a financial advisor to assist in developing a plan to end the conservatorships.

The next major milestones include the re-proposal of the GSE capital rule, which is now expected by late May, and a Fourth Amendment to the Preferred Stock Purchase Agreements, which will be negotiated between FHFA and Treasury and is expected by end of the year.

Exited Positions

As previously disclosed, we exited our positions in Platform Specialty Products, United Technologies, and Automatic Data Processing.

PUBLIC ACTIVIST INVESTMENTS SINCE INCEPTION (12)

Long Activist Positions

Wendy's	Sears	Plains Resources	Atlantic Realty Trust	SPI	McDonald's	Sears Canada
2004	2004	2004	2004	2004	2005	2005
Borders	Ceridian	Target	GGP	Longs Drugs	EMC²	Landry's Restaurants, Inc.
2006	2006	2007	2008	2008	2008	2009
Howard Hughes	Fortune Brands	Beam	Alexander & Baldwin, Inc.	jcp	Canadian Pacific	Justice Holdings Ltd.
2010	2010	2010	2010	2010	2011	2011
P&G	Platform Specialty Products Corporation	Air Products	FannieMae	Freddie Mac We make home possible	zoetis	Allergan
2012	2013	2013	2013	2013	2014	2014
Valeant Pharmaceuticals North America	Nomad Foods	Mondelēz International	Chipotle	ADP	Starbucks Coffee	United Technologies
2015	2015	2015	2016	2017	2018	2018
Lowe's	Hilton	Agilent Technologies				
2018	2018	2019				

Short Activist Positions*

mbia Wisdom in Action	Ambac	FannieMae	Freddie Mac We make home possible	FSA	Herbalife
2004	2005	2007	2007	2007	2012

* Short Activist Positions includes options, credit default swaps and other instruments that provide short economic exposure.

The companies on this page reflect all of the portfolio companies, long and short, as of March 31, 2020, in respect of which (a) PSCM or any Pershing Square fund, as applicable, has filed Schedule 13D, Form 4 or a similar non-US filing or has made a Hart-Scott Rodino filing; or (b) PSCM has publicly recommended changes to the company's strategy in an investment-specific white paper, letter or presentation.

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and disclaimers on pages 95-97.

Principal Risks and Uncertainties

The Board has ultimate responsibility for the Company's risk management. The Board believes that identifying the inherent risks related to the business and operations of the Company and developing an effective strategy to manage and mitigate these risks is crucial to the ongoing viability and success of the Company. Accordingly, the Board, with the input of the Investment Manager, has carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The Board has identified a number of risks specific to the investment activities, structure and operations of the Company, as well as risks relating to general market conditions. The Board and the Investment Manager have adopted procedures and controls for the ongoing assessment, monitoring and mitigation of existing and emerging material risks. The Board reviews the management of investment risk and operational risks at each quarterly Board meeting. The Board has also established a Risk Committee to review emerging risks and conduct its annual risk assessment.

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 financial risk management is provided in Note 13.

Risk	Description	Mitigating Factors
Investment Risk	The Company's investments are exposed to the risk of the loss of capital. There is no assurance that the Company's portfolio investments will increase in value or that the Company will not incur significant losses. The Company's strategy may not be successful and shareholders may lose all, or substantially all, of their investment in the Company.	The Investment Manager makes investment decisions in alignment with its core investment principles as described in the Company's Investment Policy. The Investment Manager is an experienced investor and performs extensive research prior to making investments, along with ongoing monitoring of positions held in the Company's portfolio. Senior executives and investment personnel of the Investment Manager have aligned their interests with the Company's shareholders by making substantial investments in the Company.
Investment Manager's Authority	The Investment Manager has broad investment authority in executing the Company's strategy and may use whatever investment techniques it believes are suitable for the Company, including novel or untested approaches. In addition, the Company's strategy depends on the ability of the Investment Manager to successfully identify attractive investment opportunities.	The Board receives a report from the Investment Manager at each quarterly Board meeting or 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. The Board receives a daily summary of media reports regarding the activities of the Investment Manager and the Company's underlying portfolio positions. Senior executives and investment personnel of the Investment Manager have aligned their interests with the Company's shareholders by making substantial investments in the Company.

Risk	Description	Mitigating Factors
Portfolio Concentration	The Investment Manager may invest a significant proportion of the Company's capital in a limited number of investments, subject to the Company's Investment Policy. Because the Company's portfolio is highly concentrated and primarily invested in public equities (or derivatives referencing public equities), it is sensitive to fluctuations in equity prices and investment results over time may be volatile. A concentrated portfolio also exacerbates the risk that a loss in any one position could have a material adverse impact on the Company's assets.	The Investment Manager performs extensive research prior to making new investments, along with ongoing monitoring of positions held in the Company's portfolio. The Investment Manager is mindful of sector and industry exposures and other fundamental correlations between businesses in which the Company invests. The Board reviews portfolio concentration and receives a detailed overview of the portfolio positions no less than quarterly, but more frequently as necessary. Senior executives and investment personnel of the Investment Manager have aligned their interests with the Company's shareholders by making a substantial investment in the Company. The Investment Policy prohibits investments by the Company in, or giving exposure to, the securities of any one issuer representing more than 25% of the Company's gross assets, measured at the time of making the investment.
Activist Strategies	The Investment Manager may pursue an activist role with respect to an investment, which may involve substantial use of time, resources and capital and litigation by or opposition of the target company's management, board or shareholders.	The Investment Manager has significant experience conducting activist campaigns. The Board reviews the Investment Manager's activist engagements at each Board meeting, or more frequently as necessary.
Short Selling	From time to time, the Company may enter into short positions which theoretically could result in unlimited loss.	The Investment Manager enters into these positions infrequently and may use credit default swaps or other derivative positions to obtain economic short exposure. The Investment Manager relies on extensive due diligence prior to putting on a short position.
Use of Indebtedness	The Company has incurred indebtedness as a result of issuing $1 billion in Senior Notes at 5.5% due 2022 (the "2022 Bonds") and $400 million in Senior Notes at 4.95% due 2039 (the "2039 Bonds" and together with the 2022 Bonds, the "Bonds"), and may incur additional indebtedness in the future, provided that it complies with certain restrictive covenants contained in the Bonds' Indentures. Such leverage may have the effect of increasing losses. The Company may 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 receives information regarding the Bonds and the Company's portfolio leverage, if any, at each quarterly Board meeting. Unlike margin debt, the Bonds do not have mark-to-market covenants (which could require forced sales when equity prices decline). 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.

Risk	Description	Mitigating Factors
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 ability to freely acquire and dispose of certain securities or deploy certain investment techniques.	Prior to initiating an investment, the Investment Manager considers the possible legal and regulatory issues that could impact its ability to achieve its objective with respect to such position. The Investment Manager's legal and compliance team monitors regulatory changes on an ongoing basis and informs the Board of emerging risks. The Board is apprised of any regulatory inquiries and material regulatory developments.
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 effect its strategy on behalf of the Company.	The Investment Manager's Director of Communications and external public relations firms monitor media coverage and actively engage with media sources as necessary. Investment Manager personnel and the Board receive media clips daily to monitor public sentiment of the Company's activities. Company announcements, other than routine or portfolio-related announcements, are generally approved by the Chairman and Ms. Curtis prior to their release. The Board receives an update on media-related activity on a quarterly basis and considers measures to address emerging concerns as they arise.
Business Continuity	The Investment Manager is dependent on William Ackman to provide its investment advisory services to the Company as he has ultimate discretion with respect to all investment decisions.	The investment team and other senior personnel of the Investment Manager are experienced, longstanding employees. The Board has reviewed the Investment Manager's succession plan and has deemed it to be satisfactory. If a key man event occurs prior to October 2021, there are key man provisions in place in the Company's Articles of Incorporation that will trigger a continuation vote.
NAV Discount	The Public Shares of the Company have in the past, currently and may in the future trade at a significant discount to NAV.	For a summary of actions the Company has taken to address the discount, please see "Discount to NAV" in the Report of the Directors. The Board monitors the trading activity of the shares on a regular basis and addresses the discount to NAV at its regular quarterly meetings. 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.

Risk	Description	Mitigating Factors
Tax Risk	Changes to the tax laws of, or practice in a tax jurisdiction affecting the Company could adversely affect the value of the Company's investments and decrease the post-tax returns to shareholders. Investments in the Company may not be tax efficient for certain shareholders. The Investment Manager may make an investment decision which is tax efficient for some shareholders but which may result in adverse tax or economic consequences for other shareholders. U.S. tax rules will cause the Company to incur a 21% corporate tax on realized gains from U.S. Real Property Holding Companies. Other tax rules may restrict the types of investments the Company may make without potentially incurring adverse consequences.	The Investment Manager may obtain economic exposure to certain types of investments through derivative instruments such as total return swaps. The Company aims to conduct its affairs in such a manner as to avoid adverse tax consequences and engages experienced tax advisors as appropriate. Investment decisions of the Investment Manager are based primarily upon economic, not tax, considerations.
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 or may cause the prices of financial and derivative instruments in which the Company invests to be highly volatile.	The Investment Manager monitors emerging risks to global markets that may impact the Company's portfolio. In order to mitigate market-related downside risk, the Company may acquire put options, short market indices or baskets of securities and/or purchase credit default swaps, but the Company is not committed to maintaining market hedges at any time.
Currency Risk	The value of the Company's investments denominated in non-U.S. currencies may be adversely affected by fluctuations in currency exchange rates.	The Investment Manager monitors the Company's foreign currency exposure and may enter into forward exchange contracts and currency options to hedge increases or decreases in the fair value of the Company's non-USD denominated investments.
Portfolio Liquidity Risk	The Company may be restricted from trading in certain securities in its portfolio for which the Investment Manager has board representation or for contractual, regulatory or other reasons. Stressful market conditions may prevent the Company from having sufficient liquidity to meet its liabilities when due.	Securities subject to restrictions on trading may be sold during open trading windows or pursuant to block trades or automatic trading plans. The Investment Manager actively monitors positions with trading restrictions to identify future selling opportunities. The Company invests primarily in liquid, large-capitalization securities which are readily convertible to cash under normal market conditions. The Investment Manager actively manages the Company's cash and cash equivalents to ensure, as much as possible, that the Company will have sufficient liquidity under both normal and stressful market conditions.
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.	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 arrangements. 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 Investment Manager also reviews credit ratings reports on its counterparties weekly. As appropriate, the Company may purchase credit default swap contracts on the Company's counterparties as a form of credit protection.

Directors

ANNE FARLOW

Independent Director
Chairman of the Board
Chairman of the Nomination Committee

Ms Farlow, a Hong Kong resident, has been an independent Director of the Company since 2014 and is an experienced private equity investment professional and non-executive director. Since 2005, she has been an active investor in and non-executive director of various unlisted companies. 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. 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. Ms Farlow graduated from Cambridge University with a MA in engineering in 1986 and a MEng in chemical engineering in 1987. She obtained an MBA from Harvard Business School in 1991.

RICHARD BATTEY

Independent Director
Chairman of the Audit Committee

Mr Battey, a Guernsey resident, has been an independent Director of the Company since 2012 and also serves as a non-executive director of a number of investment companies and funds, of which Princess Private Equity Holding Limited, Better Capital PCC 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 and is a chartered accountant having qualified with Baker Sutton & Co. in 1977.

Directors

WILLIAM SCOTT

Independent Director
Chairman of the Management Engagement Committee

Mr Scott, a Guernsey resident, has been an independent Director of the Company since 2012. He also currently serves as independent non-executive director of a number of investment companies and funds, of which Worsley Investors Limited and Axiom European Financial Debt Fund Limited are listed on the Premium Segment of the LSE and RTW Venture Fund Limited is listed on the Specialist Fund Segment of the LSE. He is also a director of the Flight and Partners Recovery Fund Limited which is listed on The International Stock Exchange ("TISE") and a number of funds sponsored by Man Group (including Absolute Alpha Fund PCC Limited and MAN AHL Diversified PCC Limited) which are listed on TISE and Euronext Dublin, respectively. Mr Scott worked as senior vice president with FRM Investment Management Limited, now part of Man Group plc, from 2003 to 2004; was a director at Rea Brothers (which became part of the Close Brothers group in 1999) from 1989 to 2002 and was 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 Ernst & Young LLP) in 1987. He also holds the Securities Institute Diploma and is a chartered fellow of the Chartered Institute for Securities & Investment and a chartered wealth manager.

NICHOLAS BOTTA

Chairman of the Risk Committee

Mr Botta, a U.S. resident, has been a Director of the Company since 2012. 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.

Directors

BRONWYN CURTIS, OBE

Senior Independent Director

Ms Curtis, a U.K. resident, has been an independent Director of the Company since April 2018. Ms Curtis is a global financial economist who has held senior executive positions in both the financial and media sectors. She currently serves as a non-executive director of a number of institutions including the U.K. Office of Budget Responsibility, JPMorgan Asia Growth & Income, Mercator Media, BH Macro Limited, Australia-United Kingdom Chamber of Commerce, and Scottish American Investment Co. She has also been a Governor at the London School of Economics. Ms Curtis held several senior positions at HSBC from 2008 to 2012 where she managed the global research operations and portfolio including the economic, fixed income, foreign exchange and equity products. From 1999 to 2006, Ms. Curtis was the Head of European Broadcast at Bloomberg LP, where she was responsible for production and editorial for its 24-hour business and financial news coverage. Prior to joining Bloomberg, she held positions at Nomura International and Deutsche Bank. Ms Curtis graduated from the London School of Economics with a Masters in Economics in 1974.

RICHARD WOHANKA

Independent Director

Chairman of the Remuneration Committee

Mr Wohanka, a U.K. resident, has been an independent Director of the Company since April 2018. He currently serves as a non-executive director of Union Bancaire Privée Japan and Nuclear Liabilities Fund, and is a trustee of the James Neill Pension Fund and the Pension Super Fund and is a principal director of Ransom Group of Companies. He previously served as a non-executive director of Julius Baer International and Old Mutual Global Investors. Mr Wohanka was the Chief Executive Officer at Union Bancaire Privée Asset Management from 2009 to 2012. Prior to that, he was the Chief Executive of Fortis Investments from 2001 to 2009 and Chief Executive of West LB Asset Management from 1998 to 2001. He joined Baring Asset Management in 1996 and became the Chief Executive Officer of the Institutional and Mutual Fund Division in 1997. He worked at Banque Paribas from 1983 to 1996, where he was the Chief Executive of Paribas Asset Management and a Banque Paribas Board Member from 1993 to 1996, and in the Asset Management division from 1990 to 1993. He held various positions in Investment Banking from 1983 to 1990. Mr Wohanka was also employed at European Banking Corporation from 1975 to 1983. He graduated from Cambridge University with a BA in History in 1974 and subsequently studied modern economic history at Harvard University as a Kennedy scholar.

Report of the Directors

We present the Annual Report and Financial Statements of the Company for the year ended December 31, 2019.

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 Guernsey Financial Services Commission ("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 POLICY

The Company's investment objective is to preserve capital and seek maximum, long-term capital appreciation commensurate with reasonable risk. For these purposes, risk is defined as the probability of permanent loss of capital, rather than price volatility.

In its value approach to investing, the Company seeks to invest in long (and occasionally short) investment opportunities that the Investment Manager believes exhibit significant valuation discrepancies between current trading prices and intrinsic business (or net asset) value, often with a catalyst for value recognition.

The Company's investments may include both publicly traded and privately placed securities of public issuers as well as publicly traded securities of private issuers. The Company may make investments in the debt securities of a private company, provided that there is an observable market price for such debt securities.

The Company will not make an initial investment in the equity of companies whose securities are not publicly traded (i.e., private equity) but it is possible that, in limited circumstances, public companies in which the Company has invested may later be taken private and the Company may make additional investments in the equity or debt of those companies.

The Company may invest in long and short positions in equity or debt securities of U.S. and non-U.S. issuers (including securities convertible into equity or debt securities); distressed securities, rights, options and warrants; bonds, notes and equity and debt indices; swaps (including equity, foreign exchange, interest rate, commodity and credit-default swaps), swaptions, and other derivatives; instruments such as futures contracts, foreign currency, forward contracts on stock indices and structured equity or fixed-income products (including without limitation, asset-backed securities, mortgage-backed securities, mezzanine loans, commercial loans, mortgages and bank debt); exchange traded funds and any other financial instruments the Investment Manager believes will achieve the Company's investment objective. The Company may invest in securities sold pursuant to initial public offerings. Investments in options on financial indices may be used to establish or increase long or short positions or to hedge the Company's investments. 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 is not committed to maintaining market hedges at any time.

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.

So long as the Company relies on certain exemptions from investment company status under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), the Company will not purchase more than 3% of the outstanding voting securities of any SEC-registered investment company. The Company will not invest more than 10%, in aggregate, of its total assets in other UK-listed closed-ended investment funds, unless such other closed-ended investment funds themselves have published investment policies to invest no more than 15% of their total assets in other UK-listed closed-ended investment funds. In addition, investments by the Company in, or giving exposure to, the securities of any one issuer may not, in the aggregate, represent more than 25% of the Company's gross assets, measured at the time of making the investment.

The Company generally implements substantially similar investment objectives, policies and strategies as the other investment funds managed by the Investment Manager and its affiliates. Allocation of investment opportunities and rebalancing or internal "cross" transactions are typically made on a pro-rata basis. However, the Investment Manager may abstain from effecting a cross transaction or only effect a partial cross transaction if it determines, in its sole discretion, that a cross transaction, or a portion thereof, is not in the best interests of a fund (for example, because a security or financial instrument is held by such fund in the appropriate ratio relative to its adjusted net asset value, or because a security or financial instrument should be divested, in whole or in part, by the other funds) or as a result of tax, regulatory, risk or other considerations.

The Company may hold its assets in cash, cash equivalents and/or U.S. Treasurys pending the identification of new investment opportunities by the Investment Manager. There is no limit on the amount of the Company's assets that may be held in cash or cash equivalent investments at any time.

The Board has adopted a policy pursuant to which the borrowing ratio of the Company, defined for this purpose as the ratio of the aggregate principal amount of all borrowed money (including margin loans) to total assets (pursuant to the latest annual or half-yearly Financial Statements of the Company), shall in no event exceed 50% at the time of incurrence of any borrowing or drawdown. The Board may amend the Company's borrowing policy from time to time, although the Board may not increase or decrease the Company's maximum borrowing ratio without the prior consent of the Investment Manager. This borrowing policy does not apply to and does not limit the leverage inherent in the use of derivative instruments.

The Company may 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. In addition, the Company may invest in co-investment vehicles which may also employ equity options.

The Company may also use derivatives, such as equity and credit derivatives and put options, to achieve a synthetic short position in a company without exposing the Company to some of the typical risks of short selling, which include the possibility of unlimited losses and the risks associated with maintaining a stock borrow. The Company generally does not use total return swaps to obtain leverage, but rather to manage regulatory, tax, legal or other issues.

Any material change to this Investment Policy will require approval by a special resolution of the holders of the Public Shares.

RESULTS AND NAV

The Company had a gain attributable to all shareholders for the year ended December 31, 2019 of $2.15 billion (2018: loss of $109 million). The net assets attributable to all shareholders at December 31, 2019 were $5.72 billion (2018: $3.83 billion). For the Company's performance returns, please see the Company Performance and Financial Highlights sections on pages 2 and 91, respectively.

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

The Company released interim financial statements on August 15, 2019 relating to the first half of 2019. The Company intends to release interim financial statements for the first half of 2020 in the third quarter.

DISCOUNT TO NAV

The Company's Public Shares continued to trade at a substantial discount to NAV during 2019 despite the Company's extremely strong performance. The Board monitors the trading activity of the Public Shares on a regular basis and pays particular attention to the discount. The Board believes that continued positive investment performance over the next several years will be the most effective action to reduce the discount to NAV at which the Public Shares trade. The Board remains committed to soliciting shareholder feedback regarding the discount and to reviewing the discount management options available to the Company, taking into account the circumstances of the Company's strategy and capital structure.

The Board has taken several actions since 2017 in an effort to increase liquidity and narrow the discount. These include the admission of the Company's Public Shares to trading on the Main Market of the LSE, repurchases of 5,474,173 Public Shares from May 2, 2017 to January 2, 2018, inclusion of the Company's Public Shares in the FTSE 250 and FTSE All-Share indices in June 2017 and in May 2018 the addition of a US Dollar–denominated LSE quotation and the completion of a $300 million Company tender offer for 22,271,714 Public Shares.

At the 2019 Annual General Meeting, shareholders renewed the Company's authority to engage in share repurchases up to a maximum of 14.99% of the Public Shares in issue. In order to take advantage of the discount for the benefit of long-term shareholders of the Company, the Company announced share buyback programs in June, October and December of 2019, each of $100 million and each for up to 6 million of the Company's outstanding Public Shares. The Company repurchased a total of 10,694,069 Public Shares under the June and October buyback programs. As of March 31, 2020, a total of 4,024,675 Public Shares had been repurchased under the December buyback program (representing 73.3% of the buyback program).

The Company intends to propose that shareholders renew its general share buyback authority at the Company's 2020 Annual General Meeting to allow the Company to engage in share buybacks up to a maximum of 14.99% of the Public Shares in issue. If approved by shareholders and depending on market conditions, the Company's available capital and other considerations, the Company may decide to utilize the share buyback authority to make further acquisitions of Public Shares in the market.

On February 13, 2019, the Company announced that it had initiated a quarterly dividend of $0.10 per Public Share.

The Board believes that instituting a quarterly dividend will attract shareholders who prefer or require dividend-paying equities and that expanding the Company's investor base may over time, together with improved performance, assist in narrowing the discount. Please see the "Dividend" section for further details regarding the dividend.

The Board continues to be satisfied that the interests of PSH shareholders and the Investment Manager are closely aligned. Since 2018, members of the PSCM management team and their affiliates have invested over $540 million in shares of PSH. The Board believes these purchases give the Investment Manager a strong incentive to continue to generate positive investment performance, which it believes will increase the Company's share price and reduce the discount to NAV over the long term.

BONDS IN ISSUE

On June 26, 2015, the Company issued at par $1 billion in Senior Notes with a fixed interest rate coupon of 5.5% per annum, paid semi-annually (the "2022 Bonds"). The 2022 Bonds will mature at par on July 15, 2022.

On July 25, 2019, the Company issued at par $400 million in Senior Notes with a fixed interest rate coupon of 4.95% per annum, paid semi-annually (the "2039 Bonds" and together with the 2022 Bonds, "the Bonds"). The 2039 Bonds will mature at par on July 15, 2039. The 2039 Bonds rank equally in right of payment with the 2022 Bonds and contain substantially the same covenants as those governing the 2022 Bonds.

The Bonds are listed on Euronext Dublin.

DIVIDEND

On February 13, 2019, the Company announced that it had initiated a quarterly interim dividend of $0.10 per Public Share. A proportionate quarterly dividend will be paid per Management Share and the Special Voting Share, based on their respective net asset values per share. Dividends will be paid in US Dollars unless a shareholder elects to be paid in GBP. Shareholders may also elect to reinvest cash dividends into Public Shares through a dividend reinvestment program administered by an affiliate of Link Market Services Limited ("Link"), the Company's registrar. Further information regarding the dividend, including the anticipated 2020 dividend payment schedule and how to make these elections, is available at www.pershingsquareholdings.com/psh-dividend-information.

Each dividend is subject to a determination that, after the payment of the dividend, the Company will meet the solvency requirements under Guernsey law and the Company's total indebtedness will be less than one third of the Company's total capital. The Board may determine to modify or cease paying the dividend in the future.

The Company's Investment Management Agreement (the "IMA") has been amended to account for the effect of a dividend on fees paid to the Investment Manager. Further details regarding this amendment are included in Notes 15 and 16.

In the year ended December 31, 2019, the Company paid dividends in the amount of $87,746,208 (2018: $ nil).

DIRECTORS

The present members of the Board, all of whom are non-executive Directors, are listed on pages 24-26. Further information regarding the Board is provided in the Corporate Governance Report.

The Company maintains directors and officer's liability insurance in relation to the actions of the Directors on behalf of the Company. Information regarding Directors' remuneration and ownership in the Company is set out in the Directors' Remuneration Report on pages 35-36.

MATERIAL CONTRACTS

The Company's material contracts are with:

- PSCM, the Investment Manager to the Company. PSCM receives a quarterly management fee and may receive a performance fee from the Company as described more fully in Note 15;
- Elysium Fund Management Limited, the Company's Administrator and Morgan Stanley Fund Services (Cayman) Ltd., the Sub-Administrator. The Administrator provides the Company with administration services, including, among other things, the maintenance of the Company's accounting and statutory records. The Administrator has delegated certain of these services to the Sub-Administrator, including the computation of the Company's NAV.
- Link, the Company's registrar. The Company has also appointed an affiliate of Link to administer the Company's dividend reinvestment program.
- Goldman Sachs & Co. LLC and UBS Securities LLC ("UBS"), the Company's Prime Brokers and custodians. UBS also provides investor relations consulting services to the Company.
- Fidante Capital plc ("Fidante"), a corporate broker for the Company through June 30, 2019.
- Jefferies International Limited ("Jefferies"), a corporate broker for the Company and the Company's buyback agent. Jefferies also served as the adviser for the Company Tender and was the Company's sponsor in connection with the LSE listing.

The Board, and where appropriate the Investment Manager, monitor the performance of these service providers informally throughout the year. In addition, the Investment Manager, the material service providers listed above and certain other providers of professional services to the Company were reviewed formally by the Management Engagement Committee during 2019. For further details of the review conducted by the Management Engagement Committee, please see "Management Engagement Committee" in the Corporate Governance Report.

Although the Board has been pleased with the services of the Company's Administrator and Sub-Administrator, as a result of changes to the operating model of the Company's Sub-Administrator, the Administrator and the Sub-Administrator mutually have agreed to terminate their agreement. The

Company has engaged Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust") to replace both Morgan Stanley Fund Services and Elysium as the Company's new Administrator and, subject to regulatory approval, the transition to Northern Trust will be completed later in the year. The Board believes that combining the roles of Administrator and Sub-Administrator is most efficient and will result in significant cost savings to the Company.

Fidante ceased to provide corporate brokerage services to the Company as of June 30, 2019. After consideration of proposals by several replacement candidates, the Company engaged UBS to assist with the Company's global marketing effort in lieu of appointing a second corporate broker.

The Board has reviewed the recommendations of the Management Engagement Committee with respect to the engagement of the Investment Manager and the Company's other material service providers above and agrees with the Committee's conclusions. In the opinion of the Board, the continued appointment of the Investment Manager and the other material service providers is in the interests of the Company's shareholders as a whole. The Board will continue to monitor the performance of the Company and the Investment Manager closely and will take further action as appropriate.

ENVIRONMENTAL, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES

As an investment company without employees or physical operations, the Company does not directly engage in any activities that impact the environment or the community. The Investment Manager is nevertheless committed to promoting strong ESG practices as part of the Company's investment approach and intends to publish a statement on its ESG investing principles in 2020.

SECTION 172(1) STATEMENT

The Directors have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to its stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006, in the decisions taken during the year ended December 31, 2019 as described in this Report of the Directors.

The following are some examples of how the Directors have discharged their section 172 duties:

- The Board has identified shareholders as key stakeholders and actively sought to engage with them. As a closed-ended investment company, PSH has no employees or operations, and its shareholders are both customers and investors. The Board's approach to engagement with its stakeholders is discussed further in "Relations with Shareholders".
- As discussed in the Chairman's Statement, the Board has considered the long-term consequences to the Company and its stakeholders of each major corporate action in 2019, including the issuance of the 2039 Bonds and the initiation of the dividend and further share repurchases.
- Although the Company does not directly engage in any activities that impact the environment or the community, the Board has also considered the role of the Company's investment activities on the community and the environment and intends to publish an ESG statement with the Investment Manager in 2020.

Further details regarding the processes by which the Board has considered the requirements of 172(1) in its decision-making are included in "The Board's Processes" in the Corporate Governance Report.

RELATIONS WITH SHAREHOLDERS

As the Company's shareholders are also its customers, the Board recognizes the importance of soliciting shareholder feedback to understand shareholders' issues and address their concerns regarding the Company. The Chairman met with shareholders representing over 40% of the Public Shares in 2019. The Chairman and other Directors intend to continue to attend meetings with shareholders as their schedules permit.

The Board regularly assesses the nature and quality of its and the Investment Manager's engagement with shareholders. To ensure the Board remains apprised of shareholder requests and feedback for the Board, the Board and the Investment

Manager have adopted procedures governing interactions with shareholders. In addition, Company announcements, other than routine or portfolio-related announcements, are generally approved by the Chairman and the Senior Independent Director prior to their release. The Board receives quarterly updates from the Investment Manager regarding investor contact during the quarter, which include, among other items, a summary of common discussion topics, selected meeting highlights, and metrics regarding the number, type, location and investment timeframe of shareholders contacted.

To understand the views of the Company's key stakeholders and assist the Board in taking into consideration shareholder interests in Board discussions and decision-making, 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, a representative of the investor relations team is present for the substantial majority of board discussions regarding key decisions to be made by the Board.

The Board notes that during the course of 2019, the Investment Manager communicated with holders of a majority of the Company's Public Shares representing a variety of regions, types and investment strategies, including a number of the Company's largest shareholders.

Jefferies and Fidante acted as corporate brokers to the Company during 2019 to support communications with shareholders and advise the Company on shareholder sentiment. Investor feedback from meetings conducted by these advisers is reported to the Board on a regular basis. The Company ended its relationship with Fidante as of June 30, 2019.

Each year, shareholders have the opportunity to meet the Directors at the Company's investor meeting in London and at the Annual General Meeting. The Company also held a meeting in New York in February 2020 for existing investors. 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.

GOING CONCERN

The Company's investment activities, together with factors likely to affect its future development, performance and position are set out in Principal Risks and Uncertainties on pages 20 to 23 and Note 13.

The Board has considered the financial prospects of the Company for the next twelve months from the date of approval of the Financial Statements and made an assessment of the Company's ability to continue as a going concern. 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, 2019 of $5,720,645,822;
- The liquidity of the Company's assets (at December 31, 2019, 96.5% of its assets comprised of cash and cash equivalents and Level 1 assets); and
- The Company's total indebtedness to total capital ratio of 19.7% at December 31, 2019.

After making reasonable enquiries, and assessing all data relating to the Company's liquidity, particularly its cash holdings 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 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 Principle 33 of the Association of Investment Companies ("AIC") Code, the Board has carefully considered the principal and emerging risks set out in Principal Risks and Uncertainties 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 also incorporated into its assessment the market risks caused by the coronavirus.

The Board has also evaluated the sustainability of the Company's business model, taking into account its investment objective, sources of capital and strategy. The Board believes that the Company's closed-ended structure and Investment Policy position it to invest over the long-term and provide the Company the flexibility to meet its investment objective in a variety of market conditions. In particular, the Board notes the Investment Manager's success at managing the effects of severe market disruptions due to the coronavirus on the Company in the first quarter of 2020.

The Board has also evaluated quantitative data as of December 31, 2019 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 (if any) for the next three years. The Board believes that a three-year timeframe is appropriate given the general business conditions affecting PSH's portfolio positions and the regulatory environment in which PSH operates, which is undergoing constant change. 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.

On the basis of these projections, and the considerations described above, the Board has determined that the Company will remain viable for the upcoming three-year period. This assessment is conducted annually by the Board.

KEY INFORMATION DOCUMENT

The Company has prepared a standardized Key Information Document ("KID") conforming to the requirements of the EU Packaged Retail and Insurance-Based Investment Products Regulation. The KID is updated at least annually and is available at www.pershingsquareholdings.com/company-documents.

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 judgements 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 to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008, Protection of Investors (Bailiwick of Guernsey) Law, 1987, the listing requirements of Euronext Amsterdam and the UK Listing Authority, the Company's governing documents and applicable regulations under English and Dutch law. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors confirms to the best of her or his knowledge and belief that:

- the Financial Statements, prepared in accordance with the International Financial Reporting Standards ("IFRS"), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties faced.

The Directors further 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 position and performance, business model and strategy.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each of the Directors is aware, there is no information relevant to the audit of which the Company's auditor is unaware, and each has taken all 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 auditor is aware of that information.

By order of the Board.

/s/ Anne Farlow	/s/ Richard Battey
Anne Farlow Chairman of the Board	Richard Battey Chairman of the Audit Committee
April 6, 2020	April 6, 2020

Directors' Remuneration Report

The Board aims to compensate the Directors in a manner that promotes the strategy and long-term success of the Company and has formed a Remuneration Committee to ensure that the Company maintains fair and appropriate remuneration policies and controls. The Remuneration Committee has been delegated responsibility for determining the remuneration of the Chairman and recommending remuneration for the non-executive Directors of the Company.

The Remuneration Committee consists of the independent Directors of the Company who are not affiliated with the Investment Manager. Mr Wohanka is the Chairman of the Remuneration Committee. The Committee is encouraged to exercise independent judgment when considering the remuneration of each Director.

The Directors, other than Mr Botta, are all independent non-executive Directors. The Directors are the only officers of the Company. Each Director has executed an appointment letter setting forth his or her responsibilities. Copies of the Directors' letters of appointment are available upon request from the Company Secretary and will be available for inspection at the Annual General Meeting.

DIRECTOR REMUNERATION POLICY

The Directors shall be paid such remuneration for their services as determined by the Board, save that, unless otherwise approved by ordinary resolution, each Director's remuneration shall not exceed £150,000 per annum, the limit set in the Company's Articles of Incorporation. All of the Directors are entitled to be reimbursed for all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. At the recommendation of the Remuneration Committee, the Board has adopted a travel and expense policy to ensure that business expenditures are made appropriately and are cost-effective.

The Committee, in making its recommendations, will take into account the Company's and each Director's performance, the time commitments and responsibilities of the Directors, the level of skill and experience of each Director, overall market conditions, remuneration paid by companies of similar size and complexity and any other factors the Committee determines are relevant. The Committee may recommend that additional remuneration may be paid, from time to time, on a time spent basis to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company. The Committee's review may not result in any changes to previous recommendations to the Board.

Only Directors unaffiliated with the Investment Manager will receive fees for their services. Directors are not eligible for bonuses, share options or long-term incentive schemes or other performance-related benefits. No Director will be involved in deciding their own remuneration.

The Company has undertaken, subject to certain limitations, to indemnify each Director out of the assets and profits of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities arising out of any claims made against them in connection with the performance of their duties as a Director of the Company.

All Directors are required to submit themselves to annual re-election by shareholders at each annual general meeting in accordance with the Articles of Incorporation of the Company. On termination of the appointment, Directors shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date. The Company does not pay any remuneration to the Directors for loss of office.

ANNUAL REPORT ON REMUNERATION

Service Contracts Obligations and Payment on Loss of Office

No Director has a service contract with the Company and, as such, no Director is entitled to compensation payments upon termination of their appointment or loss of office.

Total Remuneration Paid to Each Director

The Remuneration Committee collected and reviewed peer remuneration data in lieu of appointing an external consultant to consider the Directors' remuneration for 2019. Following its evaluation, the Committee determined that the remuneration paid to the Directors for the year ended December 31, 2019 was appropriate and did not change the fees to be paid in 2020. Ms Farlow and Mr Battey were paid higher fees to reflect the additional responsibilities required of the Chairman of the Board and of the Audit Committee. Mr Botta does not receive a fee for his services as a Director.

The total remuneration of the Directors for the year ended December 31, 2019 was:

	2019	2018
Anne Farlow	£75,000	£75,000
Richard Battey	£55,000	£55,000
Nicholas Botta	–	–
Bronwyn Curtis[1]	£50,000	£34,341
Jonathan Kestenbaum[2]	N/A	£5,972
William Scott	£50,000	£50,000
Richard Wohanka[1]	£50,000	£34,341

[1] Appointed April 24, 2018
[2] Retired in February 2018

All of the above remuneration relates to fixed annual fees. There are no pension arrangements in place for the Directors of the Company. Accordingly, there were no other items in the nature of remuneration, pension entitlements or incentive scheme arrangements which were paid or accrued to the Directors during the year.

Directors' Shareholdings in the Company

Directors are not required under the Company's Articles of Incorporation or letters of appointment to hold shares in the Company. At December 31, 2019, the Directors' interests in the Company were as follows:

	Class of Shares Held	Number of Shares
Richard Battey	Public Shares	4,000
Nicholas Botta	Management Shares	1,726,083
Bronwyn Curtis	N/A	–
Anne Farlow	Public Shares	10,139
William Scott	Public Shares	20,000
Richard Wohanka	Public Shares	16,304

During the year ended December 31, 2019, William Scott purchased 10,000 Public Shares and Richard Wohanka purchased 16,304 Public Shares. There have been no changes in the interests of the Directors between December 31, 2019 and the date of signing this report.

Corporate Governance Report

The Company is a member of the AIC and reports against the AIC Code of Corporate Governance published in February 2019 (the "AIC Code"). The AIC Code provides a framework of corporate governance best practices for investment companies.

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"). By reason of the premium listing of the Public Shares on the LSE, the Company is also required by the Listing Rules to report on how it has applied the UK Corporate Governance Code (the "UK Code"). The Company is deemed to meet its reporting obligations under the Guernsey Code and the UK Code by reporting against the AIC Code. The AIC Code addresses all of the principles set out in the Guernsey Code and closely reflects the UK Code. In addition, the AIC Code contains additional principles and recommendations on issues that are of specific relevance to investment companies. Accordingly, the Board believes that applying the AIC Code provides the appropriate corporate governance framework for the Company and reporting for its shareholders.

The AIC Code is available on the AIC's website, www. theaic.co.uk. The UK Code is available on the UK Financial Reporting Council's website, www.frc.org.uk.

The Company's compliance with the AIC Code is explained in this Corporate Governance Report, the Report of the Directors, the Directors Remuneration Report and the Report of the Audit Committee. Except as set forth in the Report of the Audit Committee, the Company has complied with the principles and recommendations of the AIC Code and the relevant provisions of the UK Code.

The Board strongly believes that its focus on maintaining high standards of corporate governance contributes to the Company's success, as described throughout this report and the reports of its committees. The Board is also pleased to report the following enhancements to the Company's corporate governance:

- The Board has adopted terms of reference setting forth its principal responsibilities, which are available on the Company's website.
- The Board has established a Risk Committee and has appointed Mr Botta as its Chairman. The Risk Committee will have its first meeting in July 2020.
- The Board has adopted procedures for the coordination of shareholder interactions with the Investment Manager.
- The Board has adopted a process for approving, and has limits on, additional directorship roles for Directors.
- The Board adopted a diversity policy, which is described in "Diversity" below.

THE BOARD COMPOSITION AND DELEGATION OF FUNCTIONS AND ACTIVITIES

The Board consists of six non-executive Directors, five 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 and Ms Curtis serve as Chairman and Senior Independent Director of the Board, respectively.

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 comprising the Company's portfolio to the Investment Manager, which is not required to, and generally will not, submit individual investment decisions for the approval of the Board. In each case where the Board has delegated certain functions to an external party, the delegation has been clearly documented in contractual arrangements between the Company and the external party. The Board retains accountability for the various functions it delegates. Further information is provided in the Report of the Audit Committee.

COMPANY CULTURE

While the Company does not have employees, the Board and the Investment Manager believe that it is important to the Company's success to promote a culture of high ethical and professional values, risk management and investment in people, control processes and systems. The Company has adopted an investment policy, which describes the Company's investment objective, the instruments in which the Company may invest and the types of opportunities the Investment Manager seeks on the Company's behalf. Risk management is integrated into the Investment Manager's investment process and operations. The Investment Manager creates strong operational systems by maintaining a robust compliance function, continually seeking to enhance its infrastructure and controls and incentivizing personnel to collaborate and act with professional integrity.

The Board periodically receives reports on the Investment Manager's culture and informally is exposed to the Investment Manager's culture through its close contact with the Investment Manager's management team and support personnel. The Board has been pleased by the Investment Manager's focus on creating a culture that will contribute to the success of the Company.

DIVERSITY

The Board recognizes that Board diversity contributes to the success of the Company by enhancing the Board's effectiveness through good corporate governance. Furthermore, in accordance with the AIC Code, the Board believes that Board diversity is an important component of a Board that reflects the balance of skills, experience, independence, opinions and knowledge appropriate for the Company.

The Board is committed to appointing the best possible applicant for any open Board positions, taking into account the composition and needs of the Board at the time of the appointment. Subject to the foregoing, it is the intention of the Board that Board members include Directors of different backgrounds, races and genders with different skills, knowledge and experience.

The Nomination Committee will be responsible for recommending the appointment of new Directors to the Board.

When evaluating candidates, the Nomination Committee will give full consideration to the skills, experience, knowledge, background, gender and race of each candidate in the context of the composition of the current Board (including the benefits of diversity), the challenges and opportunities facing the Company and the balance of skills, knowledge and experience needed for the Board to be effective in the future. All candidates are considered on their merits. Where appropriate, the Nomination Committee may retain external search consultants to assist in securing a diverse pool of candidates for open Board positions.

The Board currently comprises two female and four male Directors. The Nomination Committee and the Board will consider the gender diversity of the Board, along with all other relevant factors described above, when considering future Board appointments. The Board acknowledges the 33% target set by the Hampton-Alexander Review for female representation on boards of FTSE 350 companies and intends to maintain such representation to the extent consistent with its aim that the Board reflects the balance of skills, experience, length of service and knowledge appropriate for the Company.

BOARD TENURE AND SUCCESSION PLANNING

All Directors are required to submit themselves to annual re-election by shareholders at each annual general meeting and any Director appointed in accordance with the Articles of Incorporation will hold office only until the next following annual general meeting, and will then stand for re-election. In accordance with the AIC Code, if and when any Director, including the Chairman, has been in office (or upon re-election would at the end of that term, be in office) for more than nine years, the Board will consider whether there is a risk that such Director might reasonably be deemed to have lost independence through such long service. The Board believes that this policy will provide for its regular refreshment while allowing it the flexibility to maintain the proper balance of skills, experience and independence that will contribute to the Company's success.

Two new Directors, Ms Curtis and Mr Wohanka, were appointed by shareholders in 2018, which materially broadened the Board's capabilities and refreshed its membership. Due to his commitments to other directorships, Mr Scott, who has been a Director since 2012, has determined not to offer himself for re-election at the 2020 Annual General Meeting and the Nomination Committee has commenced a search process for his replacement. In accordance with the tenure policy of the Board, the Nomination Committee has also reviewed the tenure of Mr Battey, who has served as a Director of the Company for eight years. While the Board strongly believes Mr Battey continues to be an independent and valuable member of the Board, the Board and the Nomination Committee are planning for his succession. Further details regarding the search for Mr Scott's replacement and the succession planning undertaken by the Nomination Committee are provided under "Nomination Committee" below.

THE BOARD'S PROCESSES

The content and culture of Board meetings are a critical means by which the Board's governance contributes to the Company's success. The Board meets regularly throughout the year, at least on a quarterly basis. Board meetings prioritize open discussion and debate. The Board's decision-making actively considers the likely consequences of any decision in the long term, reputational risks to the Company and the need to consider the interests of shareholders' as a whole.

The Chairman maintains regular contact with the Investment Manager to identify information that should be provided to the Directors and invites Director comments on meeting agendas. At the beginning of every Board meeting, Directors disclose their potential conflicts, including ownership in the Company, interests in the business to be transacted at the meeting, and potential appointments to other public companies. The Chairman is actively involved in all aspects of Board decision-making, seeks input from other Directors and encourages their participation in matters involving their expertise. Minutes of meetings reflect any Director's concerns voiced at Board meetings.

At each quarterly Board meeting, the Directors review the Company's investments, key operational 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. Emerging risks in each of these categories are also considered. The Board reviews the Company's expenses semi-annually and conducts an annual risk assessment. The Risk Committee will perform the annual risk assessment for 2020.

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 Board may also request focused reports to review the Investment Manager's controls in certain operational areas, such as information security, regulatory compliance or media relations and may request enhanced operational controls as appropriate. In between meetings the Board maintains regular contact with the Investment Manager, the Company Secretary and the Administrator and is informed in a timely manner of investments and other matters relevant to the operation of the Company that would be expected to be brought to the Board's attention.

An induction program, including training and information about the Company and the Investment Manager is provided to Directors upon their election or appointment to the Board. Each Director is encouraged to consider their own training needs on an ongoing basis and the Chairman also assesses the individual training requirements of each Director. Directors, where necessary in the furtherance of their duties, also have access to independent professional advice at the Company's expense.

BOARD ATTENDANCE

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 Board meetings attended by each Director in the year ended December 31, 2019:

	Scheduled Quarterly Board Meetings (attended/eligible)	Ad-hoc Board and Subcommittee Meetings (attended/eligible)
Anne Farlow	4/4	12/12
Richard Battey	4/4	13/13
Nicholas Botta[1]	4/4	4/4
Bronwyn Curtis	4/4	10/10
William Scott	4/4	10/10
Richard Wohanka	4/4	9/9

[1] Mr Botta does not attend meetings as a Director where such attendance may conflict with his interests as President and a partner of the Investment Manager.

The Board meets formally four times a year. Ad-hoc Board meetings may be convened at short notice to discuss time-sensitive matters arising in between scheduled meetings and require a minimum quorum of two Directors.

COMMITTEES OF THE BOARD

The Board has established an Audit Committee, a Management Engagement Committee, a Nomination Committee and a Remuneration Committee. Each Committee's members are the independent Directors of the Company who are not affiliated with the Investment Manager.

Audit Committee

Further details as to the composition and role of the Audit Committee are provided in the Report of the Audit Committee.

Remuneration Committee

The Remuneration Committee reviews the remuneration of the Company's chairman and non-executive Directors and seeks to ensure that the Company maintains fair and appropriate remuneration policies and controls. Mr Wohanka is the Chairman of the Remuneration Committee. Further details regarding the Directors' remuneration are provided in the Directors' Remuneration Report.

	Remuneration Committee Meetings (attended/eligible)
Anne Farlow	2/2
Richard Battey	2/2
Bronwyn Curtis	2/2
William Scott	2/2
Richard Wohanka	2/2

The written terms of reference of the Remuneration Committee are available on the Company's website or, on request, from the Company Secretary.

Management Engagement Committee

The Management Engagement Committee reviews the performance of the Investment Manager in the management of the Company's affairs and the terms of engagement and performance of the Company's other key service providers, and then reports and makes recommendations to the full Board. Mr Scott is the Chairman of the Management Engagement Committee.

	Management Engagement Committee Meetings (attended/eligible)
Anne Farlow	3/3
Richard Battey	3/3
Bronwyn Curtis	3/3
William Scott	3/3
Richard Wohanka	3/3

The written terms of reference of the Management Engagement Committee are available on the Company's website or, on request, from the Company Secretary.

The Management Engagement Committee held three meetings in 2019 to monitor the performance of the Company's key service providers, particularly the Investment Manager and the Administrator. The Committee's review of the Investment Manager included a discussion of, among other items, the Company's short and long-term investment performance, share price and discount to NAV at which Public Shares trade, the Company's portfolio and shareholder sentiment. The Committee noted that while performance stabilized in 2018 and was superior to competitors and market indices in 2019, a prolonged period of strong performance would likely be required to significantly narrow the discount and improve investor satisfaction.

Accordingly, the Committee recommended that the Board continues to engage PSCM as the Investment Manager while monitoring performance closely.

Fees paid to the Investment Manager were also separately reviewed by the Board. The Board found the management and performance fees to be generally comparable to those of other US-based activist managers. The Board and the Management Engagement Committee believe that competitive remuneration is critical to the Investment Manager's ability to recruit and retain the personnel who contribute to the long-term success of the Company. In addition to fees paid by the Company, the Investment Manager has taken separate steps, such as the implementation of a long-term equity program, to retain key personnel.

The Committee also reviewed the performance of and fees paid to the Company's other key service providers and made certain recommendations to the Board and the Investment Manager.

Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, succession planning for Director departures and identifying and nominating suitable candidates to fill vacancies, taking into account the challenges and opportunities facing the Company and the skills, knowledge and experience needed on the Board. The Nomination Committee, of which Ms Farlow is the Chairman, reports its recommendations to the full Board. In the event the Nomination Committee is considering the matter of the succession to the chairmanship of the Board, another member of the Committee will preside as Committee Chairman.

	Nomination Committee Meetings (attended/eligible)
Anne Farlow	1/1
Richard Battey	1/1
Bronwyn Curtis	1/1
William Scott	1/1
Richard Wohanka	1/1

The written terms of reference of the Nomination Committee are available on the Company's website or, on request, from the Company Secretary.

The Nomination Committee has commenced a search process for candidates to replace Mr Scott, who has determined not to offer himself for re-election at the 2020 Annual General Meeting. The Committee will explore a variety of avenues for identifying suitable candidates and will give full consideration to the challenges and opportunities facing the Company, the skills, knowledge, experience, background and gender of each candidate in the context of the Board's composition and the expertise needed on the Board in the future.

The Nomination Committee reviewed each Director's current directorships and determined the number of points each position would be assigned under proxy advisers' guidelines regarding overboarding. The Committee agreed that the Directors' had ably demonstrated that they had sufficient time to meet their responsibilities to the Company and that their other commitments did not create any conflicts of interest. To ensure that Directors continue to have sufficient time to be effective contributors to the Company, Directors are limited in the number and type of directorship appointments they may hold in accordance with overboarding guidelines and will seek the approval of the Board prior to accepting new appointments. In considering whether to grant approval, the Board will assess any impact the appointment may have on the time the Director is able to devote to the Company, any impact on the Director's independence and relevant guidelines on overboarding. Three appointments were approved by the Board in 2019 in accordance with these considerations.

The Nomination Committee also considered the average tenure of the Directors and each Director's individual tenure. The Committee noted that the addition of Ms Curtis and Mr Wohanka to the Board had lowered the average tenure of the Board and that the selection process had been efficient and effective. While the replacement of Mr Scott with a new Director will further lower the Board's average tenure, the Committee agrees that, in consideration of Mr Battey's eight-year tenure as a Director, the current search process also presents the opportunity to appoint a successor to Mr Scott who can participate in an audit cycle as an Audit Committee member before replacing Mr Battey as Chairman of the Audit Committee.

Risk Committee

A Risk Committee consisting of all the Directors of the Company was established by the Board on February 11, 2020. Mr Botta is the Chairman of the Risk Committee. The Risk Committee will be responsible for reviewing emerging risks to the Company and will conduct an annual business risk assessment.

The Risk Committee will meet semi-annually and will hold its first meeting in July 2020. The written terms of reference of the Risk Committee will be available on the Company's website or, on request, from the Company Secretary, after the first meeting of the committee.

COMMITTEES OF THE INVESTMENT MANAGER

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

BOARD PERFORMANCE

The performance of the Board and that of each individual Director is evaluated annually.

Peer assessments were completed by each Director in early 2019 and the Chairman discussed matters related to individual performance individually with each Director. The Senior Independent Director conducted a full review of the Chairman's performance with the other non-executive Directors.

The Board engaged SCT Consultants as an independent external adviser to facilitate the evaluation of its 2019 performance. The external adviser assessed the effectiveness of the Board on key indicators of performance, including the Board's composition and diversity, understanding of its role and Company strategy, risk management, succession planning, stakeholder engagement and culture. The assessment was conducted by a review of key Board documents, a series of interviews with Board members, the Company Secretary and Investment Manager personnel, a questionnaire survey of Board members and the Company Secretary and an observation of a quarterly Board meeting.

The Board evaluation noted, among other strengths, that the Board was well-chaired and worked constructively as a team, was skillful at identifying risks and working with the Investment Manager and had meaningfully added to its expertise and governance structure in recent years. No material weaknesses in Board performance were identified in the assessment. The Board has considered the findings of the evaluation and has concluded that it operated effectively in 2019. The Board intends to use the report's recommendations to build on its existing strengths in the coming year.

/s/ Anne Farlow

Anne Farlow
Chairman of the Board
April 6, 2020

Report of the Audit Committee

The Audit Committee 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. In consideration of Mr Battey's service on the audit committees of several investment companies and the experience of the other Audit Committee members in the financial sector, the Board has determined that the Audit Committee members have the relevant experience to successfully perform the duties of the 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 following table details the number of formal meetings attended by each Director in the year ended December 31, 2019:

	Audit Committee Meetings (attended/eligible)
Anne Farlow	5/5
Richard Battey	5/5
Bronwyn Curtis	5/5
William Scott	5/5
Richard Wohanka	5/5

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 Secretary.

The Audit Committee considers the appointment, independence and remuneration of the auditor and reviews the annual accounts and half-yearly reports. Where non-audit services are to be provided by the auditor, the Audit Committee reviews the scope and terms of the engagement and considers the financial and other implications of the engagement on the independence of the auditor.

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, and reviewing and reporting to the Board on significant financial reporting issues and judgements communicated to the Committee by the auditor. 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 judgements, taking into account the views of the external auditor;
- 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, Principal Risks and Uncertainties, Report of the Directors, Directors' Remuneration Report 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.

PREPARATION OF FINANCIAL STATEMENTS

As part of the December 31, 2019 audit, prior to 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 auditor had a meeting in November 2019 to discuss the overall cohesion and understandability of the Annual Report, Financial Statements and the auditor's audit plan. The Chairman of the Board and the Chairman of the Audit Committee were in regular contact with the Investment Manager, Administrator and auditor throughout the process. From this contact, the Audit Committee was able to consider the processes of the Investment Manager and the Administrator in relation to the production of the Financial Statements and obtain comfort regarding the operation and suitability of these processes.

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 auditor's knowledge to determine the overall fairness, balance and understandability of the Annual Report and Financial Statements 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.

SIGNIFICANT REPORTING MATTERS

The Audit Committee reviewed and discussed the most relevant audit issues for the Company and received a report from the auditor. The Audit Committee made the following assessments during the year:

The Audit Committee has confirmed that 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 an independent third-party pricing service/valuation agent for Level 2 and/or Level 3 investments. The independent third-party pricing service/valuation agent utilizes proprietary models to determine fair value. The Audit Committee also reviewed the auditor's assessment of the appropriateness of the valuation process and methodology. The Audit Committee has satisfied itself that the valuation techniques are accurate and appropriate for the Company's investments and are consistent with the requirements of IFRS.

The Audit Committee reviewed the completeness and accuracy of the disclosures in the Annual Report and Financial Statements, in particular the updates made to address changes in the AIC Code, and confirmed that the disclosures were appropriate.

The Audit Committee reviewed the Board's procedures regarding the identification, management, and monitoring of risks that could affect the Company. The Audit Committee is satisfied that the Board is engaged on an ongoing basis in the process of identifying, evaluating and managing (where possible) the principal risks facing the Company as described in Principal Risks and Uncertainties on pages 20-23. The Audit Committee also has access to personnel of the Investment Manager responsible for implementing and maintaining controls to address these risks.

The Audit Committee continues to monitor the review by the Board of the Company's compliance with applicable regulations, listing requirements and corporate governance standards.

Members of the Audit Committee met with the auditor a number of times during the audit process and, after considering the audit process and various discussions with the auditor, 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 assessing its effectiveness at 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, 2019, and up to the date of the approval of the Annual Report and Financial Statements. This is done in accordance with relevant best practices detailed in the Financial Reporting Council's guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

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, and where appropriate the Investment Manager, 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.

AUDITOR

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

- Consider and make recommendations to the Board in respect of the Company's external auditor that are to be approved by shareholders at the Annual General Meeting;
- Discuss and agree with the external auditor 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 auditor; and
- Review the external auditor's letter of engagement, audit plan and management letter.

Ernst & Young LLP has been appointed to provide audit services to the Company and has acted as the Company's auditor since it was 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 auditor will be proposed at the 2020 Annual General Meeting. In recognition of the auditor's long tenure, the Audit Committee intends to put the audit services contract out to tender no later than for the period ending December 31, 2022.

The Audit Committee reviewed the scope of the audit and the fee proposal set out by the auditor in its audit planning report and discussed these with the auditor at the Audit Committee meeting held on November 5, 2019. The Investment Manager regularly undertakes market surveys of auditors' fees and has found those of the auditor to be in line with the market. The Audit Committee recommended to the Board that it accept the auditor's proposed fee of $177,531 (2018 Actual: $164,122) for the audit of the Annual Report and Financial Statements.

The table below summarizes the amounts expensed for non-audit services during the years ended December 31, 2019 and December 31, 2018.

	Year Ended 2019		Year Ended 2018	
Interim Review	$	55,354	$	54,782
Tax Services		57,563		50,458
Other Services		–		13,784
Total Non-Audit fees	$	112,917	$	119,024

The Audit Committee understands the importance of auditor independence. Each year, the Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditor. As part of this review, the Audit Committee receives a report from the external auditor confirming its independence and the controls it has in place to ensure its independence is not compromised.

In addition, any engagement of the auditor to provide non-audit services to the Company must receive the prior approval of the Audit Committee. In considering whether to approve such engagement, the Audit Committee will assess (i) the nature of the non-audit service and whether the auditor is the most appropriate party to provide such service; (ii) the proposed fee for the service and whether it is reasonable; (iii) whether the engagement will constitute a threat to the objectivity and independence of the conduct of the audit. The Audit Committee may take into account the expertise of the auditor, the potential time and cost savings to the Company and any other factors it believes relevant to its determination.

Because of the auditor's experience with the Company and expertise in the matters for which it was engaged, the Audit Committee believes that the auditor has been able to perform the non-audit services more efficiently than another accounting firm, resulting in substantial time and cost savings to the Company. The Audit Committee has reviewed the fees paid for the non-audit services. The Audit Committee does not consider the fees to be excessive or a threat to the objectivity and independence of the conduct of the audit and considers Ernst & Young LLP to be independent of the Company.

To fulfill its responsibility regarding the independence of the external auditor, the Audit Committee considers:

- discussions with or reports from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the nature of non-audit services provided by the external auditor.

To assess the effectiveness of the external auditor, the Audit Committee reviews:

- the external auditor's fulfillment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit; and
- feedback from other service providers evaluating the performance of the audit team.

The Audit Committee is satisfied with Ernst & Young LLP's effectiveness and independence as external auditor having considered the degree of diligence and professional skepticism demonstrated by them and has also considered the Financial Reporting Council's Audit Quality Review of Ernst & Young LLP's previous audit work.

Having carried out the review described above, and having satisfied itself that the external auditor remains independent and effective, the Audit Committee has recommended to the Board that Ernst & Young LLP be reappointed as external auditor for the year ending December 31, 2020.

Shareholders should note that the primary framework for the Company's audit is International Standards on Auditing (UK); the auditor's report thereunder is set out on pages 47-51. The Annual Report also includes on page 52 a report from the auditor to the Directors in accordance with U.S. Generally Accepted Auditing Standards in order to satisfy various U.S. regulatory requirements.

/s/ Richard Battey
Richard Battey
Chairman of the Audit Committee
April 6, 2020

Report of Independent Auditor

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

Opinion

We have audited the Financial Statements of Pershing Square Holdings, Ltd. (the "Company") for the year ended 31 December 2019 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Management Shareholders, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS").

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its gain for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008 ("the Companies Law").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements, including the UK FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions Relating to Principal Risks, Going Concern and Viability Statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report, set out on pages 20-23, that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 20, 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 directors' statements on pages 32 and 60 in the annual report 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;
- whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 33, 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.

Overview of Our Audit Approach

Key Audit Matters	Misstatement of the valuation of the Company's investments
Audit Scope	We performed an audit of the Financial Statements of the Company for the year ended 31 December 2019
Materiality	Overall materiality of $55.7m which represents 1% of net assets.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of the valuation of the Company's investments (2019 – assets: $5,865.2 million and liabilities: $7.6 million; 2018 – assets: $4,537.0 million and liabilities: $144.7 million) Refer to the Audit Committee Report (pages 43-46); Accounting policies (pages 60-64); and Note 7 of the Financial Statements (pages 67-70) The fair value of the investment portfolio may be misstated due to application of inappropriate methodologies or inputs to the valuations. The valuation of the Company's investments is a key driver of the Company's net asset value and total return. Investment valuation could have a significant impact on the net asset value of the Company and the total return generated for shareholders. There has been no change in this risk from the previous year.	We have updated our understanding of the investment valuation process, performed a walkthrough of the investment valuation class of transactions and evaluated the design of controls in this area. Assessed the reasonableness and appropriateness of the valuation model/method, comparing these to our understanding of market practices and determined whether significant assumptions used to estimate fair value are reasonable and appropriately supported. For forwards and swaps, we instructed our internal valuation specialists to assist the audit team by independently valuing all positions. We compared their values to the Company's valuations, assessing differences with reference to our Reporting Threshold. Obtained values for all remaining investments from independent sources and compared these to the client proposed values assessing differences with reference to our Reporting Threshold. Assessed whether the valuation determined is in accordance with IFRS by comparing the valuation methodology to the requirements of IFRS 13.	No significant findings were identified in respect of investment valuation.

An Overview of 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 for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

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 audit opinion.

Materiality

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 $55.7 million (2018: $37.5 million), which is 1% (2018: 1%) of net assets. We believe that net assets provides us with the best measure of materiality as 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 updated its calculation to align with the year-end net assets figure.

Performance Materiality

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 judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely $41.8 million (2018: $28.1 million). 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. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the Financial Statements did not exceed our materiality level.

Reporting Threshold

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 uncorrected audit differences in excess of $2.8 million (2018: $1.9 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other Information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable, set out on page 34—the statement given by the directors that they consider the 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, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting, set out on pages 43-46—the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code, set out on page 37—the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, set out on pages 33-34, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of Report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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.

/s/ Christopher James Matthews
Christopher James Matthews, FCA
For and on behalf of Ernst & Young LLP Guernsey
April 6, 2020

(1) The maintenance and integrity of the Pershing Square Holdings, Ltd website is the responsibility of the directors; the work carried out by the auditor 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, 2019, 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, 2019, 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
April 6, 2020

Audited Financial Statements

STATEMENT OF FINANCIAL POSITION

As of December 31, 2019 and December 31, 2018
(Stated in United States Dollars)

	Notes		2019		2018
Assets					
Cash and cash equivalents	10	$	1,222,846,586	$	201,246,176
Due from brokers	13		114,975,502		361,646,991
Trade and other receivables	9		7,124,045		6,770,263
Financial assets at fair value through profit or loss					
Investments in securities	6		5,734,336,025		4,475,040,071
Derivative financial instruments	6, 8		130,860,803		61,913,945
Total Assets		**$**	**7,210,142,961**	**$**	**5,106,617,446**
Liabilities					
Due to brokers	13	$	–	$	67,510,000
Due to Pershing Square, L.P.	16		–		24,783,576
Due to Pershing Square International, Ltd.	16		–		18,145,672
Trade and other payables	9		45,497,324		1,107,053
Deferred tax expense payable	19		13,508,846		–
Financial liabilities at fair value through profit or loss					
Derivative financial instruments	6, 8		7,607,415		144,701,338
Bonds	18		1,422,883,554		1,017,411,979
Liabilities excluding net assets attributable to management shareholders			1,489,497,139		1,273,659,618
Net assets attributable to management shareholders(1)	11		152,364,909		86,046,388
Total Liabilities		**$**	**1,641,862,048**	**$**	**1,359,706,006**
Equity					
Share capital	11	$	5,568,360,539	$	5,678,775,664
Treasury shares	11		(80,153,606)		–
Retained earnings			80,073,980		(1,931,864,224)
Total Equity(2)			**5,568,280,913**		**3,746,911,440**
Total Liabilities and Equity		**$**	**7,210,142,961**	**$**	**5,106,617,446**
Net assets attributable to Public Shares		$	5,568,109,388	$	3,746,801,313
Public Shares outstanding			206,677,784		216,616,094
Net assets per Public Share		$	26.94	$	17.30
Net assets attributable to Management Shares		$	152,364,909	$	86,046,388
Management Shares outstanding			5,160,225		4,626,817
Net assets per Management Share		$	29.53	$	18.60
Net assets attributable to Special Voting Share		$	171,525	$	110,127
Special Voting Share outstanding			1		1
Net assets per Special Voting Share		$	171,524.95	$	110,126.76

(1) Net assets attributable to management shareholders are comprised of the aggregate net asset values of all Management Shares as of December 31, 2019 and December 31, 2018, respectively.
(2) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and the Special Voting Share as of December 31, 2019 and December 31, 2018.

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

These Financial Statements on pages 53-88 were approved by the Board of Directors on April 6, 2020, 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
April 6, 2020	April 6, 2020

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and December 31, 2018
(Stated in United States Dollars)

	Notes		2019		2018
Investment gains and losses					
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		$	2,274,474,001	$	(67,248,943)
Net realized gain/(loss) on commodity interests (net of brokerage commissions of (2019: $521,138, 2018: $44,690))			(1,732,785)		(515,098)
Net change in unrealized gain/(loss) on commodity interests			–		746,255
	6		2,272,741,216		(67,017,786)
Income					
Dividend income			84,148,405		88,997,501
Interest income	12		3,033,126		5,170,005
Other income			–		21,036
			87,181,531		94,188,542
Expenses					
Interest expense	12		(66,384,642)		(60,285,416)
Management fees	15		(64,422,781)		(52,391,923)
Performance fees	15		(38,979,640)		–
Professional fees			(7,314,830)		(6,452,737)
Other expenses			(1,526,381)		(1,551,689)
			(178,628,274)		(120,681,765)
Profit/(loss) before tax attributable to equity and management shareholders			**2,181,294,473**		**(93,511,009)**
Withholding tax (dividends)			(18,714,011)		(15,625,914)
Deferred tax expense	19		(13,508,846)		–
Profit/(loss) attributable to equity and management shareholders			**2,149,071,616**		**(109,136,923)**
Amounts attributable to management shareholders			51,430,312		(17,628,856)
Profit/(loss) attributable to equity shareholders[1]		**$**	**2,097,641,304**	**$**	**(91,508,067)**
Earnings per share (basic & diluted)[2]					
Public Shares	17	$	9.78	$	(0.43)
Special Voting Share	17	$	61,933.12	$	(2,487.05)

All the items in the above statement are derived from continuing operations. There is no other comprehensive income for the years ended 2019 and 2018.

(1) Profit/(loss) attributable to equity shareholders is comprised of the net profits earned and losses incurred by shareholders of Public Shares and the Special Voting Share.
(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 2019 and 2018 as required under IFRS. See Note 17 for further details.

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MANAGEMENT SHAREHOLDERS

For the years ended December 31, 2019 and December 31, 2018
(Stated in United States Dollars)

		Net Assets Attributable to Management Shareholders
As of December 31, 2018	**$**	**86,046,388**
Total profit/(loss) attributable to management shareholders		51,430,312
Dividend distribution to management shareholders		(2,043,108)
Conversion from Management Shares to Public Shares		(4,725,042)
Conversion from Public Shares to Management Shares		20,026,591
Accretion from share buybacks[1]		1,629,768
As of December 31, 2019	**$**	**152,364,909**
As of December 31, 2017	**$**	**156,268,350**
Total profit/(loss) attributable to management shareholders		(17,628,856)
Conversion from Management Shares to Public Shares		(557,044,535)
Conversion from Public Shares to Management Shares		500,528,717
Accretion from share buybacks[2]		3,922,712
As of December 31, 2018	**$**	**86,046,388**

(1) Since June 20, 2019, the Company has been engaged in an ongoing share buyback program whereby its buyback agent has repurchased Public Shares subject to certain limitations. Any repurchased Public Shares are subsequently cancelled or held in Treasury. See Note 11 for further details. This amount includes the accretion relating to the share buyback program that has been allocated to the Management Shares.

(2) From May 2, 2017 to January 2, 2018, the Company engaged in a share buyback program. All repurchased Public Shares were subsequently cancelled. In May 2018, the Company purchased and cancelled 22,271,714 Public Shares pursuant to the Company Tender. See Note 11 for further details. This amount includes the accretion relating to both the share buyback program and the Company Tender that was allocated to the Management Shares.

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

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2019 and December 31, 2018
(Stated in United States Dollars)

	Share Capital	Treasury Shares	Retained Earnings	Total Equity
As of December 31, 2018[1]	**$ 5,678,775,664**	**$ –**	**$ (1,931,864,224)**	**$ 3,746,911,440**
Total profit/(loss) attributable to equity shareholders	–	–	2,097,641,304	2,097,641,304
Share buybacks[2]	(95,113,359)	(80,153,606)	–	(175,266,965)
Dividend distribution to equity shareholders	–	–	(85,703,100)	(85,703,100)
Conversion from Management Shares to Public Shares	4,724,997	–	–	4,724,997
Conversion from Public Shares to Management Shares	(20,026,763)	–	–	(20,026,763)
As of December 31, 2019[1]	**$ 5,568,360,539**	**$ (80,153,606)**	**$ 80,073,980**	**$ 5,568,280,913**
As of December 31, 2017[1]	**$ 5,927,042,332**	**$ –**	**$ (1,840,356,157)**	**$ 4,086,686,175**
Total profit/(loss) attributable to equity shareholders	–	–	(91,508,067)	(91,508,067)
Share buybacks[3]	(304,782,267)	–	–	(304,782,267)
Conversion from Management Shares to Public Shares	557,044,495	–	–	557,044,495
Conversion from Public Shares to Management Shares	(500,528,896)	–	–	(500,528,896)
As of December 31, 2018[1]	**$ 5,678,775,664**	**$ –**	**$ (1,931,864,224)**	**$ 3,746,911,440**

(1) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and the Special Voting Share. Under IFRS, Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 64 for further details.

(2) Since June 20, 2019, the Company has been engaged in an ongoing share buyback program whereby its buyback agent has repurchased Public Shares subject to certain limitations. Any repurchased Public Shares are subsequently retired or held in Treasury. As of December 31, 2019, 4,278,966 Public Shares were held in Treasury. See Note 11 for further details. This amount includes the accretion relating to the share buyback program that has been allocated to the Public Shares and the Special Voting Share.

(3) From May 2, 2017 to January 2, 2018, the Company engaged in a share buyback program. All repurchased Public Shares were subsequently cancelled. In May 2018, the Company purchased and cancelled 22,271,714 Public Shares pursuant to the Company Tender. See Note 11 for further details. This amount includes the accretion relating to both the share buyback program and the Company Tender that was allocated to the Public Shares and the Special Voting Share.

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

STATEMENT OF CASH FLOWS

For the years ended December 31, 2019 and December 31, 2018
(Stated in United States Dollars)

	Notes	2019	2018
Cash flows from operating activities			
Profit/(loss) for the year attributable to equity and management shareholders		$ 2,149,071,616	$ (109,136,923)
Adjustments to reconcile changes in profit/(loss) for the year to net cash flows:			
Bond interest expense	18	65,765,676	56,984,243
Bond interest paid(1)	18	(55,000,000)	(55,000,000)
(Increase)/decrease in operating assets:			
Due from brokers		246,671,489	348,950,209
Trade and other receivables	9	(353,782)	11,750,030
Investments in securities	6	(1,259,295,954)	(1,334,224,568)
Derivative financial instruments	6	(68,946,858)	682,540,895
Increase/(decrease) in operating liabilities:			
Due to brokers		(67,510,000)	(273,285,000)
Due to Pershing Square, L.P.	16	(24,783,576)	24,783,576
Due to Pershing Square International, Ltd.	16	(18,145,672)	18,145,672
Trade and other payables	9	38,905,255	(90,014,082)
Deferred tax expense payable	19	13,508,846	–
Derivative financial instruments	6	(137,093,923)	138,509,024
Net cash (used in)/from operating activities		**882,793,117**	**(579,996,924)**
Cash flows from financing activities			
Purchase of Public Shares(2)	11	(168,305,743)	(300,859,774)
Dividend distributions	11	(87,746,208)	–
Proceeds from issuance of the 2039 Bonds	18	400,000,000	–
Expenses relating to issuance of the 2039 Bonds	18	(5,140,756)	–
Net cash (used in)/from financing activities		**138,807,293**	**(300,859,774)**
Net change in cash and cash equivalents		1,021,600,410	(880,856,698)
Cash and cash equivalents at beginning of year		201,246,176	1,082,102,874
Cash and cash equivalents at end of year	10	**$ 1,222,846,586**	**$ 201,246,176**
Supplemental disclosure of cash flow information			
Cash paid during the year for interest		$ 55,770,197	$ 58,349,792
Cash received during the year for interest		$ 3,359,520	$ 4,725,497
Cash received during the year for dividends		$ 83,410,482	$ 96,472,882
Cash deducted during the year for withholding taxes		$ 18,271,732	$ 17,162,338

(1) In accordance with the amendments to IAS 7, the Company's net debt reconciliation related to the Company's Bonds is further detailed in Note 18.
(2) Includes cash paid for fractional shares related to conversions.

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, Euronext Amsterdam and the LSE.

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 Policy

Please refer to "Investment Policy" in the Report of the Directors for the Investment Policy of the Company.

Bond Offering

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

On July 25, 2019, the Company closed on a fully committed private placement of $400,000,000 of unsecured bonds with a coupon rate of 4.950%, maturing on July 15, 2039 (the "2039 Bonds" and together with the 2022 Bonds, "the Bonds").

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 this Annual Report. 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, Bronwyn Curtis, William Scott and Richard Wohanka, all of whom are non-executive Directors. All Directors other than Mr. Botta are considered independent. Anne Farlow is the Chairman of the Board.

Committees of the Board

The Board has established an Audit Committee, a Management Engagement Committee, a Remuneration Committee and a Nomination Committee. All Committee members are independent Directors of the Company who are not affiliated with the Investment Manager. Further details as to the composition and role of the Audit Committee are provided in the Report of the Audit Committee; further details as to the composition and role of the Management Engagement, Remuneration and Nomination Committees are provided in the Corporate Governance Report.

Prime Brokers

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

Administrator and Sub-Administrator

Pursuant to an administration and sub-administration agreement, Elysium Fund Management Limited (the

"Administrator") and Morgan Stanley Fund Services (Cayman) Ltd. (the "Sub-Administrator") were appointed as administrator and sub-administrator, respectively, to the Company.

As described in "Material Contracts" in the Report of the Directors, the Company has engaged Northern Trust to replace the Administrator and the Sub-Administrator.

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.

Exchange Listings

The Company's Public Shares trade on the Premium Segment of the Main Market of the LSE and on Euronext Amsterdam. Shares are quoted and traded in USD in Amsterdam and in USD and Sterling in London.

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, particularly its holding of cash and Level 1 assets, the Investment Manager and the Board of 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 and Commodity Interests

Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if: (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or (b) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial Assets

The Company classifies its financial assets as subsequently measured at fair value through profit or loss or measured at amortized cost based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at fair value through profit or loss ("FVPL")

A financial asset is measured at fair value through profit or loss if: (a) its contractual terms do not give rise to cash flows on specified dates that are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding or (b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or (c) at initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at amortized cost

A debt instrument is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Company includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts and other receivables.

Derecognition of financial assets

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.

Financial Liabilities

Financial liabilities measured at fair value through profit or loss

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. This category would include derivative contracts in a liability position and equity instruments sold short since they are classified as held for trading.

Financial liabilities measured at amortized cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category its Bonds and other short-term payables.

Derecognition of financial liabilities

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

Bonds at Amortized Cost

(i) Classification

The Company classifies its Bonds, as discussed in Note 1 and Note 18, at initial recognition at amortized cost.

(ii) Recognition

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

(iii) Initial Measurement

Bonds are measured initially at their par 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 and securities listed on a securities exchange for which the exchange does not report an official closing price on the date of determination (other than because the relevant exchange was closed on such date) 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 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 2019 and 2018, investments where no market prices were available (i.e. OTC derivatives) other than investments in affiliated entities 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

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 settle on a net basis 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 presentation currency of the Company's Financial Statements is 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 prime 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 counterparties 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. Treasurys and obligations of the U.S. government.

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 related to the Bonds, cash, collateral cash received/posted by the Company and rebate expense and borrowing costs 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 average purchase amount and disposal amount, or cash payments due on, or receipts from, derivative contracts.

Professional Fees

Professional fees include, but are not limited to, expenses relating to accounting, investment valuation, administrative services, auditing, 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 Company is subject to withholding taxes applicable to certain investment income, such as dividends.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. See Note 19 for further details.

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. 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 the Special Voting Share as equity as shareholders do not have any rights of redemption.

Management Shares can be converted into a variable number of Public Shares based upon their 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 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, share repurchases or conversions, is recognized in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's Financial Statements requires management to make judgements, 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 in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, 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 management fees and performance fees (if any). See Note 15 - Investment Management Agreement - Fees, Performance Fees And Termination.

As explained in Note 15, the performance fee is made up of three components including the Potential Offset Amount (as defined in Note 15). 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 (a) 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 66 2/3% majority by voting power of the outstanding shares and a 66 2/3% majority of the outstanding Public Shares, as prescribed by the Company's Articles of Incorporation) or (b) 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 Potential 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 NAV appreciation generated by those services (subject to standard high water mark arrangements). Accordingly, those fees (including the Potential Offset Amount component of performance fees) arise and are recognized as the services are performed by the Investment Manager and the Company's NAV appreciates. The Company accrues a provision for performance fees over the applicable period based on its NAV appreciation above the high water mark. The Board has assessed that in this manner, the Company's NAV appreciation appropriately matches the timing of recognizing the Company's obligation to pay fees that may be triggered by the NAV appreciation.

The Company also assessed whether the Potential 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 crystallizes, because the arrangements only give rise to a financial asset for the Investment Manager at that date.

Assessment of Company investment as structured entity

Pershing Square VI, L.P. ("PS VI LP") and Pershing Square VI International, L.P. ("PS VI Intl"), each feeder funds to Pershing Square VI Master, L.P., all of which operated collectively as a co-investment vehicle invested primarily in securities of (or otherwise seeking to be exposed to the value of securities issued by) Automatic Data Processing, Inc. ("ADP"), were affiliated investment funds (collectively "PS VI"). PS VI commenced operations on July 24, 2017 and ceased operations as of July 31, 2019 (the "Cessation Date"). During its operation, the Company held investments in PS VI LP and PS VI Intl. See Note 16 for further detail.

All realized and unrealized gains and losses from the Company's investments in PS VI are reflected in the statement of comprehensive income for the years ended 2019 and 2018. The Company has not provided any financial or other support to these unconsolidated structured entities. See Note 7 for the discussion on the fair value measurement and Note 16 for related party transactions regarding the Company's investments in PS VI.

IFRS 12 defines a structured entity as an entity that has been designed so that voting or other similar rights of the investors are not the dominant factor in deciding who controls the entity. The Company has assessed whether the PS VI funds should be classified as structured entities. The Company has considered the terms of the investment management agreement between the PS VI funds and the Investment Manager along with the voting and redemption rights of the PS VI investors, including their rights to remove the Investment Manager, and has determined that the dominant factor of control of PS VI is the PS VI funds' contractual agreement with the Investment Manager. The Company, therefore, has concluded that the PS VI funds were structured entities.

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 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 Company has assessed the impact of IFRS 16, and IFRIC Interpretation 23 and has determined that they do not affect the Company's Financial Statements. The Company has assessed the impact of IFRS 17, which has been issued but is not yet effective and has determined that it is unlikely to affect the Company's financial statements.

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 Board's decisions are based on a single integrated strategy and the Company's performance is evaluated on an overall basis. The Company has a portfolio of long and occasionally 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:

As of December 31	2019	2018
Investments in securities	$ 5,734,336,025	$ 4,475,040,071
Derivative financial instruments	130,860,803	61,913,945
Financial assets at fair value through profit or loss	**$ 5,865,196,828**	**$ 4,536,954,016**

Financial liabilities at fair value through profit or loss:

As of December 31	2019	2018
Derivative financial instruments	$ 7,607,415	$ 144,701,338
Financial liabilities at fair value through profit or loss	**$ 7,607,415**	**$ 144,701,338**

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

For the years ended December 31	2019			2018		
	Realized	Unrealized	Total Gains/(Losses)	Realized	Unrealized	Total Gains/(Losses)
Financial assets at fair value through profit or loss	$ 260,672,692	$ 1,776,919,372	$ **2,037,592,064**	$ 217,745,252	$ (89,184,927)	$ **128,560,325**
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–
Derivative financial instruments	(9,180,025)	244,329,177	**235,149,152**	89,849,338	(285,427,449)	**(195,578,111)**
Net changes in fair value	$ 251,492,667	$ 2,021,248,549	$ **2,272,741,216**	$ 307,594,590	$ (374,612,376)	$ **(67,017,786)**

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, treasurys (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, equity forward contracts, foreign currency forward contracts and certain other derivatives. Also, included in this category are the Company's investments in affiliated entities 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
(in thousands)

As of December 31	2019				2018			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:								
Equity Securities:								
Common Stock:								
Chemicals	$ –	$ –	$ –	$ –	$ 281,274	$ –	$ –	$ 281,274
Financial Services	399,340	–	–	399,340	84,556	–	–	84,556
Hospitality	945,704	–	–	945,704	612,222	–	–	612,222
Industrials	–	–	–	–	416,053	–	–	416,053
Insurance/Industrials	734,632	–	–	734,632	–	–	–	–
Life Science Tools/Industrials	116,508	–	–	116,508	–	–	–	–
Real Estate Development and Operating	221,782	–	–	221,782	–	–	–	–
Restaurant	2,392,970	–	–	2,392,970	1,965,417	–	–	1,965,417
Retail	833,161	–	–	833,161	640,851	–	–	640,851
Preferred Stock:								
Financial Services	90,239	–	–	90,239	52,895	123	–	53,018
Investment in Affiliated Entities	–	–	–	–	–	421,649(3)	–	421,649
Derivative Contracts (Held for Trading):								
Equity Forward Contracts:								
Life Science Tools/Industrials	–	58,972(2)	–	58,972	–	–	–	–
Real Estate Development and Operating	–	43,028(2)	–	43,028	–	–	–	–
Equity Options Purchased:								
Business Services	–	–	–	–	–	57,510(1)	–	57,510
Foreign Currency Forward Contracts	–	–	–	–	–	4,404(1)	–	4,404
Total Return Swaps:								
Financial Services	–	28,861(2)	–	28,861	–	–	–	–
Total	**$ 5,734,336**	**$ 130,861**	**$ –**	**$ 5,865,197**	**$ 4,053,268**	**$ 483,686**	**$ –**	**$ 4,536,954**

Recurring Fair Value Measurement of Assets and Liabilities (continued)

(in thousands)

As of December 31	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Liabilities:								
Derivative Contracts (Held for Trading):								
Equity Forward Contracts								
Restaurant	$ –	$ 2,180[(2)]	$ –	$ 2,180	$ –	$ –	$ –	$ –
Foreign Currency Forward Contracts	–	5,427[(1)]	–	5,427	–	–	–	–
Total Return Swaps:								
Financial Services	–	–	–	–	–	49,740[(2)]	–	49,740
Real Estate Development and Operating	–	–	–	–	–	94,961[(2)]	–	94,961
Total	**$ –**	**$ 7,607**	**$ –**	**$ 7,607**	**$ –**	**$ 144,701**	**$ –**	**$ 144,701**

(1) Level 2 financial instruments may include OTC currency call/put options, equity options and foreign currency forward 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 reflect, 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, 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 and option 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 and equity forward contracts that are fair valued by the Investment Manager using market observable inputs. The fair values of these financial instruments may reflect, 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) This figure relates to the Company's investments in PS VI as of the year ended 2018, as discussed in Note 16. The instruments underlying the Company's investments in PS VI included 43.27% of Level 1 financial instruments, 56.68% of Level 2 financial instruments and 0.05% of other assets and liabilities that are outside the scope of IFRS 13 as of the year ended 2018. The level of the underlying instruments 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.

The Company's cash and cash equivalents and short-term receivables and payables are recorded at carrying value which approximates fair value. The Bonds are classified as Level 1 financial liabilities and the fair 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 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 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 year 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 since the last financial statement reporting date.

The Company did not hold Level 3 investments as of the years ended December 31, 2019 and December 31, 2018 and had no gains and losses from Level 3 investments during the years ended December 31, 2019 and December 31, 2018.

8. DERIVATIVE CONTRACTS

In the normal course of business, the Company enters into derivative contracts primarily for investment purposes, and periodically for hedging purposes. 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 other risks associated with its investing activities as part of its overall risk management strategy.

The Company's derivative trading activities are primarily the purchase and sale of OTC and listed equity options, equity forward contracts, credit default swaps, total return swap contracts and foreign currency options and 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 financial instrument. 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 instrument(s) on settlement date. In addition, a total return swap requires one party to pay the other party a floating amount that reflects an interest carrying cost; the party that receives the performance of the underlying financial instrument will pay the floating amount to the other party.

Credit Default Swaps

A credit default swap contract represents an agreement that one party, the protection buyer, will pay a fixed coupon in return for a payment by the other party, the protection seller, contingent upon a specified credit event relating to an underlying reference obligation. While there is no credit event, the protection buyer pays the protection seller a quarterly fixed coupon. 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. In the case of OTC credit default swaps, which are usually on single reference entities, the ISDA agreement establishes the nature of the credit event and such events may include bankruptcy and failure to meet payment obligations when due.

Equity 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 party facing the Company) 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 exercise date. At the years ended 2019 and 2018, the Company had no written options.

Equity Forwards

An equity forward contract 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. An equity forward embeds a cost of carry (interest) charge payable by the Company (when the Company commits to purchase) or receivable by the Company (when the Company commits to sell) the underlying securities.

Currency Options

Currency options operate as described under Options with the underlying asset being a notional amount of a currency that will be bought or sold in the future for a specified amount of another currency (the strike price).

Currency Forwards

A foreign currency forward contract is a commitment to purchase or sell a non-USD currency on a future date at a negotiated forward exchange rate. 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 non-U.S. portfolio holdings.

The following table shows the fair values of derivative financial instruments recorded as assets or liabilities as of December 31, 2019 and December 31, 2018, 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 value, and is the basis upon which changes in the value of derivatives are measured.

Fair Value of Derivative Financial Instruments

As of December 31	2019		2018	
	Fair Value	**Notional**	**Fair Value**	**Notional**
Derivatives primarily held for trading purposes				
Assets				
Equity forward contracts	$ 101,999,533	$ 1,126,077,944	$ –	$ –
Equity options purchased	–	–	57,510,420	107,632,077
Total return swaps	28,861,270	96,605,710	–	–
Total Assets	**$ 130,860,803**	**$ 1,222,683,654**	**$ 57,510,420**	**$ 107,632,077**
Liabilities				
Equity forward contracts	$ 2,180,511	$ 60,442,290	$ –	$ –
Total return swaps	–	–	144,701,338	381,056,454
Total Liabilities	**$ 2,180,511**	**$ 60,442,290**	**$ 144,701,338**	**$ 381,056,454**
Derivatives primarily held for risk management purposes				
Assets				
Foreign currency forward contracts	**$ –**	**$ –**	**$ 4,403,525**	**$ 259,082,008**
Liabilities				
Foreign currency forward contracts	**$ 5,426,904**	**$ 305,682,837**	**$ –**	**$ –**

The table below summarizes gains or losses from the Company's derivative trading activities for December 31, 2019 and December 31, 2018 included in net gain/(loss) on financial assets and financial liabilities.

Derivatives for Trading Activities	Year Ended 2019 Net Gain/(Loss)	Year Ended 2018 Net Gain/(Loss)
Credit Default Swaps	$ –	$ 31,962
Currency Call/Put Options	(1,732,784)	231,157
Equity Forward Contracts	99,819,022	–
Equity Options	25,440,446	(32,234,811)
Foreign Currency Forward Contracts	(11,638,315)	22,753,476
Index Options	–	2,969,543
Total Return Swaps	123,260,783	(189,329,438)
Total Net Gain/(Loss)	**$ 235,149,152**	**$ (195,578,111)**

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.

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/received represents 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/to brokers in the statement of financial position.

Offsetting of Derivative Assets and Liabilities

As of December 31, 2019	Gross Amounts(1)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Offsetting Permitted Under ISDA Netting Agreements	Cash Collateral Pledged/ (Received)(2)	Net Amount
Derivative Assets	$ 130,860,803	$ –	$ 130,860,803	$ (2,180,511)	$ (122,334,209)	$ 6,346,083
Total	**$ 130,860,803**	**$ –**	**$ 130,860,803**	**$ (2,180,511)**	**$ (122,334,209)**	**$ 6,346,083**
Derivative Liabilities	$ (2,180,511)	$ –	$ (2,180,511)	$ 2,180,511	$ –	$ –
Total	**$ (2,180,511)**	**$ –**	**$ (2,180,511)**	**$ 2,180,511**	**$ –**	**$ –**

As of December 31, 2018	Gross Amounts(1)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Offsetting Permitted Under ISDA Netting Agreements	Cash Collateral Pledged/ (Received)(3)	Net Amount
Derivative Assets	$ 57,510,420	$ –	$ 57,510,420	$ –	$ (57,510,420)	$ –
Total	**$ 57,510,420**	**$ –**	**$ 57,510,420**	**$ –**	**$ (57,510,420)**	**$ –**
Derivative Liabilities	$ (144,701,338)	$ –	$ (144,701,338)	$ –	$ 144,701,338	$ –
Total	**$ (144,701,338)**	**$ –**	**$ (144,701,338)**	**$ –**	**$ 144,701,338**	**$ –**

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

(2) In addition, the Company has also received collateral of approximately $34,000 and posted collateral of approximately $230.1 million (net of pending settlements) that is unable to be reflected in the table above due to disclosure requirements. Included within the collateral available for offset shown above are amounts offset against balances due from/to brokers as disclosed in Note 13.

(3) In addition, the Company has also received collateral of approximately $29.1 million and posted collateral of approximately $220.0 million (net of pending settlements) that is unable to be reflected in the table above due to disclosure requirements. Included within the collateral available for offset shown above are amounts offset against balances due from/to brokers as disclosed in Note 13.

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.

As of December 31	2019	2018
Trade and other receivables		
Dividends receivable	$ 6,404,920	$ 6,109,276
Interest and other receivables	719,125	660,987
	$ 7,124,045	**$ 6,770,263**

As of December 31	2019	2018
Trade and other payables		
Performance fees payable	$ 38,707,174	$ –
Settlement of share buybacks	5,331,783	–
Other payables	1,458,367	955,821
Interest payable	–	151,232
	$ 45,497,324	**$ 1,107,053**

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.

As of December 31	2019	2018
Cash and cash equivalents		
Cash at banks	$ 799	$ 125,039
U.S. Treasury money market funds	1,222,845,787	201,121,137
	$ 1,222,846,586	**$ 201,246,176**

As of December 31, 2019, money market fund investments in Goldman Sachs Financial Square Treasury Instruments Fund and BlackRock Liquidity Funds Treasury Trust Fund had fair values of $968,816,432 (2018: $150,486,826) and $254,029,355 (2018: $50,634,311), respectively.

11. SHARE CAPITAL

Authorized and Issued Capital

The Board of the Company is authorized to issue an unlimited number of 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. Management shares are not charged a management fee or a performance fee.

The Company had 206,677,784 Public Shares (2018: 216,616,094), the Special Voting Share and 5,160,225 Management Shares (2018: 4,626,817) outstanding as of December 31, 2019. In addition, the Company holds 4,278,966 Public Shares in Treasury (2018: nil) for a total of 210,956,750 Public Shares in issue (2018: 216,616,094) as of December 31, 2019.

The Company's Articles of Incorporation, in accordance with the Listing Rules, incorporate pre-emption rights in favor of existing Shareholders on the issue or sale from treasury of new equity securities for cash (or to issue any rights to subscribe for or convert equity securities into ordinary shares of the Company). At its 2019 Annual General Meeting, the Company proposed and shareholders passed a special resolution to approve the disapplication of the pre-emption rights contained in the Articles of Incorporation so that the Board has the authority to allot and issue (or sell from treasury) 21,661,609 Public Shares (being equivalent to 10% of the Public Shares in issue as at the latest practicable date prior to the date of publication of the 2019 Notice of Annual General Meeting) and 462,681 Management Shares (being equivalent to 10% of the Management Shares in issue as at the latest practicable date prior to the date of publication of the 2019 Notice of Annual General Meeting). Such disapplication for issuances of 10% or less of outstanding equity is commonly requested by issuers listed on the LSE. The Company intends to propose the same special resolution at the 2020 Annual General Meeting.

In order to maintain the status of the Company as a foreign private issuer under U.S. securities law and regulations, the Company has issued a Special Voting Share to PS Holdings

Independent Voting Company Limited ("VoteCo"), a Guernsey limited liability company. The Special Voting Share at all times carries 50.1% of the aggregate voting power in the Company (except for certain matters set forth in the Listing Rules on which it may not vote). VoteCo's organizational documents require it to vote in the interest of the Company's shareholders as a whole. The Investment Manager has no affiliation with VoteCo. The members of the VoteCo board of directors are independent from the Investment Manager and have no interest in the Company or the Investment Manager. VoteCo is wholly owned by a trust established for the benefit of one or more charitable organizations outside of the United States, currently the Breast Cancer Society of Canada.

The Investment Manager waived the management fee and the performance fee with respect to Management Shares, which were issued to certain members, partners, officers, managers, employees or affiliates of the Investment Manager and certain other shareholders.

Lock-up

In connection with the Company's IPO, Mr. Ackman and other members of the PSCM's investment and management teams have each entered into a lock-up arrangement with the Company (the "Lock-Up Deed") whereby their aggregate Management Shares held at the time of the IPO are subject to a lock-up of ten years commencing from October 1, 2014, other than sales of Management Shares (i) required to pay taxes on income generated by the Company; (ii) required due to regulatory constraints; or (iii) following separation of employment from the Investment Manager. Management Shares subject to the Lock-Up Deed may from time to time be transferred to affiliates, provided that the transferee agrees to be subject to the remaining lock-up period. On August 9, 2018, the Company amended the Lock-Up Deed to clarify that parties to the Lock-Up Deed may sell the specific Management Shares they held at the time of the IPO, so long as they continue to hold at least as many Management Shares in the aggregate as they held at the time of the IPO (or, if the Management Shares have been converted, so long as they hold at least as many shares of the class such Management Shares were converted into). As of December 31, 2019 and December 31, 2018, the equivalent of 7,343,688 Management Shares were subject to the Lock-Up Deed. The substantial majority of these shares are held as Public Shares.

As of December 31, 2019, the total Management Shares outstanding were 5,160,225 (2018: 4,626,817) with a value of $152,364,909 (2018: $86,046,388).

Share Conversion

Subject to the terms of the lock-up agreements, holders of Management Shares are 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.

As a result of amendments to the Articles approved by shareholders at the 2018 Annual General Meeting, Public Shares acquired by persons who are otherwise eligible to hold Management Shares can be converted into Management Shares, on a NAV for NAV basis as at each month end. The Management Shares resulting from these conversions are not subject to the lock-up described above.

During the year ended December 31, 2019, holders of Management Shares converted 783,086 Public Shares into 719,357 Management Shares and converted 185,949 Management Shares into 200,343 Public Shares. During the year ended December 31, 2018, holders of Management Shares converted 28,152,249 Management Shares into 30,193,895 Public Shares and converted 25,960,460 Public Shares into 24,278,270 Management Shares.

Voting Rights

The holders of Public Shares have the right to receive notice of, attend and vote at general meetings of the Company. Public Shares held in Treasury do not have voting rights.

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. 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. The Special Voting Share carries 50.1% of the aggregate voting power in the Company. The Special Voting Share and the Management Shares may not vote on certain matters specified in the Listing Rules as discussed below.

Specified Matters

In order to comply with the Listing Rules, the Company was required to make certain revisions to its shareholder voting structure. The Listing Rules permit only holders of the Public Shares to vote on certain matters (the "Specified Matters").

Each of the Specified Matters is set forth in the Listing Rules.

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.

On February 13, 2019, the Company initiated a quarterly interim dividend of $0.10 per Public Share. Please see "Dividends" in the Report of the Directors for further information regarding the dividend. For the year ended December 31, 2019, the Company paid dividends of $87,746,208 (2018: $ nil).

Capital Management

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.

To the extent the Investment Manager deems it advisable and provided that there are 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).

At the 2019 Annual General Meeting, shareholders renewed the Company's authority to engage in share buybacks up to a maximum of 14.99% of the Public Shares in issue.

The Company announced share buyback programs in June, October and December of 2019, each of $100 million and each for up to 6 million of the Company's outstanding Public Shares. The Company repurchased a total of 10,694,069 shares under the June and October buyback programs. As of March 31, 2020, a total of 4,024,675 shares had been repurchased under the December buyback program (representing 73.3% of the buyback program). Beginning on October 24, 2019, all Public Shares repurchased were held in Treasury. Public Shares repurchased prior to this date were cancelled.

The Company intends to propose that shareholders renew its general share buyback authority at the 2020 Annual General Meeting to allow the Company to engage in share buybacks for up to a maximum of 14.99% of the Public Shares in issue (excluding shares in Treasury). If approved by shareholders and depending on market conditions, the Company's available capital and other considerations, the Company may decide to utilize the share buyback authority to make further acquisitions of Public Shares in the market.

On May 10, 2018 the Company completed a company tender for 22,271,714 Public Shares at a price of $13.47 per Public Share for a total of $299,999,988 (the "Company Tender"); all shares were subsequently cancelled.

As discussed on page 75 under "Lock-up", the Investment Manager has imposed a ten-year lock-up on certain holders of Management Shares at the time of the IPO, subject to certain exceptions. This lock-up does not affect capital resources available to the Company.

The Public Shares, Management Shares and Special Voting Share transactions for the years ended December 31, 2019 and December 31, 2018 were as follows:

	Management Shares	Public Shares	Special Voting Share
Shares Outstanding as of December 31, 2018	**4,626,817**	**216,616,094**	**1**
Share Buybacks*	–	(9,355,567)	–
Conversion Out	(185,949)	(783,086)	–
Conversion In	719,357	200,343	–
Shares Outstanding as of December 31, 2019	**5,160,225**	**206,677,784**	**1**

	Management Shares	Public Shares	Special Voting Share
Shares Outstanding as of December 31, 2017	**8,500,796**	**234,716,810**	**1**
Share Buybacks**	–	(22,334,151)	–
Conversion Out	(28,152,249)	(25,960,460)	–
Conversion In	24,278,270	30,193,895	–
Shares Outstanding as of December 31, 2018	**4,626,817**	**216,616,094**	**1**

* Since June 20, 2019, the Company has been engaged in an ongoing share buyback program. Beginning on October 24, 2019, all Public Shares repurchased were held in Treasury. Public Shares repurchased prior to this date were cancelled. The Company holds 4,278,966 Public Shares in Treasury which are excluded from Public Shares outstanding.

** Share Buybacks include 62,437 shares purchased in January 2018 as part of the share buyback program that commenced in May 2017 and terminated January 2, 2018 and 22,271,714 shares purchased in the Company Tender in May 2018.

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	Year Ended 2019	Year Ended 2018
Due from brokers on collateral posted	$ 2,828,170	$ 4,064,512
Cash	204,956	209,265
Treasury bill discount accretion	–	847,552
Short market rebate income	–	48,676
	$ 3,033,126	**$ 5,170,005**

Interest Expense	Year Ended 2019	Year Ended 2018
Bonds interest expense	$ 63,592,033	$ 54,929,255
Amortization of bonds issue costs incurred as finance costs	2,173,643	2,054,988
Due to brokers on collateral received	618,641	3,297,840
Cash	325	3,333
	$ 66,384,642	**$ 60,285,416**

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 portfolio (and the portfolios of the other PSCM-managed funds) is that it does not generally use margin leverage.

At times, the Investment Manager has made 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 Principal Risks and Uncertainties (which are explicitly incorporated by reference into these Notes to Financial Statements) for further information regarding principal risks faced by the Company.

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 amount needed to satisfy the Company's 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, 2019 is presented in the Condensed Schedule of Investments on pages 89-90 (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 investments in cash and cash equivalents have limited exposure to interest rate risk because the duration of these investments is less than 90 days. As of December 31, 2019 and December 31, 2018 cash and cash equivalents equaled $1,222,846,586 and $201,246,176, respectively. The Bonds have no interest rate risk as the interest rate is fixed and they are carried at amortized cost.

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 89-90 (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, 2019 and December 31, 2018 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.

Currency (2019)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$ 490,901,784	+3%	$ 17,761,741

Currency (2018)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$ 487,394,677	+5%	$ 26,941,961

An equivalent decrease in the aforementioned currency against USD would have resulted in an equivalent but opposite impact.

Equity Price Risk

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), fluctuations in equity prices are a significant risk to the portfolio. Refer to the Company Performance on page 2, Investment Manager's Portfolio Update on pages 14-18 and the Condensed Schedule of Investments on pages 89-90 (each of which is explicitly incorporated by reference into these Notes to Financial Statements) for quantitative and qualitative discussion of the Company's portfolio and additional details regarding 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 (2019)	% Change in Net Assets Attributable to all Shareholders
+9%	+11%
-9%	-11%

Change in Equity Price (2018)	% Change in Net Assets Attributable to all Shareholders
+8%	+10%
-8%	-8%

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).

As of December 31	2019	2018
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:

As of December 31	2019	2018
Restaurant	40 %	45 %
Hospitality	16 %	14 %
Retail	14 %	14 %
Insurance/Industrials	13 %	–
Financial Services	9 %	2 %
Real Estate Development and Operating	5 %	(2)%
Life Science Tools/Industrials	3 %	–
Industrials/Chemicals	–	16 %
Business Services	–	11 %
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 brokers) and trade receivables and payables based on undiscounted cash flows:

As of December 31, 2019	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	$ 1,222,846,586	$ –	$ –	$ –	$ –	$ 1,222,846,586
Due from brokers	114,975,502	–	–	–	–	114,975,502
Trade and other receivables	7,124,045	–	–	–	–	7,124,045
Financial assets at fair value through profit or loss:						
Investments in securities	4,703,594,767	726,462,406	249,674,918	54,603,934	–	5,734,336,025
Derivative financial instruments*	51,792,308	48,447,390	26,965,946	3,655,159	–	130,860,803
Total Assets	**$ 6,100,333,208**	**$ 774,909,796**	**$ 276,640,864**	**$ 58,259,093**	$ –	**$ 7,210,142,961**
Liabilities						
Due to brokers	$ –	$ –	$ –	$ –	$ –	$ –
Trade and other payables	45,497,324	–	–	–	–	45,497,324
Deferred tax expense payable	3,025,184	5,912,860	4,570,802	–	–	13,508,846
Bonds	36,850,000	–	–	37,400,000	1,886,200,000	1,960,450,000
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments*	7,607,415	–	–	–	–	7,607,415
Total liabilities excluding net assets attributable to management shareholders	92,979,923	5,912,860	4,570,802	37,400,000	1,886,200,000	2,027,063,585
Net assets attributable to management shareholders	–	134,828,916	–	–	17,535,993	152,364,909
Total Liabilities	**$ 92,979,923**	**$ 140,741,776**	**$ 4,570,802**	**$ 37,400,000**	**$ 1,903,735,993**	**$ 2,179,428,494**

* In the case of derivatives that reference equity securities, the derivative terms provide that the counterparty, if directed, may terminate the derivative directly in the marketplace without requiring any upfront cash payment and such termination would follow the above liquidation time horizons.

Liquidity Risk

As of December 31, 2018	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	$ 201,246,176	$ –	$ –	$ –	$ –	$ 201,246,176
Due from brokers	361,646,991	–	–	–	–	361,646,991
Trade and other receivables	6,770,263	–	–	–	–	6,770,263
Financial assets at fair value through profit or loss:						
Investments in securities	3,717,032,065	652,313,788	93,532,757	12,161,461	–	4,475,040,071
Derivative financial instruments	46,046,114	15,867,831	–	–	–	61,913,945
Total Assets	**$ 4,332,741,609**	**$ 668,181,619**	**$ 93,532,757**	**$ 12,161,461**	**$ –**	**$ 5,106,617,446**
Liabilities						
Due to brokers	$ 67,510,000	$ –	$ –	$ –	$ –	$ 67,510,000
Due to Pershing Square, L.P.	24,783,576	–	–	–	–	24,783,576
Due to Pershing Square International, Ltd.	18,145,672	–	–	–	–	18,145,672
Trade and other payables	1,107,053	–	–	–	–	1,107,053
Bonds	27,500,000	–	–	27,500,000	1,165,000,000	1,220,000,000
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments	24,474,390	47,836,280	65,207,738	7,182,930	–	144,701,338
Total liabilities excluding net assets attributable to management shareholders	163,520,691	47,836,280	65,207,738	34,682,930	1,165,000,000	1,476,247,639
Net assets attributable to management shareholders	–	73,055,454	–	–	12,990,934	86,046,388
Total Liabilities	**$ 163,520,691**	**$ 120,891,734**	**$ 65,207,738**	**$ 34,682,930**	**$ 1,177,990,934**	**$ 1,562,294,027**

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 the Investment Manager has board representation 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.

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 has negotiated its ISDA agreements to include bilateral collateral agreements. 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 received in U.S. Treasurys or short-term U.S. Treasury money market funds. 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 exposure (along with that of the other PSCM-managed funds) 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 89-90 (which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details regarding 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 $236,389,446 and $190,891,488 at December 31, 2019 and December 31, 2018, 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 may purchase credit default swap contracts to hedge against a portion of the Company's credit exposure to certain derivative counterparties. At December 31, 2019 and December 31, 2018, the Company held no credit default swap contracts.

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, 2019 and December 31, 2018, cash was primarily invested in U.S. Treasury money market funds with daily liquidity as disclosed in Note 10.

The Company's prime brokers are required to provide custody services for the Company's securities. The prime brokers are not permitted under US law to lend out (or "re-hypothecate") the Company's securities if these securities are fully paid. If the Company runs on margin, the prime brokers may lend out the Company's securities to fund the prime brokers' business, but are restricted under US law; that is, the prime brokers may only lend out an amount of the Company's securities that is less than or equal to 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 (2019: $1,222,846,586, 2018: $201,246,176), due from brokers (2019: $114,975,502, 2018: $361,646,991) and financial assets portfolio (2019: $5,865,196,828, 2018: $4,536,954,016) based on the underlying custodians' and counterparties' credit rating.

As of December 31	2019	2018
AAA	17%	4%
A	81%	96%
BBB+	2%	–
Total	**100%**	**100%**

The following tables reconcile 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.

As of December 31	2019	2018
Due from brokers		
Cash held at prime brokers	$ 8,475,934	$ 17,221,405
Gross ISDA collateral posted	228,867,416	316,185,037
Pending settlements	–	47,384,747
Netting of collateral allowable under ISDA agreements	(122,367,848)	(19,144,198)
	$ 114,975,502	**$ 361,646,991**

As of December 31	2019	2018
Due to brokers		
Gross ISDA collateral received	$ (122,367,848)	$ (86,654,198)
Netting of collateral allowable under ISDA agreements	122,367,848	19,144,198
	$ –	**$ (67,510,000)**

14. COMMITMENTS AND CONTINGENCIES

Other than disclosed in Note 8, there were no other commitments or contingencies as of December 31, 2019 and December 31, 2018.

15. INVESTMENT MANAGEMENT AGREEMENT — FEES, PERFORMANCE FEES AND TERMINATION

The Investment Manager receives management fees and performance fees, if any, from the Company pursuant to the IMA.

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 Special Voting Share.

For the years ended December 31, 2019 and 2018, the Investment Manager earned management fees from the Company of $64,422,781 and $52,391,923, respectively.

The Investment Manager has chosen to reduce the management fees paid by the Company and three affiliated entities managed by the Investment Manager (the "Core Funds") for eight consecutive quarters beginning with the management fee payable on April 1, 2018 by a total of $32.2 million. This amount is equal to the amount by which performance fees would have been reduced had Allergan-related settlement expenses been incurred in 2014 contemporaneously with gains from the Allergan investment. The reduced fees will be allocated among the Core Funds based upon the amount of settlement reserves previously recognized by the Core Funds at the year ended 2016 and the year ended 2017. As a result, the Company's management fees will be reduced by a total of $14.4 million, $12.6 million of which has already been allocated as of December 31, 2019.

The Investment Manager reduced the management fees paid by the Core Funds on March 1, 2019 as a result of the Investment Manager's sale of its investment in IEX Group, Inc. ("IEX"). The Company's portion of the reduction was $2,477,980. See Note 16 for further details.

Performance Fee

Generally, the Investment Manager receives performance fees, annually and upon payment of dividends, in an amount equal to 16% of the NAV appreciation attributable to the fee-paying shares of the Company above a high water mark (the "16% performance fee") and before giving effect to the accrued performance fees minus the Additional Reduction (defined below). The 16% performance fees paid in connection with dividends are prorated to reflect the ratio of the dividend to the Company's net asset value at the time the dividend is paid. The Company's payment of a dividend will reduce the high water mark by the percentage of net asset value the dividend represents. These performance fees are defined as the "Variable Performance Fee" in the IMA. No Variable

Performance Fee can 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).

The "Potential Offset Amount" refers to the fees and other costs of the offering and admission on Euronext Amsterdam 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 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.

The Potential Offset Amount equaled $120 million in the aggregate at the time of the IPO. As of December 31, 2018, after giving effect to the Potential Reduction Amount in the year ended December 31, 2014, the Potential Offset Amount was $100.8 million.

The Investment Manager earned a performance fee of $121,934 and $153,285 upon the payment of the Q3 and Q4 2019 dividends, respectively. The Investment Manager also earned an annual performance fee of $38,704,421 for the year ended December 31, 2019 (2018: nil). The Potential Reduction Amount as of December 31, 2019 was $18.4 million, which includes amounts carried forward from prior periods and performance fees/allocations earned during 2019 by the Investment Manager and its affiliates from Pershing Square, L.P ("PSLP"), Pershing Square International, Ltd. ("PSINTL") and PSVI. After the full Potential Reduction Amount was applied to the Potential Offset Amount, the remaining Potential Offset Amount as of December 31, 2019 was $82.5 million.

Termination

The IMA automatically renews annually, except that it may be terminated (a) as of December 31st of any year upon four months' prior written notice by either party, subject, in the case of termination by the Company, to approval by a 66 2/3% vote (by voting power) of the holders of the then outstanding voting shares of the Company, together with a 66 2⁄3% vote (by voting power) of the holders of the then outstanding Public Shares; and (b) in case of dissolution or liquidation of either party or if a receiver or provisional liquidator or administrator or similar officer is appointed over any of the assets of such party or if either party commits a material breach of its obligations under the IMA and such breach remains uncured for more than 30 calendar days after the notice thereof delivered to the party in breach by the other party in accordance with the IMA.

The termination of the IMA at any time will be a crystallization event, which will result in the Variable Performance Fee described above being payable.

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 IMA has been amended to account for the effect of a dividend on fees paid to the Investment Manager. This amendment constitutes a small transaction for the purposes of Chapter 11 of the Listing Rules and is therefore exempt from the requirements thereof.

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 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 Bonds 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. The Investment Manager effects rebalancing transactions based on independent market prices, and consistent with the valuation procedures established by the Investment Manager. Neither the Investment Manager nor any of its affiliates receive any compensation in connection with rebalancing transactions. In addition, rebalancing transactions are generally effected without brokerage commissions being charged.

For the period from July 24, 2017 to August 27, 2018, the Company held an investment in PS VI Intl and for the period from August 28, 2018 to July 31, 2019, the Company held investments in each of PS VI Intl and PS VI LP. PS VI commenced operations on July 24, 2017 and ceased operations as of the Cessation Date.

As of December 31, 2018, the Company's capital balances in PS VI Intl and PS VI LP were $377,929,842 and $43,719,111, respectively. This represented an ownership in PS VI Intl and PS VI LP of 45.25% and 11.54%, respectively.

On August 5, 2019, the General Partner of PS VI communicated to the Company that PS VI had sold its stake in ADP, except for shares held back, and had ceased operations as of the Cessation Date. As of the Cessation Date, the Company had ownership percentages in PS VI Intl and PS VI LP of 49.70% and 19.84%, respectively. On the Cessation Date, PS VI transferred to the Company its ownership of 1,392,332 ADP common shares (with a value of $228,342,448), as a partial redemption in kind of its indirect ownership interests in the Pershing Square VI Master, L.P. (the "Master Fund"). Immediately following the ownership transfer, the Master Fund sold such ADP shares through a block sale as agent to the Company. On August 8, 2019, the remainder of the Company's ownership was paid out in cash except for cash held back for any adjustments required to be made pursuant to the PS VI final audits. The final distribution was made on October 17, 2019.

The Investment Manager effected rebalancing transactions on August 28, 2018, December 31, 2018, April 1, 2019 and July 1, 2019 among the Company, PSLP and PSINTL in relation to their investments in PS VI. The Company purchased portions of PSINTL's interests in PS VI Intl for $58,112,212, $18,145,672, $21,532,957 and $18,715,681, respectively, and portions of PSLP's interests in PS VI LP for $21,581,406, $24,783,576, $23,146,526 and $17,691,431, respectively. The Company's purchases were completed at the fair market values of PS VI LP and PS VI Intl based on the closing prices of the Master Fund's underlying securities on the date on or prior to the transactions. In connection with each rebalancing transaction, the Company sold certain direct interests it owned in ADP so that after the rebalancing transactions the Company's delta-adjusted exposure to ADP reached the intended percentage of its adjusted net assets. As a result of the rebalancing transactions, as of December 31, 2018, the Company had payables to PSLP and PSINTL of $24,783,576 and $18,145,672, respectively. There were no payables with regards to PS VI rebalancing transactions as of December 31, 2019.

The Investment Manager also effected rebalancing transactions among the Company, PSLP and PSINTL in relation to certain of the Company's other investments. The combined fair value of these rebalancing transactions was $105,934,754.

The Investment Manager had determined that the Company's investments in PS VI were 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 investments in PS VI.

All realized and unrealized gains and losses from the investments in PS VI were reflected in the statement of comprehensive income for the years ended 2019 and 2018, respectively. See Note 7 for the discussion on the fair value measurement.

For the year ended December 31, 2019, the Company's independent Directors' fees in relation to their services for the Company were $357,559 of which none were payable as of December 31, 2019. For the year ended December 31, 2018,the Company's independent Directors' fees in relation to their services for the Company were $335,923 of which none were payable as of December 31, 2018.

In January 2013, PSCM invested $1 million in IEX, a private alternative trading system company. IEX's business objective is to create an execution alternative to reduce the trading costs of large investors (including the Company). The Company and the other Core Funds were prohibited from investing in IEX due to restrictions on investments in private companies. Because PSCM believed that the success of the IEX platform would benefit all funds managed by PSCM and that the funds would likely trade on the IEX platform, in order to eliminate any potential for conflicts of interest, PSCM chose to invest in IEX effectively on behalf of the funds including the Company.

At the time of PSCM's $1 million investment in IEX, it committed to bear 100% of any losses from its investment in IEX. In the event the investment in IEX was profitable, PSCM committed to share 100% of the net profits with the Core Funds, by reducing the aggregate management fees that these funds pay by an amount equal to any profit realized in respect of the disposition, as adjusted in its sole discretion, for any fees, costs, taxes, or expenses incurred by PSCM from the investment.

PSCM sold its investment in IEX in March 2019 and realized $3.7 million in net profits after adjusting for taxes and other expenses. As previously agreed by PSCM, the profits were used to reduce the management fees payable by the Core Funds. The reduction was allocated pro-rata among the Core Funds based on each Core Fund's respective net asset value as of March 1, 2019. As a result, the 2019 management fees payable by the Company were reduced by $2,477,980.

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.

As of December 31, 2019, the Company and its affiliates had beneficial ownership in excess of 10% of the outstanding common equity securities of the Howard Hughes Corporation. At December 31, 2018, the Company and its affiliates had beneficial ownership in excess of 10% of the outstanding common equity securities of Platform Specialty Products Corporation.

William A. Ackman is the chairman of the board of the Howard Hughes Corporation and Ryan Israel, a member of PSCM's investment team, was a board member of Platform Specialty Products Corporation until his resignation on February 4, 2019.

As a result of purchases of Public Shares in 2018 and 2019 amounting to more than $540 million and including previously acquired shares, William Ackman, Nicholas Botta and other affiliates of PSCM owned 21.6% and 20.1% of the Company on a fully diluted basis as of December 31, 2019 and December 31, 2018, respectively.

17. EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") is calculated by dividing the profit/(loss) for the year attributable to the Public Shares and the Special Voting Share over the weighted average number of Public Shares and the Special Voting Share outstanding, respectively. In accordance with IFRS, the weighted average shares outstanding calculated for the

Public Shares and the Special Voting Share were 214,402,994 and 1, respectively for the year ended December 31, 2019, and 214,849,143 and 1, respectively for the year ended December 31, 2018.

As presented in "Supplemental U.S. GAAP Disclosures-Financial Highlights", the Company's 2019 share repurchases provided accretion to the Public Shares of $0.31 per share for the year ended December 31, 2019.

18. BONDS

On June 26, 2015, the Company issued at par $1 billion in Senior Notes at a fixed rate coupon of 5.5% per annum, paid semi-annually, and will mature at par on July 15, 2022. The 2022 Bonds are listed on the Euronext Dublin. 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 2022 Bonds prior to June 15, 2022, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2022 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 2022 Bonds to be redeemed, discounted to the redemption date on a semi-annual basis using the applicable U.S. treasury rate plus 50 basis points, plus accrued and unpaid interest. If the Company redeems all or some of the 2022 Bonds on or after June 15, 2022, the redemption price will equal 100% of the principal amount of the 2022 Bonds to be redeemed plus accrued and unpaid interest.

On July 25, 2019, the Company issued at par $400 million in Senior Notes at a fixed rate interest coupon of 4.95% per annum, paid semi-annually, and will mature at par on July 15, 2039. The 2039 Bonds are listed on Euronext Dublin. 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. Until July 15, 2034, the 2039 Bonds are callable at par plus a customary make whole premium. Thereafter, the 2039 Bonds become callable at 100% of par. The 2039 Bonds rank equally in right of payment with the 2022 Bonds and contain substantially the same covenants as those governing the 2022 Bonds.

Until July 15, 2022, the 2039 Bonds have the same key man provision as the 2022 Bonds, which requires the Company to make an offer to acquire the 2022 Bonds and 2039 Bonds at 101% of par plus accrued interest if a key man event occurs. After July 15, 2022 the covenant is modified to provide that if a key man event occurs, the specified debt to capital ratio in the debt covenant is reduced from 1.0 to 3.0 to 1.0 to 4.0. If at the time of the key man event, the Company's debt to capital ratio is above 1.0 to 4.0, the Company has a one-time obligation to reduce its debt to a 1.0 to 4.0 ratio within 180 days. In the event a reduction is required, a portion of the 2039 Bonds become callable at 101% of par in the amount necessary to achieve the required debt repayment.

The fair value of the 2022 Bonds as of December 31, 2019 and December 31, 2018, based upon market value at that time, was $1,059,430,000 and $991,340,000, respectively. The fair value of the 2039 Bonds was $440,160,000 as of December 31, 2019. In accordance with IFRS 9, the Bonds' carrying value as of December 31, 2019 and December 31, 2018, in the amount of $1,422,883,554 and $1,017,411,979, respectively, on the statement of financial position is representative of amortized cost and the transaction costs of the Bonds issued in the amount of $19,796,433 that were capitalized and are to be amortized over the life of the Bonds using the effective interest method.

		2019
At December 31, 2018	**$**	**1,017,411,979**
2039 Bonds issued		400,000,000
2039 Bonds issue costs		(5,294,101)
Finance costs for the year		65,765,676
Bonds coupon payments during the year		(55,000,000)
At December 31, 2019	**$**	**1,422,883,554**

Finance costs for the year:		
Bonds interest expense	$	63,592,033
Amortization of Bonds issue costs incurred as finance costs		2,173,643
Interest expense	**$**	**65,765,676**

		2018
At December 31, 2017	**$**	**1,015,427,736**
Finance costs for the year		56,984,243
2022 Bonds coupon payments during the year		(55,000,000)
At December 31, 2018	**$**	**1,017,411,979**

Finance costs for the year:		
2022 Bonds interest expense	$	54,929,255
Amortization of 2022 Bonds issue costs incurred as finance costs		2,054,988
Interest expense	**$**	**56,984,243**

19. DEFERRED TAX EXPENSE

As a foreign corporation holding a beneficial ownership in a U.S. real property interest (The Howard Hughes Corporation), the Company will be subject to the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") income tax withholding upon disposition of such investment. Foreign corporations purchasing U.S. real property interests are required to pay the U.S. corporate tax rate (currently 21%) on the gain realized upon the disposition. To accrue for this potential payable the Company assessed a 21% rate on the unrealized gains on the stock and equity forward contracts purchased which resulted in a deferred tax expense of $13,508,846 for the year ended 2019. This amount is also included as deferred tax expense payable on the statement of financial position.

20. EVENTS AFTER THE REPORTING PERIOD

As a result of the market impact of the coronavirus during the first quarter of 2020, the Company witnessed decreases in the value of its portfolio companies, in some cases significant. However, due to the hedging strategy employed, the Company has achieved a net positive performance of 3.3% year to date as of March 31, 2020, considerably outperforming the S&P 500, as discussed in further detail in both the Chairman's Statement and the Investment Manager's Report.

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	Description/Name	Fair Value	Percentage of Net Assets Attributable to all Shareholders[1]
	Investments in Securities		
	Equity Securities		
	Common Stock		
	Canada:		
	Restaurant:		
12,350,929	Restaurant Brands International Inc.	$ 787,618,742	13.77%
140,873	Restaurant Brands International Limited Partnership	8,965,878	0.16
	Total Canada (cost $439,892,148)	796,584,620	13.93
	United States:		
	Financial Services:		
80,982,640	Federal National Mortgage Association	252,665,837	4.42
	Other	146,673,764	2.56
	Hospitality:		
8,526,771	Hilton Worldwide Holdings Inc.	945,704,172	16.53
	Insurance/Industrials:		
3,243,410	Berkshire Hathaway Inc.	734,632,365	12.84
	Life Science Tools/Industrials	116,508,294	2.04
	Real Estate Development and Operating	221,782,330	3.88
	Restaurant:		
1,383,958	Chipotle Mexican Grill, Inc.	1,158,525,081	20.25
4,980,208	Starbucks Corporation	437,859,887	7.65
	Retail:		
6,956,923	Lowe's Companies Inc.	833,161,098	14.56
	Total United States (cost $3,322,993,857)	4,847,512,828	84.73
	Total Common Stock (cost $3,762,886,005)	5,644,097,448	98.66
	Preferred Stock		
	United States:		
	Financial Services:		
2,390,284	Federal National Mortgage Association Series S Preferred 8.25%	28,563,894	0.50
1,161,061	Federal National Mortgage Association Series T Preferred 8.25%	13,154,821	0.23
2,184	Federal National Mortgage Association Series F Preferred 0%	40,186	0.00
	Other	48,479,676	0.85
	Total Preferred Stock (cost $56,350,990)	90,238,577	1.58
	Total Investments in Securities (cost $3,819,236,995)	**$ 5,734,336,025**	**100.24%**

(1) Net assets attributable to all shareholders are comprised of the equity balances of the Public Shares and the Special Voting Share as well as the net assets attributable to Management Shares. As of December 31, 2019, the net assets attributable to all shareholders was $5,720,645,822.

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

Shares	Description/Name	Fair Value	Percentage of Net Assets Attributable to all Shareholders[(1)]
	Derivative Contracts		
	Equity Forward Contracts, long exposure		
	Canada:		
	Restaurant:		
947,817	Restaurant Brands International Inc.	$ (2,180,511)	(0.04)%
	Total Canada	(2,180,511)	(0.04)
	United States:		
	Life Science Tools/Industrials	58,972,116	1.03
	Real Estate Development and Operating	43,027,417	0.75
	Total United States	101,999,533	1.78
	Total Equity Forward Contracts, long exposure	99,819,022	1.74
	Foreign Currency Forward Contracts		
	Currencies	(5,426,904)	(0.09)
	Total Return Swap Contracts, long exposure		
	United States:		
	Financial Services:		
20,211,102	Federal National Mortgage Association	19,043,034	0.33
	Other	9,818,236	0.17
	Total Return Swap Contracts, long exposure	28,861,270	0.50
	Total Derivative Contracts	**$ 123,253,388**	**2.15 %**

(1) Net assets attributable to all shareholders are comprised of the equity balances of the Public Shares and the Special Voting Share as well as the net assets attributable to Management Shares. As of December 31, 2019, the net assets attributable to all shareholders was $5,720,645,822.

FINANCIAL HIGHLIGHTS

For the year ended 2019	Public Shares
Per share operating performance	
Beginning net asset value at January 1, 2019	$ 17.30
Change in net assets resulting from financing:	
Accretion from share buyback	0.31
Dividends paid	(0.40)
Change in net assets resulting from operations:	
Net investment loss	(0.59)
Net gain from investments and derivatives	10.32
Ending net asset value at December 31, 2019	$ 26.94
Total return prior to performance fees	59.15 %
Performance fees	(1.08)
Total return after performance fees	58.07 %
Ratios to average net assets	
Expenses before performance fees	2.68 %
Performance fees	0.76
Expenses after performance fees	3.44 %
Net investment income/(loss)	(1.64)%

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. The terms of the Company's Bonds restrict the Company from incurring indebtedness beyond a total debt-to-capital ratio of 33.3%. If a key man event occurs after July 15, 2022, the terms of the 2039 Bonds reduce the Company's permitted total debt-to-capital ratio to 25%.

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, 2019 is shown below.

Gross method:	$7,328,556,754
Commitment method:	$8,248,784,481

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 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 and the LSE. As such, Public Shares have no redemption rights and shareholders' only source of liquidity is their ability to trade Public Shares on Euronext Amsterdam and the LSE.

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 of 1940 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.

5. Remuneration:

For the Year Ended 2019	Fixed Remuneration	Variable Remuneration	Total	Number of Beneficiaries
Total remuneration paid to the entire staff of PSCM	$ 48,960,425	$ 4,000,000	$ 52,960,425	41
Total remuneration of those staff of PSCM who are fully or partly involved in the activities of the Company	$ 46,041,113	$ 2,815,000	$ 48,856,113	25
The proportion of the total remuneration of the staff of PSCM attributable to the Company(1)	94.04%	70.38%	92.25%	25 out of 41
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	$ 42,977,712	$ 2,500,000	$ 45,477,712	13

(1) The percentages in this row reflect the portion of the total remuneration paid to the entire staff of PSCM (i.e., the corresponding amount listed in the first row) that was paid to PSCM staff members any part of whose duties involve the Company. The total remuneration paid to each PSCM staff member involved in the activities of the Company is included, irrespective of the proportion of such staff member's duties that involve the Company.

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, 2019 is accurate and complete.

/s/ Michael Gonnella
Michael Gonnella

By: Michael Gonnella
Chief Financial Officer

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

Pershing Square Holdings, Ltd.
Commodity Pool

Endnotes and Disclaimers

ENDNOTES TO CHAIRMAN'S STATEMENT

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

[ii] Calculated with respect to Public Shares only and as of December 31, 2019. Performance results are presented on a net-of-fees basis. Net returns include the reinvestment of all dividends, interest, and capital gains from underlying portfolio companies and assume an investor has participated in any "new issues" as such term is defined under Rules 5130 and 5131 of FINRA. Net returns also reflect the deduction of, among other things, management fees, brokerage commissions, administrative expenses and performance allocation/fees (if any). Performance is based on the dollar return for the specific period, including any and all dividends paid by the Company, calculated from the beginning of such period to the end of such period. Past performance is not a guarantee of future results.

[iii] As of March 31, 2020.

[iv] The weighted average dividend yield of the S&P 500 was 2.5% as of April 1, 2020.

[v] Free float refers to the number of Public Shares not owned by affiliates of Pershing Square. Holdings of affiliates of the Investment Manager have not been aggregated for regulatory reporting purposes.

[vi] Calculated using trading price of the 2022 Bonds at time of issuance of the 2039 Bonds (July 25, 2019), adjusted for the difference in term.

[vii] The Company's share price performance takes into account its dividends paid.

[viii] The Company's total debt to capital ratio is calculated in accordance with the "Total Indebtedness to Total Capital Ratio" under the PSH Bonds' Indenture. Under the Indenture, the Company's "Total Capital" reflects the sum of its NAV and its "Total Indebtedness". Total Indebtedness reflects the total "Indebtedness" of the Company and any consolidated subsidiaries (excluding any margin debt that does not exceed 10% of the Company's total capital), plus the proportionate amount of indebtedness of any unconsolidated subsidiary or affiliated special investment vehicle. As defined in the Indenture, "Indebtedness" reflects indebtedness (i) in respect of borrowed money, (ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof), representing capital lease obligations, (iv) representing the balance deferred and unpaid of the purchase price of any property or services (excluding accrued expenses and trade payables in the ordinary course of business) due more than one year after such property is acquired or such services are completed or (v) in respect of the Company's capital stock that is repayable or redeemable, pursuant to a sinking fund obligation or otherwise, or preferred stock of any of the Company's future subsidiaries. Indebtedness does not include, among other things, NAV attributable to any management shares or hedging obligations or other derivative transactions and any obligation to return collateral posted by counterparties in respect thereto.

ENDNOTES TO COMPANY PERFORMANCE AND INVESTMENT MANAGER'S REPORT

1. Performance results are presented on a net-of-fees basis. Net returns include the reinvestment of all dividends, interest, and capital gains from underlying portfolio companies and reflect the deduction of, among other things, management fees, brokerage commissions, administrative expenses and accrued and/or crystallized performance allocation/fees (if any). Performance results assume an investor has been invested in PSLP since inception, has not invested in Tranche G, and has participated in any "new issues," as such term is defined under Rules 5130 and 5131 of FINRA. Where the Company's performance is presented with that of PSLP, results also assume that an investor invested in PSLP at its inception on January 1, 2004 and converted to PSH at its inception on December 31, 2012. Depending on the timing of an individual investor's specific investment in the Company and/or PSLP, net performance for an individual investor may vary from the net performance as stated herein. The Company's performance is based on the dollar return for the specific period, including any and all dividends paid by the Company, calculated from the beginning of such period to the end of such period. The cumulative return for an investor who invested in PSH at its inception through March 31, 2020 is 64.6%.

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

3. The S&P 500 Total Return Index ("index") has been selected for purposes of comparing the performance of an investment in the Company or PSLP, as applicable, with a well- known, broad-based equity benchmark. The statistical data regarding the index has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The index is not subject to any of the fees or expenses to which the Pershing Square funds are subject. The Pershing Square funds are not restricted to investing in those securities which comprise this index, their performance may or may not correlate to this index and they should not be considered a proxy for this index. The volatility of an index may materially differ from the volatility of the Pershing Square funds' portfolios. The S&P 500 is comprised of a representative sample of 500 U.S. large cap companies. The index is an unmanaged, float-weighted index with each stock's weight in the index in proportion to its float, as determined by Standard & Poor's. The S&P 500 index is proprietary to and is calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC. © 2020 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

4. The inception date for the Company is December 31, 2012 and the inception date for PSLP is January 1, 2004. The performance data presented on page 2 under "Cumulative (Since Inception)" is calculated from January 1, 2004.

5. NAV performance is presented as net returns and is compared to Pershing Square funds with substantially the same investment strategy to the Company. Please also refer to endnotes ii and vii of the Chairman's Statement.

6. PSH's assets are financed by $5.8 billion of equity and $1.4 billion of debt.

7. Reflects Public Shares outstanding as of October 13, 2014.

8. Holdings of affiliates of the Investment Manager have not been aggregated for regulatory reporting purposes.

9. Reflects peak intraday credit spreads obtained from Bloomberg.

10. Reflects the cumulative investment of all Pershing Square funds.

11. This report reflects the contributors and detractors to the performance of the portfolio of the Company. Other than share buyback accretion and bond interest expense, positions with contributions or detractions to performance of 50 basis points or more are listed separately, while positions with contributions or detractions to performance of less than 50 basis points are aggregated. Since June 20, 2019, the Company has engaged in share repurchases whereby its buyback agent has repurchased Public Shares subject to certain limitations. The accretion from the share buyback program is reflected herein.

    The contributions and detractions to performance presented herein are based on gross returns which do not reflect deduction of certain fees or expenses charged to the Company, including, without limitation, management fees and accrued performance allocation/fees (if any). Inclusion of such fees and expenses would produce lower returns than presented here.

In addition, at times, Pershing Square may engage in hedging transactions to seek to reduce risk in the portfolio, including investment-specific hedges that do not relate to the underlying securities of an issuer in which the Company is invested.

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

The contributors and detractors to the gross returns presented herein are for illustrative purposes only. The securities on this list may not have been held by the Company for the entire 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. Past performance is not indicative of future results. Please refer to the net performance figures presented on page 2.

12. 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 Activist Positions" includes options, credit default swaps 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 makes in the future will be profitable or will equal the investment performance of the securities discussed herein. Companies shown in this figure are meant to demonstrate Pershing Square's active investment style and the types of industries in which the Pershing Square funds invest and were not selected based on past performance.

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 2019. 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.