PERSHING SQUARE CAPITAL MANAGEMENT, L.P.

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Dear Shareholder:

Pershing Square Holdings, Ltd. ("PSH") underperformed the major market indexes for the third quarter of 2015, fourth quarter-to-date and year-to-date and since inception as set forth below[1]:

	3rd Quarter 2015	4th Quarter 2015 (Through 11/30)	Year to Date 2015 1/1/2015 - 11/30/2015	Since Inception
Pershing Square Holdings, Ltd.				12/31/12 - 11/30/15
Gross Return	-15.5%	-9.2%	-19.7%	36.7%
Net of All Fees	-15.3%	-9.4%	-20.8%	21.8%
Indexes (including dividend reinvestment)				
S&P 500 Index	-6.4%	8.8%	3.0%	55.0%
Russell 1000 Index	-6.8%	8.4%	2.8%	54.9%
Dow Jones Industrial Average	-7.0%	9.4%	1.8%	45.2%

If the year finishes with our portfolio holdings at or around current values, 2015 will be the worst performance year in Pershing Square's history, even worse than 2008 during the financial crisis when the funds declined by 12% to 13%. You might therefore find it surprising that we believe that 2015 has been a good year for our portfolio companies. How can this be?

We have often described our strategy as the implementation of a private equity approach to the public markets – with nearly all of the control-oriented benefits of private equity without the negatives, i.e., the requirement to pay large premiums for control, the necessity of using large amount of leverage in order to win competitive auctions, and the inherent illiquidity of private investments.

In light of the liquidity of our publicly traded portfolio, we receive a minute-by-minute indication of the market value of our holdings. Over the long-term, the portfolio's mark-to-market value is by far the most appropriate measure of our success. In the short term, however, it can create a misleading perception of our progress.

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[1] Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. Please see the additional disclaimers and notes to performance results at the end of this letter.

While we certainly observe and monitor the daily prices of our holdings, our principal focus is the underlying business progress of our portfolio companies and their changes in intrinsic value, which we determine largely based on our assessment of the discounted cash flows we expect them to generate over time. By this measure, we believe that the intrinsic value of the portfolio increased materially over the course of the year. Growth in the intrinsic value of our holdings is the most important determinant of our long-term success.

While we believe that the portfolio's intrinsic value increased, the mark-to-market value of our portfolio has declined substantially since the beginning of the year. As a result of this divergence, we believe that the Pershing Square funds are trading at perhaps the greatest discount to their intrinsic value that we have seen since the inception of the firm.

With a large and growing divergence between intrinsic value and market value, the stability of our capital becomes an even more important factor in our long-term success. In recent years, we have made material improvements to the stability of our capital. With the launch of Pershing Square Holdings, Ltd. (PSH), substantial growth in employee investments in the funds, and the $1.0 billion bond offering by PSH, nearly half of our capital is effectively permanent. The balance of our funds is also quite stable as the substantial majority of our private funds has one-eighth per quarter liquidity and is held by investors (other than several new investors who joined in the last year), who have made large profits over many years of investment in Pershing Square.

Despite the substantial decline in the funds' performance from August to the present, our net redemptions were nominal at $39 million or 0.2% of capital for the third quarter, and $13 million or 0.1% in the fourth quarter. As a result, we have not been forced to raise cash as the portfolio declined, but have been able to be opportunistic. The recent substantial increase in our economic exposure to Valeant at recent lows in the stock is a good such example.

As the largest investors in the funds, we viscerally experience the mark-to-market decline in the portfolio along with our investors. That said, we believe it is a useful exercise to think about the Pershing Square portfolio as if it were comprised of private companies. If our holdings were solely private companies, one would be focused almost exclusively on the companies' underlying business progress. Judged on this basis, the companies that represent the substantial majority of our capital have delivered strong year-to-date results which have contributed to significant increases in their intrinsic values. As you will read in the detailed summaries of each investment below – Mondelez, Valeant, Air Products, Canadian Pacific, Zoetis, Howard Hughes, and Restaurant Brands – all have reported strong results, and we expect them to continue to do so. The company we are short, Herbalife, reported poor results, substantially reduced earnings guidance for 2016, and large quarter-on-quarter increases in regulatory defense costs.

Platform Specialty Products which represents a small portion of the portfolio (currently 3.5%, at peak valuation, 6.3%), generated results that were below our expectations due to execution issues, foreign currency effects, as well as other factors specific to certain of its business units. While disappointing, we view these factors as generally short-term in nature and addressable over the short to intermediate term.

In summary, we believe the portfolio increased in intrinsic value over the course of the year while substantially declining in market value. We much prefer growth in intrinsic value than short-term increases in market value without corresponding progress in intrinsic value. Market value declines during periods of intrinsic value growth create opportunities for long-term profits, as our funds and our portfolio companies are able to purchase shares at attractive valuations.

You might be surprised to see Valeant on our list of companies whose intrinsic value increased this year in light of the controversy around Valeant's specialty pharmacy distribution channel, regulatory subpoenas, and drug pricing. When we first began acquiring our stake in Valeant for approximately $160 per share (our initial position's average cost was $196), analyst cash earnings estimates for 2016 were $11.89 per share. Over the course of the year, Valeant made a number of small acquisitions in addition to its large opportunistic purchase of Salix. The result of these transactions and the related synergies increased our estimates for cash earnings to about $15.90 per share for 2016 and larger amounts in later years, substantially increasing our estimate of Valeant's intrinsic value.

When Valeant's specialty pharmacy (Philidor) and drug pricing controversies came to light, we assessed the impact of these developments on future revenues, earnings and cash flows. While we believe that 2016 cash earnings will likely be somewhat lower than our initial estimate, we do not believe that Valeant's long-term earnings prospects have materially changed. While there remains uncertainty with respect to Valeant's business, we believe the company's business value has grown considerably since our initial investment despite recent negative developments, unfavorable press, some reputational damage, and short-term disruption to the company's distribution of dermatology products.

Had Valeant been a private company, we believe that the controversy surrounding its specialty pharmacy and drug pricing issues would not have been as newsworthy nor perceived as material to the company's intrinsic value. As a public company, Valeant's stock price precipitous decline gave credence to the short sellers' attacks on the company, and the corresponding media coverage caused some reputational damage. That said, we believe the impact on intrinsic value will ultimately be modest and the reputational damage can be mitigated. Valeant has begun to address these reputational issues with greater transparency and responsiveness to short seller attacks and inaccurate press, and will continue to do so at an analyst day tomorrow where senior management will spend more than four hours with investors and analysts.

In summary, while it is important to monitor mark-to-market developments in the short term, growth in long-term intrinsic value will ultimately be determinative of our success or failure. To paraphrase Benjamin Graham, in the short term, the market is a voting machine, representing the short-term whims of investors. Over the long term, the market is a weighing machine when market prices become a better representative of intrinsic value. While we cannot guarantee returns, we can guarantee that we will implement an investment strategy and process that we believe will continue to lead to long-term attractive rates of return.

Third Quarter Performance Attribution

Investments that contributed or detracted at least 50 basis points to gross performance are outlined below.[2]

Detractors	PSH
Valeant Pharmaceuticals International, Inc.	(4.92%)
Platform Specialty Products Corp.	(3.28%)
Howard Hughes Corp.	(1.87%)
Zoetis Inc.	(1.72%)
Nomad Foods Limited	(1.17%)
Air Products & Chemicals Inc.	(0.88%)
Canadian Pacific Railway Limited	(0.75%)
Total	(14.59%)

Portfolio Update

Mondelez (MDLZ)
Mondelez is our largest position and a classic Pershing Square investment in a high quality, simple, predictable business with attractive long-term growth, and multiple opportunities to create shareholder value.

Since our announcement of the investment, we have had constructive meetings with CEO Irene Rosenfeld and senior management. We have discussed what we believe to be key sources of opportunity for the company, including numerous productivity initiatives. Management appears receptive to our outside perspective, analysis, and recommendations.

We maintain our belief that the opportunity for productivity improvement and margin expansion at Mondelez is vast – the largest in the large cap consumer packaged goods sector. The company's operating profit margins were 12% last year, and are estimated to be roughly 14% in 2015, well below what they can or should be given the company's attractive categories, dominant brands, and enormous scale.

On October 28th, Mondelez reported third quarter results. Organic growth for the quarter was 3.7%, driven by pricing actions. Gross margins expanded by an impressive 225 basis points (bps) driven mostly by base productivity programs. This increase does not yet reflect the benefits of the company's supply chain reinvention, which we anticipate will boost gross margins by several hundred basis points in 2016 and beyond.

Operating profit margins increased 210 bps in the quarter as management increased advertising and consumer promotion investments while decreasing overhead. Management reaffirmed full-year guidance for 2015 and its commitment to achieving a 15% to 16% EBIT margin in 2016.

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We believe multiple opportunities exist to expand margins significantly beyond this range in 2017 and thereafter.

Valeant (VRX)
Valeant's stock price declined significantly in the quarter as a result of statements by politicians regarding drug price increases, subpoenas from regulators, attacks by short sellers, and the termination of Valeant's relationship with Philidor, a specialty pharmacy distribution channel used for dermatology products. On October 30, 2015, we held an investor conference call to answer the many questions we received about our investment in Valeant.

Approximately six weeks ago, Valeant's board formed an ad hoc committee to investigate the recent allegations made against Philidor, including claims that Valeant management was involved in the alleged wrongdoing at Philidor. The committee has hired former U.S. Deputy Attorney General and Kirkland & Ellis partner Mark Filip to lead the investigation.

Valeant will hold an in-person, half-day investor meeting tomorrow, Wednesday, December 16th, to provide updated financial guidance for 2016, review the company's strategy, and answer investor questions. We believe that this is an important step for Valeant to restore investor confidence.

On November 23rd, we filed a 13D reflecting our increased stake in Valeant. Before we increased our position, we did substantial due diligence by re-underwriting our investment in the company. In particular, we reviewed all of the short sellers' allegations, the potential political and regulatory risks, the impact of the shutdown of Philidor, and the company's capital structure, debt covenants, and overall financial risk. We updated our financial model in light of recent business developments in order to better assess free cash flows, how quickly the company would be able to reduce leverage, the probability of financial distress, and to determine a conservative estimate of Valeant's intrinsic value.

Ultimately, we concluded that the risk of bankruptcy or financial distress was *de minimis* in light of (1) the highly cash-flow-generative nature of the business, (2) the minimal debt maturities over the next several years, (3) the nature of Valeant's financial covenants, and the highly diversified (both by therapeutic area and geography) product portfolio. Because Valeant owns a highly diversified, divisible, and desirable portfolio of products that can be sold product-by-product and/or division-by-division in an industry with many well-capitalized buyers, it could deleverage at an even more rapid rate if it chose to do so. Once we determined that the risk of financial default was extremely small and the stock was trading at an enormous discount to intrinsic value, we considered various approaches to increasing our investment.

Generally, we purchase stocks outright to get exposure to a particular investment. In this case, we took advantage of the high volatility of Valeant stock, its extremely low share price, and the high degree of market uncertainty in choosing to build a position that offered us a compelling reward for the potential risk. Rather than purchase common stock outright, we increased our investment through a contemporaneous series of over-the-counter option transactions. The bulk of the increase in our investment in Valeant was created through the sale of European-style put options struck at a $60 stock price, the purchase of American-style call options at a $95 stock price, and the sale of European-style call options at $165 stock price, all of which expire in January 2017. This derivative position gives us the upside of the stock from $95 per share up to $165 per share until January 2017. The net purchase price of the options was $6.75.

In summary, if the stock rises to $165 or more by January 2017, we will make more than 10 times our net investment over this period. Our downside is equal to the net purchase price of each option plus the decline in the stock price, if any, below $60 per share as of January 2017. By selling European-style put options, the shares cannot be put to us until January of 2017. By then, we estimate that Valeant's stock price will be substantially in excess of $60 per share, potentially several multiples of this price.

The upside of our derivative investment is approximately equal to that of owning the stock outright at $95 per share with 30% less downside, i.e., if the stock were to go zero, we would lose approximately $67 per share, (the put strike price plus the net option premium). By selling two options for every option that we have purchased, we have also minimized the effective cost of this investment and limited the impact of rapid time value decay which is characteristic of an outright option purchase on a highly volatile stock. In a worse-case scenario, which we believe is extremely unlikely to occur, we risked approximately 4% of additional capital on this investment while increasing our notional exposure to Valeant by about 6% of the portfolio.

We added to our investment because we believe that Valeant shares are enormously undervalued. While we expect a degree of disruption to Valeant's dermatology business, we believe that the fundamentals of Valeant's overall business remain strong. Just this morning, Valeant announced a 20-year agreement with Walgreens Boots Alliance, Inc., the largest pharmacy chain in the U.S. with more than 8,000 units, which will "more than replace" Valeant's Philidor specialty pharmacy distribution. We believe that this agreement will go a long way to addressing concerns about the disruption to Valeant's dermatology business by expanding convenient and affordable access to Valeant products, and will help restore credibility by the company partnering with the largest and best-managed pharmacy chain. The agreement provides for discounted pricing for Valeant's dermatology and ophthalmology products reducing costs for the health care system.

Valeant's stock price is currently impacted by the high degree of uncertainty created by the shutdown of Philidor and the corresponding investigation of allegations, recent political scrutiny of the pharmaceutical industry, negative press coverage of Valeant, and technical trading factors. These technical factors include: (1) the large amount of tax-loss selling which will likely continue until year end, (2) redemption-related sales from funds whose performance was affected by the decline in Valeant's stock price, (3) "window dressing" where investment managers who held Valeant stock sell it before year-end so they do not need to show their investors the actual losses they incurred holding the position, and (4) the inherent complexity of the company that requires substantial due diligence before new investors establish their investment.

Because of the controversy around Valeant, many portfolio managers have been unwilling to retain an investment in the company as client scrutiny and headline risk became intolerable. In light of the above technical factors, we believe that most new investors would prefer to wait to establish an investment in Valeant until after the upcoming analyst day and when year-end technical factors abate.

There are a number of relatively short-term catalysts that we believe may lift the overhang on Valeant shares. We expect that this morning's announcement will reduce if not eliminate concerns about disruptions in the distribution of Valeant's dermatology products. We expect that additional uncertainty will begin to dissipate at tomorrow's analyst day when the company will announce its revenues and earnings guidance for 2016 and answer questions from existing and prospective investors. In addition, we expect the results of the Philidor investigation to be announced sometime in the first quarter of next year. The company will likely file its 10-K in February with the results of Price Waterhouse's year-end audit. This should comfort investors who have concerns about Valeant's accounting.

While we expect a messy fourth quarter due to the shutdown of Philidor and investigative costs, the company should be able to post "clean" quarters beginning in the second quarter of next year. With the passage of time, the reduction in uncertainty, increased transparency, the reporting of operating results which we anticipate to be strong, along with the deleveraging of the balance sheet, we expect Valeant stock to rise substantially.

Air Products and Chemicals, Inc. (APD)

In late October, Air Products announced solid fourth quarter and fiscal year results. Quarterly earnings reached an all-time high by a meaningful margin despite modest revenue growth. Fourth quarter organic revenue growth was 1%, while operating margins increased 340 bps to 21%, yielding EPS growth of 10% despite continued foreign exchange headwinds of about 9% during the quarter.

This quarter marked Seifi Ghasemi's one-year anniversary as CEO of the Company, so it is an opportune time to look at the impressive results he has achieved thus far. Air Product's 2015 fiscal year EPS of $6.57 was up 14% (APD has a September year-end), despite a 7% headwind from foreign exchange, driving EPS growth of 21% adjusted for currency. The company exceeded the high end of its initial guidance despite an unforeseen 7% headwind from foreign exchange. Organic revenue growth was 3% while operating margins were up 310 bps to 19%. Fiscal year industrial gas margins were 18% demonstrating significant progress, but still about 500 bps behind industry-best Praxair.

Next year's guidance calls for EPS of $7.25 to $7.50, an increase of 10% to 14%, which we believe is achievable based solely on the continued realization of cost savings and contribution from growth capital expenditure (capex) investments coming on-line. Seifi highlighted on the earnings call that APD's fiscal year 2016 guidance assumed no global growth due to continued economic weakness around the world, an assumption we believe is appropriately conservative.

Air Products recently announced its intention to spin off its non-core Materials Technology business, newly named Versum Materials. We believe the spinoff is a wise and value-creating decision. Versum currently represents about 25% of the Company's operating profits. The business is a high-quality, high-margin (EBITDA margins of about 25%), low capital intensity (maintenance capex about 1.5% of sales), strong free-cash-flow-generative business with leading positions in its niche markets.

We believe the spinoff will create value for shareholders as it will allow each business to focus on its core operations, compensate its executives appropriately, allocate capital according to each business' unique needs, and optimize its capital structure. Air Products intends to spin out Versum with 4.5 times EBITDA of leverage which will generate about $1.5 billion of capital for investment in Air Product's core industrial gas business and/or for share repurchases. We believe that Versum can comfortably support its new capital structure given its strong free cash flow generation.

At the one-year mark of Seifi's tenure at Air Products, we are delighted with the results achieved thus far and remain optimistic about the company's future prospects.

Canadian Pacific (CP)

CP reported its third quarter results in late October. The rail environment is weak in light of developments in global commodity markets, yet results came in largely in-line with consensus. On the quarterly conference call, Hunter Harrison expressed confidence in the potential for further cost and capital expenditure reductions.

CP quarterly results showed revenue growth of 2% and the Company's operating ratio (OR) improved 290 bps by declining to 59.9%. Net income increased 7% while EPS grew 16% as the company's share repurchase program reduced shares outstanding. During the third quarter, CP bought back 5% of its shares as it continued to take advantage of the company's low share price.

CP has increased its asset productivity substantially which, along with weakening commodity markets and lower volumes, has allowed the company to remove from service 15% of its rolling stock and 40% of its high power locomotives. Hunter commented that CP will not need to purchase locomotives until 2018, implying a seven-year purchase deferral since he arrived as CEO. This is better than management's original estimates of three to four years, as the team has continued to improve locomotive productivity. These improvements are yet another illustration of the power of Hunter's operating model and its impact on asset utilization.

Year-over-year, headcount is down through continued attrition of the workforce. CP recently reached an hourly rate agreement with its U.S. union, which should enhance efficiency. Hunter has predicted that a similar agreement could eventually be reached in Canada. Hunter remains optimistic despite current economic headwinds, explaining that CP is operating well, and that when growth picks up "we're going to have to buy a bigger safe for the funds."

CN announced a 53.8% OR in the third quarter, by far an industry record, highlighting the substantial opportunity ahead for CP. Hunter said he thinks CP's OR should be 200 to 300 bps lower, even at existing volume levels. He also stated that capital expenditures would begin to come down in the coming years, as the Company has caught up to previous management's underinvestment in the network. Given the increased efficiencies to come, the Company said it was confident in generating double-digit EPS growth next year despite the softer macroeconomic backdrop.

The CP- Norfolk Southern Merger

CP has proposed a merger with Norfolk Southern (NS), which would create significant value for both CP and NS shareholders. As importantly, CP's proposed merger with NS would provide unsurpassed levels of safety and service to its customers and communities while also increasing competition and creating significant shareholder value. When one owns a company run by extremely able management, it almost always makes sense to get additional assets under their management if the new assets can be acquired at a fair price.

On December 8th, we participated on a conference call CP hosted to discuss the transaction, and outlined an investor's perspective on the attractiveness of the CP offer to NS. We believe CP has put forth a highly attractive offer to NS shareholders. We estimate the offer to be worth $125 to $140 per NS share at the time of the closing of the transaction in May 2016, representing a 58% to 77% premium to NS's undisturbed share price, a meaningfully higher value than NS could achieve as a standalone entity. For more details on the CP proposal, we encourage you to review management's and our presentation. Please contact CP investor relations or go to www.cpr.ca for further information.

Zoetis, Inc. (ZTS)

On November 3rd, Zoetis reported another strong quarter. Operational revenue grew 9% and operational adjusted net income grew 31%, excluding the impact of foreign exchange. Growth was driven by strong performance in the U.S. livestock business, the integration of the Abbott Animal Health business that was acquired in the first quarter of 2015, and growth in recently launched products in the companion animal sector. Reported revenue of $1.2 billion was flat year-on-year, while reported EPS of $0.38 represented a 15% increase over third quarter 2014 reported EPS.

Adjusted diluted net income per share, which excludes purchase accounting adjustments and certain one-time costs, was $0.50. This is an increase of 22% compared to third quarter 2014, and significantly in excess of the Wall Street consensus adjusted EPS estimate of $0.40 per share.

Management continues to demonstrate its expense discipline. Operating expenses grew 3% while operational revenue grew 9% excluding the impact of foreign exchange. Management reaffirmed its commitment to meet or exceed the previously announced $300 million expense reduction target by 2017.

During the quarter, the company announced the $765 million acquisition of PHARMAQ, the global leader in vaccines for aquaculture, or farmed fish. Aquaculture is the fastest growing segment of the global animal health industry and is the only segment in which Zoetis had limited presence. The PHARMAQ acquisition provides a market-leading portfolio of vaccines and pharmaceuticals for farmed fish as well as a late-stage development pipeline anticipated to deliver important new vaccines and next-generation parasiticides in the near term. PHARMAQ is a good strategic fit with Zoetis, and provides another pillar for long-term growth. The company believes this acquisition will enjoy a long period of sustainable growth in revenue, profits, and cash flow when added into its business.

Howard Hughes Corp. (HHC)

As a developer/owner of major real estate projects and master planned communities, HHC is inherently a long-term investment proposition. The company continues to make material progress completing its developments, launching new projects, selling condominiums and residential lots, and leasing space to office and retail tenants and apartment renters. This is driving substantial increases in the company's net operating income, recurring cash flows, and intrinsic value.

The company's stock price has declined year-to-date largely we believe because of its ownership of two master planned communities in Houston, namely the Woodlands and Bridgeland. The substantial decline in oil prices has and will likely continue to reduce lot sale velocity and leasing activity in Houston. We do not, however, believe that the decline in oil prices will permanently impair Houston or these assets, as they represent the best office (in the case of the Woodlands) and among the best residential markets (both the Woodlands and Bridgeland) in the city, and because Houston's economy, while meaningfully dependent on oil and gas, has in recent years diversified substantially. We expect that the Woodlands will continue to take market share from other locations in Houston as it is arguably the most desirable place to live and work in Houston.

Restaurant Brands International (QSR)

QSR delivered another strong quarter of earnings, consistent with our belief that the company will produce a high rate of earnings growth over the coming years. QSR continues to deliver strong improvement in Burger King (BKW) U.S. same-store sales (SSS) growth. This quarter SSS grew 5% which is at the top of the QSR industry once again. This is also QSR's eighth consecutive quarter of positive comps. New product innovations, improved service, and the increasingly remodeled store footprint are contributing to increased growth.

Despite its industry-leading SSS growth in recent quarters, BKW still operates at sales-per-store that are well below its peers, Wendy's and McDonalds. Closing this gap will provide QSR with an additional significant driver of earnings growth over the coming years.

Tim Hortons' (THI) overhead cost declined by nearly 40% this quarter, accelerating the rate of cost reduction achieved in prior quarters. Importantly, QSR is improving the brand's operating efficiency while maintaining THI's high level of SSS growth and increasing unit count.

Strong sales improvement at BKW's U.S. business, and operational efficiencies at THI were two important factors, when combined with strong restaurant unit growth, that allowed QSR to grow EBITDA by 6% and EPS by 33%, in spite of the strengthening U.S. dollar, which negatively impacted results by more than 12%.

Platform Specialty Products (PAH)
During the third quarter, PAH's share price declined 51%. While there were several developments at the company which contributed to the decline in the share price, many companies that have been highly acquisitive or compete in the agricultural chemicals industry also experienced significant share price declines during the quarter. For example, highly acquisitive companies such as XPO Logistics, Altice, and Colfax each exhibited share price declines of between 35% and 47% during the quarter, and the share price of FMC, PAH's closest agricultural peer, declined 35% during the same period.

During the last several months, PAH announced the resignation, hiring, and promotion of several key executive roles. In August, Wayne Hewett, former President and head of the agricultural solutions business, left the company. In October, Dan Leever, the CEO of PAH, resigned. Dan stated that his resignation occurred due to disagreements with Chairman Martin Franklin regarding management style and the cultural integration of acquired companies. PAH also recently hired a new CFO, Sanjiv Khattri, and promoted its former head of corporate development, Ben Gliklich, to COO. On an investor call in October, Martin reiterated his commitment to PAH and explained that his involvement with the company will be even greater than it has been in the past. Martin and other members of the board and management have made substantial stock purchases in recent weeks.

PAH has reduced its EBITDA guidance twice in 2015. In August, the company reduced 2015 EBITDA guidance by approximately 5% from its initial guidance in March. In October, PAH further reduced its 2015 EBITDA guidance by an additional 12%. The company has explained that the primary drivers of the guidance reductions are worsening foreign exchange rates and a change in distribution strategy in the agricultural solutions business to realign inventory levels to more closely match underlying demand.

During the quarter, the company provided additional details regarding the financing for its pending acquisition of Alent. In October, PAH reiterated that it had obtained an underwritten commitment for long-term debt financing at what it believes to be competitive market rates for the $1.8 billion cash portion of the purchase price. In addition, the company clarified that it does not need to issue additional equity to finance the closing of the Alent acquisition. On December 1st, Platform completed its acquisition of Alent.

While Platform is clearly a work in progress, we have a high degree of confidence in Martin Franklin and his team. Yesterday, Martin's largest holding, Jarden Corp., where he has served as Executive Chair, agreed to be acquired by Newell Rubbermaid. Under Martin's leadership, Jarden's stock price has increased approximately 50 times. Martin will be stepping down as Executive Chair, but will remain on the board of the merged company. We view this sale as favorable for Platform and Nomad Foods as he will now be able to devote more of his time to these companies.

Nomad Foods Ltd. (NHL)
Nomad's underlying frozen food business exhibited challenges during the quarter. Market-based pressures from the growth of discount grocers and private label, coupled with execution issues, have caused softness in Nomad's Iglo frozen food business. Like-for-like sales have declined

7% year-to-date. Management has put in place a plan to arrest these trends and return to growth, but these changes will take time to have a material impact. Despite the revenue decline, the business has remained resilient from a profitability and cash flow perspective, with year-to-date EBITDA down 5% on margins which were essentially flat at 19.5%.

Nomad has built a strong team of executives who are working diligently to improve Nomad's core operations by growing revenue and reducing corporate overhead and trade spend (promotional allowances and slotting fees). We believe the extraction of efficiency gains will allow the Company to preserve and grow margins while re-investing for growth.

The most material development during the quarter was Nomad's announced acquisition of the non-UK assets of Findus. The Findus assets are highly complementary to Nomad's existing Iglo business, as they are in similar frozen food categories with complementary geographies. Iglo's business is the leader in branded frozen foods in the UK, Italy, Germany, and Austria, while Findus has a strong position in the Nordic countries and France. After combining these businesses, Nomad is now 2.5 times the size of its next-largest branded frozen food competitor in Europe.

In addition to its strategic benefits, the Findus transaction has favorable economic characteristics. The £500mm acquisition price represented 9.7x trailing EBITDA, and about 6.5 times pro forma EBITDA including expected synergies, a price which we find attractive given the business' modest capex needs and moderate cash tax rate.

Pro forma for the Findus acquisition and its expected synergies, Nomad has said it expects to earn about $1.35 per share. With the recent decline in the stock price to about $11 per share, the business is valued at less than eight times earnings and is moderately leveraged at about 3.7 times pro forma EBITDA.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

The GSEs' continue to show healthy underlying trends in their core guarantee business, which have been obscured by non-cash, accounting-based derivative losses in the GSEs' non-core investment portfolio. Changes in the value of the derivatives create enormous volatility in the GSEs' GAAP quarterly earnings, even though they do not have an impact on economic earnings or intrinsic value. Because the net worth sweep does not allow the GSEs to retain capital, it is likely that future accounting-based derivative losses could cause the GSEs to borrow additional funds from Treasury despite having no economic need to do so. This is yet another example of why the Net Worth Sweep is problematic.

Since our last call, there has been a growing belief among highly regarded and politically influential groups and thought leaders that the GSEs must retain capital and exit conservatorship. Substantial questions have been raised about the government's legal justification for the Net Worth Sweep. We encourage you to read Gretchen Morgenson's December 13th New York Times article on the GSEs entitled: "Fannie and Freddie's Government Rescue Has Come With Claws," which can be found here: http://www.nytimes.com/2015/12/13/business/fannie-and-freddies-government-rescue-has-come-with-claws.html?ref=todayspaper&_r=0.

Recently, the Community Home Lenders Association and Community Mortgage Lenders of America, two organizations representing the politically powerful community banks, wrote a letter to the White House arguing for capital retention and an end to conservatorship for the GSEs. There have also been reports that the White House is considering various alternatives for recapitalizing the GSEs. Although government officials have denied these reports, we find it interesting that these reports have surfaced amid a growing consensus that a recapitalization of the GSEs is needed.

At the end of October, a shareholder of both Fannie and Freddie's common stock filed suit against the Net Worth Sweep in Kentucky. This case provides another avenue for pressing the case against the Net Worth Sweep in addition to the cases in the DC District Court of Appeals and the Federal Court of Claims.

The GSEs underlying guarantee business is in healthy shape, the momentum for capital retention and an exit for conservatorship are growing, and the legal avenues for fighting the Net Worth Sweep have increased.

Herbalife (HLF) Short

Our thesis on HLF remains unchanged. We believe that Herbalife will ultimately be subject to regulatory action or will collapse because of fundamental deterioration in its business which relies on the continual recruitment of new victims. During the quarter, the potential for regulatory action increased while business fundamentals deteriorated.

From a regulatory perspective, we view the Complaint that the FTC filed on August 17th against Vemma Nutrition Company ("Vemma"), another MLM whose structure is similar to HLF's, as a very positive development. The preliminary injunction issued against Vemma on September 18th is likely to make Vemma's business totally unviable and provides a template for claims the FTC could bring against Herbalife.

On October 27th, New York State Senator Jeff Klein, working with Public Advocate Letitia James and a non-profit community group called Make The Road New York, released a critical report on Herbalife titled: "The American Scheme: Herbalife's Pyramid Shakedown". Based on its hidden camera investigations of more than 60 nutrition clubs located in New York City, the report concluded that Herbalife distributors are "running an illegal pyramid scheme." The report was supported by data from 56 victims who individually lost as much as $100,000. On December 9th, Sen. Klein held a public roundtable to advance his campaign to stop Herbalife's deceptive tactics. Senator Klein has proposed New York State legislation that would amend the New York State General Business Law to better protect New York State residents.

Despite predictions from Herbalife supporters that regulatory investigations would end during the quarter, they appear to have intensified. The company has now spent a total of $101 million defending itself, including $11.2 million in the quarter. Expenses related to "responding to governmental inquiries" increased from $5.8 million last quarter to $7.6 million this quarter which reflects the growing intensity of ongoing investigations. Assuming Herbalife is spending about $500 per hour on lawyers, $7.6 million represents 15,200 hours of legal time during the quarter, or 168 hours of legal time per day, seven days per week.

Herbalife's fundamentals continued to decline during the quarter. Notably "total members" – perhaps Herbalife's most important operating metric – declined from 4.1 million in the second quarter to 4.0 million in third quarter indicating that Herbalife churned through at least 500,000 members as the rate of member churn exceeded Herbalife's ability to find new victims.[3] On its conference call, the company also began using a new operating metric called 'active members,' suggesting that Herbalife concedes that a proportion – we expect, a large proportion – of its members are inactive. In our experience, companies that change the standards by which they measure themselves do so only when the old metric shows business deterioration that they would rather not disclose.

With respect to third quarter earnings, Herbalife posted weak revenues, but was able to reduce or defer certain expenses in order to generate earnings that exceeded analyst estimates. Among other questionable add-backs, Herbalife excludes regulatory and costs to "defend its business model" from its earnings estimates despite the fact that these expenses are likely to continue. On a consolidated basis, the company reported net sales of $1.1 billion, down 12% year-over-year, which was worse than Street expectations and below management guidance. The negative variance was largely attributable to foreign exchange headwinds. Similar to last quarter, China continues to be the key driver of Herbalife's growth. While China's year-over-year growth was 25%, Herbalife China revenues declined 5% when compared to the previous quarter.

Notably, HLF's South Korean market continued to show substantial deterioration in the quarter. South Korea has been one of Herbalife's largest markets and a significant driver of the company's revenue and earnings growth. Over the last several years, South Korea has been Herbalife's third or fourth largest market and one of its most profitable with approximately 56% contribution margins versus 43% for the rest of the company. Beginning a year ago, Herbalife Korea began to decline. This deterioration accelerated notably this quarter, down 39% versus last year on a constant-currency basis, and down 46% on an actual basis.

While management continues to blame the decline in Korea on "changes in the business model," to us this looks like the classic "pop-and-drop" that is pervasive in pyramid schemes, a phrase that CEO Michael Johnson previously used to describe Herbalife's rapid growth and inevitable decline in certain geographical regions. If one is looking for obvious evidence that Herbalife is a pyramid scheme, one need only look at the massive growth and rapid decline of Herbalife's South Korea business and compare it with Unilever or another legitimate consumer packaged goods company.

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[3] Herbalife reported in its Form 10-Q as having 4.1 million independent members as of June 30th, 2015. This disclosure was revised downwards in Herbalife's quarter ended September 30th, 2015 to 4.0 million independent members, for a net decrease of 0.1 million members between Q2 and Q3 2015. However, Herbalife's Quarterly Breakout of Key Metrics (available as a supplemental Non-GAAP disclosure on its investor relations website) discloses that Herbalife recruited 523,700 new members in Q3. Taken together, one can therefore infer that Herbalife churned between 524,700 and 722,700 members (average = 623,700) in the most recent quarter. Equation: End of Period Members (4.0 million) – Starting Members (4.1 million) – New Members (523,700) = Churned Members (623,700). A precise figure is impossible to know as Herbalife presents the end of period member numbers rounded to the nearest hundred-thousand.

Please feel free to contact the Investor Relations team or me if you have questions about any of the above.

Sincerely,

William A. Ackman

IMPORTANT NOTICE

Presentation of Performance Results and Other Data

The performance results of PSH shown in this letter are presented on a gross and net-of-fees basis. Gross and net performances include the reinvestment of all dividends, interest, and capital gains, and reflect the deduction of, among other things, brokerage commissions and administrative expenses. Net performance reflects the deduction of management fees and accrued performance fee, if any. All performance provided herein assumes an investor has been invested in the Company since its inception date. Depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance stated herein. Performance data for 2015 is estimated and unaudited.

The inception date for PSH is December 31, 2012. The performance data presented on the first page of this letter for the market indices under "since inception" is calculated from December 31, 2012. The market indices shown on the first page of this letter have been selected for purposes of comparing the performance of an investment in PSH with certain well-known, broad-based equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the funds are subject. The Company is not restricted to investing in those securities which comprise any of these indices, its performance may or may not correlate to any of these indices and it should not be considered a proxy for any of these indices. The volatility of an index may materially differ from the volatility of a Pershing Square fund. 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. © 2014 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

The data reflected in the chart on p.4 reflects the gross returns of the positions that contributed at least 50 basis points to, or detracted at least 50 basis from, the overall portfolio's gross performance during Q3. The gross returns provided herein include the reinvestment of all dividends, interest and capital gains, if any, and reflect the deduction of, among other things, brokerage commissions and administrative expenses. These gross returns do not reflect deduction of management fees and accrued performance fee, if any. Inclusion of such fees and expenses would produce lower returns than presented here. At times, PSH 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 PSH is invested. The gross returns reflected herein: (i) include only returns on the investment in the underlying issuer and the hedge positions that directly relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and also purchased puts on Issuer A stock, the gross return reflects the profit/loss on the stock and the profit/loss on the put); (ii) do not reflect the cost/benefit of hedges that do not relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and short Issuer B stock, the profit/loss on the Issuer B stock is not included in the gross returns attributable to the investment in Issuer A); and (iii) do not reflect the cost/benefit of portfolio hedges. Performance with respect to currency hedging related to a specific issuer is included in the overall performance attribution of such issuer.

The performance attributions to the gross returns provided herein are for illustrative purposes only. The securities on this list may not have been held by the Company for the entire period. All investments involve risk including the loss of principal. It should not be assumed that investments made in the future will be profitable or will equal the performance of the securities on this list. Please refer to the net performance figures presented on page 1 of this letter.

Limitations of Performance Data

Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. This letter does not constitute a recommendation, an offer to sell or a solicitation of an offer to purchase any security or investment product.

This letter contains information and analyses relating to all publicly disclosed positions above 50 basis points in the Company's portfolio during the period reflected on the first page. 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 letter 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 letter also contains forward-looking statements, which reflect Pershing Square is 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.

Risk Factors

Investors in PSH may lose all, or substantially all, of their investment in PSH. Any person acquiring shares in PSH must be able to bear the risks involved. These include, among other things, the following:

- PSH is exposed to a concentration of investments, which could exacerbate volatility and investment risk;
- Activist investment strategies may not be successful and may result in significant costs and expenses;
- Pershing Square may fail to identify suitable investment opportunities. In addition, the due diligence performed by Pershing Square before investing may not reveal all relevant facts in connection with an investment;
- While Pershing Square may use litigation in pursuit of activist investment strategies, Pershing Square itself and PSH may be the subject of litigation or regulatory investigation;
- Pershing Square may participate substantially in the affairs of portfolio companies, which may result in PSH’s inability to purchase or sell the securities of such companies;
- PSH may invest in derivative instruments or maintain positions that carry particular risks. Short selling exposes PSH to the risk of theoretically unlimited losses;
- PSH’s non-U.S. currency investments may be affected by fluctuations in currency exchange rates;
- Adverse changes affecting the global financial markets and economy may have a material negative impact on the performance of PSH’s investments;
- Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect PSH’s business, investments and results of operations;
- Pershing Square is dependent on William A. Ackman;
- PS Holdings Independent Voting Company Limited controls a majority of the voting power of all of PSH’s shares;
- PSH shares may trade at a discount to NAV and their price may fluctuate significantly and potential investors could lose all or part of their investment;
- The ability of potential investors to transfer their PSH shares may be limited by the impact on the liquidity of the PSH shares resulting from restrictions imposed by ERISA and similar regulations, as well as a 4.75 per cent. ownership limit;
- When the lock-up arrangements to which existing shareholders are subject expire, more PSH shares may become available on the market which could reduce the market price of PSH shares;
- PSH is exposed to changes in tax laws or regulations, or their interpretation; and
- PSH may invest in United States real property holding corporations which could cause PSH to be subject to tax under the United States Foreign Investment in Real Property Tax Act.