PERSHING SQUARE HOLDINGS, LTD.

2015 Annual Report

Contents

The Company

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

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

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

Chairman's Statement

INTRODUCTION

2015 was a turbulent year for the Company. During the first half of the year, our portfolio companies performed well, our net asset value ("NAV") increased, and we raised $1 billion of capital financed via a bond issue. In the second half of the year, we saw a significant decline in our NAV, partly due to specific company events, and partly due to a more general fall in stock market valuations. The losses of the second half more than wiped out the gains in the first half of the year, and the Board is not pleased to be reporting a decline in NAV for the year.

INVESTMENT PERFORMANCE

During the year to 31 December 2015, PSH's NAV fell by 20.5%[i]. This is in sharp contrast to the net returns of 40%[ii] generated in 2014, and Pershing Square's long-term track record of a 17.1%[iii] compound annual return from its inception in 2004 through to the end of 2015.

More than half of PSH's decline in NAV was due to the fall in value of our stake in Valeant Pharmaceuticals International, Inc. ("Valeant"). Valeant was hit inter alia by political attention on drug pricing, the closure of a distribution channel for 7% of Valeant's sales, questions raised by a short seller on the company's accounting, and a loss of confidence in the company's governance and management. The Investment Manager has recently taken steps to protect and enhance the value of its investment in Valeant. Further analysis of the performance in 2015, and the specific events at our portfolio companies may be found in the 2015 Key Highlights and the Investment Manager's Report on pages 5-20.

INVESTMENT MANAGER

After a year of poor performance, it is necessary to analyse what went wrong, and what lessons can be learned. In the 2015 letter to shareholders, Bill Ackman discussed where errors were made, and also how the challenging financial markets caused share prices to fall even though companies were for the most part producing strong financial results. The Investment Manager is also reviewing its Valeant investment in order to identify where mistakes may have been made and how to avoid them in the future. It is important to note that the concentrated nature of PSCM's portfolio is likely to lead to lumpy investment performance on both the upside and the downside. Unfortunately, we have seen the downside of this concentration in 2015, but the Board does not believe that a year of poor performance requires a change in strategy. The Board fully supports the Investment Manager in its strategy of making a small number of meaningful investments in companies where an activist investor can add value. PSCM expects to continue to hold many of our current portfolio companies through 2016, but may also make one or more new investments.

BOND OFFERING

In our 2014 Annual Report I mentioned that we were exploring options to issue low-cost, long-term, unsecured, covenant-light debt. In June 2015 we issued $1 billion of Senior Notes due 2022 (the "Bonds") at an interest rate of 5.50% per annum. The Bonds were rated investment grade by both Standard & Poor's and Fitch. The net proceeds of the offering of the Bonds were used to rebalance existing investments among the Pershing Square funds and to provide capital for our investment in Mondelez International, Inc.

As of 31 December 2015, PSH's Total Indebtedness to Total Capital Ratio was 16.1%. The principal covenants of the Bonds limit the incurrence of debt or distributions to shareholders when this ratio is greater than or equal to one third. Unlike margin debt, the bonds do not have mark-to-market covenants which could require forced sales when equity prices decline.

While the leverage of the bond issue amplifies losses when the portfolio declines in value, it will also amplify increases in the underlying portfolio as values recover. The Board and PSCM believe that a prudent amount of long-term, cost-effective leverage should enhance the long-term returns to PSH shareholders without a meaningful increase in the risk of a permanent loss of capital.

HIGH WATER MARK

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

CORPORATE GOVERNANCE/BOARD

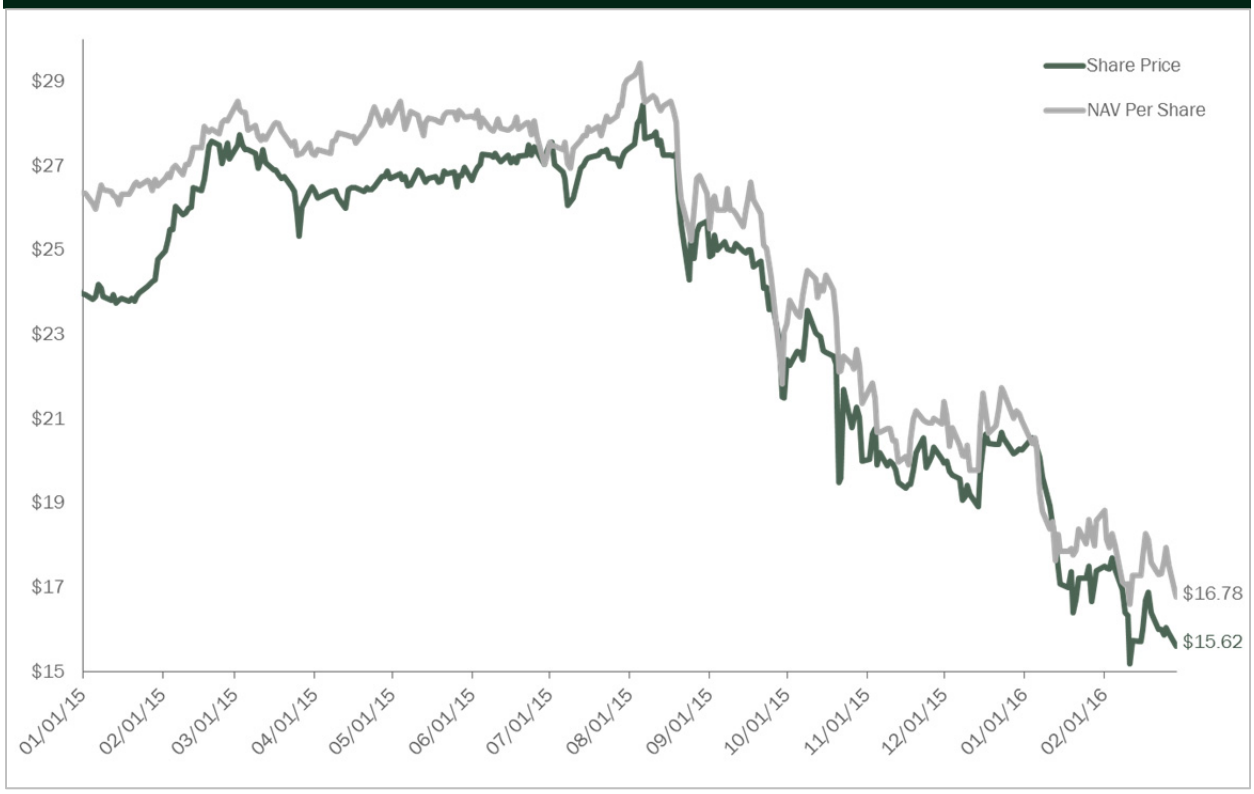
The PSH Board has now worked together for a full calendar year. I would like to thank the Board members for their wisdom and support during this time. We have no plans to change the current Board members, but all Directors will offer themselves for re-election at the Annual General Meeting in April 2016. We also plan to conduct a review of the performance of the directors in the second half of 2016.

The Board is committed to following the principles of good corporate governance as set out in the AIC Code of Corporate Governance (the "AIC Code"). The Company is subject to the changes in the AIC Code which affect annual reports for periods beginning on or after 1 October 2014, and require the Board to make a statement regarding the long-term viability of the Company. For more details please turn to the Going Concern and Viability Statement on page 32.

SHARE PRICE PERFORMANCE/ PREMIUM AND DISCOUNT

The graph below compares the PSH share price to the PSH NAV for 2015, and shows that the shares traded at a discount to NAV for all but a few days over the time period. The average discount to NAV during 2015 was 4.3%. It is interesting to note that although there was increased volatility in the share price in the last quarter of 2015, the shares continued to trade close to NAV, and the discount on 31 December 2015 had reduced to 3.3%. The share price volatility has not abated in the first two months of 2016. The average discount in the two months to 29 February 2016 was 4.7%, but this has widened further in March.

PSH NAV vs. Trading Price (January 1, 2015 – February 29, 2016)



The Board monitors the trading activity of the Company's shares on a regular basis. The Investment Manager is committed to an ongoing, pro-active global investor relations effort.

EVENTS : SHAREHOLDER PORTFOLIO UPDATE AND ANNUAL GENERAL MEETING

The Investment Manager will present a portfolio update to shareholders in London on 26 April 2016. Shareholders will have the opportunity to hear from and submit questions to Bill Ackman and other members of the Pershing Square team.

The Company's Annual General Meeting will be held in Guernsey on 27 April 2016.

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

I note that the first quarter of 2016 to date continues to be challenging. I will report to you on the first half of 2016 in August 2016, and the Investment Manager will keep you informed of any significant developments in the portfolio before then if appropriate.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 24, 2016

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[i] Past performance is not a guarantee of future results.

[ii] Net returns include the reinvestment of all dividends, interest, and capital gains and assume an investor has participated in any "new issues" as such term is defined under Rules 5130 and 5131 of FINRA. Net returns also reflect the deduction of, among other things, management fees, brokerage commissions, administrative expenses and performance fee (if any).

[iii] Compound annual returns are those of Pershing Square, L.P. ("PSLP"), the Pershing Square fund with the longest track record and substantially the same investment strategy to the Company. Please see footnote 5 in "Footnotes to 2015 Key Highlights and Investment Manager's Report" on page 20 for further information.

2015 Key Highlights

PERFORMANCE

Pershing Square Holdings, Ltd. Performance vs. the S&P 500			
	PSH Gross Return [1]	PSH Net Return [1]	S&P 500[3]
2015	(19.3)%	(20.5)%	1.4%

PERFORMANCE ATTRIBUTION[4]

Below are the attributions to gross performance of the portfolio of the Company for 2015.

Winners	
Allergan, Inc.	3.9%
Mondelez International, Inc.	3.3%
Zoetis Inc.	1.2%
All Other Positions	0.3%
Total Winners	8.7%

Losers	
Valeant Pharmaceuticals International, Inc.	(11.4)%
Herbalife Ltd.	(3.9)%
Canadian Pacific Railway Limited	(3.8)%
Platform Specialty Products Corporation	(2.8)%
Actavis plc short (Allergan hedge)	(1.9)%
The Howard Hughes Corporation	(1.3)%
Air Products & Chemicals, Inc.	(1.2)%
All Other Positions	(1.7)%
Total Losers	(28.0)%
Total Winners and Losers 2015	**(19.3)%**

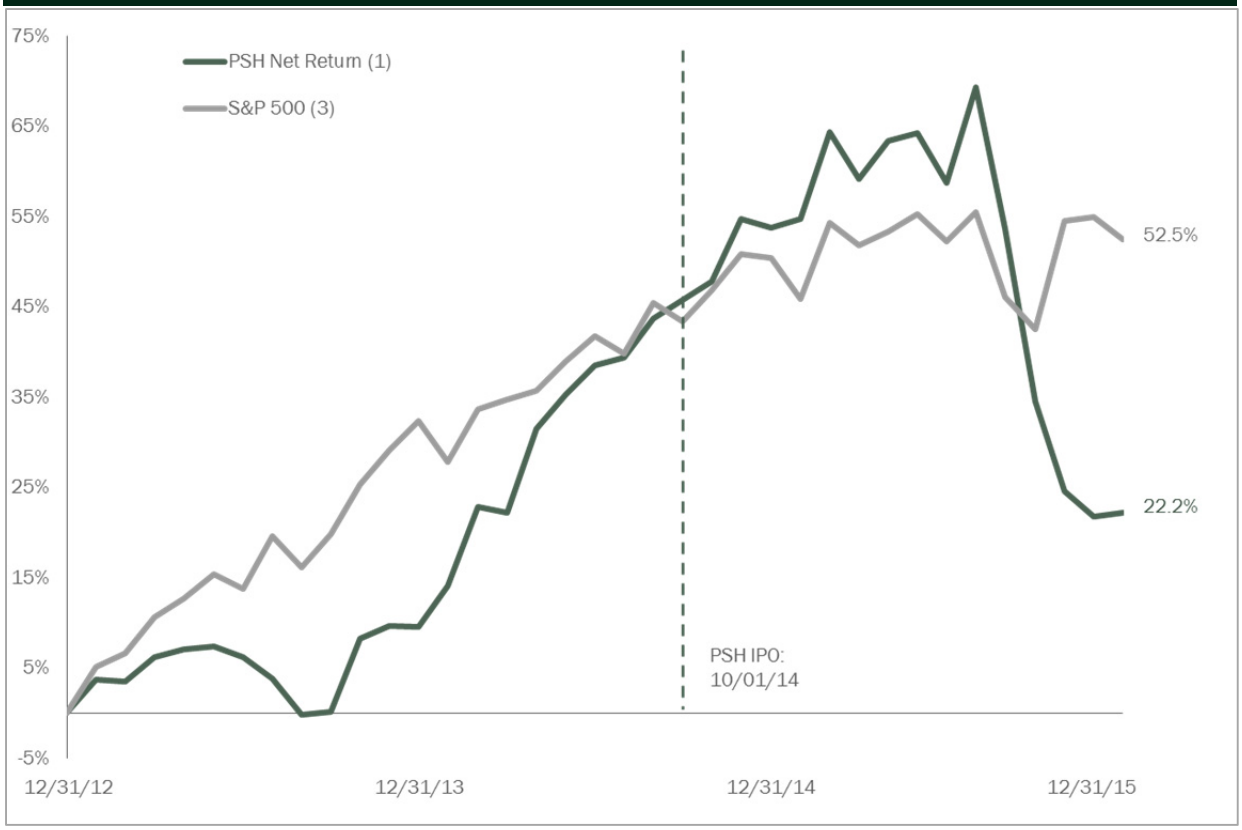
Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal.
Please see accompanying footnotes on page 20.

Investment Manager's Report

HISTORICAL PERFORMANCE

Pershing Square Holdings, Ltd. Performance vs. the S&P 500		
	PSH Net Return [1]	S&P 500[3]
2013	9.6%	32.4%
2014	40.4%	13.7%
2015	(20.5)%	1.4%
2013 – 2015 [2]		
Cumulative (Since Inception)	22.2%	52.5%
Compound Annual Return	6.9%	15.1%

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



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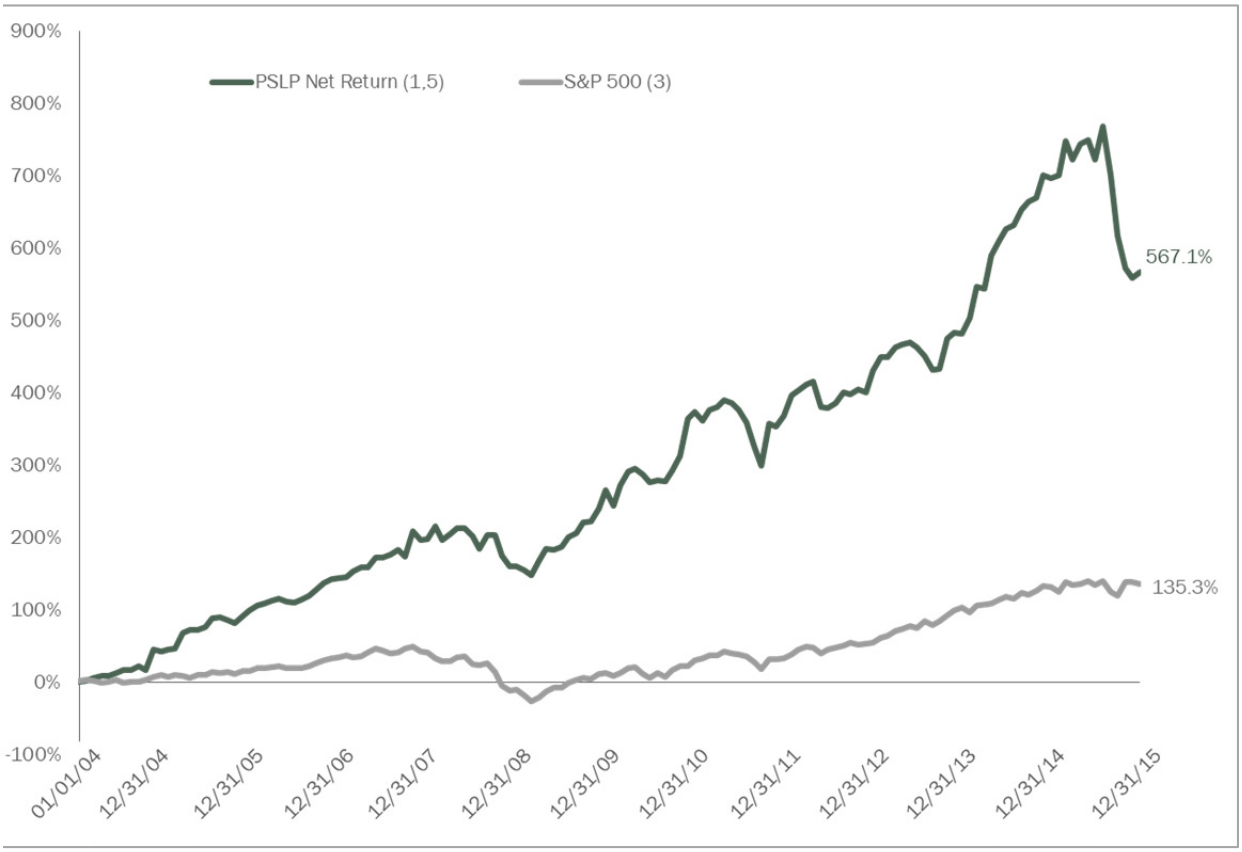
Please see accompanying footnotes on page 20.

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

Pershing Square, L.P. Performance vs. the S&P 500		
	PSLP Net Return [1,5]	S&P 500[3]
2004	42.6%	10.9%
2005	39.9%	4.9%
2006	22.5%	15.8%
2007	22.0%	5.5%
2008	(13.0)%	(37.0)%
2009	40.6%	26.5%
2010	29.7%	15.1%
2011	(1.1)%	2.1%
2012	13.3%	16.0%
2013	9.7%	32.4%
2014	36.9%	13.7%
2015	(16.2)%	1.4%
2004 – 2015 [2]		
Cumulative (Since Inception)	567.1%	135.3%
Compound Annual Return	17.1%	7.4%

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



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

PUBLIC ACTIVIST INVESTMENTS SINCE INCEPTION[6]

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

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Please see accompanying footnotes on page 20.

LETTER TO SHAREHOLDERS

Dear Pershing Square Investor,

While we have already distributed our 2015 Annual Letter to you on January 26, 2016, a copy of which is available on our website, www.pershingsquareholdings.com, events of the last two months with respect to Valeant require further discussion. We intend to continue to provide you with additional information on a timely basis as events transpire.

As you may know, our approach with respect to communications is to provide you with the information that we would want if our positions were reversed, that is, if we were the shareholder and you were the investment manager. The only caveat is that we will not share information that will create a competitive disadvantage for Pershing Square unless we are legally required to do so. For example, we will not tell you what we are buying or selling unless reporting requirements oblige us to do so.

In our Portfolio Update section to follow, we provide an update on recent events at Valeant, which include Steve Fraidin, our Vice Chairman, and I joining the Valeant board, and the announcement that Mike Pearson, CEO, will be stepping down once a new CEO begins work at the company. Recent events have required us to take a more active role at the company, and our presence on the board will now give us influence over the selection of the new CEO, capital allocation, and strategy.

I have always believed that experience is best defined as making mistakes and learning from them. I have made many investment mistakes over the last nearly 25 years managing investments, but the overall result has been quite satisfactory. I believe that this is principally because we have used errors of judgment, execution, or analysis as important opportunities for study, learning, and introspection. We intend to do so here.

Now that we have begun to stabilize our investment in Valeant, we will begin to consider the significant lessons that we can learn from this experience. One important lesson from the past is that while we normally use our active investment approach to create value in a new situation, it can also serve in a defensive role, when a business we own encounters severe challenges.

The decline in the market value of Valeant coupled with the underperformance of a number of our other investments since the summer has been compounded by the impact of the leverage from the bond issuance we completed in June of last year. Leverage amplifies both negative and positive returns. We have suffered the negative consequences of leverage as a result of the decline in the market value of the portfolio since August. With increases in the underlying value of our holdings, leverage will amplify our positive returns. The bonds do not have any mark-to-market or ratings-based triggers so declines in market value do not cause an acceleration or other changes to these instruments. The recent NAV decline has caused Standard & Poor's to place the bond's BBB ratings on CreditWatch with negative implications.

We note that the bonds are the senior-most obligations of PSH – other than in the event we were to use margin leverage which we have no plans to do – and, despite a substantial decline in NAV, are covered by cash, U.S. Treasuries, and highly liquid marketable securities that represent about five times the $1 billion face amount of these securities.

While PSH's discount to NAV has remained relatively narrow during most of 2015 and early 2016 – typically less than 5% – in recent weeks, the discount has widened substantially and has averaged about 13% since March 1, 2016. I suspect that this is largely due to fear about the rapid decline in Valeant's stock price. At the current discount to NAV of about 12%, an investor is paying almost nothing for our investment in Valeant. As a result, investors who own or purchase PSH at current levels are creating the underlying portfolio at a substantial discount to NAV, which itself we believe is a substantial discount to the intrinsic value of the companies we own. Furthermore, in light of the high-water-mark feature of the Fund, investors will pay no incentive fees until NAV increases by 68%, and exceeds $26.37 per share.

Last Friday, we received a letter from the United States Senate Special Committee on Aging which is conducting an investigation into the pricing of off-patent drugs and is seeking our cooperation so that the Committee "may better understand the pharmaceutical industry and related regulatory and public policy concerns." As you would expect, we will fully cooperate with the Committee's requests.

Along with the many questions we have received from investors, we have also received many supportive calls and emails. You should know we are extremely appreciative of your support and we encourage you to keep the questions coming.

Sincerely,

William A. Ackman

PORTFOLIO UPDATE

Air Products and Chemicals, Inc. (APD)

Air Products and Chemicals, Inc. made substantial progress in its transformation during 2015, the first full calendar year under the leadership of Seifi Ghasemi who became CEO on July 1, 2014. Seifi joined the APD board in September 2013 at the recommendation of Pershing Square.

During the year, Seifi restructured the company into a decentralized organization with greater accountability. He made significant progress in reducing corporate overhead costs, realizing $170 million of his $300 million run-rate goal, and improving operating margins 310 basis points to 19%. During the year, major capital expenditure projects were completed and have begun to produce cash flow. These accomplishments allowed APD to increase its fiscal 2015 EPS by 14%, exceeding its initial guidance despite macroeconomic and foreign exchange ("FX") headwinds.

APD announced new high-quality project wins that are expected to fuel growth in the coming years, and plans to spin-off APD's non-core materials technology business recently named Versum Materials. The spin-off is scheduled for third-quarter 2016, subject to market conditions.

Despite APD's progress, the total return[(7)] of its shares was -8% in 2015, as recent macroeconomic concerns have caused APD's stock to trade at what we believe to be a material discount to its intrinsic value. We believe the upside in APD remains significant. APD's business is extremely resilient: its products are low-cost, critical and consumable inputs, and its clients are diversified by end market and geography. Nearly half of the Company's revenues are subject to long-term, take-or-pay contracts. APD has provided guidance for 10-14% EPS growth in fiscal 2016, driven largely by continued cost savings, efficiency, and new plant start-ups, while assuming continued economic weakness. APD is well on its way to achieving its goal of being the safest and most profitable industrial gas company in the world and creating significant additional value for shareholders.

Canadian Pacific Railway Limited (CP)

CP is a high-quality, infrastructure company with strong pricing power. Its business is well diversified both in terms of its freight mix (Grain, Coal, Potash, Fertilizer & Sulphur, Metals, Minerals & Consumer Products, Crude, Automotive, Forest Products, and Intermodal) and the geographic destinations it serves (Global, Cross-Border, Canada, and U.S.).

Because of its diversified business, CP's volume declined just 2% in 2015 despite macroeconomic weakness. Most freight types were up or down modestly. Notably, Canadian commodities performed well, aided by their low-cost position and a weakening Canadian Dollar. Substantial volume declines were seen in just a few freight categories.

On the operational front, 2015 was another year of substantial progress for CP as its remarkable transformation continued at an accelerated pace. The company achieved an Operating Ratio ("OR") of 61%, a 370 basis point improvement over 2014. This was the second-best OR in the industry. During the year, CP repurchased ~8% of its shares at a discount to its intrinsic value. Given the Company's profit margin improvement and share count reduction, EPS grew 19% despite muted top-line growth of 2%.

Despite CP's continued progress on operational efficiency, its efforts were mostly overshadowed by slowing top-line growth and a weakening macroeconomic environment which have caused CP's shares to trade at a substantial discount to their intrinsic value. The total return for CP shares was -20% in 2015.

We believe that CP remains an attractive investment for a number of reasons. 2016 guidance calls for further improvement in its operating ratio to below 59% and double-digit EPS growth. CP is right-sizing its network to the current tepid demand environment. Management has stated that margins should be 200-300 basis points higher at current volume levels with annual capital expenditures $400 million lower

than CP's original plan. In addition to continued operational progress, we expect that CP will also enjoy tailwinds to EPS growth from a lower share count, lower pension costs, and favourable FX in light of the weak Canadian dollar. We believe that the Company's long-term potential remains significant under a superlative management team which has targeted a long-term potential operating ratio in the mid-50s%.

In November, CP proposed a merger with Norfolk Southern (NS) that would create meaningful value for both CP and NS shareholders while improving the North American rail network and enhancing service to customers. CP estimates that USD $1.8 billion of annual operational efficiencies and synergies could be achieved through this business combination.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

Fannie and Freddie continued to make positive business progress in 2015. Underlying earnings in their core guarantee businesses continue to improve due to increases in the guarantee fee rate and lower credit losses. Their reported results have been more volatile due to non-cash accounting charges for derivatives used to hedge their investment portfolios while they are being liquidated.

Consensus is emerging that the government sponsored enterprises ("GSEs") are irreplaceable. There has been a notable lack of success in attracting private capital to the mortgage market, and recent publications from industry trade groups, policy analysts and general news media increasingly recommend maintaining the existence of the GSEs.

There have also been a number of favourable developments with shareholder litigation. Perry Capital's appeal from the D.C. District Court received strong amici briefs, including from the former Chairman of the FDIC and the former CFO of Fannie Mae. Fairholme's discovery in the Federal Court of Claims has uncovered evidence that contradicts the government's stated rationale for expropriating all of Fannie and Freddie's earnings forever with the so-called Net Worth Sweep transaction. A new lawsuit was filed in the Federal District Court in Delaware by the former Delaware Chief Justice which challenges the legality of the Net Worth Sweep Amendment under Delaware law.

Despite this progress, we believe that the misinterpretation of the Jumpstart GSE amendment that was included in the FY 2016 Appropriations Bill on December 18, 2015, contributed to a significant share price decline at year-end, with the total return on Fannie and Freddie shares -20% and -21% respectively in 2015. The amendment prevents the Treasury from selling or liquidating its $189 billon of preferred stock for two years without Congressional approval. The market is likely misinterpreting the amendment as a precursor to a wind down of the GSEs even though the amendment does not present a meaningful obstacle to recapitalization and positive reform of the GSEs. Furthermore it is only a temporary limitation that expires in two years. It does not prevent the GSEs from exiting conservatorship or raising external capital, nor does it prevent Treasury from converting its preferred stock into common equity.

We continue to believe that Fannie and Freddie stock offers a compelling risk-reward for investors. While a total loss is possible, we believe there are various scenarios which will generate a many-fold multiple of the current share price. The Pershing Square funds' combined exposure to Fannie and Freddie is ~ 4% of capital, reflecting the higher-risk, higher-reward nature of the investment.

Herbalife Ltd. (HLF) Short

Recent developments continue to confirm that Herbalife is a pyramid scheme. Recently, an internal HLF video of CEO Michael Johnson surfaced in which he admits to the critical importance of recruiting to the business model. We believe that the video provides useful additional evidence to regulators of the recruiting-driven nature of HLF's business model.

Despite a recent press report to the contrary, regulatory investigations are continuing, as evidenced by HLF's consistent disclosure about a Department of Justice investigation and requests for certain information addressed to HLF's distributors, management, and others. Over the last three years, HLF has spent ~$109 million defending itself and responding to government inquiries, yet it still refuses to collect retail sales data which, if they existed, could help the company's defense.

In its 10K, filed February 25th 2016, Herbalife added a new disclosure about the U.S. Federal Trade Commission (FTC):

> *The Company is currently in discussions with the FTC regarding a potential resolution of these matters. The possible range of outcomes include the filing by the FTC of a contested civil complaint, further discussions leading to a settlement which could include a monetary payment and other relief or the closure of these matters without action. The Company is cooperating with the investigation and at this time it is difficult to predict the timing, and the likely outcome, of these matters. Moreover, no assurances can be given that the outcome of these matters will not have a material adverse impact on the Company's business operations, its financial condition or its results of operations. At the present time, the Company is unable to estimate a range of potential loss, if any, relating to these matters. (Source: Form 10-K, pg. 100)*

While analysts and some media reports argue the above disclosure means Herbalife is on the brink of a favourable settlement with regulators, which caused the company's stock price to rise, we believe the facts will prove otherwise. Herbalife has settled with regulators and litigants many times in its history. Despite these regulatory actions and settlements, HLF's business model has only gotten more aggressive in incentivizing its distributors to recruit at the expense of retail sales, and its distributor failure rate remains constant.

We do not believe the FTC will deliver a "slap on the wrist" in light of the enormous harm Herbalife inflicts on its victims, which will continue if it is not forced to stop its pyramidal practices. HLF's high profile over the last three years will subject the FTC's resolution of the Herbalife investigation to a high degree of public scrutiny. If the FTC were to let Herbalife off the hook – an unlikely event in our view – then all pyramid schemes will be allowed to flourish nationwide and globally. Without the inventory loading that is inspired by the incentives of Herbalife's marketing plan and the deception used to induce unwitting novice entrepreneurs to pursue the so-called "business opportunity," we believe the company's business fundamentals will collapse.

In 2015, the U.S. Federal Trade Commission began proceedings against another multi-level marketer (MLM) called Vemma. The complaint and preliminary injunction against Vemma provide a potential road-map for FTC action against Herbalife. We believe that Herbalife would not survive if a court applied the same restrictions on HLF which were imposed upon Vemma. Pershing Square has published a detailed side-by-side comparison on our website – www.FactsAboutHerbalife.com – showing that Vemma and Herbalife share strikingly similar business policies and practices.

On another front, New York Senator Jeff Klein, in conjunction with Public Advocate Letitia James and a non-profit organization called Make The Road New York, released a highly critical report on Herbalife, concluding that its distributors are running an illegal pyramid scheme. Senator Klein has proposed New York State legislation that would amend the New York State General Business Law to protect consumers from the abusive practices of Herbalife and similar MLMs.

From a financial perspective, HLF's operating results in 2015 deteriorated. Reported revenue declined 9.9% in 2015 as low-single-digit organic growth met with substantial FX headwinds. China was – and continues to be – the bright spot in Herbalife's financial performance, growing 29.8% organically in 2015. Excluding China, local currency net sales declined 1.3% in 2015. Herbalife reported somewhat improved performance in Q4 (posting positive ~6% currency-adjusted revenue growth ex-China) as the business appeared to have stabilized in certain markets.

Management has guided to mid-single-digit 2016 constant currency revenue growth and currency neutral EPS growth of -3% to +6%. HLF's 2016 EPS guidance of $4.05 - $4.50 implies realized EPS growth of -19% to -10%.

HLF continues to point to "changes to the business model" as the reason for a "temporary reset," but we note that member trends continue to be negative. Slowing growth in new Sales Leaders continues to

weigh on Herbalife's ability to recruit new members, and constant churn has caused the total member base to flat-line. The pyramid is no longer growing.

Recently, HLF was forced to restate downward a business metric that it calls "Active New Members", which it claims shows "engagement" by distributors. The company introduced this metric on its Q2 2015 earnings call – in conjunction with deterioration in overall recruitment – but has never defined what the term "Active New Members" means or how it is calculated, nor how or when members become "inactive." HLF explained the recent restatement by saying that Active New Members is a non-GAAP measure that does not appear in its financial statements. While the company is now making light of the importance of this measure, it previously has trumpeted the increases in this metric as an indication of future growth potential. Irrespective of the revised "Active New Member" disclosure, the number of *total* new members recruited each quarter has been on a downtrend, declining ~20% from 599,012 in Q1 2014 to 485,142 in Q4 2015. Pyramid schemes, like Ponzi schemes, require new recruits to replace exiting victims. For the first time in many years, Herbalife is having trouble replacing failed distributors with new recruits. The treadmill now appears to be moving faster than the runner.

Despite weak operating performance, robust multiple expansion yielded a total return of 42% for HLF shares in 2015 after a 52% decline in 2014. At its current stock price (in the low-$60s) HLF stock trades at 15 times 2016 earnings guidance. We believe that this price assigns little to no downside for an adverse regulatory outcome, nor is it justified by a business of HLF's poor quality. As a result, we believe that HLF currently represents an extremely attractive risk-reward for short sellers.

The Howard Hughes Corporation (HHC)

HHC was spun-off by General Growth Properties (GGP) as it emerged from bankruptcy. It was formed so that certain GGP assets, whose full value was not realized in a mall REIT, could receive appropriate management attention and recognition in the public markets. HHC is comprised of income-producing operating assets, master planned communities ("MPC") and strategic developments. Now in its fifth year as a public company, management has designed and launched a comprehensive development and/or monetization plan for each asset.

HHC continued to make significant progress in 2015 by completing a number of developments, launching and advancing new projects, selling condos, commercial and residential lots and leasing office and retail space. Significant growth in 2015 net operating income ("NOI") from newly developed commercial properties provides HHC with an increasing stream of recurring, high-multiple cash flows as those assets transition to stabilization. NOI from the income producing operating assets grew 59% to $118 million in 2015 compared to $74 million in 2014, excluding the South Street Seaport, which is undergoing redevelopment. HHC management projects that its commercial property assets currently under construction or completed, when stabilized, will generate $219 million of NOI.

In Hawaii, HHC has executed contracts with 20% hard deposits for nearly 90% of its Waiea and Anaha condo towers and began pre-sales for Ae'o, a 466-unit condo tower located above a future Whole Foods Markets flagship store, and the Gateway Cylinder Tower, containing 125 units. Ae'o currently has 46% of its homes contracted for sale and completion is scheduled for 2018. To date, HHC has contracted to sell over 650 homes totalling more than $1.2 billion of revenue of the $1.7 billion currently under construction.

HHC experienced declining residential acreage sales at Woodlands and Bridgeland due to declining energy prices affecting these Houston master planned communities, but achieved strong land sales at Summerlin in the robust Las Vegas market. HHC also advanced the development and leasing plans in Downtown Columbia (called the Merriweather District), which is initially planned for nearly five million feet of development out of its estimated 13 million feet of entitlements.

On March 16, 2016, HHC closed the sale of 80 South Street for $390 million, a development site the company assembled for $250 million in 2014 adjoining the South Street Seaport. HHC chose to sell the site to devote its development resources and capital to the South Street Seaport and other projects. The new owner of 80 South Street intends to build a world-class, high-end residential development which

speaks to the dramatic change in market perception that has been achieved in recent years at the Seaport.

The total return for Howard Hughes Corporation shares was -13% in 2015. We believe the recent share price declines reflect concerns about the impact of low oil prices on the Houston MPCs. The substantial majority of HHC's business and asset value is outside of Houston, including a substantial portion of its income-producing operating and development assets, and nearly 45% of its remaining MPC acres. In addition, HHC's MPCs in Houston are the premier communities in the market and as such are well positioned and capitalized to benefit as the market recovers.

Mondelez International (MDLZ)

We initiated our position in Mondelez on March 30, 2015. At year-end, the Pershing Square funds had an approximate 6.6% ownership stake in the company, representing approximately 105 million shares in common stock and derivatives. The total return of Mondelez's shares from the inception of the position was 15%.

Mondelez was created out of the breakup of Kraft Foods in 2012, and today is one of the largest global snacks companies, with 2015 revenues of $27 billion. Branded snacks and candy businesses are wonderful businesses because of their high category margins, large economic moats, high returns on capital, and attractive long-term global growth potential.

Mondelez has the most attractive stable of sweet snack brands of any publicly traded food company with seven brands that generate over $1 billion in annual sales. Despite owning some of the best brands in the industry, Mondelez has the lowest profit margins among its packaged food peers, presenting a large opportunity to increase efficiency. We believe that the opportunity for substantially greater operating efficiency exists at Mondelez because it is effectively a new company, formed through the combination of Nabisco, LU Biscuit, and Cadbury – three acquisitions made by its legacy parent Kraft Foods that have never been fully integrated or optimized.

Mondelez's management certainly understands this enormous opportunity. While operating profit margins currently stand at only 13%, the company has recently guided to profit margins of 17 to 18% by 2018 based on forthcoming supply chain productivity improvements and an overhead cost savings program, among other initiatives. If the company were just to achieve these targets, the business would be worth significantly more than its current market price.

Nomad Foods (NOMD)

Nomad began its existence as a Special Purpose Acquisition Company formed by Martin Franklin and Noam Gottesman. Martin approached us in the Spring of 2015 about making an investment in Nomad in conjunction with its acquisition of Iglo Group, the leading branded frozen foods business in Europe. On June 1, 2015, the Pershing Square funds invested $350 million in a private placement of Nomad shares at $10.50 per share, and investment team member Brian Welch joined Nomad's Board.

Nomad purchased Iglo for €2.6 billion or 8.5 times LTM EBITDA. In August, Nomad agreed to purchase the highly complementary non-UK assets of Findus for ~£500 million or 6 times EBITDA post-synergies. Nomad's acquisitions of Iglo and Findus make it the leading branded frozen foods business in Europe, 2.5 times the size of its next largest competitor. Nomad enjoys leading market positions in the UK, Italy, Germany, France, Spain, and the Nordic region. Nomad's business is comprised principally of frozen fish and vegetables, with smaller exposures to poultry, meat, prepared meals and snacks. Notwithstanding recent top-line weakness, the business is generally stable, and enjoys high-margins and strong cash-flow generation with low capital expenditure requirements and modest cash taxes.

Long-term, Nomad intends to create value as a consolidator in a fragmented packaged foods sector. The Company has a territorial tax domicile, which will give it a competitive advantage in acquiring international assets.

The total return on NOMD shares from the inception of the position through year end was 12%.

Platform Specialty Products Corporation (PAH)

2015 was a challenging year for Platform. The company generated weak performance in certain of its underlying businesses, and its CEO Dan Leever and PAH President/Ag CEO Wayne Hewett left the company.

PAH's underlying EBITDA declined 1% in 2015[i], as weaker results in Agricultural Solutions offset advances in Performance Solutions. Underlying EBITDA in Agricultural Solutions declined ~3% as weaker ag markets, a reduction in distributor inventories, and increased corporate costs more than offset the benefit of cost synergies. Underlying EBITDA in Performance Solutions division grew 2% due to strong performance at MacDermid, offset by weaker performance at Alent and OM. In addition, the strengthening U.S. dollar significantly reduced reported EBITDA growth by ~12%.

PAH issued multiple reductions to initial 2015 EBITDA guidance. In August, Platform announced a 5% reduction due to FX, and then in October an additional 12% reduction due to further FX deterioration and the decline in Ag distributor inventories.

PAH has substantial financial leverage, currently ~6 times EBITDA as compared to its long-term target of 4.5 times. This is due to the negative FX impact that reduced EBITDA significantly more than debt, and the fact that PAH financed its Alent acquisition with debt to avoid a dilutive equity issuance.

Platform is working to address the challenges it faced in 2015. The company has hired a new CEO Rakesh Sachdev, the former CEO of Sigma Aldrich, and a new Ag President, Diego Casanello, a former Ag executive at BASF. Both are seasoned executives with the appropriate skills to enhance business performance. Platform's current collection of businesses benefit from long-term secular growth trends and have favorable competitive positions, while the recent acquisition of Alent provides the opportunity for significant cost and revenue synergies. The total return for Platform shares was -45% in 2015 as the stock price declined due to the operational issues discussed above and the elimination of the premium previously assigned to the business for management's initially perceived ability to execute value-creating acquisitions.

Restaurant Brands International Inc. (QSR)

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

Burger King's and Tim Horton's same-store sales are relatively insulated from economic cycles. The current economic environment is particularly favorable to Restaurant Brands because customers have more disposable income and drive more when gas prices are low.

Controlling shareholder 3G is an ideal operating partner and sponsor. It has installed a superb management team and created a unique and impactful performance culture, compensation system, and business processes.

QSR's intrinsic value meaningfully increased in 2015, despite substantial headwinds from a strengthening U.S. dollar. The company delivered strong financial performance: ~20% EBITDA growth before FX and impressive Same-Store Sales (SSS) growth at both Burger King (~5%) and Tim Hortons (~6%). QSR continued to make progress on the Burger King U.S. turnaround where SSS grew 6%. At Tim Hortons, QSR significantly reduced expenses and capex, with overhead costs reduced by more than 45%. The

[i] Financial results for 2015 are pro-forma for Arysta, Alent and OM acquisitions.

company maintained a high level of net unit growth (4%) at both Burger King and Tim Hortons. However, the strengthening US dollar materially reduced reported financial results, as FX reduced reported EBITDA by ~13%.

In spite of the positive developments discussed above, the total return for Restaurant Brands International shares was -3% in 2015. We have taken advantage of recent price declines earlier this year to add to our position and believe QSR remains a compelling long-term investment.

Valeant Pharmaceuticals International (VRX)

Business is fundamentally about trust and confidence. Without trust and confidence, business value can vaporize quickly. Valeant Pharmaceuticals is a case in point.

Since its high in August 2015, Valeant's stock price has declined 87%. During the week of March 14, 2016, the stock declined 58% as shareholders dumped Valeant stock regardless of fundamental value for fear the company would lose access to capital.

The loss of confidence was caused by a combination of questions raised about Valeant's accounting, drug pricing, government investigations, reduced earnings guidance for 2016, and a near total information vacuum compounded by continued attacks from critics, the media, and short sellers. Without access to adequate information from the company, shareholders had no choice but to assume the worst. Owning Valeant was perceived to be a career-ending decision going into the weekend for most investment managers.

In order to protect our investment and help stabilize the company, we implemented a straightforward plan. First, we put ourselves in a position of influence and gained access to inside information. Steve Fraidin, our Vice Chairman, was invited to join the board on March 9th along with two other new directors: Dr. Fred Eshelman, a pharmaceutical industry entrepreneur, and Thomas W. Ross, former president of UNC and a former Superior Court judge.

Since Tuesday of last week, beginning a few hours after Valeant's earnings call, two members of PSCM's investment team have been spending time at Valeant so that we can have a better understanding of the company's operating performance, verify management's revenue, earnings and cash flow guidance for 2016 and build our own financial model for the company. Bill Ackman attended board meetings as an observer beginning on Thursday and through the weekend, and officially joined the board on Monday morning. We have been given access to information and to management necessary for us to conduct due diligence and assist the company.

The new board worked collaboratively over the weekend to understand the conclusions to date of the Ad Hoc Committee's investigation of Valeant's accounting and to discuss CEO Mike Pearson's continued candidacy as CEO.

On Monday morning, the company filed a press release and 8-K that announced:

1) CEO Mike Pearson will be stepping down as CEO once a new CEO is identified;
2) Bill Ackman joined the board;
3) The Ad Hoc Committee's investigation of accounting issues is nearing completion, and does not anticipate additional issues that have financial statement implications;
4) Valeant will restate certain past period results for $58 million of revenue booked in Q4 2014 when it should have been recognized in Q1 2015;
5) The company is expected to file its 10-K no later than April 29, 2016, which is within the cure period for the company's outstanding bank debt and bond obligations;
6) The company will seek an extension from its banks to file in the event there are further delays; and
7) The company explained the reasons for its delayed 10-K filing.

Steve Fraidin, along with the audit committee, management and the company's advisors, has worked to assist the company in completing its 10-K filing by April 29th, within the cure period for both the company's bank facilities (without regard to any extension created by the bank waiver process) and outstanding bond indebtedness. This is a work in process, but the company is committed to meeting its goal.

One of the greatest threats to the company's performance is the morale issues created by a collapsing stock price, constant attacks in the media, and the inherent uncertainty of the events of the last few months. Senior management has done a good job retaining talent and it is imperative that the company continues to do so.

On Monday afternoon, Valeant's Chairman Bob Ingram, CEO Mike Pearson, and Bill Ackman spoke with Valeant employees at its Bridgewater, N.J., United States headquarters and explained how appreciative the board and shareholders are of their willingness to work hard and stay focused under difficult conditions, and to answer any questions that they may have. We believe that Monday's announcements will begin to calm the 22,000 people who work for Valeant as the inherent uncertainty of the situation has diminished significantly and the stock price has begun to rise.

While trust and confidence can vaporize quickly, it also can be restored rapidly when appropriate governance, oversight, and management issues are addressed properly. We believe that when the 10-K is filed, new leadership is identified, and the market understands that Valeant has adopted a new approach to communicating with the public, investor confidence will be restored and the stock should trade at a price which better reflects its business fundamentals.

Zoetis Inc. (ZTS)

Zoetis is the only large, independent, publicly traded animal health company in the world. The company has a market capitalization of $20 billion with $5 billion in revenue. The Pershing Square funds began buying Zoetis shares on July 22, 2014 and currently own an 8.6% economic stake in the company. Bill Doyle, a member of our investment team, joined the ZTS board on February 4, 2015.

In May 2015, Zoetis announced a comprehensive initiative to simplify operations, improve its cost structure, and better allocate resources. Management expects this new effort to generate $300 million in annual cost savings by 2017. The cost reduction program coupled with continued operating leverage is expected to increase operating margins from ~25% in 2014 to ~34% by 2017.

Elements of the plan include eliminating 5,000 lower-revenue, lower-margin SKUs, shifting from direct sales representation to distribution in 30 smaller markets, consolidating from a four-region structure to a two-region structure, significant reductions in corporate SG&A and smaller reductions in R&D to enhance focus. This program is incremental to the company's previously announced Supply Network efficiency effort.

In 2015, Zoetis maintained its productive R&D and business development initiatives. It received a USDA conditional license for IL-31 for atopic dermatitis (first-of-its kind antibody therapy) and the EU approved Simparica, a once monthly chewable treatment for canine fleas, ticks and sarcoptic mange. Zoetis completed its acquisitions of Abbott Animal Health and PHARMAQ, the global leader in health products in aquatic health (fish farming).

The company delivered strong operational performance in 2015. FX adjusted organic revenue growth in 2015 was 6%. Zoetis also demonstrated early success implementing its operational efficiency initiative. For example, in Q4 2015, FX adjusted revenue growth was 6%, while FX adjusted SG&A and R&D fell 7% and 9%, respectively. Zoetis expects strong performance to continue. The company expects adjusted operating margin to increase from 28% in 2015 to 31% in 2016. Additionally, Zoetis management has guided to achieve 6% to 8% normalized organic revenue growth in 2016. The total return on Zoetis shares was 12% during 2015.

Foreign Currency

In order to hedge currency exposure with respect to certain portfolio companies with non-U.S. revenues and earnings, we may enter into forward contracts or purchase currency options. For example, we have historically hedged substantial portions of Canadian Pacific's and Restaurant Brands' Canadian dollar exposures.

We also purchase put options on currencies to hedge certain macro or other concerns. These options typically represent a modest percentage of our investment capital, but represent large notional exposures. In the event of a dramatic move in the underlying currency, the payoffs can be quite large, but the risk of loss of capital is limited because of the small amount of capital invested.

Exited Positions

During 2015, we exited our position in Allergan Inc. in the merger with Actavis plc for which we received a combination of cash and Actavis shares. Subsequently we sold our position in Actavis in the open market. This position generated a substantial net gain for the Company for the year ended December 31, 2015 as reflected on page 5.

FOOTNOTES TO 2015 KEY HIGHLIGHTS AND INVESTMENT MANAGER'S REPORT

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

2 The inception date for the Company is December 31, 2012 and the inception date for Pershing Square, L.P. is January 1, 2004. The performance data presented on pages 6-7 for the S&P 500 under "Cumulative (Since Inception)" is calculated from December 31, 2012 or January 1, 2004, as applicable.

3 The S&P 500 ("index") has been selected for purposes of comparing the performance of an investment in the Company or Pershing Square, L.P. as applicable (together the "Pershing Square funds") with a well-known, broad-based equity benchmark. The statistical data regarding the index has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The index is not subject to any of the fees or expenses to which a Pershing Square fund is subject. The Pershing Square funds are not restricted to investing in those securities which comprise this index, their performance may or may not correlate to this index and it should not be considered a proxy for this index. The volatility of an index may materially differ from the volatility of the Pershing Square funds' portfolio. The S&P 500 is comprised of a representative sample of 500 U.S. large cap companies. The index is an unmanaged, float-weighted index with each stock's weight in the index in proportion to its float, as determined by Standard & Poor's. The S&P 500 index is proprietary to and is calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC. © 2016 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

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

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

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

The performance attributions to the gross returns provided herein are for illustrative purposes only. The securities on this list may not have been held by the Company for the entire calendar year. All investments involve risk including the loss of principal. It should not be assumed that investments made in the future will be profitable or will equal the performance of the securities on this list. It should not be assumed that investments made in the future will be profitable. Past performance is not indicative of future results. Please refer to the net performance figures presented on page 6.

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

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

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

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

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 2015. Pershing Square may currently or in the future buy, sell, cover or otherwise change the form of its investment in the companies discussed in this report for any reason. Pershing Square hereby disclaims any duty to provide any updates or changes to the information contained here including, without limitation, the manner or type of any Pershing Square investment.

Forward-Looking Statements

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

Directors

Anne Farlow
(Chairman)

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

Richard Battey

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

Nicholas Botta

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

Jonathan Kestenbaum

Lord Kestenbaum, a U.K. resident, is an independent Director of the Company. Lord Kestenbaum is currently the chief operating officer of RIT Capital Partners plc and a member of its executive committee. He is also a director of the company's operating business, J Rothschild Capital Management. Lord Kestenbaum is a director of The Capital Holdings Funds plc and a director of Windmill Hill Asset Management. He is a former chief executive of the National Endowment for Science, Technology and the Arts (NESTA) and previously chief of staff to Sir Ronald Cohen, the chairman of Apax Partners. Lord Kestenbaum graduated from the London School of Economics before pursuing post graduate work at Cambridge University. He earned a MBA with distinction from the Cass Business School, and is also a graduate of the Strategic Agility Programme at Harvard Business School. He completed the cabinet office top management programme and is an adjunct professor at the Imperial College Business School. Jonathan Kestenbaum

was created a life peer in November 2010 and became Lord Kestenbaum of Foxcote in the county of Somerset. He was introduced in the House of Lords on January 26, 2011 and speaks in the Lords on Economic Affairs and Innovation. In December 2013, Lord Kestenbaum was appointed as chancellor of Plymouth University.

William Scott

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

Corporate Governance Report

As an entity authorized and regulated by the Guernsey Financial Services Commission ("GFSC"), the Company is required to comply with, the GFSC's "Finance Sector Code of Corporate Governance" (the "Guernsey Code"). In addition, although the Company is not required to comply with the AIC Code, the Board has chosen to comply, to the extent practicable, with the principles of good governance contained in the AIC Code since the Public Shares were admitted for trading on Euronext Amsterdam on October 13, 2014. The Guernsey Code provides that companies which report in accordance with the AIC Code are deemed to meet the requirements of the Guernsey Code.

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

The AIC Code includes provisions relating to:

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

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

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

- The Company has not established separate nomination, management engagement or remuneration committees as the Board considers that, due to its composition and the structure of the Company, establishing separate nomination, management engagement or remuneration committees is unnecessary. The Board is satisfied that any relevant matters are properly considered by the Board as a whole.
- The Board does not have a formal policy on tenure as the Directors are required to submit themselves to annual re-election by shareholders in accordance with the Articles of the Company.
- The Board did not undertake a formal evaluation of its own performance during 2015. As the Board has only served together for a short period of time since the Company's IPO, it was agreed to defer the first formal evaluation of the Board's performance (both as individuals and collectively as a unit) and that of the Audit Committee until the second half of 2016.
- A formal review of the performance of, and contractual arrangements with, the Investment Manager was not undertaken during 2015. However, the Board receives regular and detailed updates from the Investment Manager regarding the performance of the Company's investments. The Board intends to undertake a formal review of the contractual arrangements with the Investment Manager in the second half of 2016.

THE BOARD COMPOSITION AND DELEGATION OF FUNCTIONS AND ACTIVITIES

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

The Company has no executive directors and no employees, and has engaged external parties to undertake the daily management, operational and administrative activities of the Company. In particular, the Directors have delegated the function of managing the assets comprised in the Company's portfolio to the Investment Manager, which is not required to, and generally will not, submit individual decisions for the approval of the

Board. Clear documented contractual arrangements exist between the Company and these firms that define the areas where the Board has delegated certain functions to them. The Board retains accountability for the various functions it delegates. Further information is provided in the Report of the Audit Committee.

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

BOARD TENURE

No member of the Board has served for more than four years to date. As such, no issue has arisen to be considered by the Board with respect to long tenure.

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

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

THE BOARD'S PROCESSES

The Board meets regularly throughout the year, at least on a quarterly basis, and maintains regular contact with the Investment Manager and Administrator. At each quarterly Board meeting the Directors review the Company's investments, principal risks, share price performance and the premium/discount to NAV at which the Company's Public Shares are trading, investor relations and compliance with regulations.

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

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

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

All Board members are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance may be unavoidable in certain circumstances. The following table details the number of formal meetings attended by each Director in the year ended December 31, 2015:

	Scheduled Quarterly Board Meetings (attended / conducted)	*Ad-hoc Board Meetings (attended / conducted)*	*Audit Committee Meetings (attended / conducted)*
Anne Farlow	4 / 4	7 / 7	3 / 3
Richard Battey	3 / 4	6 / 7	3 / 3
Nicholas Botta	4 / 4	3 / 7	N/A
Jonathan Kestenbaum	4 / 4	1 / 7	1 / 3
William Scott	4 / 4	7 / 7	3 / 3

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

COMMITTEES OF THE BOARD

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

RELATIONS WITH SHAREHOLDERS

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

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

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

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 24, 2016

Report of the Audit Committee

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

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

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

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

FINANCIAL STATEMENTS AND SIGNIFICANT REPORTING MATTERS

The principal duties of the Audit Committee are to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and, with respect to calendar year 2015, the interim management statements and formal announcements relating to the Company's financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements communicated to the Committee by the auditors. In particular, the Audit Committee reviews and assesses, where necessary:

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

As part of the December 31, 2015 audit, prior to the year end, the Audit Committee was involved in the planning and preparation for the Annual Report, Financial Statements and the audit. The Audit Committee met with the Investment Manager, Administrator and the auditors to discuss the overall cohesion and understandability of the Annual Report, Financial Statements and the auditors' audit plan. The Chairman and the Chairman of the Audit Committee were in regular contact with the Investment Manager, Administrator and auditors throughout the process.

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

Audit Committee will continue to monitor feedback for future enhancements.

The Audit Committee reviewed and discussed the most relevant issues for the Company and received a report from the auditors. The auditors focused on the risks faced by the Company, with focus on the valuation of investments and the Bonds and related issue costs.

The Audit Committee also considered the valuation of investments and the calculation of incentive fees, along with compliance of the financial statements with International Financial Reporting Standards ("IFRS"). The Audit Committee considered the processes surrounding the production of the financial statements and obtained comfort from these processes.

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

INTERNAL CONTROLS

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

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness for managing the operational risks to which the Company is exposed. The internal control systems are designed to manage, rather than eliminate, the operational risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss. The Board confirms there is an ongoing process for identifying, evaluating and managing the significant operational risks faced by the Company.

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 Company is dependent on the internal control systems of its service providers, which report regularly to the Board. The Board is satisfied that the controls employed by its service providers adequately manage the operational risks to which the Company is exposed.

AUDITORS

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

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

The Audit Committee reviewed the scope of the audit and the fee proposal set out by the auditors in their audit planning report and discussed these with the auditors at the Audit Committee meeting held on December 14, 2015. The Audit Committee recommended to the Board that it accept the auditors' proposed fee of approximately $179,000 (2014: $144,000) for the audit of the Annual Report and Financial Statements.

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

During the year ended December 31, 2015, Ernst & Young LLP acted as reporting accountants on the bond offering. Ernst & Young LLP were paid approximately $590,000 for their services in relation to the bond offering (2014 IPO: $1.5 million). The Audit Committee believes that this

non-audit work has not affected the auditors' independence.

Shareholders should note that the primary reporting framework for the Company's audit is International Standards on Auditing (UK & Ireland); the auditor's report thereunder is set out on pages 34-36. The Annual Report also includes on page 37 a report from the auditors to the Directors in accordance with U.S. Generally Accepted Auditing Standards in order to satisfy various U.S. regulatory requirements.

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

/s/ Richard Battey
Richard Battey
Chairman of the Audit Committee
March 24, 2016

Report of the Directors

We present below the Annual Report and Financial Statements of the Company for the year ended December 31, 2015.

PRINCIPAL ACTIVITY

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

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

INVESTMENT OBJECTIVE

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

RESULTS AND NAV

The Company had a loss attributable to all shareholders for the year ended December 31, 2015 of $1.34 billion (2014: profit of $1.12 billion). The net assets attributable to all shareholders at December 31, 2015 were $5.22 billion (2014: $6.56 billion). For the Company's returns, please see the 2015 Key Highlights and Financial Highlights sections on pages 5 and 74, respectively.

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

The Company released interim management statements on May 18, 2015 and November 11, 2015 relating to the first quarter and third quarter of 2015, respectively, and half-yearly financial statements on August 26, 2015 relating to the half year of 2015. The Company intends to release the half-yearly financial statements of 2016 in the third quarter.

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

The Board monitors the trading activity of the Public Shares, and the discount or premium of the share price to NAV, on a regular basis.

BOND OFFERING

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

DIVIDEND

The Directors did not recommend the payment of a dividend for the year ended December 31, 2015 (2014: $nil).

DIRECTORS

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

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

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

At December 31, 2015, the Directors' interests in the Company were as follows:

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

There were no changes in the interests of Directors between December 31, 2015 and the date of signing this report.

There are no service contracts in place between the Company and the Directors. Each independent Director is currently paid an annual fee of £50,000 per annum. Mr Botta does not receive a fee for his services as a Director. On February 9, 2015, the Board approved an increase in the fee for Ms Farlow, the Chairman of the Board, from £50,000 to £75,000 per annum and Mr Battey, the Chairman of the Audit Committee, from £50,000 to £55,000 per annum. The fees were adjusted effective as of October 1, 2014.

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

MATERIAL CONTRACTS

The Company's material contracts are with:

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

The Directors have reviewed the material contracts and believe that the service providers performed well during the financial year and that it is in the best interests of the Company to retain the services of these entities. Further information is provided in the Corporate Governance Report in respect of the Investment Manager.

RISK MANAGEMENT

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

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 the risks. Please refer to the Company's Prospectus, available on the Company's website (www.pershingsquareholdings.com), for a more complete description of the risks applicable to the Company. Additional information related to risk management is provided in Note 13.

Risks Related to Investment Activities

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

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

From time to time, the Investment Manager's investment program may include short selling which theoretically could result in unlimited loss. The Board notes that the Investment Manager enters into these positions infrequently, often uses

CDS or other derivative positions to obtain economic short exposure and again, relies on extensive due diligence prior to putting on a short position.

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

Risks Related to the Use of Leverage

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

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

Regulatory Risk

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

Reputational Risk

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

Risk Related to Business Continuity

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

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

Another principal risk to the Company is that the shares of the Company will trade at a significant discount to NAV or that the shares will be illiquid. To mitigate this risk, it was required that the post-IPO NAV of the Company be at least $4 billion and that new capital in the IPO be raised from no less than 100 beneficial owners. The Company has also retained a corporate broker to maintain regular contact with existing and potential shareholders. The Board monitors the trading activity of the shares on a regular basis and addresses the discount to NAV at its regular quarterly meetings. Although the share price has traded at a discount to NAV throughout much of 2015, the average discount has been relatively small.

Market Risk

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

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

Counterparty Credit Risk

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

GOING CONCERN AND VIABILITY STATEMENT

The Company's investment activities, together with factors likely to affect its future development, performance and position are set out in the Risk Management section above and Note 13 to the financial statements. 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, 2015 of $5,216,509,672;
- The liquidity of the Company's assets (at December 31, 2015, 82.8% of its assets comprised of cash and cash equivalents and Level 1 assets); and
- The ability of the Company to meet its total liabilities (excluding net assets attributable to management shareholders), which were 24.2% of its total assets at December 31, 2015.

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

The Board has ultimate responsibility for risk management. Given that there are certain inherent risks related to the business and operations of the Company, the Board believes that developing an effective risk management strategy is crucial to the ongoing viability of the Company. The Board has determined that the principal risks to the viability of the Company are as follows: risks related to investment activities, regulatory risk, reputational risk, risks related to business continuity and the risk that the Company's shares trade at a significant discount to NAV. Details of these principal risks and how they are managed, as well as other risks, are set forth above under "Risk Management." Certain other risks and risk-mitigating factors are also discussed in Note 13.

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

The Board believes that the three-year timeframe is appropriate given the general business conditions affecting our portfolio positions and the regulatory environment in which we operate, which is undergoing constant change. In determining that the Company will remain viable for the upcoming three-year period, the Board also evaluated quantitative data as of December 31, 2015 including shareholders' net assets, the liquidity of the Company's assets and the Company's total liabilities. The Company also considered projections of expected outflows, management fees and incentive fees (if any).

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

By order of the Board

/s/ Anne Farlow	/s/ Richard Battey
Anne Farlow	Richard Battey
Chairman of the Board	Director
March 24, 2016	March 24, 2016

Report of Independent Auditors

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

Our Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards; and

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

What we have Audited

Pershing Square Holdings, Ltd.'s financial statements comprise (the "Financial Statements"):

- Statement of Financial Position as at 31 December 2015
- Statement of Comprehensive Income for the year then ended
- Statement of Changes in Net Assets Attributable to Non-Equity and Management Shareholders
- Statement of Changes in Equity
- Statement of Cash Flows
- Related notes 1 to 20 to the Financial Statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

Overview of our Audit Approach

Risk of material misstatement:

- Valuation of the Company's Investments (other than Level 1).

Audit Scope:

We have audited the Financial Statements of Pershing Square Holdings, Ltd. for the year ended 31 December 2015.

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

Our Assessment of Risk of Material Misstatement

Risk: Valuation of Investments (Other than Level One)

- Risk that the fair value of over the counter products (such as derivatives and private investments) may be misstated due to application of inappropriate methodologies or inputs to the valuations and/or inappropriate judgmental factors or management override

Our Response to the Risk

- We confirmed our understanding of the processes, policies and methodologies used by management to value investments (other than level one), which comprised options, forwards, swaps, and warrants.

- For options, forwards, swaps and warrants we instructed our internal valuation specialists to independently value a sample of positions and we compared their values to the Company's valuations.

- We assessed the reasonableness and appropriateness of valuations for management bias and whether the valuations were in accordance with International Financial Reporting Standards.

What we Concluded to the Audit Committee

- We confirmed that there were no material instances of use of inappropriate policies or methodologies and that there were no material matters arising from our audit work that we wanted to bring to the attention of the Audit Committee.

The Scope of our Audit

Tailoring the Scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance

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

Materiality

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

We determined materiality for the Company to be $50.3 million (2014: $65.6 million) which is approximately 1% of equity (2014: 1% of equity including net assets attributable to management shareholders). This provided a basis for determining the nature, timing and extent of risk assessment procedures. We used equity as a basis for determining planning materiality because the Company's primary performance measures for internal and external reporting are based on equity.

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

Performance Materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account balance) for the Company should be 75% of materiality, namely $37.7 million (2014: 50% of materiality, namely $32.8 million)

In the previous year the Company was open-ended for part of the year and therefore subject to pricing regulations in Guernsey. These regulations define a pricing error as 0.5% of net asset value, so we set our performance materiality at 50% of Materiality which is equivalent to the regulatory pricing error threshold. As the Company was closed-ended for all of 2015 we reset our performance materiality to 75%.

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

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

We agreed with the Audit Committee at the audit planning stage that we would report to them all audit differences in excess of $2.51 million (2014: $3.28 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 evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the Audit of the Financial Statements

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the

Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and in accordance with International Standards on Auditing (UK & Ireland).

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

Matters on Which we are Required to Report by Exception

ISAs (UK and Ireland)

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We have no exceptions to report.

Companies (Guernsey) Law, 2008 Requirements

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

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

We have no exceptions to report.

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

ISAs (UK and Ireland) Reporting

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

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

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

/s/ Michael Bane
Michael Bane
for and on behalf of Ernst & Young LLP
Guernsey
March 24, 2016

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

We have audited the accompanying financial statements of Pershing Square Holdings, Ltd. (the "Company"), which comprise the Statement of Financial Position as of December 31, 2015, and the related Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Non-Equity and 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, 2015, and the results of its operations, changes in net assets attributable to non-equity and management shareholders and equity, and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

Supplementary Information

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

/s/ Ernst & Young LLP
Ernst & Young LLP
Guernsey
March 24, 2016

Statement of Financial Position

(Stated in United States Dollars)

	Notes	2015	2014
Assets			
Cash and cash equivalents	10	$ 420,414,449	$ 565,809,913
Due from brokers		594,122,857	515,560,923
Trade and other receivables	9	9,171,399	4,786,430
Financial assets at fair value through profit or loss			
Investments in securities	6	5,356,209,177	5,791,187,783
Derivative financial instruments	6	499,385,851	289,114,933
Total assets		**$ 6,879,303,733**	**$ 7,166,459,982**
Liabilities			
Due to brokers		$ 132,377,617	$ 68,450,144
Trade and other payables	9	2,698,530	119,212,022
Financial liabilities at fair value through profit or loss			
Securities sold, not yet purchased	6	387,055,112	391,285,125
Derivative financial instruments	6	125,974,203	27,139,624
Bonds	19	1,014,688,599	–
Liabilities excluding net assets attributable to management shareholders		1,662,794,061	606,086,915
Net assets attributable to management shareholders[1]	11	183,368,504	227,226,260
Total liabilities		**1,846,162,565**	**833,313,175**
Equity			
Share capital	11	6,003,372,824	6,003,372,824
Retained earnings		(970,231,656)	329,773,983
Total equity[2]		**5,033,141,168**	**6,333,146,807**
Total liabilities and equity		**$ 6,879,303,733**	**$ 7,166,459,982**
Net assets attributable to Public Shares		$ 5,033,007,719	$ 6,332,978,890
Public Shares in issue		240,128,546	240,128,546
Net assets per Public Share		$ 20.96	$ 26.37
Net assets attributable to Management Shares		$ 183,368,504	$ 227,226,260
Management Shares in issue		8,500,796	8,500,796
Net assets per Management Share		$ 21.57	$ 26.73
Net assets attributable to Class B Shares		$ 133,449	$ 167,917
Class B Shares in issue		5,000,000,000	5,000,000,000
Net assets per Class B Share		$ 0.00003	$ 0.00003

(1) Net assets attributable to management shareholders are comprised of the aggregate net asset values of all non-redeemable Management Shares as of December 31, 2015 and December 31, 2014, respectively.

(2) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and Class B Shares as of December 31, 2015 and December 31, 2014, respectively. Under IFRS, non-redeemable Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 49 for further details.

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position (continued)

(Stated in United States Dollars)

These financial statements were approved by the Board of Directors on March 24, 2016, and were signed on its behalf by

/s/ Anne Farlow	/s/ Richard Battey
Anne Farlow	Richard Battey
Chairman of the Board	Director
March 24, 2016	March 24, 2016

Statement of Comprehensive Income

(Stated in United States Dollars)

	Notes	2015	2014
Investment gains and losses			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		$ (1,210,007,639)	$ 1,404,078,369
Net realized gain/(loss) on commodity interests		(12,907,441)	(5,483,254)
Net change in unrealized gain/(loss) on commodity interests (net of brokerage commissions of (2015: $3,990,307, 2014: $777,769))		5,515,589	(1,518,012)
	6	(1,217,399,491)	1,397,077,103
Income			
Dividend income		43,129,139	20,346,366
Interest income	12	179,462	45,448
		43,308,601	20,391,814
Expense			
Management fees	15	(93,921,719)	(52,019,094)
Incentive fees	15	–	(206,545,813)
Interest expense	12	(45,346,032)	(5,845,829)
Professional fees		(17,750,846)	(20,944,610)
Other expenses		(1,327,984)	(2,087,341)
Dividend expense		–	(844,628)
		(158,346,581)	(288,287,315)
Profit/(loss) before tax and amounts attributable to equity, non-equity and management shareholders		**(1,332,437,471)**	**1,129,181,602**
Withholding tax (dividends)		(11,425,924)	(5,728,408)
Profit/(loss) for the year attributable to equity, non-equity and management shareholders[(1),(2),(3)]		**(1,343,863,395)**	**1,123,453,194**
Amounts attributable to non-equity shareholders[(1)]		–	754,637,680
Amounts attributable to management shareholders[(2)]		(43,857,756)	39,041,531
Profit/(loss) for the year attributable to equity shareholders[(3)]		**$ (1,300,005,639)**	**$ 329,773,983**
Earnings per share (basic & diluted)			
Public Shares		$ (5.41) [(4)]	5.49 [(4)]
Public Shares (adjusted)		$ N/A	1.37 [(5)]
Class B Shares		$ (0.00)	0.00

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

There is no other comprehensive income for the years ended 2015 and 2014.

(1) Amounts attributable to non-equity shareholders are comprised of the profits earned by all shareholders of Private Shares and VoteCo Shares for the period from January 1, 2014 to September 30, 2014.

(2) Amounts attributable to management shareholders are comprised of the profits earned and losses incurred by all shareholders of non-redeemable and redeemable Management Shares for the period from October 1, 2014 to December 31, 2015 and January 1, 2014 to September 30, 2014, respectively.

(3) Profit/(loss) attributable to equity shareholders is comprised of the net profits earned and losses incurred by shareholders of Public Shares and Class B Shares for the period from October 1, 2014 to December 31, 2015.

(4) 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 2015 and 2014 as required under IFRS. For 2015, the weighted average shares outstanding was calculated by taking the Public Shares outstanding for the year ended December 31, 2015 of 240,128,546. For 2014, the weighted average shares outstanding was calculated by taking the Public Shares outstanding for the period from October 1, 2014 to December 31, 2014 and multiplying by a time weighting factor of 92/365. The intent of the time weighting factor under IFRS is to improve the comparability between different reporting periods. See Note 18 for further details.

(5) Adjusted EPS is calculated using the profit for the year attributable to equity shareholders divided by the weighted average shares outstanding for the period from October 1, 2014 to December 31, 2014. The Investment Manager believes this number to be representative of the earnings over the three months ended December 31, 2014. See Note 18 for further details.

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Net Assets Attributable to Non-Equity and Management Shareholders

(Stated in United States Dollars)

	Notes	Net Assets Attributable to Non-Equity and Management Shareholders
As at December 31, 2013		$ 2,373,347,015
Amounts attributable to non-equity shareholders[1]		754,637,680
Amounts attributable to management shareholders[2]		39,041,531
Issuance of non-equity shares[3]	11	171,747,500
Issuance of management shares[4]	11	128,573,665
Redemption of non-equity shares[5]	11	(196,116,049)
Conversion out of non-equity and management shares at October 1, 2014[6]	11	(3,127,951,317)
Conversion in of management shares at October 1, 2014[6]	11	83,946,235
As at December 31, 2014		**$ 227,226,260**

	Notes	Net Assets Attributable to Management Shareholders
As at December 31, 2014		$ 227,226,260
Amounts attributable to management shareholders[2]		(43,857,756)
As at December 31, 2015		**$ 183,368,504**

(1) Amounts attributable to non-equity shareholders are comprised of the profits earned by all shareholders of Private Shares and VoteCo Shares for the period from January 1, 2014 to September 30, 2014.
(2) Amounts attributable to management shareholders are comprised of the profits earned and losses incurred by all shareholders of non-redeemable and redeemable Management Shares for the period from October 1, 2014 to December 31, 2015 and January 1, 2014 to September 30, 2014, respectively.
(3) Issuance of non-equity shares represents subscriptions for Private Shares for the period from January 1, 2014 to September 30, 2014.
(4) Issuance of management shares represents subscriptions for non-redeemable Management Shares by William A. Ackman, as well as other partners and officers of the Investment Manager on October 1, 2014.
(5) Redemption of non-equity shares represents redemptions for Private Shares for the period from January 1, 2014 to June 30, 2014.
(6) Conversion of non-equity and management shares reflects the conversion of Private Shares, redeemable Management Shares and VoteCo Shares based on their aggregate net asset values as of September 30, 2014 to Public Shares, non-redeemable Management Shares and Class B Shares, respectively, in connection with the IPO. Because non-redeemable Management Shares are classified as financial liabilities under IFRS, rather than equity shares, the Management Shares are recorded as net assets attributable to management shareholders as of December 31, 2015 and December 31, 2014. See Note 2 for further details.

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

(Stated in United States Dollars)

	Notes	Share Capital	Retained Earnings	Total Equity
As at January 1, 2014*		**$ -**	**$ -**	**$ -**
Conversion into share capital as at October 1, 2014[1]		3,044,005,082	-	3,044,005,082
Issuance of new share capital[2]	11	2,959,367,742	-	2,959,367,742
Total profit/(loss) for the year attributable to equity shareholders[3]		-	329,773,983	329,773,983
Costs and other expenses related to the offering of shares and the issuance/listing of share capital	16	-	(120,000,000)	(120,000,000)
Amounts borne by PSCM for costs and other expenses related to the offering of shares and the issuance/listing of share capital	16	-	120,000,000	120,000,000
As at December 31, 2014[4]		**$ 6,003,372,824**	**$ 329,773,983**	**$ 6,333,146,807**

	Notes	Share Capital	Retained Earnings	Total Equity
As at January 1, 2015		**$ 6,003,372,824**	**$ 329,773,983**	**$ 6,333,146,807**
Total profit/(loss) for the year attributable to equity shareholders[3]		-	(1,300,005,639)	(1,300,005,639)
As at December 31, 2015[4]		**$ 6,003,372,824**	**$ (970,231,656)**	**$ 5,033,141,168**

* For the period from January 1, 2014 to September 30, 2014, the Company had no equity balances and/or changes to equity from the prior year.

(1) Conversion of non-equity and management shares reflects the conversion of Private Shares, redeemable Management Shares and VoteCo Shares based on their aggregate net asset values as of September 30, 2014 to Public Shares, non-redeemable Management Shares and Class B Shares, respectively, in connection with the IPO. Because non-redeemable Management Shares are classified as financial liabilities under IFRS, rather than equity shares, the Management Shares are recorded as net assets attributable to management shareholders as of December 31, 2015 and December 31, 2014. See Note 2 for further details.

(2) Issuance of new share capital reflects proceeds from the offering of Public Shares as follows: (i) approximately $2.73 billion from the IPO, (ii) $212.5 million in Rollover Shares from Pershing Square International, Ltd. shareholders' capital and (iii) $19.6 million in Over-Allotment Shares.

(3) Profit/(loss) attributable to equity shareholders is comprised of the net profits earned and losses incurred by shareholders of Public Shares and Class B Shares for the period from October 1, 2014 to December 31, 2015.

(4) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and Class B Shares as of December 31, 2015 and December 31, 2014. Under IFRS, non-redeemable Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 49 for further details.

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

(Stated in United States Dollars)

	Notes	2015	2014
Cash flows from operating activities			
Profit/(loss) for the year attributable to equity, non-equity and management shareholders[(1),(2),(3)]		$ (1,343,863,395)	$ 1,123,453,194
Adjustments to reconcile changes in profit/(loss) for the year to net cash flows:			
Bond interest expense	19	29,213,871	–
(Increase)/decrease in operating assets:			
Due from brokers		(78,561,934)	(207,765,417)
Trade and other receivables	9	(4,384,969)	(1,414,884)
Investments in securities	6	434,978,606	(3,880,056,852)
Derivative financial instruments	6	(210,270,918)	56,244,827
Increase/(decrease) in operating liabilities:			
Due to brokers		63,927,473	(12,703,261)
Trade and other payables	9	(116,536,436)	79,401,755
Securities sold, not yet purchased	6	(4,230,013)	119,425,506
Derivative financial instruments	6	98,834,579	(64,604,808)
Net cash (used in)/from operating activities		**(1,130,893,136)**	**(2,788,019,940)**
Cash flows from financing activities			
Proceeds from issuance of equity shares[(4)]	11	–	2,959,367,742
Proceeds from issuance of management shares[(5)]	11	–	128,573,665
Proceeds from issuance of non-equity shares	11	–	161,747,500
Payment on redemption of non-equity shares	11	–	(285,515,685)
Proceeds from issuance of the Bonds	19	1,000,000,000	–
Expenses relating to issuance of the Bonds	19	(14,502,328)	–
Net cash (used in)/from financing activities		**985,497,672**	**2,964,173,222**
Net change in cash and cash equivalents		(145,395,464)	176,153,282
Cash and cash equivalents at beginning of year		565,809,913	389,656,631
Cash and cash equivalents at end of year	10	**$ 420,414,449**	**$ 565,809,913**
Supplemental disclosure of cash flow information			
Cash paid during the year for interest		$ 15,616,338	$ 5,739,427
Cash received during the year for interest		$ 164,976	$ 38,126
Cash paid during the year for dividends		$ –	$ 844,628
Cash received during the year for dividends		$ 37,299,255	$ 18,601,146
Cash deducted during the year for withholding taxes		$ 9,774,187	$ 5,219,077

(1) Amounts attributable to non-equity shareholders are comprised of the profits earned by all shareholders of Private Shares and VoteCo Shares for the period from January 1, 2014 to September 30, 2014.
(2) Amounts attributable to management shareholders are comprised of the profits earned and losses incurred by all shareholders of non-redeemable and redeemable Management Shares for the period from October 1, 2014 to December 31, 2015 and January 1, 2014 to September 30, 2014, respectively.
(3) Profit/(loss) attributable to equity shareholders is comprised of the net profits earned and losses incurred by shareholders of Public Shares and Class B Shares for the period from October 1, 2014 to December 31, 2015.
(4) Issuance of new share capital reflects proceeds from the offering of Public Shares as follows: (i) approximately $2.73 billion from the IPO, (ii) $212.5 million in Rollover Shares from Pershing Square International, Ltd. shareholders' capital and (iii) $19.6 million in Over-Allotment Shares.
(5) Issuance of management shares represents subscriptions for non-redeemable Management Shares by William A. Ackman, as well as other partners and officers of the Investment Manager on October 1, 2014.

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.

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

Initial Public Offering

On October 2, 2014, the GFSC approved the conversion of the Company into a registered closed-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 and the Registered Collective Investment Scheme Rules 2008. On October 2, 2014, the Netherlands Authority for the Financial Markets (the "AFM") approved the application for admission of the Company's non-redeemable shares (the "Public Shares") on Euronext Amsterdam. The Placing (as defined in the prospectus dated October 2, 2014) and Admission (as defined below) of the Company qualified as a "Qualified Public Offering" (herein and after referenced to as the "IPO") as set forth in the Company's Articles of Incorporation (the "Articles of Incorporation"). The Public Shares commenced trading on October 13, 2014 with a trading symbol of PSH (the "Admission").

On October 1, 2014, the number of Public Shares issued was 109,090,909 at an issue price of $25 per Public Share (the "Issue Price") for total proceeds of $2,727,272,725. William A. Ackman, as well as other partners and officers of the Investment Manager invested an aggregate amount of $128,573,665, which represented 5,142,945 Management Shares of the Company. The Company's Private Shares, Management Shares and VoteCo Shares held as of September 30, 2014 were converted to 121,753,991 Public Shares, 3,357,851 Management Shares and 5,000,000,000 Class B Shares, respectively.

The Company granted Deutsche Bank AG, London Branch (the "Stabilising Manager") an option (the "Option"), pursuant to which the Stabilising Manager was entitled to purchase, or procure purchasers for, additional Public Shares at the Issue Price for up to 10,909,091 Public Shares for stabilisation purposes or effect other transactions in order to support the market price of the Public Shares at a higher level than that which might otherwise prevail in the open market. Under its terms, the Option could be exercised in whole or in part upon notice by the Stabilising Manager at any time commencing from October 13, 2014 and ending 30 calendar days thereafter. On November 10, 2014, the Option was exercised for 784,286 Public Shares (the "Over-Allotment Shares") with total proceeds of $19,607,150.

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

Bond Offering

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

Investment Objective

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

Investment Manager

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

Notes to Financial Statements (continued)

1. CORPORATE INFORMATION (continued)

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, the Chief Financial Officer and a partner of the Investment Manager, Anne Farlow, Richard Battey, Jonathan Kestenbaum and William Scott, all of whom are non-executive Directors. Anne Farlow is the Chairman of the Board.

Audit Committee

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

Prime Brokers

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

Administrator and Sub-Administrator

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("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 recovery or 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 Directors believe that the Company is well placed to manage its business risks, has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For these reasons, they have adopted the going concern basis in preparing the financial statements.

Financial Instruments

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

(i) Classification

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

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(ii) Recognition

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

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

(iii) Initial Measurement

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

(iv) Subsequent Measurement

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

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement, and either:

(a) the Company has transferred substantially all of the risks and rewards of the asset, or

(b) the Company has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. The Company will derecognize a financial liability when the obligation under the liability is discharged, cancelled or expired.

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bonds at Amortized Cost

(i) Classification

The Company classifies its Bonds, as discussed in Note 1 and Note 19, at initial recognition, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

(ii) Recognition

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

(iii) Initial Measurement

Bonds are measured initially at their fair values plus any directly attributable incremental costs of acquisition or issue. The Bonds are recorded in the statement of financial position at amortized cost.

(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.

Fair Value Measurement

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

In general, the Company values securities listed on a securities exchange at the official closing price reported by the exchange on which the securities are primarily traded on the date of determination. In the event that the date of determination is not a day on which the relevant exchange is open for business, such securities are valued at the official closing price reported by the exchange on the most recent business day prior to the date of determination. Exchange-traded options are valued at the average of the most recent “bid” and “ask” prices. Securities that are not listed on an exchange but for which external pricing sources (such as dealer quotes or independent pricing services) may be available are valued by the Investment Manager after considering, among other factors, such external pricing sources, recent trading activity or other information that, in the opinion of the Investment Manager, may not have 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 2015 and 2014, investments where no market prices were available were valued at fair value based upon independent third-party prices.

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

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of Financial Instruments

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

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

Functional and Presentation Currency

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

Foreign Currency Translations

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

Amounts Due To and Due From Brokers

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

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents in the statement of financial position comprise cash at banks and money market funds which are invested in U.S. treasuries and obligations of the U.S. government. The money market funds are valued at fair value under the market approach at the net asset value of the underlying funds, which is maintained at $1 per share.

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.

All interest income and expense, other than that related to the Bonds, relates to cash and cash equivalents and 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

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

method (specific identification). These gains or losses represent the differences between an instrument's initial carrying amount and disposal amount, or cash payments on, or receipts received, from derivative contracts.

Professional Fees

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

Other Expenses

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

Taxes

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

Management and Incentive Fees

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

Net Assets Attributable to Management Shareholders

From the Company's commencement date to September 30, 2014, the Private Shares, Management Shares and VoteCo Shares were redeemable at the shareholders' option and were classified as financial liabilities. The liabilities arising from the redeemable shares are carried at the redemption amount which is the net asset value calculated in accordance with IFRS. Effective October 1, 2014, the Company converted into a registered closed-ended investment scheme in connection with the IPO and all Private Shares and VoteCo Shares were converted into non-redeemable Public Shares and Class B Shares, respectively. In accordance with IAS 32, the Company classifies its Public Shares and Class B Shares as equity as shareholders do not have any rights of redemption.

Effective October 1, 2014, all redeemable Management Shares were converted into non-redeemable Management Shares. Non-redeemable Management Shares can be converted into a variable number of Public Shares based upon the net asset values as of the last day of each calendar month and are therefore classified as financial liabilities in accordance with IFRS. At no time can non-redeemable Management Shares be redeemed in cash at the option of the management shareholders. Net assets attributable to Management Shares are accounted for on an amortized cost basis at the net asset value calculated in accordance with IFRS. The change in the net assets attributable to Management Shares, other than that arising from share issuances or conversions, is recognized in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Notes to Financial Statements (continued)

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

Judgments

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

Assessment of Investment Management Agreement as an executory contract

The Company classifies the Investment Management Agreement 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 Investment Management Agreement 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 Investment Management Agreement, 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 Investment Management Agreement. In consideration for those services, the Company has continuing obligations to pay fees, including incentive fees crystallizing annually on December 31 (if any). See Note 15 - Investment Management and Incentive Fees.

The Investment Management Agreement is automatically renewable each December 31 for one year. The Investment Management Agreement is terminable at December 31 of any year by each party upon four months' prior notice (subject, in the case of termination by the Company, to shareholder approval requiring a two-thirds majority by voting power of the outstanding shares and a two-thirds majority of the outstanding Public Shares, as prescribed by the Company's articles of incorporation) or at any time if the other party liquidates, a receiver or liquidator or administrator is appointed in respect of the other party's assets or the other party commits a material breach that remains uncured for more than 30 days after notice thereof.

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

Assessment of Company investment as structured entity

As of December 31, 2015 and December 31, 2014, the Company held an investment in PS V International, Ltd. ("PS V") and as of December 31, 2014, the Company also held an investment in PS Fund 1, LLC ("PSF1"), which are reflected under financial assets at fair value through profit or loss in the statement of financial position. PS V and PSF1 are affiliated investment funds managed by the Investment Manager. The investment objective of PS V is to create significant capital appreciation by investing in stock of Air Products and Chemicals, Inc. The investment objective of PSF1 was to create significant capital appreciation by investing in the stock of Allergan, Inc. in connection with a potential business combination transaction with Allergan, Inc.

All realized and unrealized gains and losses from investments in PS V and PSF1 are reflected in the statement of comprehensive income for the years ended 2015 and 2014. The maximum exposure to loss from these investments at December 31, 2015 and December 31, 2014 was equal to the amount of the Company's investments in PS V and PSF1. The Company has not provided, and does not intend to provide, 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 V and PSF1. PSF1 was liquidated in March 2015. Refer to Note 17 for further information.

Notes to Financial Statements (continued)

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

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 affiliated entities, PS V and PSF1, in which the Company invests should be classified as structured entities. The Company has determined that the voting and other similar rights of the investors in PS V and PSF1, including the rights to remove the investment manager or redeem holdings, are not the dominant factors of control. The dominant factor of control of PS V and PSF1 are the contractual agreements with the investment manager.

The Company, therefore, has concluded that PS V and PSF1 are 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 valuation agents. The independent third-party valuation agents utilize proprietary models to determine fair value. The valuation agents' modeling may consider, but is not limited to, the following inputs: amount and timing of cash flows, current and projected financial performance, volatility of the underlying securities' stock prices, dividend yields and/or interest rates. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are calibrated regularly and tested for validity using prices from observable current market transactions in the same instrument (without modification or repackaging) or based on available observable market data.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

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

International Accounting Standards (IAS/IFRS)	Description	Effective Date
	Annual Improvement Cycle 2012 – 2014	January 1, 2016
IAS 34	Interim Financial Reporting	January 1, 2016
IAS 1	Disclosure Initiative	January 1, 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018

The Directors have chosen not to early adopt the above standards and amendments and other standards issued by the IASB which have an effective date after the date of these financial statements. The Directors do not anticipate that these standards and amendments would have an impact on the Company's financial statements in the period of initial application, with the exception of IFRS 9. However, a full assessment of the standards and amendments has not yet been performed.

Amendments to Standards in Effect

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that

Notes to Financial Statements (continued)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment applies to the Company. Refer to Note 15 for further details.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13, and therefore this amendment does not impact the financial statements of the Company

Several other new standards and amendments apply for the first time in 2015. However, they do not impact the financial statements of the Company.

5. SEGMENT INFORMATION

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

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

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

Financial assets at fair value through profit or loss:

	2015	2014
Financial assets at fair value through profit or loss		
Investments in securities	$ 5,356,209,177	$ 5,791,187,783
Derivative financial instruments	499,385,851	289,114,933
Financial assets at fair value through profit or loss	**$ 5,855,595,028**	**$ 6,080,302,716**

Financial liabilities at fair value through profit or loss:

	2015	2014
Financial liabilities at fair value through profit or loss		
Securities sold, not yet purchased	$ 387,055,112	$ 391,285,125
Derivative financial instruments	125,974,203	27,139,624
Financial liabilities at fair value through profit or loss	**$ 513,029,315**	**$ 418,424,749**

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

	2015			2014		
	Realized	Unrealized	Total Gains/(Losses)	Realized	Unrealized	Total Gains/(Losses)
Financial assets						
Designated at fair value through profit or loss	$ 774,542,642	$ (1,821,101,414)	**$ (1,046,558,772)**	$ 331,650,197	$ 874,589,851	**$1,206,240,048**
Financial liabilities						
Designated at fair value through profit or loss	(55,068,801)	(97,586,882)	**(152,655,683)**	(25,742,443)	146,535,392	**120,792,949**
Derivative financial instruments	24,849,446	(43,034,482)	**(18,185,036)**	38,859,476	31,184,630	**70,044,106**
Net changes in fair value	$ 744,323,287	$ (1,961,722,778)	**$ (1,217,399,491)**	$ 344,767,230	$1,052,309,873	**$1,397,077,103**

Notes to Financial Statements (continued)

7. FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Hierarchy

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

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

Level 2 – Inputs (other than quoted prices included in Level 1) are obtained directly or indirectly from observable market data at the measurement date. The assets and liabilities in this category will generally include fixed income securities, OTC options, total return swaps, credit default swaps, foreign currency forward contracts and certain other derivatives. Also, included in this category are the Company's investments in affiliated entities valued at the 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

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Financial Assets:								
Equity Securities:								
Common Stock:								
Chemicals	$ 221,453	$ -	$ -	$ 221,453	$ 366,533	$ -	$ -	$ 366,533
Consumer Products	991,953	-	-	991,953	-	-	-	-
Financial Services	107,940	-	-	107,940	112,319	-	-	112,319
Healthcare	1,703,748	-	-	1,703,748	645,350	-	-	645,350
Industrials/Chemicals	801,306	-	-	801,306	800,121	-	-	800,121
Real Estate Development and Operating	140,848	-	-	140,848	162,331	-	-	162,331
Restaurant	578,592	-	-	578,592	549,784	-	-	549,784
Transportation	722,674	-	-	722,674	960,667	-	-	960,667
Preferred Stock:								
Financial Services	5,688	150	-	5,838	3,694	206	-	3,900
Investment in Affiliated Entity/Entities	-	81,858 ④	-	81,858	-	2,190,183 ④	-	2,190,183
Derivative Contracts:								
Currency Call/Put Options Purchased	-	106,915 ①	-	106,915	-	5,944 ①	-	5,944
Equity Forwards:								
Consumer Products	-	20,768 ①	-	20,768	-	-	-	-
Equity Options Purchased:								
Consumer Products	682	176,184 ①	-	176,866	42,204	98,371 ①	-	140,575
Healthcare	-	105,830 ①	-	105,830	-	-	-	-
Foreign Currency Forward Contracts	-	40,780 ①	-	40,780	-	23,822 ①	-	23,822
Total Return Swaps	-	2,664 ②	-	2,664	-	7,824 ②	-	7,824
Warrants:								
Financial Services	-	-	-	-	53,298	-	-	53,298
Real Estate Development and Operating	-	-	45,562 ③	45,562	-	-	57,652 ③	57,652
Total	$5,274,884	$ 535,149	$ 45,562	$5,855,595	$3,696,301	$2,326,350	$ 57,652	$6,080,303

Notes to Financial Statements (continued)

7. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Financial Liabilities:								
Equity Securities:								
Common Stock:								
Consumer Products	$ 387,055	$ -	$ -	$ 387,055	$ 184,447	$ -	$ -	$ 184,447
Healthcare	-	-	-	-	206,838	-	-	206,838
Derivative Contracts:								
Credit Default Swaps	-	400 ①	-	400	-	822 ①	-	822
Currency Call/Put Options Written	-	9,556 ①	-	9,556	-	-	-	-
Equity Options Written:								
Consumer Products	-	-	-	-	-	16,071 ①	-	16,071
Healthcare	-	52,730 ①	-	52,730	-	-	-	-
Total Return Swaps	-	63,288 ②	-	63,288	-	10,247 ②	-	10,247
Net assets attributable to management shareholders	-	-	183,369 ⑤	183,369	-	-	227,226 ⑤	227,226
Total	$ 387,055	$ 125,974	$ 183,369	$ 696,398	$ 391,285	$ 27,140	$ 227,226	$ 645,651

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

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

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

④ This relates to the Company's investments in PS V and PSF1 as discussed in Note 3. The Company's investment in PS V includes 99.52% and 99.50% of Level 1 securities and 0.48% and 0.50% of other assets and liabilities that are outside the scope of IFRS 13 as of the years ended 2015 and 2014, respectively. The Company's investment in PSF1 includes net exposure of 87.29% of Level 1 securities (representing 99.16% of long common stock and (11.87)% of short common stock) and 12.71% of other assets and liabilities that are outside the scope of IFRS 13 as of December 31, 2014. See fair value measurement discussion in Note 2 for the Company's valuation policy related to investments in affiliated entities.

⑤ Net assets attributable to management shareholders are classified as Level 3 and are valued based on their net asset value. In assessing the appropriateness of net asset value as a basis for fair value, consideration is given to the need for adjustments to that net asset value based on a variety of factors including liquidity and the timeliness and availability of accurate financial information. No such adjustments were deemed necessary. The movements for the year are disclosed in the statement of changes in net assets attributable to non-equity and management shareholders. As of October 1, 2014, net assets attributable to non-equity shareholders were converted to equity, except for management shareholders under IFRS (as discussed in Note 2), as the Company became a close-ended entity as discussed in Note 11.

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 carrying value of the Bonds is discussed further in Note 19.

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

Notes to Financial Statements (continued)

7. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Transfers Between Levels

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

Level 3 Reconciliation

The following table summarizes the change in the carrying amounts associated with Level 3 investments for the years ended 2015 and 2014. In the year ended 2014, the Company's warrants in Platform Specialty Products Corporation were exercised, resulting in their derecognition from Level 3 investments. The resulting shares acquired from the exercise of these warrants have been recognized in Level 1 investments as of the exercise date.

		Warrants
Balance at December 31, 2013	$	33,519,319
Purchases		28,620,071
Derecognition for exercise of warrants		(11,184,084)
Total gains and losses in profit or loss		6,696,766
Balance at December 31, 2014	**$**	**57,652,072**
Total gains and losses in profit or loss		(12,090,283)
Balance at December 31, 2015	**$**	**45,561,789**
Total unrealized gains and losses for the year included in profit or loss for assets held at December 31, 2014	$	(1,109,529)
Total unrealized gains and losses for the year included in profit or loss for assets held at December 31, 2015	$	(12,090,283)

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

Quantitative Information of Significant Unobservable Inputs – Level 3

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

Financial Asset	Year Ended		Fair Value	Valuation Techniques	Unobservable Input	Inputs[(1)]
Warrants	2015	$	45,561,789	Black-Scholes pricing model	Volatility	47%
Warrants	2014	$	57,652,072	Black-Scholes pricing model	Volatility	41%

(1) Refer to footnote ③ on page 54 for details regarding level 3 valuation techniques.

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

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

Financial Asset	Year Ended	Unobservable Input	Sensitivity Used *	Effect on Fair Value
Warrants	2015	Volatility	+2	$ 234,759
Warrants	2015	Volatility	-2	$ (218,449)
Warrants	2014	Volatility	+2	$ 261,974
Warrants	2014	Volatility	-2	$ (235,963)

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

8. DERIVATIVE CONTRACTS

In the normal course of business, the Company enters into derivative contracts for investment purposes. Typically, derivative contracts serve as components of the Company's investment strategies and are utilized primarily to structure the portfolio to economically match the investment objectives of the Company. These instruments are

Notes to Financial Statements (continued)

8. DERIVATIVE CONTRACTS (continued)

subject to various risks, similar to non-derivative instruments, including market, credit and liquidity risk (see Note 13). The Company manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policy.

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

Total Return Swaps

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

Credit Default Swaps

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

Options

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

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

Options written by the Company provide the purchaser the opportunity to purchase from or sell to the Company the underlying asset at an agreed-upon value either on or before the expiration of the option. In writing an option, the Company bears the market risk of an unfavorable change in the financial instrument underlying the written option. The exercise of an option written by the Company could result in the Company buying or selling a financial instrument at a price higher or lower than the current market value, respectively. The maximum payout for written put options is limited to the number of contracts written and the related strike prices, and the maximum payout for written call options (which could be unlimited) is contingent upon the market price of the underlying security at the date of a payout event. At December 31, 2015, the Company had a maximum payout amount of approximately $221,246,640 relating to written equity put option contracts. The maximum payout amount could be offset by the subsequent sale of the financial instrument obtained via the execution of a payout event. The fair value of these positions as of December 31, 2015 was ($26,549,597). There were no written put options as of December 31, 2014.

Equity Forwards

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

Notes to Financial Statements (continued)

8. DERIVATIVE CONTRACTS (continued)

Currency Forwards

Foreign currency forward contracts are used for trading purposes and may hedge the Company's exposure to changes in foreign currency exchange rates on its foreign portfolio holdings. A foreign currency forward contract is a commitment to purchase or sell a foreign currency on a future date at a negotiated forward exchange rate. The following table shows the fair values of derivative financial instruments recorded as assets or liabilities as of December 31, 2015 and December 31, 2014, together with their notional amounts (or shares, when applicable). The notional amount, which is recorded on a gross basis, is the amount of a derivative's underlying asset, reference rate or index, and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the dollar volume of contracts outstanding at the reporting dates and are indicative of neither the market risk nor the credit risk.

	2015		2014	
	Fair Value	Notional/Shares	Fair Value	Notional/Shares
Derivatives primarily held for trading purposes				
Assets				
Currency call/put options purchased	$ 92,932,598	$ 10,679,718,029 ±	$ 5,943,842	$ 3,888,846,000 ±
Equity forwards	20,768,486	2,972,624 #	–	–
Equity options purchased	282,696,108	25,646,340 #	140,574,953	9,426,490 #
Total return swaps	2,664,152	1,223,626 #	7,823,530	31,337,608 #
Warrants	45,561,789	688,138 #	110,950,124	8,258,884 #
Total Assets	$ 444,623,133		$ 265,292,449	
Liabilities				
Credit default swaps	$ 366,977	$ 40,043,000 ±	$ 605,608	$ 40,043,000 ±
Currency call/put options written	9,556,016	$ 3,773,322,000 ±	–	–
Equity options written	52,730,448	7,374,888 #	16,071,113	7,733,534 #
Total return swaps	63,287,632	40,764,407 #	10,246,990	7,227,546 #
Total Liabilities	$ 125,941,073		$ 26,923,711	
Derivatives primarily held for risk management purposes				
Assets				
Currency call/put options purchased	$ 13,982,362	$ 393,533,000 ±	$ –	–
Foreign currency forward contracts	40,780,356	$ 751,544,965 ±	23,822,484	$ 646,652,900 ±
Total Assets	$ 54,762,718		$ 23,822,484	
Liabilities				
Credit default swaps	$ 33,130	$ 4,600,000 ±	$ 215,913	$ 34,638,000 ±

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

The table below summarizes gains or losses from the Company's derivative trading activities for December 31, 2015 and December 31, 2014 included in net gain/(loss) on financial assets and financial liabilities.

Derivatives for Trading Activities	Year Ended 2015 Net Gain/(Loss)	Year Ended 2014 Net Gain/(Loss)
Credit Default Swaps	$ (197,260)	$ (119,036)
Currency Call/Put Options	(5,423,008)	(6,959,589)
Equity Forwards	70,914,127	–
Equity Options	(114,857,673)	58,580,114
Foreign Currency Forward Contracts	121,681,612	40,008,042
Index Credit Default Swaps	15,341	–
Index Credit Default Swap Options	(1,984,186)	–
Interest Rate Options	–	(41,677)
Total Return Swaps	(68,669,486)	(19,231,419)
Warrants	(19,664,503)	(2,192,329)
Total Net Gain/(Loss)	$ (18,185,036)	$ 70,044,106

Offsetting of Derivative Assets and Liabilities

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

Notes to Financial Statements (continued)

8. DERIVATIVE CONTRACTS (continued)

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

As of December 31, 2015	(1) Gross Amounts	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Offsetting Permitted Under ISDA Netting Agreements	(2) Cash Collateral Pledged/(Received)	Net Amount
Derivative Assets	$ 339,141,846	$ -	$ 339,141,846	$ (76,294,593)	$ (234,718,719)	$28,128,534
Total	$ 339,141,846	$ -	$ 339,141,846	$ (76,294,593)	$ (234,718,719)	$28,128,534
Derivative Liabilities	$ (125,974,203)	$ -	$ (125,974,203)	$ 76,294,593	$ 49,679,610	$ –
Total	$ (125,974,203)	$ -	$ (125,974,203)	$ 76,294,593	$ 49,679,610	$ –

As of December 31, 2014	(1) Gross Amounts	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Offsetting Permitted Under ISDA Netting Agreements	(3) Cash Collateral Pledged/(Received)	Net Amount
Derivative Assets	$ 100,787,318	$ -	$ 100,787,318	$ (13,889,759)	$ (69,318,281)	$17,579,278
Total	$ 100,787,318	$ -	$ 100,787,318	$ (13,889,759)	$ (69,318,281)	$17,579,278
Derivative Liabilities	$ (14,711,281)	$ -	$ (14,711,281)	$ 13,889,759	$ 754,567	$ (66,955)
Total	$ (14,711,281)	$ -	$ (14,711,281)	$ 13,889,759	$ 754,567	$ (66,955)

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

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

(3) The Company has posted collateral of approximately $90 million in addition that is unable to be reflected in the table above due to disclosure requirements. This amount is within due from brokers on the statement of financial position.

9. TRADE AND OTHER RECEIVABLES/PAYABLES

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

	2015	2014
Trade and other receivables		
Dividend receivable	$ 8,294,573	$ 4,116,426
Receivable from PS V International, Ltd. (see Note 16)	306,432	337,015
Interest and other receivables	570,394	332,989
	$ 9,171,399	$ 4,786,430

	2015	2014
Trade and other payables		
Incentive fees payable	$ –	$ 62,814,093
Payable to PS Fund 1, LLC (see Note 16)	–	49,259,207
Interest payable	1,179,620	663,795
Other payables	1,518,910	6,474,927
	$ 2,698,530	$ 119,212,022

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.

	2015	2014
Cash at banks	$ 150,414	$ 147,930
U.S. Treasury money market fund	420,264,035	565,661,983
	$ 420,414,449	$ 565,809,913

Notes to Financial Statements (continued)

11. SHARE CAPITAL

Authorized and Issued Capital – Private Phase

Prior to the IPO, the Company was authorized to issue an unlimited number of Private Shares, Management Shares, VoteCo Shares (discussed below) and other shares or classes of shares determined by the Board of Directors. Each new series of Private Shares issued during the year was issued at a price of $1,000 per share. The Private Shares, Management Shares and VoteCo Shares carried voting rights and participated in the profits and losses of the Company. Each series of shares earned their ownership percentage of the Company's profits and losses beginning from the subscription date of their shares. The Private Shares were issued as either restricted shares or non-restricted shares, each having the same rights and privileges, except that the non-restricted shares participated in the gains and losses arising from the Company's trading of securities that are classified as "new issues" as defined by Rule 5130 and Rule 5131 of the Financial Industry Regulatory Authority as any public offering of equity securities ("New Issues"). For the years ended 2015 and 2014, the Company did not have any securities transactions in New Issues.

Shares were issued, redeemed and converted in accordance with the terms of the Offering Memorandum. Different series of shares were issued in order to equitably reflect the differing incentive fee amounts payable with respect to each series, due to the differing issue dates throughout the fiscal year. Management Shares held by the Investment Manager and its affiliates were generally subject to the same redemption schedule as the Private Shares, except that the Investment Manager and/or its affiliates were able to redeem all or a portion of their interests in the Company as of the last day of any quarter to satisfy their tax obligations with respect to their respective interests in the Company.

PS Holdings Independent Voting Company Limited ("VoteCo") was established as a limited liability company with the sole objective to hold issued shares (the "VoteCo Shares") that require it to vote in the interest of the Company's shareholders as a whole. The VoteCo Shares would at all times carry 50.1% of the aggregate voting power in the Company. The Investment Manager had and continues to have no affiliation with VoteCo. VoteCo is wholly owned by a trust established for the benefit of one or more charitable organizations. VoteCo Shares carried the same economic rights as those carried by Private Shares.

The Investment Manager waived the management fee and/or the incentive fee with respect to shares issued to certain shareholders, including the Investment Manager itself and certain members, partners, officers, managers, employees or affiliates of the Investment Manager or certain other shareholders. Such shares are referred to as Management Shares and form a separate class of shares.

Authorized and Issued Capital – Public Phase

On October 1, 2014, all existing Private Shares (the "Existing Shares") converted into Public Shares that were no longer redeemable at the shareholder's option, redeemable Management Shares converted into non-redeemable Management Shares and VoteCo Shares converted into non-redeemable Class B voting shares. All Existing Shares and Management Shares were converted at the Issue Price using their aggregate net asset values as of September 30, 2014.

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

Shareholders in Pershing Square International, Ltd. ("PSINTL"), an affiliated fund managed by the Investment Manager, were provided with the opportunity to rollover all or part of their respective investment in exchange for Public Shares in the Company at the Issue Price (the "Rollover Shares") at the time of the IPO. The Rollover Shares represented 8,499,360 of the Public Shares for total proceeds of $212,484,000. The proceeds were treated as capital redemptions from PSINTL as of September 30, 2014. PSCM designated a bank account to act as the nominee for the rollover shareholders whereby the proceeds were deposited into PSCM's bank account and PSCM transferred, the next day, the proceeds to the Company's bank account.

As of October 1, 2014, the total Public Shares outstanding were 239,344,260, 109,090,909 of which were issued in the Placing, 121,753,991 of which were converted from Existing Shares and 8,499,360 of which were issued in connection with the Rollover Shares. The VoteCo Shares converted into 5,000,000,000 Class B Shares.

Notes to Financial Statements (continued)

11. SHARE CAPITAL (continued)

Effective October 1, 2014, William A. Ackman, as well as other partners and officers of the Investment Manager invested an aggregate amount of approximately $128.6 million, which represented 5,142,945 additional Management Shares. As of December 31, 2015, total Management Shares outstanding were 8,500,796 with a value of $183,368,504 (2014: $227,226,260).

The over-allotment Option of up to 10,909,091 Public Shares, granted by the Company to the Stabilising Manager (as discussed in Note 1), was exercised on November 10, 2014 in the amount of 784,286 Public Shares. After the Option exercise, the Company's Public Shares issued and outstanding were 240,128,546.

Lock-up

Shareholders holding Public Shares representing the Existing Shares and the Rollover Shares were subject to a lock-up of 90 days from October 1, 2014 whereby such Shareholders and/or any of their affiliates, were prohibited from offering, selling, contracting to sell, pledging or otherwise disposing of any Public Shares held or owned through the end of the lock-up period. This lock-up did not apply to any other Public Shares acquired in the Placing or in the secondary market.

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

Share Conversion

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

Voting Rights

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

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

Distributions

The Board may at any time declare and pay dividends (or interim dividends) based upon the financial position of the Company. No dividends shall be paid in excess of the amounts permitted by the Companies (Guernsey) Law, 2008 and the prior consent of the Board and the Investment Manager. No dividends have been declared or paid for the years ended 2015 and 2014.

The net asset values per share by class and shares outstanding as of December 31, 2015 and December 31, 2014, were as follows:

Class	Issuance Date	Shares Outstanding December 31, 2015	NAV per Share December 31, 2015	Shares Outstanding December 31, 2014	NAV per Share December 31, 2014
Management Shares	December 31, 2012	8,500,796.00	$ 21.57	8,500,796.00	$ 26.73
Public Shares	October 1, 2014	240,128,546.00	$ 20.96	240,128,546.00	$ 26.37
Class B Shares	October 1, 2014	5,000,000,000.00	$ 0.00	5,000,000,000.00	$ 0.00

Notes to Financial Statements (continued)

11. SHARE CAPITAL (continued)

The Public Shares, Management Shares and Class B Shares transactions for the years ended 2015 and 2014 were as follows:

	Private Series Non-Restricted	Private Series Restricted	Management Shares	VoteCo Shares	Public Shares	Class B Shares
Shares as of December 31, 2014	-	-	**8,500,796.00**	-	**240,128,546.00**	**5,000,000,000.00**
Issuance of Shares	-	-	-	-	-	-
Shares as of December 31, 2015	-	-	**8,500,796.00**	-	**240,128,546.00**	**5,000,000,000.00**

	Private Series Non-Restricted	Private Series Restricted	Management Shares	VoteCo Shares	Public Shares	Class B Shares
Shares as of December 31, 2013	**1,830,129.93**	**292,770.02**	**52,738.76**	**100.00**	-	-
Period from January 1, 2014 - September 30, 2014						
Transfers [1]	14,280.74	(19,395.07)	-	-	-	-
Subscriptions	144,376.82	26,497.50	-	-	-	-
Redemptions	(124,516.27)	(25,829.50)	-	-	-	-
Period from October 1, 2014 - December 31, 2014						
Conversion Out	(1,864,271.22)	(274,042.95)	(52,738.76)	(100.00)	-	-
Conversion In	-	-	3,357,851.00	-	121,753,991.00	5,000,000,000.00
Issuance of Shares	-	-	5,142,945.00	-	109,875,195.00	-
Rollover from Pershing Square International, Ltd	-	-	-	-	8,499,360.00	-
Shares as of December 31, 2014	-	-	**8,500,796.00**	-	**240,128,546.00**	**5,000,000,000.00**

(1) This adjustment accounts for transfers between series when such series have different NAV per share (i.e., a series roll-up).

Capital Management

The Company's capital currently consists of Public Shares which are listed on Euronext Amsterdam, non-redeemable Management Shares which can be converted into Public Shares, and Class B Shares (as more fully described in Note 1). The proceeds from the Bonds which were issued on June 26, 2015 and are listed on the Irish Stock Exchange are being used to make investments in accordance with the Company's investment policy (as more fully described in Note 19).

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

12. INTEREST INCOME AND EXPENSE

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

Interest Income	2015	2014
Cash and cash equivalents	$ 872	$ 334
Due from brokers on collateral posted	178,590	45,114
	$ 179,462	$ 45,448

Interest Expense	2015	2014
Short market rebate fees	$ 16,006,434	$ 5,796,858
Bond interest expense	28,171,374	-
Amortization of bond issue costs incurred as finance costs	1,042,497	-
Due to brokers on collateral received	49,418	46,754
Cash and cash equivalents	76,309	2,217
	$ 45,346,032	$ 5,845,829

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

Notes to Financial Statements (continued)

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

considered by the Investment Manager in assessing long investment opportunities include, but are not limited to:

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

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

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

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

At times, the Investment Manager has also invested in other investments that have materially different risk and reward characteristics. These investments – because of the circumstances surrounding the companies at the time of the investment, the highly leveraged nature of the businesses or assets, the relative illiquidity of the investment, and/or the structure of our 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, i.e., depending upon the risk of loss, these investments may individually comprise a few percent or less of capital, and often less than one percent of the portfolio.

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

Market Risk

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

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

The Company's derivative trading activities are discussed in detail in Note 8 and a portfolio of the derivatives held as of December 31, 2015 is presented in the Condensed Schedule of Investments on pages 71-73 (which is explicitly incorporated by reference into these Notes to Financial Statements).

Interest Rate Risk

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

The Company's investment in cash and cash equivalents has limited exposure to interest rate risk because the duration of these investments is less than 90 days. As of December 31, 2015 and December 31, 2014 cash and cash equivalents equalled $420,414,449 and $565,809,913, respectively.

Notes to Financial Statements (continued)

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

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 71-73 (which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details of our financial assets and liabilities.

The following tables show the currencies to which the Company had significant direct exposure at December 31, 2015 and December 31, 2014 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 (2015)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$ 549,720,969	+10%	$ 68,450,544
EUR	$ 13,982,362	+6%	$ 13,520,002
EUR	$ 13,982,362	-6%	$ (7,580,336)

Currency (2014)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$ 863,798,268	+9%	$ 76,821,535

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

Equity Price Risk

As explained in the Company's Prospectus, the Company is highly concentrated, and may invest a significant proportion of its capital in one or a limited set of investments. A substantial majority of the Company's portfolio is typically allocated to 8 to 12 core holdings usually comprised of highly liquid, listed mid-to-large cap North American companies. Because the portfolio is highly concentrated and primarily invested in public equities (or derivative instruments referenced to public equities), a significant risk to the portfolio is fluctuations in equity prices. Refer to the 2015 Key Highlights and Investment Manager's Report on pages 5-20 for quantitative and qualitative discussion of our portfolio and the Condensed Schedule of Investments on pages 71-73 (each of which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details of our 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 Net Assets Attributable to all Shareholders	
Change in Equity Price	**2015**	**2014**
+7%	+9%	+6%
-7%	-9%	-6%

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).

	2015	2014
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:

	2015	2014
Healthcare	34%	48%
Industrials/Chemicals	21%	19%
Consumer Products	15%	5%
Transportation	14%	14%
Restaurant	11%	8%
Real Estate Development and Operating	3%	3%
Financial Services	2%	3%
Total	100%	100%

Notes to Financial Statements (continued)

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

Liquidity Risk

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

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

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

As of December 31, 2014	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	$ 565,809,913	$ -	$ -	$ -	$ -	$ 565,809,913
Due from brokers	515,560,923	-	-	-	-	515,560,923
Trade and other receivables	4,786,430	-	-	-	-	4,786,430
Financial assets at fair value through profit or loss:						
Investments in securities	2,304,715,886	3,056,636,080	132,833,496	231,861,923	65,140,398	5,791,187,783
Derivative financial instruments	85,762,013	108,356,069	29,219,423	45,172,696	20,604,732	289,114,933
Total assets	**$ 3,476,635,165**	**$ 3,164,992,149**	**$ 162,052,919**	**$ 277,034,619**	**$ 85,745,130**	**$ 7,166,459,982**
Liabilities						
Due to brokers	$ 68,450,144	$ -	$ -	$ -	$ -	$ 68,450,144
Trade and other payables	119,212,022	-	-	-	-	119,212,022
Financial liabilities at fair value through profit or loss:						
Securities sold, not yet purchased	266,320,348	116,261,564	8,703,213	-	-	391,285,125
Derivative financial instruments	9,105,121	15,266,320	1,166,973	817,303	783,907	27,139,624
Total liabilities excluding net assets attributable to management shareholders	463,087,635	131,527,884	9,870,186	817,303	783,907	606,086,915
Net assets attributable to management shareholders	-	4,419,966	-	-	222,806,294	227,226,260
Total liabilities	**$ 463,087,635**	**$ 135,947,850**	**$ 9,870,186**	**$ 817,303**	**$ 223,590,201**	**$ 833,313,175**

Although a majority of the Company's portfolio comprises liquid, large-capitalization securities, there may be contractual or regulatory restrictions on trading, or "trading windows" imposed with respect to certain issuers for which a member of the Investment Manager holds a board seat or is otherwise restricted. Although these limitations are

Notes to Financial Statements (continued)

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

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.

Financial Assets and Financial Liabilities

Analysis of equity and derivative positions at fair value through profit or loss is based on the expected date on which these assets and liabilities can be realized in the normal course of business.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that is entered into with the Company, resulting in a financial loss to the Company. It arises principally from derivative financial assets, cash and cash equivalents, and balances due from brokers. In order to mitigate credit risk, the Company seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy. The Investment Manager negotiates its ISDA agreements to include bilateral collateral agreements and, in certain cases, tri-party agreements where collateral is held by a third party custodian. Thereafter the Investment Manager monitors exposure, performs reconciliations, and posts/receives cash or U.S. Treasury collateral to/from each of the Company's counterparties on a daily basis. The Company invests substantially all cash collateral in U.S. Treasuries or short-term U.S. Treasury money market funds to protect against counterparty failure. In addition, from time to time, the Company purchases credit default swap contracts on the Company's counterparties as a form of credit protection. The Investment Manager prepares daily reports that set forth the Company's (along with the other PSCM-managed funds') exposure to each counterparty. Such reports include the credit default swap notional exposure, the net unhedged/(over hedged) exposure, initial margin posted and the net counterparty exposure. In addition, the Investment Manager reviews credit ratings reports on its counterparties on a weekly basis. Please refer to the Condensed Schedule of Investments on pages 71-73 (which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details of our financial assets and financial liabilities.

After taking into effect the offsetting permitted under IAS 32, the Company views its credit exposure to be $257,293,367 and $107,826,088 at December 31, 2015 and December 31, 2014, respectively, representing the fair value of derivative contracts in net asset position net of derivative contracts in net liability position and net of any collateral received by or given to counterparties. The Company has purchased credit default swap contracts to hedge against a portion of the Company's credit exposure to certain derivative counterparties. At December 31, 2015 and December 31, 2014, the Company had purchased credit default swap contracts on these counterparties with a total notional value of $4,600,000 and $34,638,000, respectively.

The Company maintains its cash 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, 2015 and December 31, 2014, cash was primarily invested in a U.S. Treasury money market fund with daily liquidity as disclosed in Note 10.

The following table analyzes the Company's cash (2015: $420,414,449, 2014: $565,809,913), due from brokers (2015: $594,122,857, 2014: $515,560,923) and financial assets portfolio (2015: $5,855,595,028, 2014: $6,080,302,716) based on the underlying custodians' and counterparties' credit rating.

	2015	2014
AAA	6%	8%
A	91%	92%
BBB+	3%	0%
Total	100%	100%

14. COMMITMENTS AND CONTINGENCIES

On October 1, 2014, PSCM entered into an agreement with Sachem Head Capital Management, L.P. ("SHCM") whereby SHCM

Notes to Financial Statements (continued)

14. COMMITMENTS AND CONTINGENCIES (continued)

would receive a payment in an amount equal to 10% of the net profits from the Company and three affiliated funds of PSCM (collectively, the "PS Entities"), based on a $500 million investment in Zoetis Inc. ("Zoetis"). The net profits of the PS Entities were to be calculated based on the PS Entities' weighted average cost in purchasing Zoetis and weighted average sale price in selling Zoetis. In accordance with the agreement, as the PS Entities still held their investment in Zoetis as of December 28, 2015, the deemed sale price was calculated using 98% of the volume-weighted average trading price of Zoetis shares during the ten consecutive trading days ending on December 28, 2015. After December 28, 2015, SHCM is no longer entitled to any additional payments from the PS Entities. The net profits calculated reflect all third-party fees, financing costs and expenses incurred by the PS Entities relating to its Zoetis investment. On December 30, 2015, the PS Entities paid SHCM $13,120,218, of which the Company paid $4,438,197 and this amount was accounted for in professional fees during the years ended 2014 and 2015 in the statement of comprehensive income. As of December 31, 2015, the Company had fully extinguished its liability to SHCM and as of December 31, 2014, the Company's liability to SHCM was $2,881,901 as reflected in trade and other payables in the statement of financial position.

PSCM, PSF1 and other related and unrelated parties are defendants in a class action lawsuit entitled *In re Allergan, Inc. Proxy Violation Securities Litigation*, Case No. 8:14-cv-2004-DOC, pending in the U.S. District Court for the Central District of California, relating to their investment in Allergan, Inc. The court file in the case is available to the public. Plaintiffs allege the defendants violated federal securities laws in their trading in Allergan common shares and related derivatives. Defendants believe they have meritorious defenses to plaintiffs' claims. Under the court's schedule, a trial, if needed, would not commence until September 2017. At this time, it is not possible to predict the outcome of the case, nor, if the case results in an adverse outcome, to estimate the magnitude or timing of any such result, or the apportionment of any liability among the various defendants.

Other than above and as disclosed in Note 8, there were no other commitments or contingencies as of the reporting date and December 31, 2014.

15. INVESTMENT MANAGEMENT AND INCENTIVE FEES

The Investment Manager receives management and incentive fees from the Company pursuant to an Investment Management Agreement, which is an executory contract under paragraph 3 of IAS 37 as discussed in Note 3.

Management Fee

During the Private Phase and after the IPO (October 1. 2014), the Investment Manager received a quarterly management fee payable in advance in an amount equal to 0.375% (1.5% per annum) of the net asset value attributable to all fee-paying shares in issue as of the last business day of the previous calendar quarter (excluding any such shares redeemed on that day) and all fee-paying shares subscribed as of the first business day of such calendar quarter. During the Private Phase, the fee-paying shares of the Company comprised of the Existing Shares, and after the IPO, the fee-paying shares of the Company comprised of the Public Shares and the Class B shares.

Incentive Fee

During the Private Phase, the Investment Manager received an annual incentive fee in an amount equal to 16% of the net profits attributable to the fee-paying shares of the Company, subject to a loss carryforward.

After the IPO, the Investment Manager agreed to a potential reduction of the 16% incentive fee with respect to all fee-paying shareholders by way of an additional reduction (the "Additional Reduction"). Accordingly, after the IPO, the incentive fee can be no higher than 16% of the net profits attributable to the fee-paying shares of the Company, but it may eventually be lower.

The Additional Reduction is equal to 20% of the aggregate performance allocation and incentive fees earned by the Investment Manager and its affiliates on the gains of all other current and certain future funds managed by the Investment Manager or any of its affiliates.

The 16% incentive fee minus the Additional Reduction is defined as the "Variable Performance Fee" under the Investment Management Agreement.

Notes to Financial Statements (continued)

15. INVESTMENT MANAGEMENT AND INCENTIVE FEES (continued)

In the computation of the incentive fee, the Company agreed that an amount called "Offset Amount" will offset the Additional Reduction until the Offset Amount is fully reduced to zero. Until then, the incentive fee will equal (a) the Variable Performance Fee plus (b) the lesser of the Additional Reduction and the Offset Amount. Once the Offset Amount is fully reduced to zero, the incentive fee will equal the Variable Performance Fee. There are no circumstances in which any portion of the Offset Amount would become payable for a year without a positive 16% incentive fee and Additional Reduction for that year. Furthermore, the Company has no obligation to pay any remaining portion of the Offset Amount if the Company or the Investment Manager terminates the Investment Management Agreement or the Company liquidates.

The Offset Amount was initially set at the level of the Placing Fees (as defined below) plus a yield of 4.25% per annum.

"Placing Fees" refers to the fees and other costs of the Placing and Admission of the Public Shares, commissions paid to placement agents and other formation and offering expenses incurred during the Private Phase of the Company that the Investment Manager bore pursuant to the Investment Management Agreement. The Placing Fees were $120 million in the aggregate at the time of the IPO.

As of December 31, 2015 and December 31, 2014, the Offset Amount was approximately $106.4 million and $102.1 million, respectively.

The Variable Incentive Fee for any period cannot be less than zero, but any negative amount due to the Additional Reduction will be carried forward and available to reduce the 16% incentive fee for future periods (subject to any offset by the Offset Amount). In the event that any such carried-forward amount is still available after offsetting any 16% incentive fee that may crystallize upon the dissolution of the Company or the termination of the Investment Management Agreement, such amount will be forfeited.

Since the Company had no net profits and thus no incentive fee accrued for the year ended 2015 but the Additional Reduction was $1.1 million for such period, the $1.1 million of Additional Reduction will be carried forward to reduce any incentive fee in future years, subject to any offset by the Offset Amount.

During the Private Phase, the Investment Manager, in its sole discretion, waived the management fee and incentive fee with respect to shares issued to certain shareholders, including the Investment Manager and certain members, partners, officers, managers, employees or affiliates of the Investment Manager or certain other shareholders.

For the year ended December 31, 2015, the Investment Manager earned $93,921,719 of management fees and no incentive fee. For the year ended December 31, 2014, the Investment Manager earned $52,019,094 of management fees and $206,545,813 of incentive fees.

16. RELATED PARTY DISCLOSURES

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

The Investment Manager may seek to effect rebalancing transactions from time to time pursuant to policies that are intended to result in the Company and the affiliated entities managed by the Investment Manager generally holding investment positions on a proportionate basis relating to their respective adjusted net asset values, which are equal to each of the entities' net asset values plus any accrued (but not crystallized) incentive fees, any deferred compensation payable to the Investment Manager to the extent such deferred compensation is determined by reference to the performance of such entity, and the net proceeds of any outstanding long-term debt, including the current portion thereof (which in the case of the Company, includes the net proceeds from the bond offering as further discussed below in Note 19). 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

Notes to Financial Statements (continued)

16. RELATED PARTY DISCLOSURES (continued)

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.

As of December 31, 2015 and December 31, 2014, the Company had an investment in PS V with a capital balance of $81,857,614 and $90,621,451, respectively. The investment in PS V represents an ownership in PS V of 12.47% and 12.50%, respectively, which is included in investments in securities in the statement of financial position and classified as a Level 2 security in the fair value hierarchy in Note 7.

At December 31, 2015 and December 31, 2014, PS V distributed capital of $306,432 and $337,015, respectively, to the Company and such distributions are recorded in the statement of financial position as trade and other receivables. These distributions of capital relate to dividend income from PS V's investment in Air Products and Chemicals, Inc. common shares.

As of December 31, 2014, the Company had an investment in PSF1. The Company's capital balance of $2,099,561,215 in PSF1 represented an ownership of 36.77% which is included in investments in securities in the statement of financial position and classified as a Level 2 security in the fair value hierarchy in Note 7.

As of December 31, 2014, trade and other payables included a payable to PSF1 of $49,259,207. This payable was in relation to a rebalancing transaction in the common stock of Allergan and Actavis plc (through the Company's investment in PSF1) between Pershing Square, L.P., an affiliated entity managed by PSCM, PSINTL and the Company (collectively, the "PS Rebalancing Entities"). This rebalancing transaction is intended to result in a proportionate ownership of the investment in PSF1, among the PS Rebalancing Entities, based on the relative net asset values of the PS Rebalancing Entities.

The Investment Manager has determined that the investments in PS V and PSF1 are fair valued in accordance with IFRS and the Company's accounting policy as discussed in Note 2. No fair value adjustments need to be made for trading restrictions as discussed in Note 7 and Note 17.

The Company is not charged a management fee or incentive fee in relation to its investments in PS V and PSF1.

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

At December 31, 2015, the Company and its affiliates had beneficial ownership in excess of 10% of the outstanding common equity securities of Nomad Foods Limited, Platform Specialty Products Corporation, Restaurant Brands International Inc. and The Howard Hughes Corporation. At December 31, 2014, the Company and its affiliates had beneficial ownership in excess of 10% of the outstanding common equity securities of Platform Specialty Products Corporation, Restaurant Brands International Inc. and The Howard Hughes Corporation. William A. Ackman is a director of Canadian Pacific Railway Ltd. and the Chairman of the Board of The Howard Hughes Corporation. Paul Hilal, a former member of PSCM's investment team, was also a director of Canadian Pacific Railway Ltd. until January 26, 2016. Ryan Israel, a member of PSCM's investment team, is a board member of Platform Specialty Products Corporation. William F. Doyle, a member of PSCM's investment team, is a board member of Zoetis. Brian Welch, a member of PSCM's investment team is a board member of Nomad Foods Limited.

For the year ended December 31, 2015, the independent Directors' fees in relation to their services for the Company were $359,184 of which none were payable as of December 31, 2015. For the year ended December 31, 2014, the Directors' fees in relation to their services for the Company were $179,612 of which none were payable as of December 31, 2014.

Notes to Financial Statements (continued)

17. PS FUND 1, LLC

On February 25, 2014, PSCM entered into a letter agreement (the "Letter Agreement") with Valeant Pharmaceuticals International, Inc. ("Valeant") to become members in a jointly owned entity, PSF1. The investment objective of PSF1 was to create significant capital appreciation by investing in stock of Allergan, Inc. ("Allergan") and proposing a potential business combination transaction between Allergan and Valeant (the "Company Transaction"). Valeant contributed $75.9 million in value (or the equivalent of 597,431 shares of Allergan common stock) to PSF1 and Valeant, together with the PS Entities, became members in PSF1. The members of PSF1 had economic ownership, through their investment in PSF1 and as per the Letter Agreement, of Allergan common stock and derivatives referencing Allergan common stock.

On November 17, 2014, Allergan announced a merger with Actavis plc ("Actavis" or the "Third Party Transaction") for cash and stock. In the transaction, Allergan shareholders received $129.22 in cash and 0.3683 shares of Actavis for each share of Allergan. PSCM supported the merger between Allergan and Actavis. Valeant withdrew its exchange offer to acquire all of the outstanding shares of Allergan. The transaction closed on March 17, 2015 and PSF1 distributed all assets to the PS Entities and was liquidated by the end of March 2015.

18. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit/(loss) for the year attributable to the Public Shares and Class B Shares over the weighted average number of Public Shares, Public Shares (Adjusted) and Class B Shares outstanding, respectively. For the year ended 2015, in accordance with IFRS, the weighted average shares outstanding calculated for the Public Shares and Class B Shares were 240,128,546 and 5,000,000,000, respectively. For the year ended 2014, in accordance with IFRS, the weighted average shares outstanding calculated for the Public Shares and Class B Shares were 60,032,137 and 1,250,000,000, respectively. This calculation requires that the weighted average shares be calculated for the entire year by multiplying the number of shares outstanding by a time weighting factor that represents the number of days that the shares were outstanding during the year. In this case that factor is equal to the 92 days out of 365 as the Public Phase began on October 1, 2014. To better represent the Public Shares' EPS, the Investment Manager has also calculated the Public Shares (Adjusted) using a weighted average shares outstanding of 240,128,546, which represents the shares outstanding as of the date of the IPO.

19. BONDS

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

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

The fair value of the Bonds as of December 31, 2015, based upon market value at that time, was $942,500,000. In accordance with IAS 39, the Bonds' carrying value of $1,014,688,599 on the statement of financial position is representative of amortized cost and the transaction costs of the Bonds issued in the amount of $14,525,272 were capitalized and are to be amortized over the life of the Bonds using the effective interest method.

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

Notes to Financial Statements (continued)

20. EVENTS AFTER THE REPORTING PERIOD

Stephen Fraidin, vice chairman of PSCM, and William A. Ackman joined the board of Valeant Pharmaceuticals International, Inc. effective March 9, 2016 and March 21, 2016, respectively.

On March 17, 2016, in relation to Company's Bonds, Standard & Poor's placed its BBB issuer credit and senior unsecured issue ratings on CreditWatch with negative implications. Standard & Poor's plans to resolve the CreditWatch within 90 days from that date and could remove or extend the CreditWatch, or downgrade the ratings.

Through March 22, 2016, the Company's net performance was -25.2%.

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		
	British Virgin Islands:		
	Consumer Products	$ 156,243,398	3.00%
	Total British Virgin Islands (cost $149,162,647)	156,243,398	3.00
	Canada:		
	Healthcare:		
8,780,130	Valeant Pharmaceuticals International, Inc.	892,500,214	17.11
	Restaurant:		
15,346,143	Restaurant Brands International Inc.	573,331,902	10.99
140,873	Restaurant Brands International Limited Partnership	5,259,951	0.10
	Transportation:		
5,663,590	Canadian Pacific Railway Limited	722,674,084	13.85
	Total Canada (cost $3,035,920,240)	2,193,766,151	42.05
	United States:		
	Chemicals	221,453,293	4.25
	Consumer Products:		
18,637,587	Mondelez International, Inc.	835,709,401	16.02
	Financial Services	107,939,728	2.07
	Healthcare:		
16,929,202	Zoetis Inc.	811,247,360	15.55
	Industrials/Chemicals:		
6,158,683	Air Products and Chemicals, Inc.	801,306,245	15.36
	Real Estate Development and Operating	140,848,102	2.70
	Total United States (cost $2,626,216,434)	2,918,504,129	55.95
	Total Common Stock (cost $5,811,299,321)	5,268,513,678	101.00
	Preferred Stock		
	United States:		
	Financial Services	5,837,885	0.11
	Total United States (cost $10,812,276)	5,837,885	0.11
	Total Preferred Stock (cost $10,812,276)	5,837,885	0.11
	Total Equity Securities (cost $5,822,111,597)	5,274,351,563	101.11
	Investment in Affiliated Entity		
	United States:		
	PS V International, Ltd.:		
626,137	Air Products and Chemicals, Inc., Common Stock	81,466,685	1.56
	Other assets and liabilities	390,929	0.01
	Total United States (cost $61,441,751)	81,857,614	1.57
	Total Investment in Affiliated Entity (cost $61,441,751)	81,857,614	1.57
	Total Investments in Securities (cost $5,883,553,348)	$ 5,356,209,177	102.68%

(1) Net assets attributable to all shareholders are comprised of the equity balances of the Public Shares and Class B Shares as well as the net assets attributable to Management Shares. As of December 31, 2015, the net assets attributable to all shareholders was $5,216,509,672.

Supplemental U.S. GAAP Disclosures (continued)

(Stated in United States Dollars)

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

Shares	Description/Name	Fair Value	Percentage of Net Assets Attributable to all Shareholders[1]
	Securities Sold, Not Yet Purchased		
	Equity Securities		
	Common Stock		
	Cayman Islands:		
	Consumer Products:		
7,218,484	Herbalife Ltd.	$ 387,055,112	7.42%
	Total Cayman Islands (proceeds $358,084,431)	387,055,112	7.42
	Total Common Stock (proceeds $358,084,431)	387,055,112	7.42
	Total Equity Securities (proceeds $358,084,431)	387,055,112	7.42
	Total Securities Sold, Not Yet Purchased (proceeds $358,084,431)	$ 387,055,112	7.42%
	Derivative Contracts		
	Credit Default Swap Contracts, buy protection		
	Asia:		
	Sovereign Debt	$ (366,977)	(0.01)%
	Total Asia (proceeds $668,164)	(366,977)	(0.01)
	Europe:		
	Financial Services	(33,130)	-
	Total Europe (proceeds $272,105)	(33,130)	-
	Total Credit Default Swap Contracts, buy protection (proceeds $940,269)	(400,107)	(0.01)
	Currency Call/Put Options Purchased		
	Various Currency Call Options, U.S. Dollar Put Options	3,802,977	0.07
	Various Currency Put Options, U.S. Dollar Call Options	103,111,983	1.98
	Total Currency Call/Put Options Purchased (cost $119,491,986)	106,914,960	2.05
	Currency Call/Put Options Written		
	Various Currency Put Options, U.S. Dollar Call Options	(9,556,016)	(0.18)
	Total Currency Call/Put Options Written (proceeds $22,798,473)	(9,556,016)	(0.18)
	Equity Forwards, long exposure		
	United States:		
	Consumer Products:		
2,972,624	Mondelez International, Inc., $38.33 - $39.58, 04/12/2017 - 05/05/2017	20,768,486	0.40
	Total United States	20,768,486	0.40
	Total Equity Forwards, long exposure	20,768,486	0.40

(1) Net assets attributable to all shareholders are comprised of the equity balances of the Public Shares and Class B Shares as well as the net assets attributable to Management Shares. As of December 31, 2015, the net assets attributable to all shareholders was $5,216,509,672.

Supplemental U.S. GAAP Disclosures (continued)

(Stated in United States Dollars)

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

Shares	Description/Name	Fair Value	Percentage of Net Assets Attributable to all Shareholders[1]
	Derivative Contracts (continued)		
	Equity Options Purchased		
	Canada		
	Healthcare:		
3,687,444	Valeant Pharmaceuticals International, Inc., Call Options, $95, 01/20/2017	$ 105,829,643	2.03%
	Total Canada (cost $87,208,051)	105,829,643	2.03
	Cayman Islands:		
	Consumer Products	682,385	0.01
	Total Cayman Islands (cost $25,141,842)	682,385	0.01
	United States:		
	Consumer Products:		
20,314,596	Mondelez International, Inc., Call Options, $36.64 - $41.39, 03/03/2017 - 06/28/2017	176,184,080	3.38
	Total United States (cost $171,488,367)	176,184,080	3.38
	Total Equity Options Purchased (cost $283,838,260)	282,696,108	5.42
	Equity Options Written		
	Canada		
	Healthcare	(52,730,448)	(1.01)
	Total Canada (proceeds $62,317,803)	(52,730,448)	(1.01)
	Total Equity Options Written (proceeds $62,317,803)	(52,730,448)	(1.01)
	Foreign Currency Forward Contracts		
	Currencies	40,780,356	0.78
	Total Foreign Currency Forward Contracts	40,780,356	0.78
	Total Return Swap Contracts, long exposure		
	United States:		
	Financial Services	(13,608,041)	(0.26)
	Healthcare:		
354,939	Zoetis Inc.	2,664,152	0.05
	Real Estate Development and Operating	(49,679,591)	(0.95)
	Total United States	(60,623,480)	(1.16)
	Total Return Swap Contracts, long exposure	(60,623,480)	(1.16)
	Warrants		
	United States:		
	Real Estate Development and Operating	45,561,789	0.87
	Total United States (cost $42,238,944)	45,561,789	0.87
	Total Warrants (cost $42,238,944)	45,561,789	0.87
	Total Derivative Contracts (net cost $359,512,645)	$ 373,411,648	7.16%

(1) Net assets attributable to all shareholders are comprised of the equity balances of the Public Shares and Class B Shares as well as the net assets attributable to Management Shares. As of December 31, 2015, the net assets attributable to all shareholders was $5,216,509,672.

Supplemental U.S. GAAP Disclosures (continued)

FINANCIAL HIGHLIGHTS

For the year ended 2015	Public Shares
Per share operating performance	
Beginning net asset value at January 1, 2015	$ 26.37
Change in net assets resulting from operations:	
Net investment loss	(0.52)
Net loss from investments	(4.89)
Net change in net assets resulting from operations	(5.41)
Ending net asset value at December 31, 2015	$ 20.96
Total return prior to incentive fees	(20.53)%
Incentive fees	0.00
Total return after incentive fees	(20.53)%
Ratios to average net assets *	
Expenses before incentive fees	2.52%
Incentive fees	0.00
Expenses after incentive fees	2.52%
Net investment income/(loss)	(2.02)%

For the year ended 2014	Class Private Shares Series Non-Restricted 1	Class Private Shares Series Restricted 1	Public Shares	Blended**
	1/1/14-9/30/14		10/1/14-12/31/14	1/1/14-12/31/14
Per share operating performance				
Beginning net asset value	$ 1,095.67	$ 1,095.67	$ 25.00	
Change in net assets resulting from operations:				
Net investment loss	(86.09)	(86.09)	(0.39)	
Net gain from investments	448.49	448.49	1.76	
Net change in net assets resulting from operations	362.40	362.40	1.37	
Ending net asset value	$ 1,458.07	$ 1,458.07	$ 26.37	
Total return prior to incentive fees	39.38%	39.38%	6.54%	48.49%
Incentive fees	(6.30)	(6.30)	(1.05)	(8.10)
Total return after incentive fees	33.08%	33.08%	5.49%	40.39%
Ratios to average net assets *				
Expenses before incentive fees	1.61%	1.61%	0.58%***	2.24%
Incentive fees	5.17	4.97	1.01	5.72
Expenses after incentive fees	6.78%	6.58%	1.59%	7.96%
Net investment income/(loss)	(6.44)%	(6.24)%	(1.51)%	(7.57)%

* Ratios are for each class taken as a whole. Private Shares and Public Shares were not outstanding for the entire year in 2014 and their per share operating performance and ratios have not been annualized.

** The blended rate is presented for a shareholder that was invested in the Company on January 1, 2014 and converted from private shares to public shares on October 1, 2014.

*** The expense ratio would have been higher by 1.86% if the Placing Fees (as discussed in Note 15) were incurred directly by the shareholders in the Company.

Certain Regulatory Disclosures

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

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

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

   Articles 7 and 8 of the Level 2 Regulations of the Alternative Investment Fund Managers Directive (the "Directive") set forth the methodology of calculating the leverage of the Company in accordance with the gross method and the commitment method. Leverage is expressed as the exposure of the Company. Exposures are calculated using the sum of the absolute values of all positions valued in accordance with Article 19 of the Directive and all delegated acts adopted pursuant to Article 19. For derivatives, exposures are calculated using the conversion methodology set forth in Annex II to the Level 2 Regulations. For all other securities, exposures are calculated using market values. The gross method excludes cash and cash equivalents as per Article 7. The commitment method includes cash and cash equivalents and employs netting and hedging arrangements as per Article 8. The total amount of leverage employed by the Company as per these calculations as of December 31, 2015 is shown below.

Gross method:	$12,979,738,350
Commitment method:	$13,067,660,959

   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 which have inherent recourse leverage. The Company generally does not use such derivatives to obtain leverage, but rather to manage regulatory, tax, legal or other issues. However, depending on the investment strategies employed by the Company and specific market opportunities, the Company may use such derivatives for leverage.

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

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

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

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

5. Remuneration:

For the Year Ended 2015*	Fixed Remuneration	Variable Remuneration	Total	Number of Beneficiaries
Total remuneration paid to the entire staff of Pershing Square Capital Management, L.P. ("PSCM")	$ 551,498,534	$ 11,862,500	$ 563,361,034	82
Total remuneration of those staff of PSCM who are fully or partly involved in the activities of the Company	$ 542,388,647	$ 9,490,000	$ 551,878,647	47
The proportion of the total remuneration of the staff of PSCM attributable to the Company(1)	98.35%	80.00%	97.96%	47 out of 82
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	$ 509,300,250	$ 6,150,000	$ 515,450,250	18

* includes certain remuneration in respect of 2014 that is paid in 2015.

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

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

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

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

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

Affirmation of the Commodity Pool Operator

To the best of the knowledge and belief of the undersigned, the information contained in the audited financial statements of Pershing Square Holdings, Ltd. for the year ended December 31, 2015 is accurate and complete.

/s/ Nicholas Botta

By: Nicholas Botta
Chief Financial Officer

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

Pershing Square Holdings, Ltd.
Commodity Pool