



PERSHING SQUARE CAPITAL MANAGEMENT, L.P.

888 SEVENTH AVENUE, 42ND FLOOR
NEW YORK, NY 10019
P: 212-813-3700 F: 212-286-1133

November 15, 2017

Dear Shareholder:

The performance of the Pershing Square Holdings, Ltd. is set forth below¹:

	3rd Quarter 2017	4th QTD 2017 Through 11/14/2017	Year-to-Date 2017 Through 11/14/2017	Since Inception 01/01/13 - 11/14/17
Pershing Square Holdings, Ltd.				
Gross Returns	-3.3%	1.9%	-2.9%	17.1%
Net of All Fees	-3.7%	1.8%	-4.2%	1.4%
Indexes (including dividend reinvestment)				01/01/13 - 11/14/17
S&P 500 Index	4.5%	2.6%	17.2%	100.1%
Russell 1000 Index	4.5%	2.5%	17.0%	99.3%
Dow Jones Industrial Average	5.6%	4.7%	20.9%	101.4%

We spent much of the third quarter working on our investment in ADP which we describe in detail below. While we have had a few proxy contests in our history – namely CP, Ceridian, Target, and Allergan (which was in the context of a hostile bid for the company) – it has been more than five years since we have had a proxy contest with a board who was unwilling to engage about opportunities for value creation prior to the expiration of the notice period for the annual meeting. While it may be due to miscommunication, we were surprised about the board’s apparent preference for a proxy contest versus a thoughtful private engagement, which has characterized our recent active investments, namely, Air Products, Zoetis, and, most recently, Chipotle.

While our nominees were not elected to the ADP board, we believe the proxy contest and the commitments made by management and the board during the proxy contest will serve our investment well over the coming year and over the long term.

One of our most significant developments during the quarter was the restructuring of our short position in Herbalife; our exposure is now represented entirely by put options. As we discuss below, our HLF position restructuring both reduces our risk and increases the probability of a successful investment outcome.

While nearly all of our portfolio companies made significant progress during the quarter, Chipotle was a notable exception. The stock suffered a substantial decline as a result of a food safety incident in July at one store, driven not by supply chain issues, but rather by a sick employee. We are working with the new Chipotle board and management to assist the company in turning around its operations. We continue to

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

believe the Chipotle brand and the business' economic characteristics offer significant long-term potential and attractive returns versus the cost of our investment, let alone compared with current stock price levels.

We exited Air Products and Nomad since our last quarterly communication, generating substantial gains for the funds while freeing up capital for new investments.

We are comforted by the fact that our portfolio companies trade at substantial discounts to our estimates of intrinsic value and are, therefore, well positioned for profits in the future. The idea generation machine is also alive and well. We recently initiated a new investment that we can discuss when our accumulation program is complete.

Third Quarter and Year-to-Date Performance Attribution

Investments that contributed or detracted at least 50 basis points to gross performance for the quarter and year-to-date are outlined below^{1,2}:

3Q17		3Q17	
Contributors	PSH	Detractors	PSH
Fannie Mae	1.1%	Chipotle Mexican Grill	-3.3%
Automatic Data Processing	1.1%	Mondelez International	-2.7%
Freddie Mac	0.6%	Platform Specialty Products	-0.6%
Herbalife	0.6%	Howard Hughes Corporation	-0.6%
All Other Positions	0.8%	All Other Positions	-0.3%
Total	4.2%	Total	-7.5%

2017 YTD Through 10/31/17		2017 YTD Through 10/31/17	
Contributors	PSH	Detractors	PSH
Restaurant Brands	6.4%	Herbalife	-4.6%
Automatic Data Processing	3.0%	Mondelez International	-4.6%
Nomad Foods	1.3%	Chipotle Mexican Grill	-3.2%
Howard Hughes Corporation	1.2%	Fannie Mae	-1.2%
Hilton Worldwide Holdings	0.9%	Valeant Pharmaceuticals	-1.0%
All Other Positions	1.4%	Freddie Mac	-0.6%
Total	14.2%	All Other Positions	-1.1%
		Total	-16.3%

Portfolio Update (Arranged by Size –Longs then Short)

Automatic Data Processing, Inc. (ADP)

ADP is a classic Pershing Square investment. It is a simple, predictable, free-cash-flow generative business that has significantly underperformed its potential. As a conservatively financed, high-quality business in a sector with substantial positive growth, we believe it has modest downside. If it is able to achieve its potential, we believe it offers substantial upside.

ADP's significant underperformance is largely in its Employer Services segment (~2/3 of profit). Employer Services' underperformance is best demonstrated by its (1) poor operating efficiency and subpar margins of 19%, and (2) declining organic growth of 2%-3% for FY 2018, with much of the revenue weakness due to the company's lack of a competitive offering in the enterprise segment which serves large companies. Our detailed due diligence revealed the company's underperformance and

² Each position contributing or detracting at least 50 basis points when rounded to the nearest tenth is shown separately. Positions with smaller contributions are aggregated. Please see the additional disclaimers and notes to performance at the end of this letter.

outlined a path to drive meaningfully improved performance. With a transformation focused on operational efficiency and technology leadership, we believe that ADP can accelerate growth to 7% or more, in-line with, or better, than industry growth rates, while increasing margins from 19% to 35%.

We have taken an active approach to our investment in the company to highlight the opportunity to drive significant value for all stakeholders. While we strongly preferred to work collaboratively with ADP's board and management to unlock the company's potential, as we have successfully done in nearly all of our prior active investments, they were unwilling to do so. Consequently, we were forced to run a proxy contest to highlight ADP's underperformance and potential for improvement to help effectuate the necessary change.

Proxy contests are tools that activist investors use to effect change at public companies. While we were not successful in gaining seats on ADP's board this election cycle, our campaign over the past few months has informed ADP shareholders, the board, and management about the potential opportunities that exist to create significant shareholder value.

Our efforts to inform the shareholder base about the company's underperformance relative to its potential were embraced broadly and garnered substantial minority support for our candidacy on the board. Compared with the ADP incumbent director with the fewest votes, Mr. Eric Fast, we received 31% of the FOR votes – thus nearly a third of shareholders supported us. This 31% does not include shareholders who withheld against Mr. Fast on the recommendation of ISS as its suggested mechanism for facilitating my election to the board. Including these votes, 45% of shareholders either directly supported my candidacy to the board or withheld against Mr. Fast to facilitate my election to the Board. Just 55% of shares voted supported the entire incumbent board slate. Had ADP been willing to use a universal proxy card for this election, we would have likely received one or more seats on the board.

We received substantial minority support no matter how the votes are counted. Putting aside the percentage outcome, we believe that the substantial majority of shareholders who did not support us were convinced that the message we delivered was heard “loud and clear” by the company. These shareholders were willing to give the board and management another year to demonstrate progress on the opportunities that we had identified.

In order to win the contest, ADP's management and board pivoted their message over the last few weeks from “just say no” to “we agree and we are already doing it,” and made important commitments to shareholders and influential proxy advisory firms. The three most significant commitments were:

- (1) Accelerated Revenue Growth: after Employer Services' organic revenue growth decelerates to 2%-3% this fiscal year, growth will reaccelerate to approximately 7%-9% in the fiscal year beginning July 1, 2018, and will continue into 2019 in order to achieve the company's guidance of 6%-7% organic growth over the next three fiscal years;
- (2) Margin Improvement: ADP will increase operational profit margins by 500-600 basis points over the next three fiscal years despite a projected decline in operational profit in the first fiscal year; and
- (3) Enterprise Product Launch: ADP has an “upcoming” release of an Enterprise HCM product which will enable ADP to offer better service and recover Enterprise market share losses.

We and other shareholders will be focused on ensuring that ADP achieves its substantial potential, and will hold the board and management accountable for its commitments to investors. While these undertakings represent just a fraction of ADP's full potential, they are now the floor for prospective performance. ADP's performance will have to improve significantly to meet these commitments.

ADP's shareholders are now fully informed about the opportunity for improvement, and the current board and management will need to announce a credible plan to improve performance. If they do so, we and other shareholders will be happy. If management fails to deliver, we will be focused on next year's annual meeting. The dynamic we have created by the proxy contest sets up a favorable risk-reward ratio for ADP shareholders. It is a quintessential example of how shareholder activism is supposed to work.

ADP currently trades at an approximately 12% to 15% premium to its unaffected price prior to our rapid accumulation of ADP shares and market rumors of our investment. While the current stock price likely reflects some value for potential corporate tax reform, the market is also anticipating that ADP will make some progress improving its performance. We believe the dynamic created by the proxy contest will lead to substantially improved performance at the company, and, as a result we believe the stock remains undervalued. ADP is also potentially a large beneficiary of corporate tax reform as a reduction in US tax rates will boost ADP's earnings and its market value by as much as 20%.

Mondelez International, Inc. (MDLZ)

We believe that Mondelez is currently substantially undervalued given its high business quality, long-term secular growth potential – especially in emerging markets – and substantial opportunity to improve profit margins. Today, Mondelez trades at 17 times our estimate for 2018 earnings per share, a discount to the S&P 500 market multiple, for a business whose attributes are substantially better than the average company in the S&P 500.

Despite its advantaged snack categories and extensive global footprint, Mondelez is currently trading more in line with US-focused, so-called center-of-plate (non-snacks) packaged food companies that, unlike Mondelez, are facing unprecedented volume losses in a difficult US grocery environment. Mondelez's global food peers such as Nestle and PepsiCo, and sweet snacks-focused peers like Hershey currently trade at approximately 21 times 2018 earnings per share, a nearly 25% premium to Mondelez. We expect this valuation gap to close over the coming quarters as investors gain further clarity around three concerns that we believe cause this significant trading discount to intrinsic value: (1) uncertainty regarding the US grocery landscape; (2) concerns about the company's growth potential; and (3) apprehension regarding the upcoming CEO transition later this month.

Mondelez made good progress in beginning to address these concerns when it reported third quarter 2017 results on October 30, 2017. For the quarter, Mondelez delivered underlying organic sales growth of 2.2%, approximately one-third from volume and product mix, and the remainder from pricing. This was a marked improvement from the first half of the year, and was broadly in-line with the growth rates of the company's categories and its global and snacks-focused peers in the quarter. This performance reflects two inherent advantages in Mondelez's portfolio: (1) only 25% of the company's sales are generated in the US, and roughly 37% of its sales are in the faster-growing developing markets; and (2) 85% of the company's sales are in snacks which enjoy higher barriers to entry and superior long-term growth prospects versus other packaged food categories.

We expect the company's growth rate to accelerate further given tailwinds from (1) an improving global macroeconomic environment, particularly in emerging markets, (2) a weakening US dollar which increases the value of Mondelez's international sales while boosting the purchasing power of consumers overseas, (3) favorable near-term competitive dynamics in US cookies and crackers, (4) the abatement of revenue headwinds from management's historical actions to eliminate unprofitable, low-growth SKUs, and (5) the significant opportunity to better utilize advertising and promotion ("A&P"), trade, and innovation investment to drive growth. In contrast, we anticipate that US-focused, center-of-plate packaged food companies will fare much more poorly going forward given headwinds to both volume and pricing from an ongoing shift to fresh food, a bigger push into US grocery by Amazon and other discounters, and the proliferation of challenger brands and private label competition.

Operating profit margins expanded in the third quarter to 16.9%, as the company's zero-based budgeting program continued to deliver cost reductions in overheads. Year-to-date operating profit margins were 16.5%, putting the company well on its way towards management's goal of a mid-16% margin for 2017. There has been a fair amount of investor concern about a potential earnings "rebase" under the new CEO Dirk Van de Put, which current management addressed directly on the third quarter earnings call by strongly reiterating the company's commitment to its 2018 operating profit margin target of 17% to 18%.

We were encouraged by management's comments, but have long been confident that a "rebase" will not occur given: (1) the substantial capital invested over the last several years to upgrade the manufacturing base and reduce product and procurement complexity; (2) a strong current portfolio of products, given the significant SKU rationalization over the last three years; (3) the healthy 9% of sales that the company currently invests in A&P, which is at the high end of its peer group given its scale; and (4) the fact that 2018 margin goals are still materially below optimized levels. We believe that the board will hold Mr. Van de Put accountable for realistic stretch goals for both growth and profitability. We will continue to closely monitor the company's performance and plan to engage with Mr. Van de Put as soon as practicable.

Restaurant Brands International Inc. (QSR)

We consider Restaurant Brands' franchised business model to be a high-quality, capital-light, growing annuity that generates high-margin brand royalty fees from its three brands: Burger King, Tim Hortons and Popeyes. The company has an extremely capable management team, is backed by an owner-oriented sponsor (3G), and has a large unit growth opportunity that requires virtually no incremental capital. The company's operating strategy is highly scalable and replicable, which should provide opportunities for additional value-creating acquisitions over time.

Restaurant Brands reported continued earnings growth for the third quarter of 2017. The company delivered strong net unit growth at each of its three brands and made progress with Popeyes' cost structure. Performance at Burger King was particularly impressive this quarter, but was somewhat offset by softness at Tim Hortons.

Same-store-sales this quarter grew 3.6% at Burger King, with 4% growth in the US as the company continues to improve its mix of premium and value offerings. Tim Hortons' same-store-sales were roughly flat, as customers have been slow to try the espresso-based drinks and new offerings on the lunch menu that were introduced at the end of the quarter. We believe sales in recent quarters have also been negatively impacted by the recent public dispute with a group of franchisees. Net units grew 6%, reflecting strong growth across all of the brands. Burger King reported 7% net unit growth, which was its highest level in the last decade.

Organic EBITDA grew 8%, with 16% growth at Burger King, 1% declines at Tim Hortons, and a 40% increase at Popeyes. Growth at Burger King reflected strong same-store sales, substantial net unit growth, and improved franchised margins. The slight decline at Tim Hortons was due primarily to a price reduction on supplies sold to its franchisees and an increase in costs. While these items depressed earnings in the current quarter, they represent an investment in improving relationships with Tim Hortons' franchisees. Popeyes' growth was due to unit growth and cost reductions. Overall, Restaurant Brand's reported EBITDA grew 10%, due to a 2% tailwind from the weaker USD.

We believe that Restaurant Brands remains a compelling value at 21 times our estimate of 2018 free cash flow per share in light of our belief that the company can grow free cash per share in the mid-to-high teens for the foreseeable future.

The Howard Hughes Corporation (HHC)

Howard Hughes continues to show solid and steady progress across its entire collection of trophy real estate assets. Unlike many real estate investment trusts that rely on access to the equity markets in order to grow, the equity for HHC's development program is provided by cash generated from existing income producing assets and residential lot sales, as the company is not required to distribute its profits to shareholders. Furthermore, HHC's large land ownership and entitlements provide decades of high-return investment opportunities without the need to acquire any new assets.

In Ward Village (Hawaii) where HHC has four large condo towers in various stages of construction, the company achieved its highest volume of sales, 52 condo units, without the launch of a new building. In Q4 2017, HHC will launch its fifth residential project, A'ali'i which will have 751 homes. The company still has a long runway ahead as it has begun development of only 25% of its Ward Village entitlements.

Despite Hurricane Harvey, HHC's Houston master planned communities (MPCs) remained stable and resilient with strong residential land sales at Bridgeland and The Woodlands. During the quarter, HHC initiated development of a new MPC at Woodland Hills. The first phase consists of 192 single-family homes and will start to sell lots in Q4 2017.

At the South Street Seaport, HHC announced a 19,000 sq.ft. long-term lease with ESPN where it will broadcast its high profile daily shows. This lease will generate attractive cash flows at top-of-the-market rents and provide great visibility for the Seaport as ESPN will feature the Seaport in its broadcasts much the same way NBC has created on-air exposure for Rockefeller Center.

In Summerlin Las Vegas, HHC is on track to generate over \$100 million in land sales for the fifth year in a row. During the quarter, HHC announced the development of a ballpark for its wholly owned Las Vegas 51s Triple A baseball team, and signed a 20-year, \$80 million naming rights agreement with the Las Vegas Convention and Visitor's Authority.

In its Operating Asset segment, HHC announced three new development projects within its MPCs that will generate over \$15 million of stabilized net operating income (NOI), increasing HHC's projected stabilized NOI target to \$261 million. Because a growing percentage of HHC enterprise value is represented by stabilized cash-flow-generative real estate assets, it should become easier for investors to determine that HHC is trading at a substantial discount to intrinsic value.

During the quarter, David Weinreb and Grant Herlitz, HHC's CEO and President, entered into 10-year employment agreements. As part of these agreements, David and Grant completed their respective purchases of \$50 million and \$2 million of warrants from the company, which they are restricted from selling or hedging for the next five years. This represents one of the largest investment commitments that we have seen by a management team, highlighting the strong shareholder alignment and long-term focus of HHC's seasoned management team.

Howard Hughes is a US-only taxpayer. As such, we expect it would be a large beneficiary of a reduction in corporate tax rates.

Chipotle Mexican Grill, Inc. (CMG)

While the last six months have been challenging for Chipotle's brand, shareholders, and other stakeholders, we believe the company's significant long-term growth opportunity is one of the most attractive in the industry. Prior to making our initial investment, we understood that this investment could be a volatile journey, and this has certainly proven to be the case. As we have seen with many other restaurant companies in the past, brand and customer sentiment can change quickly, and we are confident that, with the right initiatives and execution, Chipotle will be able to stage a successful turnaround.

Management's immediate focus has been on optimizing existing operations to allow its restaurants to deliver a consistently great guest experience. This effort is being led by the new Chief Restaurant Officer Scott Boatwright, who joined the company in May after a successful career at Arby's. Near-term operational initiatives include eliminating layers in the upper management ranks to redeploy more resources directly overseeing the restaurant operations, restructuring operations support, and improving the hiring process. In response to tremendous customer demand for something new from Chipotle, the company launched all-natural queso nationwide on September 12, 2017, and is currently testing several other menu additions.

Chipotle's digital initiatives, led by Chief Digital and Information Officer (and Starbucks veteran) Curt Garner, continue to progress. The first major mobile app revamp in many years was launched on November 6, 2017. The new app includes many new features that make it easier for guests to order from Chipotle, including: (1) quick reorder; (2) more precise customization of meals; (3) Apple and Android pay; and (4) the ability to receive, store, and redeem Chipotle offers. The company has also made further progress on integrating key third-party delivery partners, and soon will make its catering offering more accessible by lowering the minimum group size and entry price tier. These initiatives: (1) improving the guest experience; (2) growing digital opportunities; (3) driving menu innovation; and (4) expanding delivery and catering – will all be critical to enabling the turnaround at the company and increasing average unit volumes.

Chipotle stock has been highly volatile, increasing to \$499 per share in May of this year as sales trends improved, and then declining more recently to a low of \$263 per share after a food safety incident in July in one store, and a below expectation quarter. At first glance, this is a surprising degree of volatility for a company with a substantial net cash position and no debt. We believe the volatility is driven by the fact that the value of the company is highly dependent on investors' estimates of future growth, average unit volumes, and store margins. When these investor estimates change, the associated discounted cash flow calculations lead to widely varying estimates of intrinsic value, which ultimately drive the stock price. If the company begins to show progress on these metrics, we would expect the stock price to respond accordingly to the upside.

Like ADP and Howard Hughes, we expect that Chipotle will be a substantial beneficiary of lower US corporate tax rates.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

Since our last quarterly letter, there have been a number of favorable developments in the political and regulatory landscape regarding the GSEs and housing finance reform. These developments include: (1) a Republican National Committee resolution made public on September 13, 2017 that seeks to protect taxpayers by restoring safety and soundness to the GSEs, calls for Fannie and Freddie to be "permitted to rebuild equity capital," and recognizes that Treasury can generate "an estimated \$100 billion in additional cash profits by monetizing its warrants for 79.9% of each company's common stock;" (2) a September 13, 2017 letter from six Democratic Senators to the Treasury Secretary and FHFA Director "requesting that the GSEs be permitted to build capital" to prevent a future draw on Treasury's line of credit; (3) testimony from FHFA Director Mel Watt to the House Financial Services Committee on October 3, 2017 in which Director Watt outlined the extensive reforms that have taken place at the GSEs during their nine-plus year conservatorship, stated that required minimum capital levels for Fannie and Freddie should be "in the range of 2 to 3 percent," and hinted at some form of initial capital retention in the coming months; and (4) comments from Treasury Secretary Steve Mnuchin in mid-October that housing finance reform would be the next priority after tax reform, and that Fannie and Freddie would not be in conservatorship by the end of his initial four-year term. All of the above are broadly consistent with the key principles which we have been advocating since the inception of our investment in late 2013.

Senator Corker announced in late September that he will not seek re-election in 2018, and will leave the Senate upon expiry of his current term at the end of next year. Senator Corker has been one of the leading voices in Congress on housing finance reform for the last several years, and we believe that he would like to see this issue resolved before his retirement. He and his colleague Senator Warner have suggested that they will soon put forth new bipartisan legislation regarding housing finance reform, for which they should have the support of Secretary Mnuchin after the tax reform initiative concludes. In the meantime, the intrinsic earnings power of both entities continues to increase, driven by growth and improved credit quality in their core single-family guarantee businesses.

We believe that the current share prices do not reflect the significant momentum that continues to build for a bipartisan resolution of their status that would be highly profitable for the government and other shareholders, protect the taxpayer against future bailouts, and ensure that the dream of home ownership remains widely achievable for generations to come.

Platform Specialty Products Corporation (PAH)

Platform's earnings continued to grow this quarter as growth in the Performance Solutions business offset a decline in the Ag Solutions business. Platform's organic revenue declined 1%, as Performance Solutions grew 4% and Ag Solutions declined 5%. The growth in the Performance Solutions segment continued to be driven by the positive results of the electronics business it recently acquired from Alent and strength in its industrial business. The decline in Ag Solutions resulted primarily from the ongoing drought in Brazil, which has caused buyers to delay their typical purchases in advance of the planting season. If the drought abates within the next few months, management believes it is likely it will recover these sales in future quarters.

Platform's organic EBITDA increased 1%. Performance Solutions organic EBITDA grew 4% due to revenue growth and ongoing cost synergies from the acquisition of Alent, which was somewhat offset by a higher mix of sales from lower margin products. Ag Solutions organic EBITDA declined 3%, as the portion of sales from higher-margin products increased and the company continued to reduce structural costs.

Platform's overall EBITDA grew 3% due to a 2% tailwind from foreign exchange. As a result of interest savings from the company's recent debt refinancing and its leveraged capital structure, EPS grew roughly 18%.

At the end of August, Platform announced that it intends to separate its Ag and Performance Solutions businesses into two publicly traded companies in order to increase long-term value. Management expects the separation to occur by the middle of next year, and is likely to be effectuated by an IPO of the Ag business.

Herbalife Ltd. (HLF) Short

During the course of our short position in Herbalife, we have held the investment in various forms, principally a mix of short stock and/or options. Recently we disclosed that we have restructured our short position in Herbalife, and our exposure is now represented entirely by put options. The current market value of the put position is approximately 5% of consolidated fund capital.

We have structured the position in this form so that our exposure to Herbalife is limited, and we are no longer exposed to the risks and costs of borrowing shares. Assuming we do not extend the options beyond their initial term, the maximum potential loss for our current position is its current market value.

The options are privately negotiated, over-the-counter options, which are not traded or reported on any exchange. The options' expiration dates can be extended upon or before their maturity. Because the options are deep-in-the-money, the amount of time premium reflected in the options' current market value

is a small percentage of the position. As a result, we will lose only a small portion of our current capital invested in Herbalife if the stock stays at the current price until the options expire. If the stock declines substantially, we can make multiples of our current investment. If the stock increases in price, our loss is limited to the current market value of the puts. As such, we believe the investment as currently structured offers a favorable risk-reward ratio.

Over the past several years, a number of events have occurred which would make any short seller optimistic about a short position in Herbalife, namely:

- (1) Herbalife's financial performance has deteriorated significantly;
- (2) Despite the company having repurchased ~33% of outstanding shares since we shorted the stock, GAAP and Adjusted EPS are *down* ~19% and ~16%, respectively, based on management's guidance for 2017 as compared to Herbalife's reported 2013 earnings;
- (3) The FTC settlement, which took effect on May 25, 2017, appears to be severely impacting the company's business. US sales for the second and third quarters were down 18% year-over-year, and third quarter sales were down 9% sequentially compared to the second quarter;
- (4) The Chinese government recently launched an investigation of multi-level marketing firms which operate in China – a market which represents about 20% of Herbalife's revenues;
- (5) The company has been subject to a tremendous amount of criticism and negative public relations in the media, including from John Oliver (his Herbalife segment, available [here](#), has been viewed 11.6 million times in English and Spanish on YouTube), and in the documentary film Betting on Zero; and
- (6) On September 20, 2017, the company and its top distributors were sued in a class action complaint over alleged civil racketeering (RICO) violations.

Despite this deterioration in financial performance, adverse publicity, and negative regulatory and legal developments, Herbalife stock has remained at prices that we believe do not make sense from a fundamental investment point of view. We believe the elevated valuation can largely be explained due to technical factors, namely the stock's substantially reduced free float, and the market's perception, up until recently, that we would be forced to cover our (once) large short stock position in the company.

We made the decision to convert our short position to put options because of the reduced free float of the stock, and to eliminate the incentive for market participants to attempt to squeeze us out of the position. Because we now own the position through the outright ownership of put options, we cannot be squeezed, even if the stock price were to increase substantially, as our exposure is capped at the current market value of the put options.

The Reduction in Herbalife's Effective Free Float

Over time, Herbalife, along with Carl Icahn, has substantially reduced the effective free float of its shares. This has been achieved through Mr. Icahn's open market purchases of 22.9 million shares, company buybacks in the open market and in a recent tender offer, and as a result of a large forward contract and related hedging transaction that were entered into at the time of the company's issuance of \$1.15 billion of convertible notes in February 2014.

Recently, the effective free float was reduced further because we, together with other short sellers, paid "Take No Action" fees of approximately seven cents per share so that our stock lending counterparties would not tender their shares into Herbalife's recent tender offer.³ For the last five or so years, we have borrowed shares from the most stable sources of borrow, namely index funds, and other funds that closely track the indices. Because these stock lenders were paid to not tender their shares, the shares purchased in the tender offer came out of the remaining free float of the company, and, as a result, index funds (and other effectively permanent owners) now comprise a substantially greater percentage of the float. The result of all of the above factors is that the effective free float of Herbalife (shares that are actually free to trade) is substantially smaller than current investors in the stock may be aware.

Typically, it becomes more difficult to borrow shares as free float declines; however, in this instance shares remain easy to borrow at low cost because of the large percentage of the float held by index funds who lend their shares. Indices typically adjust their components to account for changes in free float. In the case of Herbalife, however, most of the reductions in effective free float are not evident, and therefore, do not appear to have been accounted for by indices and the index funds that track them.

For example, Herbalife completed its recent 4.6 million share open market purchases through the use of an indirect, until recently undisclosed, wholly-owned subsidiary of the company - HBL Swiss Financing GmbH ("HBL"). After the Herbalife tender offer was completed the share count was reduced, causing HBL's ownership to exceed 5% of outstanding shares. As a result, HBL was required to file a 13G reporting its Herbalife holdings. The media interpreted this filing as a new investor acquiring a large stake in Herbalife when in fact the purchases represented shares repurchased by Herbalife itself.

While shares held by HBL are reflected as treasury shares under US GAAP and, therefore, reduce the number of common shares used to calculate earnings per share, they remain outstanding on the books and records of the company and create the appearance of a larger free float as reported on Bloomberg and other data services. As a result, index funds likely own more shares than they would if the indices adjusted their free float calculations to account for Herbalife's effective free float. Once indices, and the index funds that follow them, adjust their free float calculations for these shares, index funds will likely adjust their Herbalife ownership downward.

At the time we disclosed our short position, Herbalife had 108 million common shares⁴ outstanding. As reported in the third quarter 2017 10Q, shares outstanding as of October 26, 2017 had declined to 87,197,196⁵, as a result of share repurchases net of issuances due to stock option exercises and restricted stock grants since that time. This share count, however, is not an accurate reflection of the effective free float of the company because of a number of factors, some of which we believe are not well understood by most Herbalife shareholders.

³At 14.9 million shares, Herbalife's short interest is at its lowest level since before we shorted the stock in May 2012. We believe that the substantial majority of the short interest is represented by the short interest held by the counterparties from whom we have purchased the options, or short positions held by the counterparties of the counterparties from whom we have purchased options. As a result, until we unwind these options, there is a minimal amount of shares that would be required to be covered if other short sellers chose to cover.

⁴ 10Q for the period ending September 30, 2012

⁵ 10Q for the period ending September 30, 2017

The most recently reported shares outstanding do not reflect 14.5 million shares that are effectively no longer outstanding and are or will be removed from the float available for trading as a result of:

- (1) a forward contract for 9.9 million shares the company entered into in connection with the issuance of \$1.15 billion of convertible notes in early 2014; and
- (2) 4.6 million shares purchased by the company in the open market in 2017, but held by HBL in treasury (as described above).

After adjusting for these factors, there are approximately 72.7 million shares of Herbalife outstanding. This does not, however, account for shares withheld from the float as a result of shares held by Mr. Icahn and various index funds, and a so-called “capped call” transaction that was entered into at the time of Herbalife convertible note issuance. We describe each of these factors in greater detail below.

The Forward Contract

When the company issued a \$1.15 billion convert in February 2014, it used \$685.8 million of the proceeds to purchase a forward contract on 9.9 million shares, which expires when the convertible note comes due on August 15, 2019. The convert was not sold to so-called “real money” buyers, but rather to convertible arbitrageurs. The banks that sold Herbalife the 9.9 million share forward contract hedged this sale by purchasing a total return swap on the same number of shares from the buyers of the convertible notes, enabling these convertible arbitrageurs to synthetically hedge the equity conversion feature of the notes. While these shares are considered officially outstanding, we do not consider these shares to be part of the effective free float because they will be purchased by the bank counterparties during the months leading up to the forward contract’s August 2019 expiration date and then delivered to the company.

The Capped Call or Call Spread

The company also used \$123.8 million of the proceeds of the convert sale to purchase a “capped call” or call spread on 13.3 million shares. The call spread was designed to reduce the dilution of the convertible notes by synthetically increasing their conversion price from \$86.28 to \$120.79. The call spread was purchased by the company from derivative counterparties who hedge their exposure to the call spread by dynamically holding a certain number of HLF shares – in order to hedge, they must own more at higher prices and less at lower prices. At the current price of \$65.03, we estimate that these counterparties are required to hold approximately 4 million shares to hedge the 13.3 million call spreads that they have sold to HLF, reducing the effective free float by this amount.

Icahn and Index Funds

Carl Icahn owns 22.9 million shares, which reduces the effective free float to 45.9 million shares. The effective free float is further reduced by shares held by index funds who are effectively permanent holders of the shares unless and until adjustments are made to the indices. Removing Vanguard, Blackrock, State Street and Northern Trust, the well-known index funds, from the float reduces it by an additional 9.9 million shares to 35.9 million shares. This amount excludes other index funds (including Fidelity, which owns 7.8 million shares, a portion of which are likely owned by certain Fidelity index funds) which would reduce the effective free float even further. We summarize the effective free float of Herbalife on the table below:

Herbalife's Effective Free-Float:

HERBALIFE EFFECTIVE FLOAT	
Common Shares Outstanding (HLF 10-Q)	87.2
(-) 2014 Forward Share Repurchase Transactions	(9.9)
(-) 2017 Open Market Purchases Held by HBL Swiss	(4.6)
Actual Common Shares Outstanding	72.7
(-) Estimated Shares Held by Dealers to Support the Capped Call	(4.0)
Common Shares To be Freely Traded	68.7
<i>Select Insiders / Passive Holders</i>	
Carl Icahn	(22.9)
Vanguard	(5.5)
Blackrock	(3.0)
State Street	(1.1)
Northern Trust	(0.4)
Subtotal	(32.9)
Effective Free Float	35.9

Sources: Herbalife SEC filings, HBL Swiss SEC Filing (Form 13G), Bloomberg and CapIQ

As a result of the above factors, over the last four years Herbalife has become an extremely closely held company where the company's largest investors, excluding Mr. Icahn: Capital Group (11.77 million shares), Fidelity (7.84 million shares), Deccan Value Investors (7.82 million shares), and Route One (7.15 million shares), each own large percentages of the 35.9 million effective free float of the company. We view each of these investors as a large overhang on the stock.

Recent Stock Price Volatility

The implication of Herbalife's small effective float is that small purchases or sales have a large impact on the stock price. The recent 16% spike in the stock price in the days after the Herbalife self-tender was completed, and the subsequent large decline and daily volatility thereafter are emblematic of the extremely small float and the difficulty in selling or acquiring shares without a substantial market impact.

Herbalife Share Price Since the Announced Preliminary Results of Herbalife's Tender



Source: Bloomberg

When Herbalife announced that it had purchased only 6.7 million shares out of a possible 8.8 million in its recent tender offer, investors viewed it as a bullish sign; they apparently concluded that Herbalife shareholders who did not tender must believe that the stock is worth more than the tender price of \$68. We believe that the failure of the tender offer to be fully subscribed is more likely due to the limited effective free float and large amount of shares held by index funds.

We understand that certain arbitrageurs shorted the stock when the tender offer was launched. They expected to cover their short when the offer was completed, anticipating that the stock would decline once

the upward pressure of the tender ended. When the stock rose instead of declining, these investors sought to cover their short positions. In light of the extremely limited float, we believe these purchases drove the stock price up more than 11% in one day, and more on the following days.

As the stock price rose over the course of this year, we believe that Herbalife longs likely believed that increases in the stock price would force Pershing Square to cover its short position. The more the stock price went up, the more likely they believed we would be forced to cover. As we now own the position through put options, this dynamic no longer has any effect. As a result, we believe that Herbalife fundamentals will now play a much larger role in the stock's trading price.

Over the last few weeks the stock has declined as the upward pressure from short covering abated, the company reported a weak quarter – with below expectations earnings guidance for 2018, and we disclosed the conversion of our short position to puts.

In light of the fact that the four largest holders (excluding Icahn) own 34.6 million shares, representing 50% of actual shares outstanding, (or 75% of the effective free float of the company, net of Icahn's ownership) it is difficult for even one of these owners to exit without a substantial negative market impact.

While some investors may have held out hope for a going private transaction, this appears unlikely. According to disclosures in the company's recently filed tender offer documents, the company's attempts to sell the company to financial buyers have not succeeded. In sum, we believe there is no longer a technical or fundamental case for being long Herbalife shares.

Going forward we intend to substantially limit our comments on Herbalife in light of the reduced capital in the investment and because we believe that further comments from us may distract investors from Herbalife's deteriorating business fundamentals. In that this may be our last detailed communication on Herbalife, in the appendix to this letter, we provide a detailed description of Herbalife fundamentals from the beginning of our investment to the present for those who are interested in a more in-depth analysis.

Exited Positions

Air Products and Chemicals, Inc. (APD)

We recently sold our remaining shares of Air Products ("APD"), concluding a highly successful activist investment. During our four-and-half-year investment, APD delivered a 104.7% total shareholder return. In comparison, the S&P 500 returned 69.9% over the same period.

Prior to our investment, APD had slipped from an industry leader to a laggard. While APD participated in a good industry and had produced positive shareholder returns over time, its performance was substantially inferior to its peers and its potential. APD's margins of 15% trailed direct competitor Praxair's 23% margins. Furthermore, APD's operational inefficiency led to subpar growth. The company also owned several non-core specialty materials businesses, and had a history of poor capital allocation.

APD's underperformance was purportedly due to myriad reasons detailed by the prior management team and accepted by the analyst community. Our extensive due diligence revealed that with a proper transformation, APD could achieve meaningfully higher margins and growth.

We built our position in APD during the summer of 2013 and announced our investment in late July. We then engaged with the board of APD, which carefully and constructively evaluated the opportunities for

improvement we had identified. Within two months of announcing our investment, we reached an agreement with APD to add three directors to the board, including two Pershing Square nominees and one mutually agreed upon director.

APD's former CEO and board concluded that a change in leadership was necessary to effectuate the necessary transformation of the business. The board then launched a search process for a new CEO and we were provided full transparency on the process with the ability to assess candidates. After a nine-month search, APD's board selected one of our director nominees, Seifi Ghasemi, to serve as its CEO.

Within months of taking over as CEO, Seifi announced his goal to make APD the most profitable industrial gas company in the world by restructuring the organization, transforming the culture, focusing on the company's core industrial gas business, and implementing a more disciplined approach to capital allocation. The results that Seifi and his team have delivered have been remarkable, and have exceeded the conservative estimates we put forth at the time of our investment. Air Products is now the most profitable company in the industrial gas industry, with an operating margin of 22%. The company has executed spinoff and sale transactions for its non-core materials businesses, generating substantial cash proceeds and leverage capacity which is being deployed into high-return, core industrial gas assets. As a result of these improvements, APD has delivered double-digit EPS growth for three consecutive years despite foreign exchange headwinds.

Air Products' board deserves enormous credit for engaging constructively and helping the company deliver on its potential. CEO Seifi Ghasemi and his team, including Industrial Gases Executive Vice President Corning Painter and CFO Scott Crocco, who were both at APD under prior leadership, have done a superb job transforming APD for the benefit of all stakeholders.

Nomad Foods Limited (NOMD)

We invested in Nomad in the second quarter of 2015 and a member of our investment team, Brian Welch, joined the board. Our investment was made in conjunction with the company's formation and its acquisition of Iglo, a leading European branded frozen food company with a strong position in the UK, Italy, and Germany. Stefan Descheemaeker was hired as CEO to lead the new company.

Nomad followed its initial transaction with the highly synergistic and complementary purchase of Findus's non-UK assets in August 2015. The Findus acquisition helped to fill out Nomad's geographic footprint with leading positions in the Nordic countries and France, and together with Iglo, created the leading branded frozen food business in Western Europe.

The combination of Iglo and the Findus assets provided a strong foundation for Nomad as a newly formed public company. That said, the company's first several quarters were disappointing as the strategy under the prior Iglo management team had focused too much on new frozen food categories at the expense of its core offerings. That strategy drove weak topline trends shortly after Nomad's acquisition of Iglo was completed.

The new team, led by Stefan Descheemaeker, and under the oversight of the board, did a superb job shifting its strategy to focus on core offerings or "Must Win Battles." This strategy shift drove sequential improvements in sales trends for seven straight quarters. In 2017, the company achieved organic sales growth of 1.1% in Q1 and 3.5% in Q2; full-year guidance calls for positive low-single-digit growth. As a result of this resumption of growth, Nomad's shares increased by 49% from the beginning of this year to our exit.

We sold our entire Nomad investment in September for \$14.16 per share, an increase of 35% from our average cost in just over two years.

Share Buyback Program

On November 8, 2017, we announced an amendment to the terms of the share buyback program that permits share purchases on Euronext Amsterdam, alongside the London Stock Exchange (“LSE”). This change is intended to increase the pace at which the program can be executed. Jefferies International Limited, PSH’s agent, may effect on-market purchases of shares from time to time at its absolute discretion on the LSE and Euronext Amsterdam provided that the maximum price payable for a share may not exceed the higher of the price of the last independent trade and the highest current bid stipulated by Article 3(2) of the Commission Delegated Regulation (EU/2016/1052).

The aggregate volume of shares purchased under the Program on each trading day shall not exceed 25% of the average daily volume traded on the trading venue on which the share purchase is carried out in the 20 trading days preceding each day on which share purchases are made.

Pursuant to the Program, which commenced on May 2, 2017, PSH has, to date, purchased an aggregate of 3,330,185 shares for a total consideration of approximately USD \$47.65 million at a weighted average discount of 19.2%

Save the Date

Please mark your calendar for our Annual Investor Day on January 29, 2018 in London. Details of the event will be forthcoming.

Please call the investors relations team or me if you have any questions.

Sincerely,

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

William A. Ackman

Herbalife Appendix

Herbalife's Financials – Then & Now

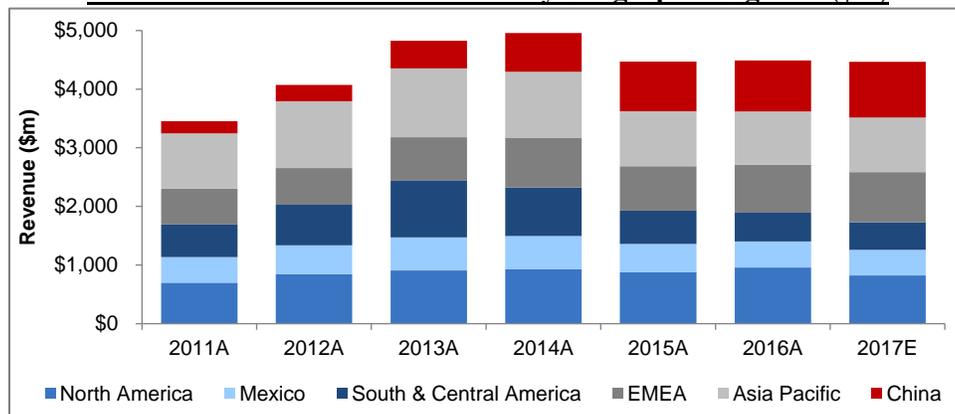
At the time we initiated our short position in Herbalife, the company's consolidated annual revenue growth was approaching 20%, with all geographic regions of the world growing top-line revenue mid-teens or greater. Revenue growth was principally driven by expansion in the total distributor base which grew from 2.7 million to 3.2 million (+19%) from 2011 to 2012. The United States was a major growth driver for the company, growing 21% that year.

Today, the picture is dramatically different. Following continued top-line growth in 2013, Herbalife's organic growth began to slow significantly in 2014. In 2015, revenue declined 10% as Herbalife's aggregate distributor count stalled at 4 million (the company no longer discloses aggregate distributor counts) driven by a deceleration across all major markets other than China. The company also faced substantial foreign currency headwinds across many markets. Herbalife experienced modest organic growth in 2016 as certain resurgent markets (notably EMEA and Mexico) were offset by decelerating growth in China and declines in South & Central America.

Since the inception of our short position, sales in South Korea, Brazil, the United Kingdom, Malaysia and Venezuela have all collapsed. As we have previously described, Herbalife typically saturates markets which it enters, at which point, unless Herbalife can find new intra-market demographics to exploit, demand in that market collapses. As the CEO once said in one of his more candid moments, markets pop, and then they drop.

The largest driver of growth for Herbalife since 2013 has been the rapid and continued expansion of Herbalife's China business. That market has expanded from 6% of revenue (\$211 million) in 2011 to 20% of revenue today (>\$900 million). China's growth has decelerated in recent quarters as Herbalife exhausted intra-country provincial expansion and local-country management resigned from the company.

Herbalife Worldwide Net Revenue by Geographic Segment (\$m)



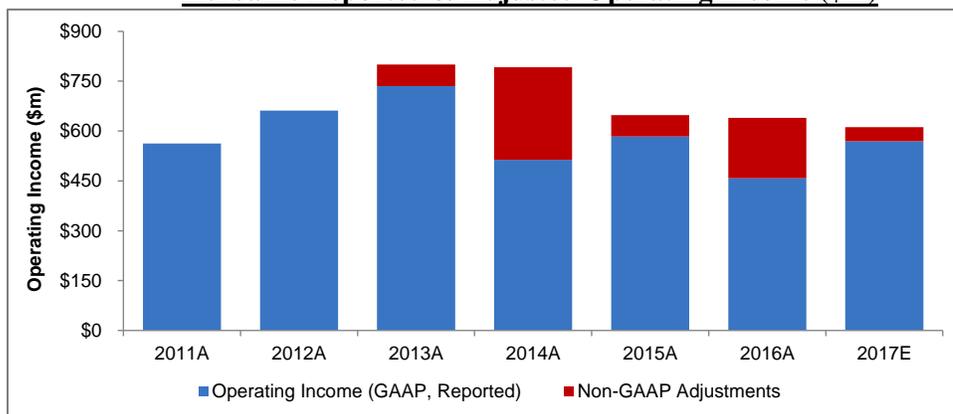
Sources: Herbalife SEC Filings and financial press releases

Today, Herbalife's aggregate worldwide revenue is declining by mid-single digit percentages. In the United States (~20% of revenue), revenue is declining precipitously (~18%) following the implementation of the FTC mandated changes. Unlike in prior periods of dislocation, China (~20% of revenue) is no longer a growth market for Herbalife. Whereas China grew annually at more than 40% between 2011 and 2015, China is likely to be a headwind to growth going forward. Notably, Chinese

authorities recently announced a multi-month investigation (which is supposed to be completed this month) of pyramid selling activities in order to eliminate activities prohibited under relevant regulations. The government’s investigation seeks to eliminate companies that use recruitment to lure and mislead people into participating in pyramid schemes. In addition, a Foreign Corrupt Practices Act investigation of Herbalife’s China operations is underway by US authorities. We suspect these governmental actions will weigh on and potentially materially damage Herbalife’s business going forward.

In summary, Herbalife’s current revenue picture is weak as major markets (the US, China and Mexico) are declining, and smaller growing markets (Indonesia, Russia, India) are still relatively small and are unable to offset declines across major markets.

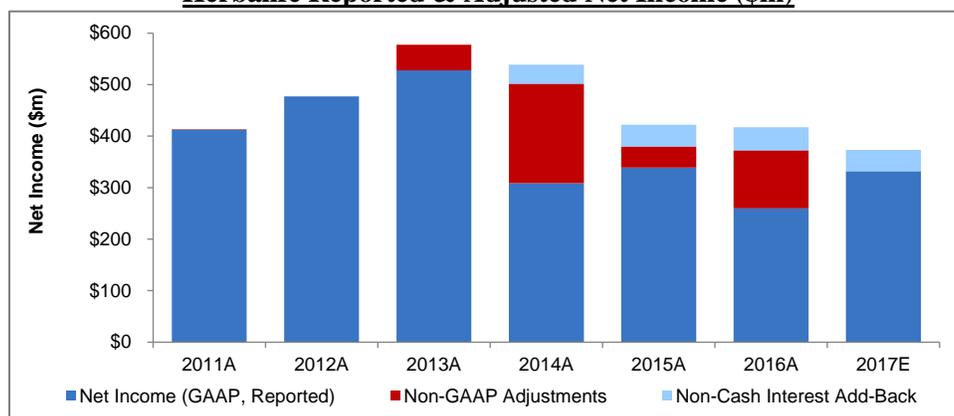
Herbalife Reported & Adjusted Operating Income (\$m)



Sources: Herbalife SEC Filings and financial press releases

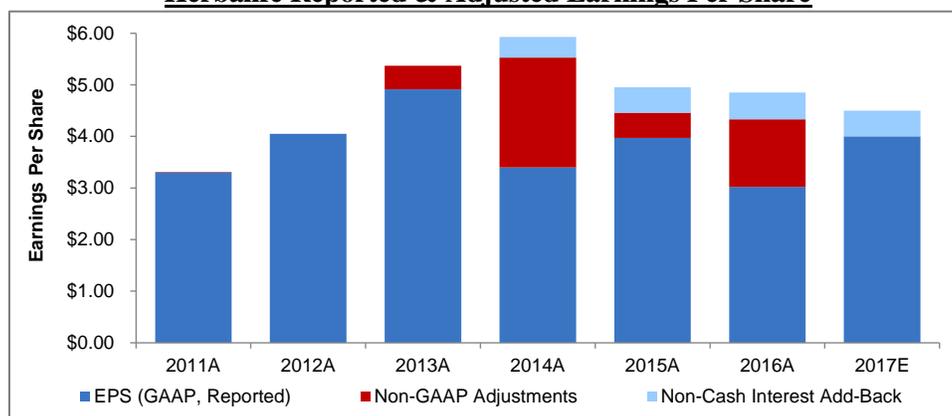
Net income has declined by more than 30% driven by lower operating income and significantly higher interest expense as the company has added substantial additional debt (debt now totals \$2.4 billion) to support share buybacks. While net income is down substantially, GAAP earnings per share has been effectively unchanged as the company has repurchased ~33% of its outstanding shares since 2012.

Herbalife Reported & Adjusted Net Income (\$m)



Sources: Herbalife SEC Filings and financial press releases

Herbalife Reported & Adjusted Earnings Per Share



Sources: Herbalife SEC Filings and financial press releases

Although Herbalife today has similar aggregate earnings power on a per-share basis as in 2012, the durability of those earnings is significantly lower given the company's much higher financial leverage as well as (1) its ongoing significant regulatory and legal overhang; (2) its higher relative contribution of China to Herbalife's earnings base; and (3) its significant non-GAAP adjustments to earnings which substantially reduce the quality of Herbalife's reported earnings.

Herbalife's current GAAP EPS guidance is for \$4.00 of EPS (at the midpoint) compared to GAAP EPS of \$4.05 in 2012. The company recently provided preliminary 2018 guidance, calling for GAAP EPS of \$3.82 to \$4.22. Note that the company's preliminary 2018 guidance assumes constant-currency sales growth of 4% to 8%, which we believe is improbable in light of Herbalife's current trends and the continued sales decline in major markets.

Despite deterioration in the fundamentals, Herbalife's share price is up 38% compared to the approximate \$47 average cost at announcement date. Whereas the company traded at approximately 10 times forward consensus earnings at the time of our initial presentation, the stock currently trades at ~16.5 times 2017 GAAP earnings, or ~14.5 times Adjusted EPS guidance (which includes various company prescribed add-backs, including a ~\$0.58 add back of Herbalife's non-cash interest expense from its \$1.15 billion 2019 convertible bond. It should be noted that this is projected to be a \$0.66 add back to 2018 Adjusted EPS because as Herbalife buys back shares this adjustment becomes more significant. There is no economic justification for this adjustment.

While financial engineering has somewhat compensated for the substantial deterioration in Herbalife's fundamentals, there are few, if any, such levers left to pull. Even if the company buys back additional shares, we believe that this would further destroy intrinsic value as we believe that Herbalife's stock is overvalued at current prices.

We continue to believe that Herbalife's business will ultimately fail as increased regulation and saturated markets coupled with substantial leverage further impair business fundamentals. Furthermore, we believe our recent restructuring of the position may be a catalyst to counteract technically driven interest in the shares. If demand for shares continues to reverse as we would expect, and one or more of the larger more fundamentally driven investors attempts to exit, the technical considerations which helped drive the shares higher will likely contribute to their accelerated decline. While the company has about \$800 million of cash on hand (pro forma for Herbalife's \$458 million tender offer, net of an estimated \$400 million in cash on hand needed to run the business) which it could use to repurchase shares, the company should prudently begin setting aside cash to meet its \$1.15 billion of convertible debt which will become

a current obligation in fewer than 10 months, and the \$1.5 billion of additional debt that comes due over the following two years. In light of the company's deteriorating fundamentals and growing leverage, it may become more difficult for the company to be able to refinance its debt obligations as they come due.

Additional Disclaimers and Notes to Performance Results

Presentation of Performance Results and Other Data

The performance results of Pershing Square Holdings, Ltd. (“PSH” or the “Company”) shown in this letter are presented on a gross and net-of-fees basis. Gross and net performance includes the reinvestment of all dividends, interest, and capital gains, and reflects the deduction of, among other things, brokerage commissions and administrative expenses. Net performance reflects the deduction of management fees and accrued performance fee, if any. All performance provided herein assumes an investor has been in PSH since its inception date and participated in any “new issues”, as such term is defined under Rules 5130 and 5131 of FINRA. Depending on the timing of a specific investment and participation in “new issues”, net performance for an individual investor may vary from the net performance stated herein. Performance data for 2017 is estimated and unaudited.

The inception date for PSH is December 31, 2012. The performance data presented on the first page of this letter for the market indices under “since inception” is calculated from December 31, 2012. The market indices shown on the first page of this letter have been selected for purposes of comparing the performance of an investment in PSH with certain well-known, broad-based equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the funds are subject. PSH is not restricted to investing in those securities which comprise any of these indices, its performance may or may not correlate to any of these indices and it should not be considered a proxy for any of these indices. The volatility of an index may materially differ from the volatility of PSH. 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. © 2015 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

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 incentive fee (if any). Inclusion of such fees and expenses would produce lower returns than presented here.

In addition, at times, PSH may engage in hedging transactions to seek to reduce risk in the portfolio, including investment specific hedges that do not relate to the underlying securities of an issuer in which PSH is invested. Unless otherwise noted herein, the gross returns: (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. All other currency positions are aggregated.

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 PSH for the entire period.

Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. It should not be assumed that investments made in the future will be profitable.

General Notes

This letter does not constitute a recommendation, an offer to sell or a solicitation of an offer to purchase any security or investment product.

This letter contains information and analysis relating to publicly disclosed positions above 50 basis points in the Company’s portfolio during the period reflected on the first page. Pershing Square may currently or in the future buy, sell, cover or otherwise change the form of its investment in the companies discussed in this letter for any reason. Pershing Square hereby disclaims any duty to provide any updates or changes to the information contained here including, without limitation, the manner or type of any Pershing Square investment.

Forward-Looking Statements

This letter also contains forward-looking statements, which reflect Pershing Square'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.

Risk Factors

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

- PSH is exposed to a concentration of investments, which could exacerbate volatility and investment risk;
- Activist investment strategies may not be successful and may result in significant costs and expenses;
- Pershing Square may fail to identify suitable investment opportunities. In addition, the due diligence performed by Pershing Square before investing may not reveal all relevant facts in connection with an investment;
- While Pershing Square may use litigation in pursuit of activist investment strategies, Pershing Square itself and PSH may be the subject of litigation or regulatory investigation;
- Pershing Square may participate substantially in the affairs of portfolio companies, which may result in PSH's inability to purchase or sell the securities of such companies;
- PSH may invest in derivative instruments or maintain positions that carry particular risks. Short selling exposes PSH to the risk of theoretically unlimited losses;
- PSH's non-U.S. currency investments may be affected by fluctuations in currency exchange rates;
- Adverse changes affecting the global financial markets and economy may have a material negative impact on the performance of PSH's investments;
- Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect PSH's business, investments and results of operations;
- Pershing Square is dependent on William A. Ackman;
- PS Holdings Independent Voting Company Limited controls a majority of the voting power of all of PSH's shares;
- PSH shares may trade at a discount to NAV and their price may fluctuate significantly and potential investors could lose all or part of their investment;
- The ability of potential investors to transfer their PSH shares may be limited by the impact on the liquidity of the PSH shares resulting from restrictions imposed by ERISA and similar regulations, as well as a 4.99 per cent. ownership limit;
- PSH is exposed to changes in tax laws or regulations, or their interpretation; and
- PSH may invest in United States real property holding corporations which could cause PSH to be subject to tax under the United States Foreign Investment in Real Property Tax Act.