PERSHING SQUARE HOLDINGS, LTD.

2014 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

This Annual Report is the first to be produced by Pershing Square Holdings, Ltd. following its initial public offering ("IPO"), and the first time that I have written to you as Chairman of the Board. 2014 was a year of significant change for the Company, in which assets under management ("AUM")[1] increased from $2.5 billion to $6.6 billion. This was due primarily to (i) strong investment performance, and (ii) the additional capital raised in connection with the listing of the Company's Public Shares on Euronext Amsterdam.

INVESTMENT PERFORMANCE

The Investment Manager's strategy of being a disciplined activist investor has generated historical returns for investors substantially greater than that of the S&P 500. Please see the chart on page 11 and accompanying footnotes. For the period January 1, 2014 through September 30, 2014, the Company returned 33.1% net of fees. Since the IPO on October 1, 2014 through year-end 2014, the growth in net asset value ("NAV") was 5.5%.

The details of the investment performance generated by the Company are set out in the 2014 Key Highlights and in the Financial Highlights.

CAPITAL BASE

The listing of PSH's shares on Euronext Amsterdam on October 13, 2014 via an IPO was a significant event in the long-term future of PSH. The Company started operations on December 31, 2012 with $2.2 billion of capital and was initially structured as an open-ended collective investment scheme. By September 30, 2014, on the eve of the pricing of the IPO, the capital base had increased to $3.3 billion through capital growth. At the time of the IPO, a further $2.9 billion was raised, and the Company became a closed-ended investment holding company with AUM of $6.2 billion. By December 31, 2014, the strong investment performance had increased the AUM to $6.6 billion. Following the year end, the Company continued to perform well and by February 28, 2015 the AUM had increased to $7.1 billion.

The Board and PSCM are exploring options for the Company to issue low-cost, long-term, unsecured, covenant-light debt in order to reduce PSH's cost of capital. If we decide that it would be beneficial for the Company to issue debt, we will update investors in due course.

INVESTMENT MANAGER

The Company does not have an executive management team. The Company has appointed PSCM as Investment Manager. The Investment Manager had $19.0 billion of AUM as of December 31, 2014, of which the Company accounted for $6.6 billion. The Investment Manager aims to invest the Company's assets pari passu with those of its other unlisted funds. The Board believes that it is a major benefit for the Company that its funds are being invested alongside other funds managed by PSCM. This additional capital enables the entities managed by PSCM to buy meaningful stakes in larger companies, and thereby apply its activist strategy to companies which might otherwise be too large for a single investor to effect change. This gives investors in the Company exposure to the superior capital growth that can be generated by following this investment strategy.

CORPORATE GOVERNANCE / BOARD

The Board consists of five non-executive Directors. Richard Battey, Nicholas Botta and William Scott were appointed to the Board on March 29, 2012. Immediately prior to the IPO, Jonathan Kestenbaum and I joined the Board. I took on the additional responsibility of the role of Chairman on October 6, 2014 and

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[1] With respect to the Company, total AUM is the NAV of the Company without taking into effect accrued and/or crystallized performance fees as of the end of the period. With respect to other funds managed by PSCM, total AUM is the aggregate NAV (without double counting investments between funds) and does not include: (i) redemptions effective as of the end of the period, (ii) accrued and/or crystallized performance fee/allocation and (iii) deferred compensation payable by Pershing Square International, Ltd. ("PSI") to PSCM.

Richard Battey took on the role of Chairman of the Audit Committee. The members of the Board have considerable and relevant experience in listed and unlisted funds and companies. Although the Board does not approve individual investment decisions made by the Investment Manager, we do have responsibility for overseeing the investment process and reviewing the investment portfolio. The Board also monitors the Company's exposure to risk.

The Board reports in detail on corporate governance matters and delegation of responsibilities later in this Annual Report.

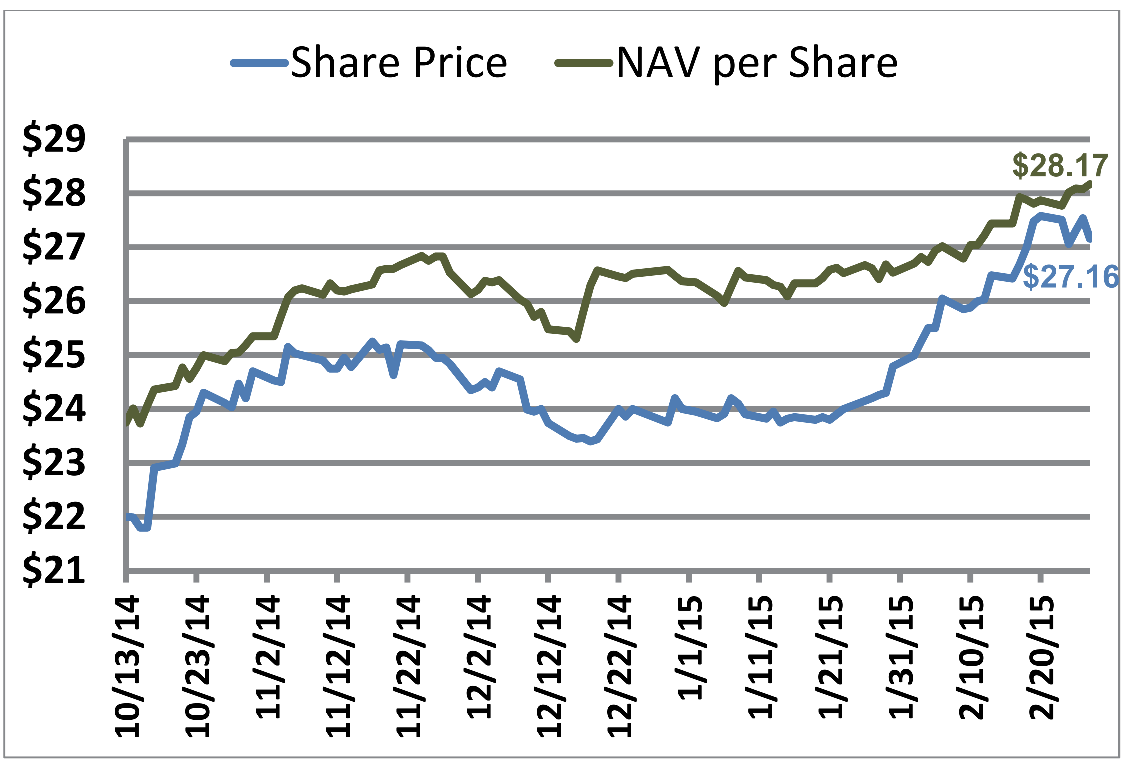
The Company has recently joined the Association of Investment Companies ("AIC") and complies with the AIC Code, except where otherwise indicated herein.

PREMIUM / DISCOUNT

The Board monitors the trading activity of the Company's shares on a regular basis. The Company publishes its NAV weekly on its website together with monthly performance reports disclosing certain information with respect to the Company's underlying positions, which are predominantly in large cap listed companies. The Board and the Investment Manager believe that this transparency will help the Company's shares trade over the long term at or above NAV.

In the period following the IPO through January 31, 2015, the Company's shares traded at an average discount to NAV of 7.1%. We believe that the primary sellers impacting the share price were event driven hedge funds that bought shares in the IPO and were under pressure to generate liquidity because of market volatility shortly after the IPO. During January 2015, the Investment Manager organised meetings to explain the Company's strategy to potential investors and we believe this increased demand for the shares. By late January 2015, most of the investors mentioned above had sold their positions and the discount narrowed significantly through February 2015. The average discount to NAV in February 2015 was 3.6%. The Board will continue to monitor the performance of the Company's share price versus NAV per share and the Investment Manager is committed to an ongoing, pro-active global investor relations effort.

PSH NAV vs. Trading Price (October 13, 2014 – February 28, 2015)



EVENTS: SHAREHOLDER PORFOLIO UPDATE AND ANNUAL GENERAL MEETING

The Investment Manager will present a portfolio update to shareholders in London on April 28, 2015. Shareholders will have the opportunity to hear from and submit questions to Bill Ackman and other members of the Pershing Square team.

The Company's Annual General Meeting will be held in Guernsey on April 29, 2015.

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

I look forward to reporting to you again in our interim statement in May 2015.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 24, 2015

2014 Key Highlights

PERFORMANCE

Pershing Square Holdings, Ltd. Performance vs. the S&P 500			
	PSH Gross Return (1)	PSH Net Return (1,2)	S&P 500(3)
2014	50.6%	40.4%	13.7%

PERFORMANCE ATTRIBUTION(4)

Below are the attributions to gross performance of the portfolio of the Company for 2014.

Winners	
Allergan, Inc.	19.1%
Canadian Pacific Railway Limited	7.0%
Herbalife Ltd. (short)	6.1%
Restaurant Brands International Inc.	5.5%
Air Products & Chemicals, Inc.	5.1%
Beam Inc.	2.9%
Platform Specialty Products Corporation	2.7%
Zoetis Inc.	2.2%
The Howard Hughes Corporation	1.2%
Undisclosed Position	0.7%
5 Other Positions	0.6%
Total Winners	53.1%
Total Winners and Losers 2014	**50.6%**

Losers	
Federal National Mortgage Association	(0.6)%
The Procter & Gamble Company	(0.5)%
6 Other Positions	(1.4)%
Total Losers	(2.5)%

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal.
Please see accompanying footnotes on page 25.

PORTFOLIO UPDATE

Allergan, Inc. (AGN)

In February of 2014, Pershing Square formed a joint venture with Valeant Pharmaceuticals International to pursue a merger between Valeant and Allergan. Allergan is a leading specialty drug company in aesthetics, dermatology and ophthalmology. Over the course of two months, the Pershing Square/Valeant joint venture acquired a 9.7% stake in Allergan at an average cost of $128 per share, which we deemed to be a fair price for the business, assuming no improvement in operations or a transaction.

Allergan had a strong track record of organic growth driven by a portfolio of market-leading products, including the fast-growing Botox franchise, but was not known to allocate capital efficiently or run its business cost effectively. Given the strategic overlap between Valeant and Allergan's product portfolios, along with Valeant's superior cost structure, operating model and capital allocation strategy, we believed that a merger between Valeant and Allergan had the potential to create enormous shareholder value.

On April 22nd, Valeant and Pershing Square announced an unsolicited offer to acquire Allergan for $161 per share, a 38% premium to Allergan's unaffected stock price, and a takeover battle ensued with two price increases, litigation, two proxy contests, a war of words, and ultimately a transaction.

On November 17th, Allergan announced a merger with Actavis plc for cash and stock valued at ~$240 per share when the transaction closed on March 17th. Prior to closing, we hedged a substantial portion of the Actavis shares we would have received while electing to retain 1.35 million shares (held across all funds, ~500,000 are held in PSH) in the newly merged company which we consider to be undervalued and well managed.

Herbalife Ltd. (HLF) Short

We remain confident in our short thesis that HLF is an illegal pyramid scheme that will collapse or otherwise be shut down by regulators. The company's business has continued to deteriorate as reflected by its substantially reduced forward earnings guidance for 2015.

Herbalife is doing its best to attack the messenger with a public relations campaign against Pershing Square. Ultimately, the facts will drive the outcome. We expect continued substantial business deterioration as the company is forced to reform its highly abusive and deceptive practices, or is shut down.

Air Products and Chemicals, Inc. (APD)

Air Products and Chemicals, Inc. has made meaningful progress since Seifi Ghasemi became CEO on July 1st of 2014. We believe that Seifi is the ideal leader to transform Air Products, and we applaud the Air Products Board for hiring Seifi as Chairman/CEO and supporting him in his efforts to improve the company.

Seifi's announced goals are to increase EBIT margins from ~16% to ~22.5%, comparable to that of industry leader Praxair Inc. Air Products expects that half of this 650 basis point improvement will come from SG&A and overhead, and half from gains in productivity and operational efficiencies. Air Products was at the top of the industry two decades ago, and Seifi has stated that he believes there are no structural issues that should prevent the company from regaining its industry-leading performance.

Early results, including earnings announcements in October 2014 and January 2015, have been impressive. Earnings per share (EPS) have increased 13% and 16%, respectively in Seifi's first two quarters as CEO. Operating margins are at the highest levels in nearly a decade, driven partially by reductions in SG&A of ~8% in the most recent quarter. With operating margins now at ~17.5%, Air Products has closed 150 basis points of its margin gap versus Praxair with remarkable rapidity. Air Products' fiscal year 2015 guidance calls for EPS of $6.30-6.55, which represents growth of 10-13% despite foreign exchange headwinds.

Canadian Pacific Railway Limited (CP)

The remarkable transformation of Canadian Pacific continues under the leadership of Hunter Harrison and the reconstituted CP Board in 2014. Full-year EPS grew 32%, in spite of severe winter weather conditions in the first quarter of the year. In 2014, CP achieved an operating ratio of 64.7%, besting its four-year 65% operating ratio target just two years into the operating plan. On an annual basis, CP has risen from the least efficient Class I railroad to the third-best, and the improvements are continuing. This progress has been achieved while maintaining industry-leading safety performance. The drive to operational excellence is enhancing service and reliability, while lowering CP's cost to serve its customers.

In October, CP held an analyst day to outline its revised multi-year plan. The company's new four-year targets call for $10 billion of revenue by 2018, representing a 10.5% compound annual growth rate. This impressive revenue growth is driven by efficiencies and service-level improvements that permit CP to win business for which it historically could not compete.

CP's announced revenue and margin goals translate into about $20 per share in earnings in 2018 including the impact of projected share repurchases. At the inception of our investment in 2011, CP earned $3.15 per share. The achievement of $20 per share in earnings would represent more than a six-fold increase in the earnings power of the business following the proxy contest and Hunter Harrison's appointment as CEO. We believe CP remains an attractive investment led by a superlative management team.

Restaurant Brands International Inc. (RBI)

At the end of August, Burger King announced that it would acquire Tim Hortons, Canada's leading quick-service restaurant (QSR) company, for $12 billion forming the newly renamed Restaurant Brands International (RBI). The transaction closed in December of 2014. Tim Hortons operates a 100% franchised business model with ~4,500 units. In Canada, where 80% of Tim Hortons' restaurants are located, the company commands a market share which RBI estimates to be more than 40% of total QSR traffic and nearly 75% of QSR caffeinated beverages sales.

We believe the acquisition of Tim Hortons will create significant long-term value for RBI shareholders as executed by the company's controlling shareholder, 3G Capital, which has an extremely strong track record of successful business transformations. In the four years that 3G has owned a controlling stake in RBI, the company has dramatically improved its operations, reduced its capital intensity, significantly grown its number of restaurants, and put in place an improved capital structure.

We believe the improvements that 3G has enacted at Burger King will serve as a template to create value in the Tim Hortons transaction. We believe there is substantial unit growth opportunity outside of Canada, and that under 3G's leadership, Tim Hortons is well positioned to identify meaningful operations and capital efficiencies. The acquisition enhances Restaurant Brands' medium and long-term EPS growth rate, and long-term shareholder value.

Platform Specialty Products Corporation (PAH)

We believe that Platform Specialty Products has the opportunity to invest large amounts of capital at a high rate of return by acquiring a portfolio of specialty chemicals businesses that can operate more efficiently as part of a larger industry platform.

Platform's business model of investment in asset-light, high-touch specialty chemical businesses is characterized by high margins, low capital intensity, and high switching-costs. Platform's management team has a demonstrated record of value creation which benefits by an environment which is favorable for M&A activity.

In 2014, the company announced $5 billion in acquisitions in the agricultural chemicals industry by acquiring Chemtura AgroSolutions, Agriphar and Arysta LifeScience Limited. Agricultural chemicals are vital to increased food production, and are a key input to growing crop output to meet the rising demand for food worldwide. Agricultural chemicals have high barriers to entry, both from the need for intensive (and lengthy) research programs and the high hurdle of regulatory approval associated with any input in the food chain. With these acquisitions, we believe that Platform has assembled a leading global crop solutions business that offers a full product portfolio and diversity across crop varieties and geographies.

Zoetis Inc. (ZTS)

In November, Pershing Square announced an 8.5% stake in Zoetis, the world leader in branded animal healthcare products. Until 2013, Zoetis was a non-core subsidiary of Pfizer, whose primary business is human healthcare products. In January 2013, Pfizer completed an initial public offering of a 20% stake in Zoetis. The separation from Pfizer was completed in June 2013, when Pfizer split off its remaining 80% ownership to its shareholders.

The separation resulted in the creation of the only large, independent, publicly traded animal health company in the world. The company has a market capitalization of ~$24 billion and ~$5 billion in revenue.

Zoetis' business model passes our high bar for business quality. Zoetis participates in markets with strong secular growth, driven by global increases in protein consumption, pet ownership, and the use of medicines to treat pets and livestock. As a result, the global animal health market has grown at an average of about 4% since 2008 and has experienced positive volume growth every year since 2003. Historically, Zoetis' organic growth has exceeded the industry average.

Zoetis' animal healthcare portfolio is highly durable. In 2014, ~80% of Zoetis' revenue was derived from products that are not patent protected. Rather than rely on patents, which have a finite life, Zoetis' business is driven by brand, market position, customer relationships and service, and other durable factors which have led to long product lifecycles.

One of the most important factors which contribute to the durability of Zoetis' products is the small size of animal health products. Only about 20 products in the industry have sales exceeding $100 million, with the majority of products having sales significantly below this level. Gross margins of branded animal health products are lower than branded human health products. This combination of smaller products and lower gross margins has made it difficult for generic manufacturers to compete in the animal health market.

We have had a very positive dialogue with the board and management of the company. In February of 2015, Bill Doyle from our investment team joined the Zoetis Board of Directors. We expect the company to add an additional director shortly. We look forward to working with the board and management as a long-term shareholder of Zoetis.

The Howard Hughes Corporation (HHC)

A little more than four years ago on November 10, 2010, HHC became a public company in a spinoff from General Growth Properties. At the time, there was considerable skepticism about the orphaned development assets that comprised HHC's asset base. This was reflected in the company's share price which closed at $36.90 that day. Since its launch as a public company shareholders have been rewarded with a four-fold increase in the company's stock price.

In a short period of time, management designed and launched development or monetization plans for each of the company's assets. HHC continues to create value converting its development-stage assets and vacant land into income-producing real estate and high-rise residential condominiums held for sale. We have not before seen a real estate company accomplish so much in so little time while maintaining superbly high quality execution along the way. Credit for this progress belongs to the extraordinary management team at HHC that is led by CEO David Weinreb and President Grant Herlitz, and a highly shareholder-oriented, real-estate-savvy board of directors.

While the stock declined at the end of 2014 due to concerns about the decline in energy prices and its impact on the Houston assets held by the company, we viewed the market reaction as overdone and temporary. Since the beginning of 2015, the stock price has returned to near its all-time high.

We believe that HHC is well positioned to benefit from the housing recovery, and that over time, the intrinsic value of HHC will be easier for investors to assess as the company's cash generation from stabilized income-producing assets increases.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

Fannie Mae and Freddie Mac remain a critical piece of the U.S. mortgage market and we expect will serve as a core driver of the continuing housing recovery. In spite of much rhetoric about the desirability of replacing and shutting down Fannie and Freddie, we believe that there is no credible alternative to replace them. Consumers in the U.S. benefit enormously from the existence of the 30-year, prepayable, fixed-rate mortgage. As a result, we believe that Fannie and Freddie's role is fundamental to the economy, and that ultimately, a renewed and recapitalized Fannie and Freddie is a far better alternative to any other.

Beginning in 2013, the U.S. Government began stripping all profits from Fannie and Freddie and sending them to the Treasury every quarter, in perpetuity. The Treasury unilaterally amended the 10% dividend rate on its senior preferred stock to a variable dividend equal to 100% of Fannie and Freddie's future earnings and existing net worth. We view this net worth sweep as an unlawful taking of shareholders' private property, and brought suit in District Court and in the U.S. Court of Federal Claims on behalf of common and preferred shareholders.

In September of 2014, the U.S. District Court for the District of Columbia dismissed shareholder lawsuits seeking to enjoin the net worth sweep undertaking by the government. We believe that much of the U.S. District Court ruling may ultimately be overturned on appeal.

The adverse court ruling resulted in a large decline in Fannie and Freddie's respective share prices, which we used as an opportunity to purchase additional shares in both companies. We voluntarily withdrew our case in the U.S. District Court and are devoting our legal resources to reversing the Federal Government's improper seizure of common shareholders' property by prosecuting our Constitutional takings claims in the U.S. Court of Federal Claims.

In addition to our belief that the net worth sweep constitutes an unlawful taking under the U.S. Constitution, we believe that it is an untenable economic arrangement. By stripping Fannie and Freddie of the earnings that they could otherwise use to build capital, the Treasury is subjecting the U.S. taxpayer to grave risk during the next economic downturn.

We remain convinced that a reformed Fannie and Freddie is the only credible path to preserving widespread access to the 30-year, prepayable, fixed-rate mortgage at a reasonable cost. It is therefore essential that Fannie and Freddie build a sufficient level of capital through the retention of their earnings so they can continue to perform their vital function in the mortgage markets while limiting risk to the U.S. taxpayer. A reformed and well-capitalized Fannie and Freddie will accomplish the important policy objective of providing widespread and affordable access to mortgage credit for millions of Americans while, at the same time, delivering tremendous economic value to the U.S. taxpayer through Treasury's ownership of warrants on 79.9% of Fannie and Freddie's common stock.

While we remain confident in the prospects for Fannie and Freddie and believe our investment in their common shares will ultimately be worth a large multiple of current prices, the litigation is likely to continue for a protracted period before being resolved, unless the Administration, Treasury, Congress and other interested parties forge a consensual resolution. In light of the inherent uncertainty of the situation, our combined investment in the two companies represents about 3% of our capital at current market values.

Exited Positions

During 2014, we exited our positions in Beam Inc. through a sale to Suntory Holdings, General Growth Properties, Inc. in a share sale to the company, and Procter & Gamble through open market sales.

Investment Manager's Report

HISTORICAL PERFORMANCE

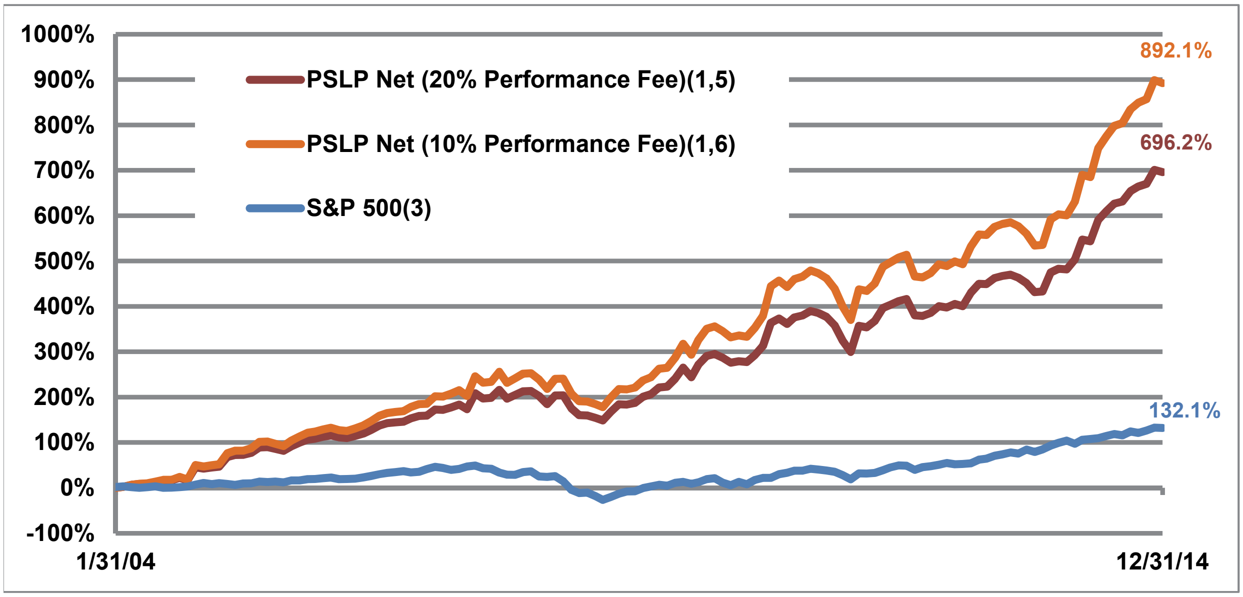
Pershing Square Holdings, Ltd. Performance vs. the S&P 500		
	PSH Net Return [1,2]	**S&P 500**[3]
2013	9.6%	32.4%
2014	40.4%	13.7%
2013 - 2014		
Cumulative (Since Inception)	53.8%	50.4%
Compound Annual Return	24.0%	22.7%

The table below and the chart on the following page reflect the net performance of Pershing Square, L.P., 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% and a 10% performance fee. We used a 10% performance fee as it is what we estimate that the performance fee would be once the Offset Amount (as defined in footnote 2 on page 25) has been paid in full assuming current levels of Company fee-paying assets, and current levels of Pershing Square private funds' fee-paying assets.

Pershing Square, L.P. Performance vs. the S&P 500				
	Net/20% PF [1,5]	**Net/10% PF** [1,6]	**S&P 500**[3]	**Delta Net/10% PF to S&P 500**
2004	42.6%	47.2%	10.9%	36.3%
2005	39.9%	44.9%	4.9%	40.0%
2006	22.5%	25.4%	15.8%	9.6%
2007	22.0%	24.8%	5.5%	19.3%
2008	(13.0)%	(13.0)%	(37.0)%	24.0%
2009	40.6%	43.8%	26.5%	17.3%
2010	29.7%	33.4%	15.1%	18.3%
2011	(1.1)%	(1.1)%	2.1%	(3.2)%
2012	13.3%	14.8%	16.0%	(1.2)%
2013	9.7%	10.9%	32.4%	(21.5)%
2014	36.9%	41.5%	13.7%	27.8%
2004 - 2014				
Cumulative (Since Inception)	696.2%	892.1%	132.1%	760.0%
Compound Annual Return	20.8%	23.2%	8.0%	15.2%

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal.
Please see accompanying footnotes on page 25.

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



PUBLIC ACTIVIST INVESTMENTS SINCE INCEPTION[7]

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

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal.
Please see accompanying footnotes on page 25.

LETTER TO SHAREHOLDERS

Dear Shareholder:

As this is the first annual letter that will be read by the public Pershing Square Holdings, Ltd. investors as well as one that is read by investors who have been our partners for years, I thought it would be useful to provide an overview of our strategy as it has developed over the last eleven years.

In preparation for writing this letter, I re-read our investor letters since inception and highlighted the sections which I thought would be most useful to an understanding of Pershing Square. I often read the annual reports of companies in which we invest for the ten or more years preceding our investment as a way to understand the progress of a company and its strategy. To save you the effort of doing so for Pershing Square, later in this report, I have included excerpts from our previous letters organized by topic. Re-reading our investor letters was a useful exercise in that it has enabled me to better understand the development of our strategy over time.

While the core of our investment strategy remains unchanged, the growth of the firm, our increasing "reputational equity," expanded relationships and experience have enabled us to intervene as an active investor differently from our approach in the past. In Pershing Square 1.0, we took substantial stakes and pushed for corporate changes which we believed would create shareholder value. Our holding periods were shorter. We achieved high rates of return, but required constant recycling of capital into new ideas. The changes we advocated were more structural and corporate than managerial and operating – think Wendy's spinning off Tim Hortons, or Ceridian being sold to private equity.[8] We proposed change from outside the board room as we did not generally become a member of the boards of target companies.

In retrospect, the development of our investment in General Growth Properties (GGP) represents the inception of Pershing Square 2.0. In GGP, I joined my first board since the inception of Pershing Square, more than five years after we launched the firm. At the inception of our GGP investment, our original strategy was a financial restructuring of the company in bankruptcy. From the perspective of the board of directors, we identified additional opportunities to create value which led to a recapitalization of GGP along with a change in management which we played a role in identifying.

It was the creation of The Howard Hughes Corporation (HHC) – which began as a spinoff of unrelated assets or businesses to unlock value – where we chose to take a much deeper approach. Unlike Tim Hortons, HHC did not actually exist at the time of our investment in GGP. We created HHC by assembling a pool of unrelated assets from GGP as a means to unlock the value of these principally non-income producing assets. Unlike in Wendy's where we were advocating for the Tim Hortons spinoff from outside the boardroom, with HHC, we had the benefit and the responsibility of seeing it through.

By going beyond a financial restructuring and getting deeper into the creation of a new board and in the recruitment of management, we recognized the potential for greater board oversight to create substantial longer-term value for Pershing Square and other stakeholders. HHC was not part of our original plan at the time of our initial investment in GGP. Since we created HHC from idea to launch, we had to help build a board of directors. As the largest stakeholder with more than a 25% stake in the new spinoff company, we ended up with the right to appoint one third of the board.

With these attributes came responsibility. I became chairman of HHC because there was no one else logical to serve in this role. We then hired a new management team led by David Weinreb and Grant Herlitz. While we had input into GGP's new management team – we recommended Sandeep Mathrani for the job – at HHC, we identified and recruited the team and designed their compensation.

In retrospect, the transition from Pershing Square 1.0 to 2.0 was unplanned and largely organic. Our involvement with HHC led us to other deep engagements at J.C. Penney, Justice Holdings/Burger King (now Restaurant Brands International), Canadian Pacific, Air Products, Platform Specialty Products, and Zoetis. With one disappointing exception, J.C. Penney, Pershing Square 2.0's track record of board engagements has been extremely strong. While our degree of engagement has varied, the approach is similar. Find a great business where there is an opportunity for management, operational, and/or governance improvements. Build a large stake at an attractive price. Work with management and the board to make necessary changes. Seek board representation for members of the Pershing Square team or affiliated or independent representatives that we identify.

While we give up some flexibility when joining a board, we have found that managements, boards, and Pershing Square benefit by our being present in the board room. CEOs often tell us that our involvement enables them to accelerate initiatives that they had previously advocated, but that the historic board was tentative about making out of concern with what the shareholders might think. With a large – and often the largest – shareholder represented on the board, who typically has the support of the majority of other owners, boards become more comfortable accelerating necessary change or making substantial new investments or acquisitions because they already have a shareholder sounding board in the board room.

As our typical investments today incorporate both structural and operational improvements, they offer more levers to create value. The combination of these initiatives has enabled us to earn larger multiples of capital over longer holding periods. GGP, which we recently exited, is the best and perhaps most extreme example. Our three current longest-standing holdings, HHC, CP, and Restaurant Brands have each appreciated multiple times since our initial investment. The balance of these commitments – Air Products, Platform Specialty Products, and Zoetis – are all off to strong starts since we got involved.

We do not believe it is necessary for us to have a board seat in these commitments if we are confident that the existing board already has appropriate shareholder representation, and a management team with exceptional operating and capital allocation discipline. Restaurant Brands, which is controlled by 3G, is a good such example. While the bulk of our capital is invested in Pershing Square 2.0-like commitments, we are still open to shorter-term commitments if the opportunity for profit relative to risk is large enough.

The benefits to our transition from Pershing Square 1.0 to 2.0 are significant. With reduced turnover in the portfolio, we can better understand our investments, reduce frictional costs, and continue to achieve high rates of return. Our reputational equity is also enhanced because as a longer-term investor, our recommendations for corporate change are more welcomed by the companies in which we invest and the major shareholders who own them.

Longer-term investing in high quality businesses is also more scalable than Pershing Square 1.0's strategy. Once we are in a position of influence and own a high quality business run by able management who manages the business well and allocates free cash flow intelligently, absent excessive overvaluation or a substantially better use of capital, there are few good reasons to sell. It is essential though that these commitments have all of the above: high business quality, managerial and operating talent, and intelligent capital allocation for them to continue to generate high rates of return over the long term.

We believe that one of the biggest threats to the strategy has been the open-ended nature of our capital base. With the launch and increasing scale of PSH and a growing base of employee capital, our effective permanent capital base is quickly approaching a majority of our capital. When this is combined with loyal investors, relatively long-term contractual commitments in the private funds, and an active investor relations program, our capital base approaches the ideal of permanency. We took advantage of this increased permanency by being nearly 100% invested in our core activist strategy beginning last year. Our 2014 results benefited from not being diluted by our historic need to keep a large pool of assets in cash and liquid passive investments. We expect that the growing stability of our capital will continue to be an enormous competitive advantage for the strategy and for Pershing Square.

2014 was one of the strongest years in our history as measured by performance, net dollars of profits generated, as well as developments with respect to existing holdings and a new investment which should generate profits in future years. For a detailed review of the portfolio during 2014, please refer to the PSCM Annual Investor Update which is available on the Company's website.

The IPO of Pershing Square Holdings was perhaps the most significant accomplishment of 2014 in light of its material strategic long-term benefits to our investment approach. None of 2014's accomplishments could have been achieved without extraordinary contributions from every member of the Pershing Square team. Our finance, accounting, investor relations, legal and compliance, administrative, technology, and investment teams committed an enormous amount of time, insight, and energy to the IPO and listing of Pershing Square Holdings while simultaneously being responsible for their day jobs running the operations and investment oversight functions of Pershing Square.

Eleven years after our launch, the Pershing Square organization is functioning at its highest level of effectiveness ever. This is partly due to our extremely low turnover and the fact that most of us have worked together for more than five years and many of us for substantially longer. We are proud of our friendly, open, hard-working and family-oriented culture that has contributed greatly to our success, and that we have worked hard to preserve as the organization has grown. Long-term, our culture is likely to continue to be a key competitive advantage for the firm.

Over the next 10 or so pages, I have excerpted sections from the Pershing Square letters from inception to the present that cover our business model, investment strategy, risk management, valuation, hedging, trading, investor relations, and other topics that would be of interest to a new investor in Pershing Square. These excerpts are cited as originally written with any updates reflected within end brackets. You will note that there are *de minimis* updates, as even a decade later, our investment principles and philosophy are largely unchanged.

For new Pershing Square investors, we hope you find these principles useful in understanding what to expect from us going forward. For our longer-term investors, you may find the thoughts on the attached pages to be a helpful reminder of the key elements of our strategy.

As always, we encourage you to contact the investor relations team at IR-pershingsquareholdings@stockwellgroup.com if you have any questions.

Sincerely,

William A. Ackman

PERSHING SQUARE PRINCIPLES

The Pershing Square Business Model

In order to achieve long-term success, Pershing Square must make good investments and operate with a robust business model. With much media attention focused on hedge fund failures, I thought it would be worthwhile reviewing the characteristics of our business model and explaining why we will withstand industry-specific and overall environmental threats to the investment and hedge fund businesses. The principal factors which contribute to the robustness of our business model are as follows:

- Our portfolio management approach is inherently low risk (where risk is defined as the probability of a permanent loss of capital), particularly when compared with other hedge fund business models. An important distinguishing factor about Pershing Square compared to most other hedge funds is that we do not generally use margin leverage in our investment strategy. The lawyers prefer that I put in the word "generally" to give us the flexibility to use margin to manage short-term capital flows, but, to-date, we have not used but an immaterial amount of margin, and only for a brief period of time, and we have no intention of changing this approach.
- We generally invest in higher quality businesses with dominant and defensive market positions that generate predictable free cash flow streams and that have modestly or negatively leveraged (cash in excess of debt) balance sheets. We buy these businesses at deep discounts to our estimate of intrinsic value giving us a margin of safety against a permanent impairment of capital. I say "generally" again here because we do make exceptions in certain limited circumstances; that is, we may buy a more leveraged or lower quality business if we believe the price paid sufficiently discounts the risk.
- We often seek investments where we can effectuate positive change to catalyze the realization of value. This serves to accelerate the recognition of value, helps us avoid "dead money" situations, and protects us somewhat from managerial actions which can destroy value.
- We are diversified to an adequate but not excessive extent. This has further benefits for risk and operational management which I will discuss below.
- There is an inherent balance to our long/short investment approach. Historically, when equity or credit markets weaken, our shorts become more valuable, and occasionally materially more valuable, offsetting somewhat the mark-to-market declines in our long portfolio. If we choose to unwind these short positions during market downturns, we can generate capital to invest in a now less expensive market. These short investments generally stand on their own in that they do not typically require a stock market or credit market decline to be successful. That said, they have served as a useful hedging tool during periods of dramatic market declines.
- We have been paranoid about counterparty risk since the inception of the firm. First, we trade with counterparties which we believe to be creditworthy. Second, we have negotiated ISDA agreements which provide us with daily mark-to-market cash and U.S. Treasurys equal to the previous day's market value of our derivative contracts [in excess of certain minimum thresholds]. In cases where we are required to post initial margin and therefore have some exposure beyond the market value of our derivative contracts, we have typically purchased CDS on our counterparties to further mitigate counterparty risk. While our approach to counterparty risk has protected us from any counterparty losses to date, please be forewarned there is no perfect approach to avoiding counterparty risk.

Our Approach to Risk Management

Our simple approach to investing also allows us to avoid complicated approaches to risk management. Our investment strategy does not require us to open offices all over the globe. As such, we don't need traders working around the clock. We can go to sleep at night and sleep. Our weekends are largely our own. Our risk management approach is to: (1) put our eggs in a few very sturdy baskets, (2) store those baskets in very safe places where they cannot be taken away from us and sold at precisely the wrong time due to margin calls, and (3) to know and track those baskets and their contents very carefully. We call this approach the sleep-at-night approach to risk management. If I can't, we won't.

I am extremely skeptical of more automated, algorithmic, Value at Risk, and other business school sanctioned approaches to risk management. None of these approaches saved Lehman, Bear Stearns, Fannie, Freddie, AIG, WaMu, Wachovia or any of the other institutions that used these and other ostensibly more sophisticated risk management strategies.

Our investment strategy and approach to counterparty risk serves to limit the risks inherent in our individual investment selections, our counterparty risk, and the portfolio as a whole. There are, however, other important risks to our business, principally operational, reputational, and regulatory risk.

Operational Risk

Our investment approach is largely straightforward and relatively simple. This, coupled with the concentrated nature of the portfolio, allows us to run our business with a limited number of personnel. We have [ten] investment professionals including myself.

We could manage our portfolio with less human talent than we have. For members of the investment team reading this letter, don't be concerned because I have no intention of shrinking the team, but I make the point nonetheless. Simplicity in our investment approach allows for a simpler back office and a smaller overall staff. We have [70] people total at Pershing Square. It could be fewer, but one of Tim Barefield's (our COO) important risk management principles provides for back-up talent for every role in the firm.

Our Noah's Ark approach to personnel duplication makes for a good analogy for the ship we have designed. We have worked hard to build a business that can withstand the Great Deluge, and this goes beyond counterparty risk. For example, it is not yet clear this year whether there will be any incentive allocation to be shared at the firm. [This excerpt was from November 3, 2008] That said, whether or not the funds' finish the year in the black, it will be extremely unlikely that a member of our team leaves by choice, and I have no intention of letting anyone go. This is due to several factors:

Pershing Square's large amount of assets under management per investment principal and per overall employee are important ratios to consider when evaluating the sustainability of Pershing Square or any hedge fund for that matter. The economics of a high-asset-per-employee ratio attract and allow for the retention of top talent. Our team can be compensated appropriately even in times of short-term underperformance. Hedge funds which barely (or don't even) cover their costs with management fees are inherently unstable enterprises because in an unprofitable year they cannot pay their people and are likely to lose their most talented professionals to other firms.

Pershing Square is a nice place to work. While this sounds like an obvious approach to retaining talent, many and perhaps most hedge funds don't fit this description. We are big believers in taking care of our team not just financially and with attractive benefits, and we have those in spades. We consider every employee at the firm a member of our extended family, and we treat and care for them appropriately. We do this not for business reasons, but it has important long-term business benefits.

Pershing Square is an extremely exciting place to work. We believe our work creates value beyond the profits we historically have generated for our investors. Our approach to value creation at businesses has created enormous value for investors who happened to own companies to which we contributed to the creation of value. Similarly, investors and counterparties who listened to our views on the bond insurers, Fannie Mae and Freddie Mac, etc. saved themselves from large losses or perhaps profited by short sales. The fact that our work creates value for the markets as a whole provides additional motivation to the team.

Bottom line, we are built to last, and we will continue to work hard to deserve your continued support.

Reputational and Regulatory Risk

Reputational risk is one of the key risk factors for a business that is subject to a high degree of regulatory scrutiny in an industry that seems to generate considerable public scorn. Our approach to assessing reputational risk is to apply the New York Times test. We ask ourselves whether we would be comfortable having our family and friends read a front page New York Times story about actions taken by Pershing Square written by a knowledgeable and intelligent reporter who has access to all of the facts. If we are comfortable with such an article being read by our close friends, our families, and the public at large, our action passes the test. If not, we reconsider our potential action.

Concentration and Volatility

Our investment policy of concentration will lead to volatile and eccentric results particularly in the short term. As a result, we will likely have months, quarters, and years where we will underperform the market benchmarks and our long-term expected rates of return.

We believe, however, that while [the funds] are at greater risk of underperformance during short-term periods and are likely to be substantially more volatile than less concentrated strategies, our approach has the strongest probability of leading to high long-term levels of investment performance over a three to five-year measuring period.

Pershing Square's performance over the long term will primarily be a function of the equity investments we make on a security-by-security basis – principally as long investors and less so as short sellers. As you know, our holdings are concentrated so our performance will likely be more volatile than that of investors who are more diversified.

There are also likely to be periods during which our performance dramatically exceeds or greatly underperforms stock market indexes. We are willing to endure a high degree of stock price and portfolio volatility because we believe it allows us to achieve a greater degree of investment performance over the long term. We believe that this strategy is appropriately matched to the long-term capital we and our investors have committed to the funds.

In light of the high degree of concentration of the fund, you should expect a similar degree of concentration in our performance. That is, our top few ideas should contribute the majority of our profits for the year. If we can avoid significant losses and have a few good successes each year, you will likely be happy with the results.

Risk of Permanent Loss of Capital and Investment Sizing

The substantial majority of the portfolio has been invested in large and mid-capitalization North American listed equities, often with catalysts to unlock value, at times situations where Pershing Square can be the catalyst. Because these investments tend to be well-capitalized dominant business franchises that have been acquired at discounted valuations, we believe the risk of permanent loss of capital in these situations is limited.

We have historically 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 our 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, we require the potential for a materially greater reward if we are successful, and we size the investments appropriately. 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.

On Retaining the Option to Abandon

I consider one of our investment strengths to be our willingness to promptly change our mind when confronted with new information which is inconsistent with our original investment thesis. I have learned from prior experience that sometimes the better part of valor in an investment situation is to move on.

Long Investments

As a general rule, we purchase simple, predictable, free-cash-flow generative businesses that have sustainable competitive advantages due to brand power, unique assets, long-term contractual arrangements, or other factors. These companies are [generally] modestly or negatively leveraged (i.e., have more cash than debt) and do not need access to the capital markets to survive and thrive. These businesses generate more capital than they need for reinvestment. They deploy this excess capital by buying back their own shares and by paying dividends to shareholders.

As a result of the above characteristics, the intrinsic value of the businesses that we own is relatively immune to equity and credit market volatility. They [generally] do not have large debts that need to be refinanced. They [generally] do not need to raise equity capital to continue to exist or even to grow. Because these companies are buyers of their own shares, we are actually the beneficiaries of short-term declines in their share prices because more shares can be repurchased in the market with the same amount of capital. Our proportionate interest in these companies will grow at a higher rate if their stocks decline than if their share prices were to have risen over the same period.

Because these businesses have superior economic characteristics and limited or negative financial leverage, I would expect our long investments, on average, to decline less than the market as a whole in a dramatic market decline. The stock prices of our investments, however, are still likely to decline during periods of equity market declines unless specific value-creating events occur that will cause a realization of value.

Pershing's investment strategy requires us to identify investments for which we can determine their outcome with a very high degree of probability. As a result, we typically invest in businesses with low business volatility and a high degree of cash flow predictability.

As an investor who has successfully effectuated corporate change and as typically one of the largest holders of the companies in which we invest, we are well positioned to push for value-creating actions in the event such opportunities are created in volatile markets.

For obvious reasons, we much prefer that a stock price declines while we are acquiring our interest for it enables us to buy a full position at a lower price. While we don't automatically buy more if the share prices of our holdings decline, it is the rare circumstance where an existing holding's stock price declines meaningfully and we are not excited to take advantage of the opportunity. This is true because the businesses in which we generally choose to invest are those whose values are not materially affected by extrinsic factors we cannot control. While nearly every one of our investments is exposed to the economy to some degree, we attempt to identify companies for which increases or decreases in interest rates, commodity prices, short-term volatility in the economy, and similar factors are not particularly material to our investment thesis.

Long Exposure and Market Correlation

Our greater long equity exposure means that we are likely to have greater daily correlation with short-term moves in the market than if we had less exposure. Over longer periods, we expect our portfolio to continue its high degree of divergence from overall stock market performance because of the high degree of concentration in our holdings and the event-driven nature of most of our investments.

While a more positive macro environment will increase the value of our holdings, we expect to generate high long-term rates of return from our existing holdings even without a substantial improvement in the economy. I have come to think of our investment approach as akin to a form of long-term arbitrage, where we invest and then work with our portfolio companies to cause the spread between our purchase price and intrinsic value to narrow. In some cases, in addition to unlocking existing value, we can assist a company in increasing its long-term intrinsic value by bringing in new management, adopting a change in strategy, modifying its structure and approach to allocating capital, by selling or spinning off non-core assets, through cost control and with other approaches.

Our ability to cause the price-value spread to narrow is, in most cases, unrelated to macro events, and has improved significantly over the last [eleven] years. It is largely a function of Pershing Square's growing influence in the capital markets, our experience with previous investments, and specific circumstances with each of our holdings.

Short Selling

While our shorts in [some] previous years reduced our performance largely on a mark-to-market basis, the drag on fund performance was [generally] small when compared with our absolute performance. While our short investments are designed to enable us to profit from security-specific opportunities, they have the important additional benefit of hedging our long investments, which typically have some degree of economic sensitivity. Our shorts are also a source of liquidity in dramatic market downturns.

Our favorite short opportunities are companies that are highly leveraged, need access to capital to survive, require substantial management judgment in the determination of their reported earnings, and have fundamentally bad business models. These criteria have led us to short investments in the financial service industry, principally insurance or credit guarantee businesses. For equity shorts, we have an additional criterion which requires that there is a "ceiling on valuation." A ceiling on valuation is what we deem to be the equivalent of a margin of safety for long investments. In other words, we look for equity shorts where the conventional bounds of valuation for a particular business protect us from material stock price increases.

Because it is difficult to identify opportunities with the above criteria, you should expect that we will find few short investments over time, certainly when compared with long opportunities. That said, when we find interesting shorts, we can often make these positions quite large using CDS while taking minimal risk of the loss of a material amount of fund capital.

We find the purchase of CDS to be a far superior means to implement a short sale when compared with shorting stock because of the modest risk incurred versus the potential reward. While our risk in purchasing CDS is limited to modest premium payments, the reward is potentially many times the capital that we risk. CDS positions can be built in enormous size, usually substantially larger than that of equity shorts. We have [historically] found the degree of liquidity available in CDS to be ample for us to execute and realize our investments. By comparison, shorting stocks requires us to borrow shares which can often be in limited supply, require the payment of substantial borrowing costs, and are at risk of being called away at inopportune times. For the above reasons, you should expect most of our notional short exposure to be executed through CDS rather than equity shorts. For those of you who are less familiar with CDS, below I provide a brief primer on CDS.

CDS contracts are best described as multi-year insurance policies which pay off when a company defaults on its obligations. These contracts trade in the over-the-counter market and are priced on a minute-by-minute basis based on the market's estimate of the probability of default of the issuer referenced in the CDS contract.

The degree of risk associated with CDS largely depends on which side of the contract the counterparty is exposed. The seller of the contract is the insurer and the buyer is the insured. We have only been a buyer of CDS contracts (or a seller of contracts we already own), which means that we commit to pay quarterly premiums for the full term of the CDS contract which can typically range from one to ten years. Our maximum exposure in a CDS contract is the present value of these future contractual premium payments. Our maximum potential for gain is the face value or notional amount of the contract. By contrast, the risk to the seller of CDS is the notional amount of the contract or, in insurance terms, the face amount of the policy.

Mispriced Probabilistic Investments

Investing is a probabilistic business. For every commitment of capital we make, we compare our estimation of the likelihood of success with the probability of failure. We then assess how much we can make in a successful outcome with our best estimate of what we can lose in an unsuccessful outcome. We are willing to take more risk in a situation that offers more reward.

While most of our long investments are comprised of great businesses or assets at fair prices with a catalyst to create value, we occasionally are willing to invest a small amount of fund capital in situations which offer the potential for a many-fold profit at the risk of a large or near-total loss of capital invested. I typically call these investments mispriced options. Our CDS investments fit this profile. While not all mispriced options will be profitable for the funds, I expect our collective experience in these commitments to be quite favorable over time.

Valuation

We believe the value of a business is equal to the present value of the cash the business generates for its owner over its lifespan. By analogy to debt instruments, a business is like a bond where the owner will receive a stream of coupons over its life, but where the coupons are variable and not precisely known, and the business' life or term is similarly uncertain. To value a business, one needs to predict approximately how much cash the business will generate that can be distributed to its owners over its life on a per-share basis. I emphasize 'per share' because dilution from option issuance or from ill-advised acquisitions – or, conversely, accretion from stock buybacks – can have a very material impact on the long-term, per-share value created for owners.

Because of the inherent uncertainty in valuing bonds with unknown coupons and terms, we have generally chosen to invest in businesses where the coupons (the economic earnings) are more predictable, and the long-term prospects are more certain. This has led us to purchase interests in simple, predictable, free-cash-flow-generative businesses. We also require a purchase price which represents a large discount to our estimate of intrinsic value. This, perhaps more than anything, helps mitigate the risk of our being wrong about our future estimate of a business' performance.

Management and governance can have a big impact on the per-share prospects of even the best businesses, and an even greater impact on lower-quality businesses. This has led us to purchase higher-quality businesses when we can find them at prices that make sense. The importance of good governance and management to a successful investment outcome is made particularly clear when the cash flows to the owners of a business are back-end loaded. The majority of the cash generated by most publicly traded businesses is not distributed to their owners in the short term. Cash returned to owners in the form of dividends and stock buybacks usually represent a minority of the cash generated by the business, with the balance of a business' cash often reinvested in new projects or acquisitions.

As a shareholder willing and able to take a pro-active or re-active stance with respect to our holdings, we can help mitigate the risk of poor governance and the inefficient use of excess cash by having an impact on both management and governance. While we can have significant influence, we cannot completely eliminate poor investment or management decisions. As a large influential shareholder, we can also often play a meaningful role in determining when the equity "bond" comes due. For example, if it makes sense for a business to be sold because it has reached the end of its strategic life, or because management cannot be identified to maximize the value of a business, or because the greatest long-term value can be generated through a sale, we can meaningfully increase the probability that a sale can be executed.

Hedging

We have never managed the funds to be so-called "market neutral," nor have we attempted to mitigate (or take advantage of) the funds' exposure to short-term market movements because we do not believe we have a competitive advantage in doing so. Rather, we invest our capital in a small number of situations which we believe have modest downside risk and substantial opportunities for profit. The modest downside risk comes from: (1) the identification of high quality businesses that are relatively immune to short-term macro factors and other extrinsic risks outside of our control, and (2) the fact that we have purchased our investments at prices which we believe to be a substantial discount to our assessment of intrinsic value. In addition, many of our investments have specific catalysts to unlock value – progress through bankruptcy, changes to capital structures, operating enhancements, a sale to a strategic buyer, and others – that make them somewhat less sensitive to overall stock market movements. Even so, if the stock market were suddenly to decline substantially, most of our long investments would likely decline in value.

While some hedge fund investors mitigate their (often large) gross exposures through offsetting short positions that equal or approach the size of their long portfolio and result in a low net exposure, this is not an approach with which we are comfortable. Despite our substantial net long exposure since inception, we have been able to generate high returns with modest downward volatility because of the inherent balance in our portfolio: The substantial majority of our assets are typically invested in high quality, well-capitalized businesses at substantial discounts to intrinsic value with catalysts for value creation. These long investments are [occasionally] balanced by short positions, principally expressed through credit default swaps, in high-risk, highly leveraged enterprises often with aggressive and/or fraudulent accounting and bad business models.

Hedging Instruments

While we make no attempt to manage short-term volatility in our performance, we have always sought to identify investments from which we will profit in the event of dramatic downward moves in the stock or credit markets. For this category of investments or hedges, our strong preference is for situations where we risk only a modest amount of capital in exchange for a large payoff should the event take place, and a potential total loss of the capital invested in the event it does not take place. Because of the limited amount of our capital that we expose to these commitments, the cost of such a hedging program in the last few years has been a small drag on our performance, with the risk limited to the modest amount of capital invested in these strategies. Viewed in its entirety, however, this investment program has generated enormous net returns for the funds largely due to profits from credit default swaps (CDS) in 2007 through 2009.

For the first five years of our existence, we purchased large amounts of CDS on single-name credits or the investment grade indexes to perform this function. CDS were an ideal form of disaster protection because we were able to identify credits whose ratings or perceived creditworthiness were much greater than the reality. As a consequence, we could short credits on which we expected to profit as the market eventually reassessed their creditworthiness, when credit events took place, or when stocks and bonds generally declined in value. These were ideal hedges, as the best and least costly hedge is one which you would purchase as a standalone investment without regard to its hedging benefits, but one which also is likely to increase in value dramatically at times of market stress.

We have been unable to identify large single-name, standalone CDS investments since 2009. This is largely due to the rapid improvement in corporate creditworthiness over the last [six] years.

Asymmetry in Hedging and Investing

Since the inception of the funds, we have purchased options which offer asymmetric payoffs in the event of the occurrence of low-probability catastrophic or otherwise unanticipated negative events. These events could include large movements in interest rates, currencies, or other asset prices that we believe may occur during periods of market stress. Most of the options that we have purchased that fit this description have historically expired worthless. You have not noticed these losses because the size of these commitments has been immaterial.

We have committed capital to these investments because of the potential hedging benefits they offer, and also, in certain cases, because we believe the pricing of the instruments understates the expected value of the payoff event. For each of these investments, the payoffs have historically been zero or nominal unless there is a large movement in the underlying instrument, which is only likely to occur during periods of extraordinary market stress. As such, they are not likely to protect the funds from other than very large market declines, and even then there is no guarantee that they will serve their desired function.

We have also made asymmetric investments which are not for hedging purposes but which also offer large payoffs on relatively modest commitments of capital where we similarly believe that the market has mispriced the probability of a positive outcome. In some cases, as with GGP, we were able to buy common stock for less than a dollar per share because the probability of a recovery for shareholders was correctly perceived to be *de minimis*, but where our active intervention could meaningfully tilt the probability of a successful outcome in our favor.

The Impact of Macro Factors on Our Investment Selection

Despite the fact that we occasionally have an opinion, we spend little time trying to outguess market prognosticators about the short-term future of the markets or the economy for the purpose of deciding whether or not to invest. Since we believe that short-term market and economic prognostication is largely a fool's errand, we invest according to a strategy that makes the need to rely on short-term market or economic assessments largely irrelevant.

Our strategy is to seek to identify businesses and occasionally collections of assets which trade in the public markets for which we can predict with a high degree of confidence their future cash flows – not precisely, but within a reasonable band of outcomes. We seek to identify companies which offer a high degree of predictability in their businesses and are relatively immune to extrinsic factors like fluctuations in commodity prices, interest rates, and the economic cycle. Often, we are not capable of predicting a business' earnings power over an extended period of time. These investments typically end up in the "Don't Know" pile.

Because we cannot predict the economic cycles with precision, we look for businesses which are capitalized to withstand difficult economic times or even the normal ups and downs of any business. If we can find such a business and it trades at a deep discount to our estimate of fair value, we have found a potential investment for the portfolio. Next we look for the factors that have led to the business' undervaluation, and judge – based on our assessment of the company's governance structure, management team, ownership, and other factors – whether we can effectuate change in order to unlock value. When the price is right, the business is high quality, the management is excellent, and there are no changes to be made, we are willing to make a passive investment.

Our assessment of the short-term supply and demand for securities plays almost no role in our determining whether to invest capital, long or short. If we believed that it was possible to accurately predict short-term market or individual stock price movements and we had the capability to do so ourselves, we might have a different approach.

Over the past [11] years, we have profited not because of our predictive powers concerning macro events, but rather because of our ability to identify high quality companies with low business volatility that trade at a discount to intrinsic value, where catalysts exist or can be created to narrow the valuation gap.

Because we do not believe that we have a competitive advantage in predicting short-term market or economic conditions, we generally choose to invest in businesses that will excel in almost any economic environment. Even so, given that our funds have investments which are generally more long than short; an improving economy will assist the funds' performance.

We expect, however, that investment selection, rather than macro factors or stock market movements, will continue to be the principal determinant of our performance as the substantial majority of our historic (and anticipated) profits have come from the narrowing of valuation discrepancies between the prices we have paid for our investments (or received in shorting a security) and fair value.

Our Strategy's Structural and Competitive Advantages

As a large capitalization activist investor, we believe our strategy benefits from a large opportunity set, sizeable barriers to entry, and limited competition.

We believe that the largest companies offer the most opportunity for corporate change because they are typically held by passive shareholders and are too large to be vulnerable to private equity buyouts. Large cap businesses are typically high quality companies, as they would not typically achieve high valuations without substantial revenues, profits, and free cash flow. After decades of high profits and cash flows, many large businesses become less disciplined about cost control and capital allocation, and may otherwise lose focus. The number of large cap companies is substantial, particularly when compared to a strategy which, due to its concentration and long-term holding periods, requires that we identify only one or two new ideas per year to generate attractive returns for our investors.

Large capitalization shareholder activism has the benefit of significant barriers to entry to prevent large capital flows into the strategy. If one wishes to be a large cap activist, one has to raise large amounts of capital, which is difficult for a start-up investment manager to achieve. More significantly, the greatest barrier to entry for the strategy is the requirement that one build reputational equity among the community of investors who represent the largest shareholders of corporate America. It takes years to build a track record with institutions such that they are willing to back an activist seeking control or substantial influence over a corporation. It takes years of doing what we say we are going to do and strong investment performance to get the institutional and retail backing required to effect change at large cap companies. Our large and growing reputational equity will therefore remain a very significant moat for Pershing Square in the future. One of our additional barriers to entry is less tangible, but no less significant. It is best deemed creativity. Many of our most successful investments have been in situations and used transaction structures that were previously unprecedented.

Doing large unprecedented transactions attracts attention, some number of detractors, and enormous media and other public scrutiny. As we have said before, it requires a very thick and calloused skin. It also requires some tolerance from our investors who are likely to read periodic criticisms from those who resent our success and would like to see us fail, from our adversaries, and from members of the media who are often not that well informed of the facts, or otherwise fail to check so-called "facts" presented by our adversaries. We tolerate the enormous volumes of press and the occasional attacks as a necessary and unfortunate evil of a high-profile activist strategy.

Trading and Liquidity

Trading is largely an art and not a science, a discipline in which you can always look back and conclude that you could have done it better. That is one of the reasons why portfolio managers hire traders (it enables the portfolio manager to shift the blame to others) and why being a trader is such a treacherous job.

We seek investments in which there is a wide spread between price and value and then complete sufficient due diligence to obtain high conviction in our analysis. As a result, when we find something we would like to buy, once we have completed our work, our general approach is to buy as much of a particular security as we can without disturbing the price until we reach our targeted position size. In some cases, securities decline as we buy them (the ideal situation), in others they stay at approximately the same price, or alternatively they rise in price (the problematic case).

One of the reasons why we prefer liquid securities to illiquid situations is because of the greater probability that we will be able to acquire a position at or around the price that our analysis was based upon. Unless we believe that at the time of purchase, it is a once-in-a-lifetime buying opportunity (think GGP), we typically leave some room to increase our position if the price/value relationship becomes even more favorable in the future. Unlike many investors, we do not take token positions as we begin work and then add to positions as we build conviction. We are either all-in (while often retaining a "re-buy" ticket in our pocket), or we keep our chips in a large pile of U.S. Treasurys.

Scale and Shareholder Activism

We believe that large scale shareholder activism is one of the few investment strategies where there are economies and competitive advantages that come with scale. The economies of scale arise from the fact that large capitalization companies have typically never been pushed by an activist or a private equity investor and, as such, often offer unrecognized opportunities for value creation. These opportunities arise due to hidden value in undervalued subsidiaries or divisions, inefficient uses of capital, and opportunities for cost reduction and margin expansion. As our funds have grown in size, we are able to invest in and influence a universe of companies that previously were too large for us to work with. Historically, we have addressed this problem by raising SPVs to pursue a particular investment, although there are disclosure and other risks associated with using SPVs to address this issue.

From a competitive standpoint, we have few competitors in large cap shareholder activism, and we believe that we are unlikely to have many such new competitors in the future. This is due to the difficulty of raising sufficient capital to form a start up to pursue this strategy, and the time required to build the reputational equity needed to effectuate it. Large cap activism is one of the few investment strategies where one's track record on previous investments increases the probability of success on future such investments. It takes years to build such a record, and as such, our track record of successful activism is an important long-term competitive advantage for Pershing Square.

While there are certain situations today that we will pass on because of their small size, there are others that we can now pursue that we would not have had the resources to execute in the past. In other words, while some smaller names have dropped off the list, new larger names have been added to our investment universe.

We believe that these larger businesses generally offer greater opportunities for the kinds of corporate change that we often pursue. This is due to the fact that these large enterprises have not been owned by active investors historically and have been largely insulated from private equity and other unsolicited investors because of their scale. As a result, we continue to believe that for the foreseeable future, scale will be an asset for Pershing Square, and, therefore, we have kept the [core private] funds open to new subscriptions. The goal has not been to raise additional capital, but rather to maintain capital stability by accepting capital to replace redeeming investors over time.

That said, we intend to manage our capital flows carefully. If we receive commitments for amounts that we feel we cannot invest or which will cause unacceptable dilution in current holdings, we will postpone accepting these funds until our circumstances change. While this may cause some investor nuisance, we will do our best to keep you in the loop so that we minimize any inconvenience on your part.

The alternative would be to close the funds temporarily or permanently. In light of the open-ended structure of [some of] our funds, we think that such an approach would lead to reduced stability in our capital base.

Transparency

Our goal in our communications with you is to give you the information we would want if our positions were reversed, that is, if we were the investor and you the investment manager. Using this paradigm, we endeavor to inform you about business challenges and related developments as promptly as practicable, as good news generally takes care of itself. We will, however, not disclose information to anyone (unless of course we are required to do so by law) if we believe it may compromise our investment program. Fortunately, our investment strategy by its nature is readily transparent because it is largely comprised of a small number of long investments in listed North American companies, and the amount of turnover in the portfolio is generally modest.

Transparency, however, creates risk for the funds because an early disclosure of a position that we are accumulating or selling would likely harm our ability to maximize value for our investors. For this reason, absent a legal requirement, we are careful to avoid making early disclosures of investment information that could be damaging to the funds.

Investor Relations

With more than [500 (and likely thousands more with PSH)] investors, the demand on my and other members of the Investment Team's time to meet with investors on an ad hoc basis risks taking time away from investment decision making and analysis. At the same time, investors have a right to a high degree of transparency in their investments in the funds.

As always, the Investor Relations team under Tony Asnes's oversight will be available to answer investor questions as they arise on a day-to-day basis. You should expect the IR team to be extremely well informed, and members of the team should be able to answer substantially all of the questions that you have, other than questions that if answered might disadvantage the firm.

I thoroughly enjoy the company of our investors. That is part of the problem. Time management for our small Investment Team is a critical success factor for Pershing Square going forward. We are confident that [our quarterly investor] calls will increase the quality and timeliness of information flow, decrease the time that I and the other members of the Investment Team spend in one-on-one meetings, while allowing the Investment Team to continue our pursuit of our most important long-term goal of delivering high returns while taking a modest risk of a permanent loss of fund capital.

Media

The nature of our investment approach has historically attracted large amounts of media attention which we have used to our advantage in negotiating with companies that are resistant to our ideas. Oftentimes, a public airing of issues is extremely effective in motivating a publicity-shy company to see the light on important shareholder and governance issues.

We have also cooperated with the media occasionally to do our part on behalf of the hedge fund industry in attempting to remove some of the stigma surrounding what hedge funds actually do and who hedge fund managers actually are, and to help mitigate some of the negative attention that our industry, undeservedly for the most part, receives.

We are going to make mistakes. Because we manage a large pool of capital and we make active investments in large capitalization, high-profile companies, our mistakes are often going to be much more visible than those of other investment professionals. The dollar losses are also generally going to be larger. Our mistakes are therefore going to attract a disproportionate amount of media attention. This media attention is a natural outcome of our high profile strategy. Over time, the media has been helpful in our engagements with our portfolio companies, and we expect the firm's visibility to continue to be a sustainable competitive advantage.

Confidence and Humility in Investing

Confidence and conviction without humility can be dangerous in the investment business. When one shares an investment thesis publicly, it can be more difficult to change one's mind because the human mind has a tendency to ignore data that are inconsistent with a firmly held view, and particularly so, when that view is aired publicly. That is likely why Wall Street analysts continued to rate MBIA a buy until it nearly went bankrupt. And, I believe it is why analysts will likely keep their buy ratings until Herbalife is shut down by regulators or the company faces substantial distributor defections [and collapses due to deteriorating fundamentals].

I have learned that the key to long-term success in investing is to balance confidence with the humility to recognize when the facts are no longer consistent with one's original investment thesis. It is critically important not to let psychological factors interfere with economic rationality in investment decision making.

Our willingness to change our mind and exit at a substantial loss on a high-profile investment [i.e., J.C. Penney] should give you comfort that we will make rational investment decisions without regard to emotional, personal or other considerations. This approach will likely serve to mitigate losses in failed investments and is a critical component of our long-term approach.

FOOTNOTES TO 2014 KEY HIGHLIGHTS AND INVESTMENT MANAGER'S REPORT

1 Performance results are presented on a gross and net basis. Net returns include the reinvestment of all dividends, interest, and capital gains and assume an investor has been invested in the relevant Pershing Square fund since inception and 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 historical or assumed performance fee/allocation (if any).

2 The inception date for the Company is December 31, 2012. The Company's performance fee during 2013 and 2014 was 16%. The 16% performance fee will be reduced by 20% of all performance fees/allocations earned by Pershing Square and its affiliates from other existing and certain future private funds, provided that no reduction will occur until certain expenses of the Company that have been advanced by Pershing Square (i.e., underwriting fees and other costs of the placing and admission of Public Shares, commissions paid to placement agents and other formation/offering expenses incurred during the private phase of the Company) plus a yield of 4.25 per cent. per annum (the "Offset Amount"), are recouped by Pershing Square.

3 The S&P 500 ("index") has been selected for purposes of comparing the performance of an investment in 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. © 2014 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. 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 5.

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 The performance fee of the Company would be 10% based on current levels of Company fee paying AUM and total Pershing Square private funds' fee-paying AUM as of February 28, 2015, assuming the Offset Amount (as defined below) is paid in full. References to "Company fee paying AUM" exclude any AUM attributable to management shares and references to "Pershing Square private funds' fee-paying AUM" exclude (i) any AUM attributable to investments in any Pershing Square fund by PSCM, its employees and affiliates and (ii) any AUM attributable to investments in PS V, L.P., PS V International, Ltd. and their affiliates.

The hypothetical cumulative net returns presented herein are calculated based on the application of the historical monthly net returns of PSLP as adjusted to reflect the hypothetical lower performance fee of 10%. This information is presented only for the limited purpose of providing a sample illustration. Furthermore, the information provided herein assumes that each of the relevant Pershing Square funds earns the same rate of return, net of management fee and expenses, but before performance fee/allocation, as PSLP. Actual performance of the other Pershing Square funds has differed in the past and is expected to differ in the future. As a result, actual returns may vary significantly from the hypothetical calculation set forth in this table.

7 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.

8 Please see page 11 for a complete list of companies with respect to which Pershing Square has taken a public active role in seeking to effectuate change.

Directors

Anne Farlow
(Chairman)

Ms Farlow, a Hong Kong resident, acts as 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, acts as 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, acts as 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, acts as 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, acts as 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 and Invista European Real Estate Trust SICAF are listed on the London Stock Exchange. He is also a director of Sandbourne Fund, and The Flight and Partners Recovery Fund Limited which are listed on the Irish and Channel Islands Securities exchanges respectively 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, FRM Customised Diversified Fund Limited, FRM Diversified II Fund SPC, FRM Sigma Fund 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.

Report of the Directors

We are pleased to present the Annual Report and Financial Statements of the Company for the year ended December 31, 2014.

PRINCIPAL ACTIVITY

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

Please refer to Note 11 for further information on the various classes of shares.

INVESTMENT OBJECTIVE

The Company's investment objective is outlined on page 1.

LISTING OF PUBLIC SHARES ON EURONEXT

On October 13, 2014, the Public Shares of the Company were admitted for trading on Euronext Amsterdam after raising an additional $2.73 billion. William A. Ackman, as well as other members and officers of the Investment Manager also invested an aggregate amount of approximately $128.6 million, which represented 5,142,945 Management Shares of the Company. Upon admittance to Euronext Amsterdam, the Company's market capitalization was approximately $6.0 billion (excluding Management Shares and Class B Shares). Please see Note 1 for further details of the IPO.

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).

RESULTS AND NAV

The Company made a profit attributable to equity, non-equity and management shareholders for the year ended December 31, 2014 of $1.12 billion (2013: profit of $210.5 million). The net assets attributable to all shareholders at December 31, 2014 were $6.56 billion (2013: $2.37 billion). For the Company's returns, please see the 2014 Key Highlights and Financial Highlights sections.

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.

As the Public Shares were admitted to trading on Euronext Amsterdam on October 13, 2014, no interim management statement was issued in the last quarter of 2014. The Company's first interim management statement will be released in the second quarter of 2015.

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.

DIVIDEND

The Directors did not recommend the payment of a dividend for the year ended December 31, 2014 (2013: $nil).

RISK MANAGEMENT

The Board regularly reviews the principal risks faced by the Company. Further information is provided in the Audit Committee Report, Note 13 and particularly under "Pershing Square Principles" on the Investment Manager's Report.

DIRECTORS

The present members of the Board, all of whom are non-executive Directors, are as stated on pages 26-27. Mr Battey, Mr Botta and Mr Scott were appointed as Directors of the Company on March 29, 2012 and served throughout the period. Lord Kestenbaum was appointed to the Board on July 29, 2014 and Ms Farlow was appointed to the Board on August 28, 2014 and was appointed as Chairman with effect from October 6, 2014.

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, 2014, 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, 2014 and the date of signing this report.

There are no service contracts in place between the Company and the Directors. From the Company's inception to August 31, 2014, Mr Battey and Mr Scott were each paid a fee at the rate of £30,000 per annum. 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. The Chairman does not regularly review and agree with each Director their training and development needs 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.

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 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 and interim management statements.

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

MATERIAL CONTRACTS

The Company's material contracts are with:

- PSCM which serves as Investment Manager to the Company pursuant to an amended and restated Investment Management Agreement, dated October 1, 2014, which provides that the Investment Manager shall act as investment manager to the Company, and, as such, shall manage the investments of the Company and the risks related thereto; PSCM is entitled to receive a quarterly management fee and an incentive fee from the Company. Further details are provided in Note 15.
- Elysium Fund Management Limited, which serves as Administrator and Morgan Stanley Fund Services (Bermuda) Ltd., which serves as Sub-Administrator pursuant to an Administration and Sub-Administration Agreement, dated April 2, 2012. Under the Administration and Sub-Administration Agreement, 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, pursuant to agreements for prime brokerage services dated April 2, 2012 and August 1, 2014, respectively.

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.

GOING CONCERN

The Company's investment activities, together with factors likely to affect its future development, performance and position are set out in Note 1 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, 2014 of $6,560,373,067;
- The liquidity of the Company's assets (at December 31, 2014, 59.5% 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 8.5% of its total assets at December 31, 2014.

After making reasonable enquiries, and assessing all data relating to the Company's liquidity, particularly its holding of cash and Level 1 investments, the Directors and the Investment Manager believe that the Company is well placed to manage its business risks. Furthermore, the Directors and the Investment Manager have a reasonable expectation that the Company has adequate resources to continue in operational existence 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 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, which has no executive directors and no employees, 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 Board believes that it has an appropriate balance of independence, knowledge, experience and diversity that is relevant to the Company. Any changes to the Board's composition are expected to be managed without undue disruption.

The Board meets regularly throughout the year, at least on a quarterly basis, and maintains regular contact with the Investment Manager and Administrator. 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. 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, 2014:

	Scheduled Quarterly Board Meetings (attended / conducted)	*Ad-hoc Board Meetings (attended / conducted)*	*Audit Committee Meetings (attended / conducted)*
Anne Farlow *(appointed on August 28, 2014)*	0 / 1	1 / 1	1 / 1
Richard Battey	4 / 4	10 / 10	1 / 1
Nicholas Botta	4 / 4	3 / 10	N/A
Jonathan Kestenbaum *(appointed on July 29, 2014)*	1 / 1	0 / 4	0 / 1
William Scott	4 / 4	10 / 10	1 / 1

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

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.

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, 2015	March 24, 2015

Corporate Governance Report

As an entity authorized and regulated by the GFSC, the Company is required to comply with, and does comply with, the applicable sections of 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. 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 AIC Code addresses principles of corporate governance and provides a framework of best practices for investment companies.

The principles and detailed recommendations laid out in the AIC Code have been taken into account by the Board, specifically since the Public Shares of the Company were admitted for trading on Euronext Amsterdam on October 13, 2014. The Board considers that reporting under the principles of the AIC Code provides good information to Shareholders. The manner in which the Board has complied with the various principles of the AIC Code is explained in the Report of the Directors and Report of the Audit Committee.

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. As a result, the Company has no executive directors, employees or internal operations. 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 Board did not undertake an evaluation of its own performance and that of the Audit Committee and individual Directors during the year ended December 31, 2014.
- 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 can be properly considered by the Board as a whole.
- The Board has not yet formalized a policy on tenure, which is not in accordance with the AIC Code, however, all directors will submit themselves to annual re-election by shareholders in accordance with the Articles of the Company. The Board has agreed to keep the matter under review.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 24, 2015

Report of the Audit Committee

An Audit Committee was established upon admission of the Company to trading on Euronext Amsterdam, consisting 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.

Between October 13, 2014 and the end of the financial reporting period, the Audit Committee met once. All of the members of the Audit Committee attended the meeting, with the exception of Lord Kestenbaum. 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 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

As part of the December 31, 2014 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 and discussed 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 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 calculation of incentive fees.

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 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. As the Audit Committee was formed in October 2014, the Audit Committee has not undertaken its annual review at the date of this report. However, 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 Audit Committee has also reviewed the Board's processes for evaluating operational risk. 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.

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 an Audit Committee meeting held on December 10, 2014. The Audit Committee recommended to the Board that it accept the auditors' proposed fee of approximately $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, Ernst & Young LLP acted as reporting accountants on the IPO. Ernst & Young LLP were paid $1.5 million for their services in relation to the IPO. 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 35 and 36. The Annual Report also includes on page 37 a report from the auditors to the directors in accordance with US Generally Accepted Auditing Standards in order to satisfy various US 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, 2015

Report of Independent Auditors

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

We have audited the financial statements of Pershing Square Holdings, Ltd. (the "Company") for the year ended December 31, 2014 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Non-Equity Shareholders, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS).

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Report of the Directors set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at December 31, 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

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

Under the Companies (Guernsey) Law, 2008 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 we require for our audit.

/s/ Michael Bane
Michael Bane
for and on behalf of Ernst & Young LLP
Guernsey
March 24, 2015

Notes:

1. The maintenance and integrity of the Pershing Square Holdings, Ltd.'s web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the accompanying financial statements of Pershing Square Holdings, Ltd. (the "Company"), which comprise the Statement of Financial Position as of December 31, 2014, and the related Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Non-Equity 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 (IFRS). 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. 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, 2014, and the results of its operations, changes in net assets attributable to non-equity 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 US 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. 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, 2015

Statement of Financial Position
(Stated in United States Dollars)

	Notes	2014	2013
Assets			
Cash and cash equivalents	10	$ 565,809,913	$ 389,656,631
Due from brokers		515,560,923	307,795,506
Trade and other receivables	9	4,786,430	3,371,546
Financial assets at fair value through profit or loss			
Investments in securities	6	5,791,187,783	1,911,130,931
Derivative financial instruments	6	289,114,933	345,359,760
Total assets		**$ 7,166,459,982**	**$ 2,957,314,374**
Liabilities			
Due to brokers		$ 68,450,144	$ 81,153,405
Trade and other payables	9	119,212,022	139,209,903
Financial liabilities at fair value through profit or loss			
Securities sold, not yet purchased	6	391,285,125	271,859,619
Derivative financial instruments	6	27,139,624	91,744,432
Liabilities excluding net assets attributable to non-equity and management shareholders		606,086,915	583,967,359
Net assets attributable to non-equity shareholders(1)	11	-	2,313,735,951
Net assets attributable to management shareholders(2)	11	227,226,260	59,611,064
Total liabilities		**833,313,175**	**2,957,314,374**
Equity			
Share capital	11	6,003,372,824	-
Retained earnings		329,773,983	-
Total equity(3)		**6,333,146,807**	**-**
Total liabilities and equity		**$ 7,166,459,982**	**$ 2,957,314,374**
Net assets attributable to Public Shares		$ 6,332,978,890	
Public Shares in issue		240,128,546	
Net assets per Public Share		$ 26.37	
Net assets attributable to Management Shares		$ 227,226,260	
Management Shares in issue		8,500,796	
Net assets per Management Share		$ 26.73	
Net assets attributable to Class B Shares		$ 167,917	
Class B Shares in issue		5,000,000,000	
Net assets per Class B Share		$ 0.00003	

(1) Net assets attributable to non-equity shareholders are comprised of the aggregate net asset values of all Private Shares and VoteCo Shares as of December 31, 2013.
(2) Net assets attributable to management shareholders are comprised of the aggregate net asset values of all non-redeemable Management Shares as of December 31, 2014 and all redeemable Management Shares as of December 31, 2013.
(3) 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, 2014. Under IFRS, non-redeemable Management Shares are classified as financial liabilities rather than equity. See Note 2 on page 48 for further details.

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

Statement of Financial Position (continued)

(Stated in United States Dollars)

These financial statements were approved by the Board of Directors on March 24, 2015, and were signed on its behalf by

/s/ Anne Farlow	/s/ Richard Battey
Anne Farlow	Richard Battey
Chairman of the Board	Director
March 24, 2015	March 24, 2015

Statement of Comprehensive Income

(Stated in United States Dollars)

	Notes	2014	2013
Investment gains and losses			
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	6	$ 1,404,078,369	$ 297,432,247
Net realized gain (loss) on commodity interests		(5,483,254)	(6,695,736)
Net change in unrealized gain (loss) on commodity interests (net of brokerage commissions of (2014: $777,769, 2013: $403,401))		(1,518,012)	(3,332,142)
		1,397,077,103	287,404,369
Income			
Dividend income		20,346,366	29,726,267
Interest income	12	45,448	34,575
		20,391,814	29,760,842
Expense			
Incentive fees	15	(206,545,813)	(38,790,795)
Management fees	15	(52,019,094)	(33,738,961)
Professional fees		(20,944,610)	(8,797,506)
Interest expense	12	(5,845,829)	(10,900,406)
Other expenses		(2,087,341)	(472,486)
Dividend expense		(844,628)	(5,591,905)
		(288,287,315)	(98,292,059)
Profit before tax and amounts attributable to non-equity and management shareholders		**1,129,181,602**	**218,873,152**
Withholding tax (dividends)		(5,728,408)	(8,346,474)
Profit for the year attributable to equity, non-equity and management shareholders(4),(5),(6)		**1,123,453,194**	**210,526,678**
Amounts attributable to non-equity shareholders(4)		754,637,680	203,654,371
Amounts attributable to management shareholders(5)		39,041,531	6,872,307
Profit for the year attributable to equity shareholders(6)		**$ 329,773,983**	**$ -**

Earnings Per Share (Basic & Diluted)

Public Shares(7)	$	5.49
Public Shares (Adjusted)(8)	$	1.37
Class B Shares	$	0.00

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

There is no other comprehensive income for the years ended 2014 and 2013.

(4) 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 and January 1, 2013 to December 31, 2013.

(5) Amounts attributable to management shareholders are comprised of the profits earned by all shareholders of non-redeemable and redeemable Management Shares for the period from January 1, 2014 to December 31, 2014 and January 1, 2013 to December 31, 2013, respectively.

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

(7) EPS is calculated using the profit for the year attributable to equity shareholders divided by the weighted average shares outstanding over the full year of 2014 as required under IFRS. 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.

(8) 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.

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

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

(Stated in United States Dollars)

	Notes	Net Assets Attributable to all Shareholders
As at December 31, 2012		$ 2,190,331,122
Amounts attributable to all shareholders for the year		210,526,678
Issuance of non-equity shares(9)	11	210,714,337
Redemption of non-equity shares(11)	11	(238,225,122)
As at December 31, 2013		**$ 2,373,347,015**

	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(4)		754,637,680
Amounts attributable to management shareholders(5)		39,041,531
Issuance of non-equity shares(9)	11	171,747,500
Issuance of management shares(10)	11	128,573,665
Redemption of non-equity shares(11)	11	(196,116,049)
Conversion out of non-equity and management shares at October 1, 2014(12)	11	(3,127,951,317)
Conversion in of management shares at October 1, 2014(12)	11	83,946,235
As at December 31, 2014		**$ 227,226,260**

(9) Issuance of non-equity shares represents subscriptions for Private Shares for the period from January 1, 2014 to September 30, 2014 and January 1, 2013 to December 31, 2013.

(10) Issuance of management shares represents subscriptions for non-redeemable Management Shares by William A. Ackman, as well as other members and officers of the Investment Manager on October 1, 2014.

(11) Redemption of non-equity shares represents redemptions for Private Shares for the period from January 1, 2014 to June 30, 2014 and January 1, 2013 to December 31, 2013.

(12) 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, 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(12)		3,044,005,082	-	3,044,005,082
Issuance of new share capital(13)	11	2,959,367,742	-	2,959,367,742
Total profit for the year attributable to equity shareholders(6)		-	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 paid 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(3)		**$ 6,003,372,824**	**$ 329,773,983**	**$ 6,333,146,807**

* 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.

(13) 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.

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

Statement of Cash Flows

(Stated in United States Dollars)

	Notes	2014	2013
Cash flows from operating activities			
Profit for the year attributable to equity, non-equity and management shareholders[(4),(5),(6)]		$ 1,123,453,194	$ 210,526,678
Adjustments to reconcile changes in profit for the year to net cash flows:			
(Increase)/decrease in operating assets:			
Due from brokers		(207,765,417)	274,371,914
Trade and other receivables	9	(1,414,884)	(3,279,862)
Investments in securities	6	(3,880,056,852)	(163,767,159)
Derivative financial instruments	6	56,244,827	(295,215,873)
Increase/(decrease) in operating liabilities:			
Due to brokers		(12,703,261)	73,405,746
Trade and other payables	9	79,401,755	25,333,072
Securities sold, not yet purchased	6	119,425,506	109,094,449
Derivative financial instruments	6	(64,604,808)	83,798,814
Net cash (used in)/from operating activities		**(2,788,019,940)**	**314,267,779**
Cash flows from financing activities			
Proceeds from issuance of equity shares[(13)]	11	2,959,367,742	-
Proceeds from issuance of management shares[(10)]	11	128,573,665	-
Proceeds from issuance of non-equity shares	11	161,747,500	220,714,337
Payment on redemption of non-equity shares	11	(285,515,685)	(148,825,485)
Net cash from financing activities		**2,964,173,222**	**71,888,852**
Net change in cash and cash equivalents		176,153,282	386,156,631
Cash and cash equivalents at beginning of year		389,656,631	3,500,000
Cash and cash equivalents at end of year	10	**$ 565,809,913**	**$ 389,656,631**
Supplemental disclosure of cash flow information			
Cash paid during the year for interest		$ 5,739,427	$ 10,343,013
Cash received during the year for interest		$ 38,126	$ 33,141
Cash paid during the year for dividends		$ 844,628	$ 5,591,905
Cash received during the year for dividends		$ 18,601,146	$ 25,698,145
Cash deducted during the year for withholding taxes		$ 5,219,077	$ 7,198,889

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 (the "Placing Date"). 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 and Admission of the Company qualified as a "Qualified Public Offering" 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 the Placing Date, 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. On the Placing Date, William A. Ackman, as well as other members and officers of the Investment Manager (the "Affiliates") 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.

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 PSCM, 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.

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.

Notes to Financial Statements (continued)

1. CORPORATE INFORMATION (continued)

Board of Directors

The Company's Board of Directors is comprised of Nicholas Botta, a partner of the Investment Manager, Anne Farlow, Richard Battey, Jonathan Kestenbaum and William Scott, all of whom are independent non-executive Directors. Effective July 29, 2014 and August 28, 2014, Jonathan Kestenbaum and Anne Farlow, respectively, were appointed to the Board. On October 6, 2014, Anne Farlow was appointed 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 on September 10, 2014. 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 will report regularly and make 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") serve as the 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 designated as 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.

The Company's investment activities, together with factors likely to affect its future development, performance and position, are set out in Note 1 and Note 13 to the financial statements. After making reasonable inquiries and assessing all data relating to the Company's liquidity, particularly its holding of cash and Level 1 investments, 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

(i) Classification

The Company classifies its financial assets and financial liabilities 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)

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

(ii) Recognition

The Company recognizes financial assets held as 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 are recognized in the statement of comprehensive income.

Purchases or sales of financial assets 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 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 derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

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 national securities exchange at the last sale 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 will be valued at the last sale price reported by the exchange on the most recent business day prior to the date of determination. Exchange-traded options, securities traded on an exchange in which there were no transactions on the date of determination (other than because the relevant exchange was not open

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for business on the date of determination), and securities not listed on a national securities exchange, are valued at the average of the most recent "bid" and "ask" prices.

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.

In the years ended 2014 and 2013, investments where no such market prices were available were valued at fair value based upon counterparty and 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 unrealized gains and losses are reflected in the statement of comprehensive income.

Offsetting of Financial Instruments

The standard requires 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, the USD is considered as 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 liabilities at fair value through profit or loss in the statement of comprehensive income.

Amounts Due To and Due From Brokers

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

Cash and Cash Equivalents

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

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Income/Expense

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

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

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

Realized gains and losses on disposals of financial instruments classified at fair value through profit or loss are calculated using the highest cost relief method. 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.

Withholding 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.

Net Assets Attributable to Non-Equity Shareholders and 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, redemptions or conversions, is recognized in the statement of comprehensive income.

Notes to Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

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

Assessment as an investment entity

IFRS 10 requires management to assess whether the Company is an investment entity based on the below criteria. If the Company were an investment entity, the Company's subsidiaries (if any) would be recorded in the Company's financial statements as financial assets at fair value through profit or loss. If the Company were not an investment entity, IFRS 10 would require the Company to consolidate the subsidiary's financial statements with the Company's financial statements. The criteria for the assessment are:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company satisfies all of the above requirements as an investment entity.

The Board has also concluded that the Company meets the additional characteristics of an investment entity in that: it has more than one investment, it has more than one investor, and its investors are not related parties.

Part of the assessment in relation to meeting the business purpose aspects of the IFRS 10 criteria requires consideration of exit strategies. The Company has an exit strategy for all investments. Furthermore, the Directors have determined that the Company's investment plans support its business purpose as an investment entity.

The Board has concluded that the Company meets the definition of an investment entity based on the above criteria. These conclusions will be reassessed on a semi-annual basis in order to determine if there was a change in any of the above criteria or characteristics.

Assessment of Company investment as structured entity

As of December 31, 2014 and December 31, 2013, 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"). 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 is to create significant capital appreciation by investing in the stock of Allergan, Inc. in connection with a potential business combination transaction with Allergan, Inc. as further discussed in Note 17.

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 2014 and 2013. 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.

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.

Notes to Financial Statements (continued)

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

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
IFRS 7	Financial Instruments: Disclosures – *deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures*	January 1, 2015
	Annual Improvement Cycle 2010 – 2012	January 1, 2015
	Annual Improvement Cycle 2011 – 2013	January 1, 2015
	Annual Improvement Cycle 2012 – 2014	January 1, 2016
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2017

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.

Several other new standards and amendments apply for the first time in 2014. However, they do not impact the financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact to the Company.

Notes to Financial Statements (continued)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments do not apply to the Company and have no impact on the financial statements.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units ("CGUs") for which an impairment loss has been recognized or reversed during the period. These amendments do not apply to the Company and have no impact on the financial statements.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation. IFRIC 21 does not apply to the Company and has no impact on the financial statements.

5. SEGMENT INFORMATION

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

Management information for the Company as a whole is provided internally to the Directors for decision-making purposes. The 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 AND LOSS

Financial assets at fair value through profit or loss

	2014	2013
Financial assets at fair value through profit or loss		
Investment in equity securities	$ 5,791,187,783	$ 1,911,130,931
Derivative financial instruments	289,114,933	345,359,760
Financial assets at fair value through profit or loss	**$ 6,080,302,716**	**$ 2,256,490,691**

Financial liabilities at fair value through profit or loss

	2014	2013
Financial liabilities at fair value through profit or loss		
Securities sold, not yet purchased	$ 391,285,125	$ 271,859,619
Derivative financial instruments	27,139,624	91,744,432
Financial liabilities at fair value through profit or loss	**$ 418,424,749**	**$ 363,604,051**

Notes to Financial Statements (continued)

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

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

	2014			2013		
	Realized	Unrealized	Total Gains/(Losses)	Realized	Unrealized	Total Gains/(Losses)
Financial assets						
Designated at fair value through profit or loss	$ 331,650,197	$ 874,589,851	**$1,206,240,048**	$ 55,413,225	$ 419,166,161	**$ 474,579,386**
Financial liabilities						
Designated at fair value through profit or loss	(25,742,443)	146,535,392	**120,792,949**	(145,053,646)	(77,919,192)	**(222,972,838)**
Derivative financial instruments	38,859,476	31,184,630	**70,044,106**	10,006,708	25,791,113	**35,797,821**
Net changes in fair value	$ 344,767,230	$1,052,309,873	**$1,397,077,103**	$ (79,633,713)	$ 367,038,082	**$ 287,404,369**

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 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.

Notes to Financial Statements (continued)

7. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Recurring Fair Value Measurement of Assets and Liabilities

	2014				2013			
	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	$ 366,533	$ -	$ -	$ 366,533	$ 87,324	$ -	$ -	$ 87,324
Financial Services	112,319	-	-	112,319	114,090	-	-	114,090
Food & Beverage	-	-	-	-	302,955	-	-	302,955
Healthcare	645,350	-	-	645,350	-	-	-	-
Industrials/Chemicals	800,121	-	-	800,121	333,173	-	-	333,173
Real Estate Development and Operating	162,331	-	-	162,331	149,486	-	-	149,486
Real Estate Investment Trust	-	-	-	-	99,613	-	-	99,613
Restaurant	549,784	-	-	549,784	187,568	-	-	187,568
Transportation	960,667	-	-	960,667	558,823	-	-	558,823
Preferred Stock:								
Financial Services	3,694	206	-	3,900	7,730	-	-	7,730
Investment in Affiliated Entities	-	2,190,183 ④	-	2,190,183	-	70,369 ④	-	70,369
Derivative Contracts:								
Currency Call/Put Options	-	5,944 ①	-	5,944	-	2,215 ①	-	2,215
Equity Options:								
Consumer Products	42,204	98,371 ①	-	140,575	89,220	170,876 ①	-	260,096
Interest Rate Options	-	-	-	-	-	42 ①	-	42
Warrants:								
Chemicals	-	-	-	-	-	-	3,095 ③	3,095
Financial Services	53,298	-	-	53,298	40,724	-	-	40,724
Real Estate Development and Operating	-	-	57,652 ③	57,652	-	-	30,424 ③	30,424
Total Return Swaps	-	7,824 ②	-	7,824	-	8,249 ②	-	8,249
Foreign Currency Forward Contracts	-	23,822 ①	-	23,822	-	515 ①	-	515
Total	$3,696,301	$ 2,326,350	$ 57,652	$ 6,080,303	$1,970,706	$ 252,266	$ 33,519	$ 2,256,491
Financial Liabilities:								
Equity Securities:								
Common Stock:								
Consumer Products	$ 184,447	$ -	$ -	$ 184,447	$ 239,266	$ -	$ -	$ 239,266
Health Care	206,838	-	-	206,838	-	-	-	-
Technology	-	-	-	-	32,594	-	-	32,594
Derivative Contracts:								
Equity Options:								
Consumer Products	-	16,071 ①	-	16,071	-	90,079 ①	-	90,079
Total Return Swaps	-	10,247 ②	-	10,247	-	-	-	-
Credit Default Swaps	-	822 ①	-	822	-	1,665 ①	-	1,665
Net assets attributable to management and non-equity shareholders	-	-	227,226 ⑤	227,226	-	-	2,373,347 ⑤	2,373,347
Total	$ 391,285	$ 27,140	$ 227,226	$ 645,651	$ 271,860	$ 91,744	$ 2,373,347	$ 2,736,951

① Level 2 securities include OTC currency call/put options, equity options, interest rate options, 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 counterparty prices. The fair values of these securities by the counterparty 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.

Notes to Financial Statements (continued)

7. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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 99.50% and 99.23% of Level 1 securities and 0.50% and 0.77% of other assets and liabilities that are outside the scope of IFRS 13 as of the years ended 2014 and 2013, 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 and non-equity 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 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 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.

Some of the Company's investments in Level 1 securities represent a significant proportion of the market capitalization of the underlying company. The tables in Note 13 give an indication of the liquidity of investments by referencing daily trading volumes. If such investments were sold in their entirety, it might not be possible to sell them at the quoted market price which IFRS requires to be used in determining their fair value. Many factors affect the price that could be realized for large investments. The Investment Manager believes that it is difficult to accurately estimate the potential discount or premium to the quoted market prices that the Company would receive or realize if investments that represent a significant proportion of the Company's portfolio were sold or covered.

Transfers Between Levels

Transfers between levels during the year are determined at the date of transaction.

Level 3 Reconciliation

The following table summarizes the change in the carrying amounts associated with Level 3 investments for the years ended 2014 and 2013. 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, 2012	$	10,927,770
Purchases		3,187,091
Derecognition for exercise of warrants		(186,306)
Total gains and losses in profit or loss		19,590,764
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 unrealized gains and losses for the year included in profit or loss for assets held at December 31, 2013	$	19,590,764
Total unrealized gains and losses for the year included in profit or loss for assets held at December 31, 2014	$	(1,109,529)

All gains and losses from Level 3 securities during the year are recognized in the net gain (loss) on financial assets and 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
Warrants	2014	$	57,652,072	Black-Scholes pricing model	Volatility	41%
Warrants	2013	$	33,519,319	Black-Scholes and Monte-Carlo pricing model	Volatility	22.2%-32%

Notes to Financial Statements (continued)

7. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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	2014	Volatility	+2	$ 261,974
Warrants	2014	Volatility	-2	$ (235,963)
Warrants	2013	Volatility	+2	$ 397,046
Warrants	2013	Volatility	-2	$ (169,630)

*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 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.

Notes to Financial Statements (continued)

8. DERIVATIVE CONTRACTS (continued)

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.

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.

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, 2014 and December 31, 2013, 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.

	2014		2013	
	Fair Value	Notional/Shares	Fair Value	Notional/Shares
Derivatives primarily held for trading purposes				
Assets				
Currency options	$ 5,943,842	$ 3,888,846,000 ±	$ 2,215,090	$ 1,693,979,000 ±
Equity options	140,574,953	9,426,490 #	260,096,518	20,834,341 #
Interest rate options	-		41,677	$ 164,731,124 ±
Warrants	110,950,124	8,258,884 #	74,243,039	7,597,222 #
Total return swaps	7,823,530	31,337,608 #	8,248,539	690,379 #
Total Assets	$ 265,292,449		$344,844,863	
Liabilities				
Equity options	$ 16,071,113	7,733,534 #	$ 90,079,064	6,484,279 #
Total return swaps	10,246,990	7,227,546 #	-	
Credit default swaps	605,608	$ 40,043,000 ±	964,104	$ 40,043,000 ±
Total Liabilities	$ 26,923,711		$ 91,043,168	
Derivatives primarily held for risk management purposes				
Assets				
Foreign currency forward contracts	$ 23,822,484	$ 646,652,900 ±	$ 514,897	$ 335,933,349 ±
Liabilities				
Credit default swaps	$ 215,913	$ 34,638,000 ±	$ 701,264	$ 45,238,000 ±

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

Notes to Financial Statements (continued)

8. DERIVATIVE CONTRACTS (continued)

The table below summarizes gains or losses from the Company's derivative trading activities for December 31, 2014 and December 31, 2013 included in net gain/(loss) on financial assets and liabilities.

Derivatives for Trading Activities	Year Ended 2014 Net Gain/(Loss)	Year Ended 2013 Net Gain/(Loss)
Currency Call/Put Options	$ (6,959,589)	$ (9,230,816)
Equity Options	58,580,114	(6,875,378)
Interest Rate Options	(41,677)	(53,519)
Interest Rate Swaptions	-	(304,967)
Interest CDS Swaptions	-	(588,451)
Warrants	(2,192,329)	25,969,554
Foreign Currency Forward Contracts	40,008,042	18,569,718
Total Return Swaps	(19,231,419)	9,807,069
Credit Default Swaps	(119,036)	(1,645,264)
Investment Grade Index Tranche Swaps	-	149,875
Total Net Gain	$ 70,044,106	$ 35,797,821

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 new disclosures are required for all recognized financial instruments that are offset in accordance with IAS 32 Financial Instruments Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with IAS 32.

The table below displays the amounts by which the fair values of derivative assets and liabilities could be 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, 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	(2) 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)

As of December 31, 2013	(1) Gross Amounts	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Offset Permitted Under ISDA Netting Agreements	(3) Cash Collateral Pledged/(Received)	Net Amount
Derivative Assets	$ 181,381,914	$ -	$ 181,381,914	$ (89,428,003)	$ (85,805,579)	$ 6,148,332
Total	$ 181,381,914	$ -	$ 181,381,914	$ (89,428,003)	$ (85,805,579)	$ 6,148,332
Derivative Liabilities	$ (91,744,432)	$ -	$ (91,744,432)	$ 89,428,003	$ 2,215,743	$ (100,686)
Total	$ (91,744,432)	$ -	$ (91,744,432)	$ 89,428,003	$ 2,215,743	$ (100,686)

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

(2) Excess collateral posted of approximately $90 million is not reflected in the table above.

(3) The Company has also received excess collateral from counterparties of approximately $13 million which is not reflected in the table above. Excess collateral posted of approximately $18 million is not reflected in the table above.

Notes to Financial Statements (continued)

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.

	2014	2013
Trade and other receivables		
Dividend receivable	$ 4,116,426	$ 2,880,537
Receivable from PS V International, Ltd. (see Note 16)	337,015	310,783
Interest and other receivables	332,989	180,226
	$ 4,786,430	$ 3,371,546

	2014	2013
Trade and other payables		
Capital redemptions payable	$ -	$ 89,399,636
Incentive fees payable	62,814,093	37,749,239
Payable to PS Fund 1, LLC (see Note 16)	49,259,207	-
Subscriptions received in advance	-	10,000,000
Interest payable	663,795	557,393
Other payables	6,474,927	1,503,635
	$ 119,212,022	$ 139,209,903

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.

	2014	2013
Cash at banks	$ 147,930	$ 191,353
U.S. Treasury money market fund	565,661,983	389,465,278
	$ 565,809,913	$ 389,656,631

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 2014 and 2013, 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. At the year ended 2013, each series of Private Shares was redesignated and converted to the initial offering series for their respective share class after an accrual or payment to the Investment Manager was made for any applicable incentive fee. Such redesignation or conversion occurred with respect to a series of Private Shares unless, at the end of such fiscal year, no incentive fee was incurred with respect to such series for 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 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.

Notes to Financial Statements (continued)

11. SHARE CAPITAL (continued)

The Investment Manager waived the management fee and/or the applicable 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 September 30, 2014, a crystallization event occurred in connection with the IPO. The crystallized incentive fees totaled $137,753,373. 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.

During the public phase, 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 the Placing Date, 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 of Class B shares.

Effective October 1, 2014, William A. Ackman, as well as other members 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 the Placing Date the total Management Shares outstanding were 8,500,796.

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, contract 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 Share investments, 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 as of the last day of each calendar month.

Notes to Financial Statements (continued)

11. SHARE CAPITAL (continued)

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

Distributions

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

The net asset values per share by series and shares outstanding as of December 31, 2014 and December 31, 2013, are as follows:

Class/Series	Issuance Date	Shares Outstanding December 31, 2014	NAV per Share December 31, 2014	Shares Outstanding December 31, 2013	NAV per Share December 31, 2013
Class Private Shares Series Non-Restricted 1	December 31, 2012	-	$ -	1,676,266.35	$ 1,095.67
Class Private Shares Series Non-Restricted 1A	July 1, 2013	-	$ -	1,441.86	$ 1,031.95
Class Private Shares Series Non-Restricted 2	February 1, 2013	-	$ -	3,700.00	$ 1,056.31
Class Private Shares Series Non-Restricted 3	March 1, 2013	-	$ -	820.00	$ 1,058.15
Class Private Shares Series Non-Restricted 4	April 1, 2013	-	$ -	2,099.83	$ 1,031.77
Class Private Shares Series Non-Restricted 5	May 1, 2013	-	$ -	6,500.00	$ 1,023.44
Class Private Shares Series Non-Restricted 6	June 1, 2013	-	$ -	500.00	$ 1,019.61
Class Private Shares Series Non-Restricted 7	July 1, 2013	-	$ -	130,801.89	$ 1,031.60
Class Private Shares Series Non-Restricted 10	October 1, 2013	-	$ -	5,000.00	$ 1,094.39
Class Private Shares Series Non-Restricted 11	November 1, 2013	-	$ -	3,000.00	$ 1,011.38
Class Private Shares Series Restricted 1	December 31, 2012	-	$ -	223,118.97	$ 1,095.67
Class Private Shares Series Restricted 1A	June 1, 2013	-	$ -	1,900.79	$ 1,095.67
Class Private Shares Series Restricted 1B	July 1, 2013	-	$ -	21,134.68	$ 1,095.67
Class Private Shares Series Restricted 1C	September 1, 2013	-	$ -	721.83	$ 1,097.70
Class Private Shares Series Restricted 5	May 1, 2013	-	$ -	830.00	$ 1,023.44
Class Private Shares Series Restricted 6	June 1, 2013	-	$ -	2,000.00	$ 1,019.61
Class Private Shares Series Restricted 7	July 1, 2013	-	$ -	40,843.75	$ 1,031.60
Class Private Shares Series Restricted 10	October 1, 2013	-	$ -	2,220.00	$ 1,094.39
Class VoteCo Shares	December 31, 2012	-	$ -	100.00	$ 1,130.31
Class Management Shares	December 31, 2012	8,500,796.00	$ 26.73	52,738.76	$ 1,130.31
Public Shares	October 1, 2014	240,128,546.00	$ 26.37	-	$ -
Class B Shares	October 1, 2014	5,000,000,000.00	$ 0.00	-	$ -

The Public Shares, Management Shares and Class B Shares transactions for the year ended December 31, 2014 and Private Shares, Management Shares and VoteCo Shares transactions for the year ended December 31, 2013, were as follows:

	Private Series Non-Restricted	Private Series Restricted	Management Shares	VoteCo Shares
Shares as of December 31, 2012	**1,881,780.36**	**255,712.01**	**52,738.76**	**100.00**
Transfers [(1)]	(22,393.16)	22,503.62	-	-
Subscriptions	162,320.58	48,393.76	-	-
Redemptions	(191,577.85)	(33,839.37)	-	-
Shares as of December 31, 2013	**1,830,129.93**	**292,770.02**	**52,738.76**	**100.00**

	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)

Notes to Financial Statements (continued)

11. SHARE CAPITAL (continued)

Capital Management

The Company's 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.

Refer to the corporate information section (Note 1) along with the Company's Prospectus for the Company's investment objectives.

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	2014	2013
Cash and cash equivalents	$ 334	$ 1,406
Due from brokers on collateral posted	45,114	33,169
	$ 45,448	$ 34,575

Interest Expense	2014	2013
Short market rebate fees	$5,796,858	$10,888,321
Due to brokers on collateral received	46,754	12,085
Cash and cash equivalents	2,217	-
	$5,845,829	$10,900,406

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk Mitigation

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

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

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

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

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 Note 8 in detail.

Notes to Financial Statements (continued)

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

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. 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, 2014 and December 31, 2013 cash and cash equivalents equaled $565,809,913 and $389,656,631, respectively.

Currency Risk

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

The primary purpose of the Company's foreign currency economic hedging activities is to protect against the foreign currency exposure associated with investments denominated in foreign currencies. The Company primarily utilizes forward exchange contracts and currency options to hedge foreign currency denominated investments. Increases or decreases in the fair value of the Company's foreign currency denominated investments are partially offset by gains and losses on the economic hedging instruments.

The following tables show the currencies to which the Company had significant direct exposure at December 31, 2014 and December 31, 2013 on its financial assets and 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 (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
Total	$ 863,798,268		$ 76,821,535

Currency (2013)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$ 222,889,898	+7%	$ 15,602,293
EUR	52,233,859	+7%	3,656,370
GBP	1,589,482	+9%	143,053
Total	$ 276,713,239		$ 19,401,716

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

Equity Price Risk

As explained in the Company's Prospectus, the Company may be highly concentrated, investing 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.

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

Change in Equity Price	% Change in Net Assets Attributable to all Shareholders 2014	2013
+7%	+6%	+7%
-7%	-6%	-6%

Notes to Financial Statements (continued)

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

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).

	2014	2013
North America	100%	98%
Europe	–	2%
Total	100%	100%

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

	2014	2013
Healthcare	48%	–%
Industrials/Chemicals	19%	19%
Transportation	14%	21%
Restaurant	8%	7%
Consumer Products	5%	23%
Real Estate Development and Operating	3%	7%
Financial Services	3%	6%
Food & Beverage	–%	12%
REIT	–%	4%
Technology	–%	1%
Total	100%	100%

Liquidity Risk

The Company's policy and the Investment Manager's approach to managing liquidity are to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressful market conditions. The Company invests primarily in liquid, large capitalization securities which, under normal market conditions, are readily convertible to cash. Less liquidity is tolerated in situations where the risk/reward trade-off is sufficiently attractive to justify the degree of illiquidity. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities (or redeem its shares during the Private Phase) earlier than expected.

During the Private Phase, holders of Private Shares could redeem one-eighth of their capital, upon 65 days' prior written notice, on the last day of each calendar quarter starting from the first full calendar quarter after the issuance of such Private Shares. If a shareholder elected not to redeem one-eighth of its Private Shares in any quarter, then such one-eighth (or the remaining portion in the event of a redemption of less than one-eighth in such quarter) could have been redeemed two years after such quarter. During the Private Phase, holders of Management Shares, except William A. Ackman who committed to maintain his investment for ten years, had the same redemption rights as the Private Shares except that the Investment Manager and/or its affiliates could have redeemed all or a portion of their interests in the Company as of the last day of any quarter in order to satisfy any tax obligations related to their respective interests in the Company.

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

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**

Notes to Financial Statements (continued)

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

The Investment Manager measures the liquidity of portfolio positions by calculating the number of days required to liquidate a position based on 20% of the trailing 90-day average volume.

Prior to December 2014, in calculating a position's liquidity, the Investment Manager also took into consideration "trading windows" with respect to issuers for which partners of the Investment Manager held board seats and any other contractual prohibitions on trading securities of issuers, but did not account for the possible earlier liquidation of certain positions, for example, pursuant to a block trade or via a 10b5-1 plan.

As of December 2014, the Investment Manager measures the liquidity of portfolio positions only by calculating the number of days required to liquidate a position based on 20% of the trailing 90-day average volume, and does not account for any "trading windows" or any other contractual or regulatory prohibitions on trading. In the below tables we have updated the liquidity profile of the Company's financial assets and liabilities as of December 31, 2013 using the new methodology and have also presented the changes to what was previously reported as a result of applying this new methodology.

The following table is updated for December 31, 2013 using our new methodology:

As of December 31, 2013	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	$ 389,656,631	$ -	$ -	$ -	$ -	$ 389,656,631
Due from brokers	307,795,506	-	-	-	-	307,795,506
Trade and other receivables	3,371,546	-	-	-	-	3,371,546
Financial assets at fair value through profit or loss						
Investments in securities	461,358,489	496,729,710	612,039,474	221,579,702	119,423,556	1,911,130,931
Derivative financial instruments	247,733,169	23,678,811	8,543,797	17,087,595	48,316,388	345,359,760
Total assets	**$ 1,409,915,341**	**$ 520,408,521**	**$ 620,583,271**	**$ 238,667,297**	**$ 167,739,944**	**$ 2,957,314,374**
Liabilities						
Due to brokers	$ 81,153,405	$ -	$ -	$ -	$ -	$ 81,153,405
Trade and other payables	139,209,903	-	-	-	-	139,209,903
Financial liabilities at fair value through profit or loss						
Securities sold, not yet purchased	173,719,584	98,140,035	-	-	-	271,859,619
Derivative financial instruments	91,417,855	326,577	-	-	-	91,744,432
Total liabilities excluding net assets attributable to non-equity shareholders	485,500,747	98,466,612	-	-	-	583,967,359
Net assets attributable to non-equity and management shareholders	-	320,033,629	320,102,108	640,204,217	1,093,007,061	2,373,347,015
Total liabilities	**$ 485,500,747**	**$ 418,500,241**	**$ 320,102,108**	**$ 640,204,217**	**$ 1,093,007,061**	**$ 2,957,314,374**

Notes to Financial Statements (continued)

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

The following table shows the net impact by category for the change in methodology:

As of December 31, 2013	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	$ -	$ -	$ -	$ -	$ -	$ -
Trade and other receivables	-	-	-	-	-	-
Due from brokers	-	-	-	-	-	-
Financial assets at fair value through profit or loss						
Investments in securities	27,459,190	(2,039,221)	274,515,258	(201,797,503)	(98,137,724)	-
Derivative financial instruments	(3,865,599)	5,260,471	1,675,898	4,054,365	(7,125,135)	-
Total assets	**$ 23,593,591**	**$ 3,221,250**	**$ 276,191,156**	**$(197,743,138)**	**$ (105,262,859)**	**$ -**
Liabilities						
Due to brokers	$ -	$ -	$ -	$ -	$ -	$ -
Trade and other payables	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss						
Securities sold, not yet purchased	(49,635,941)	49,635,941	-	-	-	-
Derivative financial instruments	(178,233)	178,233	-	-	-	-
Total liabilities excluding net assets attributable to non-equity shareholders	(49,814,174)	49,814,174	-	-	-	-
Net assets attributable to non-equity and management shareholders	-	-	-	-	-	-
Total liabilities	**$ (49,814,174)**	**$49,814,174**	**$ -**	**$ -**	**$ -**	**$ -**

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, perform 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.

After taking into effect the offsetting permitted under IAS 32, the Company views its credit exposure to be $107,826,088 and $24,123,589 at December 31, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, the Company had purchased credit default swap contracts on these counterparties with a total notional value of $34,638,000 and $45,238,000, respectively.

Notes to Financial Statements (continued)

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

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, 2014 and December 31, 2013, 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, due from brokers and financial assets portfolio based on the underlying custodians' and counterparties' credit rating.

	2014	2013
AAA	8%	13%
AA	–	–
A	92%	87%
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 would receive 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 will be calculated based on the PS Entities' weighted average cost in purchasing Zoetis and weighted average sale price in selling Zoetis. In the event that the PS Entities still hold their investment in Zoetis as of December 28, 2015, the weighted average sale price will be 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 which time SHCM will no longer be entitled to any additional profits from the PS Entities. The net profits will reflect all third-party fees, financing costs and expenses incurred by the PS Entities relating to its Zoetis investment. 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.

Other than the above and as disclosed in Note 8 there were no other commitments or contingencies as of the reporting date and December 31, 2013.

15. INVESTMENT MANAGEMENT AND INCENTIVE FEES

Management Fee

During the Private Phase and after the IPO, 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 effective October 1, 2014, 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 October 1, 2014, the Investment Manager agreed to a further reduction of the 16% incentive fee (the "Variable Incentive Fee") to all fee-paying shareholders by way of an additional reduction (the "Additional Reduction"). The Additional Reduction is calculated based on 20% of the aggregate performance allocation and incentive fees earned by the Investment Manager and its affiliates for the gains of all other current and certain future funds managed by the Investment Manager or any of its affiliates.

The Variable Incentive Fee will equal (i) the 16% incentive fee per the Investment Manager agreement minus (ii) the Additional Reduction. 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 Variable Incentive Fee for future periods. In the event that any such carried-forward amount is still available after offsetting any incentive fee crystallized upon the dissolution of the Company or the termination of the Investment Management Agreement, such amount will be forfeited. The Additional Reduction will not begin to reduce the Variable Incentive Fee until the "Offset Amount" (described further in Note 16) is fully reduced to zero.

Notes to Financial Statements (continued)

15. INVESTMENT MANAGEMENT AND INCENTIVE FEES (continued)

During the Private Phase, the Investment Manager, in its sole discretion, waived the management fee and/or 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.

For the year ended December 31, 2014, the Investment Manager earned $52,019,094 of management fees and $206,545,813 of incentive fees. For the year ended December 31, 2013, the Investment Manager earned $33,738,961 of management fees and $38,790,795 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 bore 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 (the "Placing Fees"). Under the Investment Management Agreement, the Investment Manager is entitled to recoup an amount over time that is equal to the aggregate Placing Fees and includes a yield of 4.25% per annum (the "Offset Amount"). The Offset Amount will be received by the Investment Manager by way of the Additional Reduction. Once the Offset Amount has been reduced to zero, the Variable Incentive Fee will take effect for shareholders, as described in Note 15.

As of December 31, 2014, the outstanding Offset Amount to be paid to the Investment Manager was approximately $102.1 million. This amount includes $120 million of Placing Fees, the Additional Reduction for the year ended 2014 of approximately $19.2 million and accrued interest of approximately $1.3 million.

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 net asset values. Rebalancing transactions involve either the Company purchasing securities or other financial instruments held by one or more affiliated entities or selling securities or other financial instruments to one or more affiliated entities. These transactions will be 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, 2014 and December 31, 2013, the Company had an investment in PS V. At December 31, 2014 and December 31, 2013, the Company had a capital balance of $90,621,451 and $70,368,897, respectively, in PS V representing an ownership in PS V of 12.50% and 12.34%, respectively, which are included in investments in securities in the statement of financial position and classified as Level 2 securities in the fair value hierarchy in Note 7.

At December 31, 2014 and December 31, 2013, PS V distributed capital of $337,015 and $310,783, respectively, to the Company and such distributions are recorded in the statement of financial position as 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 Level 2 securities in the fair value hierarchy in Note 7.

Notes to Financial Statements (continued)

16. RELATED PARTY DISCLOSURES (continued)

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, 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. At December 31, 2013, the Company and its affiliates had beneficial ownership in excess of 10% of the outstanding common equity securities of Beam Inc., Burger King Worldwide, Inc., Platform Specialty Products Corporation 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 member of the Investment Manager, is also a director of Canadian Pacific Railway Ltd. Ryan Israel, a member of the Investment Manager is a board member of Platform Specialty Products Corporation.

For the year ended December 31, 2014, the independent Directors' fees in relation to their services for the Company were $179,612 of which none were payable as of December 31, 2014. For the year ended December 31, 2013, the Directors' fees in relation to their services for the Company were $93,579 of which $24,242 were payable as of December 31, 2013.

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 will receive $129.22 in cash and 0.3683 shares of Actavis for each share of Allergan. Valeant withdrew its exchange offer to acquire all of the outstanding shares of Allergan and will not continue to seek a merger or other business combination with Allergan. PSCM has decided to support the merger between Allergan and Actavis. The transaction closed on March 17, 2015.

Notes to Financial Statements (continued)

17. PS FUND 1, LLC (continued)

Based on the Letter Agreement, the Third Party Transaction triggered a clause that entitled Valeant to an amount equal to 15% of the net transaction profits (the "Net Transaction Profits") in respect of Allergan securities other than Valeant's $75.9 million contribution. The Net Transaction Profits consist of the net profits after deducting any third party expenses for commissions and fees and expenses from financing and derivatives, without deducting any legal, investment banking or other advisory fees incurred by the PS Entities.

On November 20, 2014, PSCM and Valeant agreed, in an amended letter agreement, that the original Letter Agreement had terminated and agreed that the Net Transaction Profits would be calculated using the Allergan closing stock price on November 17, 2014 (the "Amended Letter Agreement"). The 15% of Net Transaction Profits owed to Valeant totaled $344,160,930 representing 1,645,129 shares of Allergan (inclusive of dividends in respect of the shares), and the shares were allocated to Valeant's capital account in PSF1. Based on the Amended Letter Agreement, upon this allocation Valeant was no longer a member of PSF1 and instructed PSCM to sell Valeant's total Allergan shares on its behalf. As of December 31, 2014, the PS Entities are the sole members of PSF1.

18. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit 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. 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. EVENTS AFTER THE REPORTING PERIOD

Effective February 3, 2015, William F. Doyle, a member of PSCM's investment team was appointed as a board member of Zoetis Inc.

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.

U.S. GAAP Disclosures

(Stated in United States Dollars)

CONDENSED SCHEDULE OF INVESTMENTS

Shares	Description/Name	Fair Value	Percentage of Net Assets Attributable to all Shareholders[(1)]
	Investments in Securities		
	Equity Securities		
	Common Stock		
	Canada:		
	Restaurant:		
13,946,447	Restaurant Brands International Inc.	$ 544,469,291	8.30%
140,873	Restaurant Brands International Limited Partnership	5,315,093	0.08
	Transportation:		
4,985,556	Canadian Pacific Railway Limited	960,666,786	14.64
	Total Canada (cost $1,213,793,306)	1,510,451,170	23.02
	United States:		
	Chemicals:		
15,785,226	Platform Specialty Products Corporation	366,532,948	5.59
	Financial Services	112,319,097	1.71
	Healthcare:		
14,997,676	Zoetis Inc.	645,349,998	9.84
	Industrials/Chemicals:		
5,547,537	Air Products and Chemicals, Inc.	800,121,262	12.20
	Real Estate Development and Operating	162,331,296	2.47
	Total United States (cost $1,681,955,596)	2,086,654,601	31.81
	Total Common Stock (cost $2,895,748,902)	3,597,105,771	54.83
	Preferred Stock		
	United States:		
	Financial Services	3,899,346	0.06
	Total United States (cost $7,228,425)	3,899,346	0.06
	Total Preferred Stock (cost $7,228,425)	3,899,346	0.06
	Total Equity Securities (cost $2,902,977,327)	3,601,005,117	54.89
	Investments in Affiliated Entities		
	United States:		
	PS Fund 1, LLC:		
9,793,412	Allergan, Inc., Common Stock Purchased	2,081,981,457	31.74
968,403	Actavis plc, Common Stock Sold Short	(249,276,616)	(3.80)
	Other assets and liabilities	266,856,374	4.07
	PS V International, Ltd.:		
625,179	Air Products and Chemicals, Inc., Common Stock	90,169,550	1.37
	Other assets and liabilities	451,901	0.01
	Total United States (cost $1,594,453,530)	2,190,182,666	33.39
	Total Investments in Affiliated Entities (cost $1,594,453,530)	2,190,182,666	33.39
	Total Investments in Securities (cost $4,497,430,857)	$ 5,791,187,783	88.28%

(1) Net assets attributable to all shareholders are comprised of the equity balances of the Public Shares and Class B Shares as well as net assets attributable to Management Shares. As of December 31, 2014 the net assets attributable to all shareholders was $6,560,373,067.

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	$ 184,447,439	2.81%
	Total Cayman Islands (proceeds $247,135,864)	184,447,439	2.81
	Europe:		
	Healthcare:		
803,534	Actavis plc	206,837,686	3.15
	Total Europe (proceeds $212,765,461)	206,837,686	3.15
	Total Common Stock (proceeds $459,901,325)	391,285,125	5.96
	Total Securities Sold, Not Yet Purchased (proceeds $459,901,325)	$ 391,285,125	5.96%
	Derivative Contracts		
	Credit Default Swap Contracts, buy protection		
	Asia:		
	Sovereign Debt	$ (605,608)	(0.01)%
	Total Asia (proceeds $668,164)	(605,608)	(0.01)
	Europe:		
	Financial Services	(215,913)	-
	Total Europe (proceeds $741,860)	(215,913)	-
	Total Credit Default Swap Contracts, buy protection (proceeds $1,410,024)	(821,521)	(0.01)
	Currency Call/Put Options Purchased		
	Various Currency Call Options, U.S. Dollar Put Options	5,943,842	0.09
	Total Currency Call/Put Options (cost $10,793,999)	5,943,842	0.09
	Equity Options Purchased		
	Cayman Islands:		
	Consumer Products	140,574,953	2.14
	Total Cayman Islands (cost $133,248,579)	140,574,953	2.14
	Total Equity Options Purchased (cost $133,248,579)	140,574,953	2.14
	Equity Options Written		
	Cayman Islands:		
	Consumer Products	(16,071,113)	(0.24)
	Total Cayman Islands (proceeds $24,986,189)	(16,071,113)	(0.24)
	Total Equity Options Written (proceeds $24,986,189)	(16,071,113)	(0.24)
	Foreign Currency Forward Contracts		
	Buy U.S. Dollar, Sell Canadian Dollar	23,822,484	0.36
	Total Foreign Currency Forward Contracts	23,822,484	0.36

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		
	Total Return Swap Contracts, long exposure		
	United States:		
	Financial Services	$ (981,281)	(0.01)%
	Healthcare:		
354,939	Zoetis Inc.	976,337	0.01
	Real Estate Development and Operating	(2,418,516)	(0.04)
	Total United States	(2,423,460)	(0.04)
	Total Return Swap Contracts, long exposure	(2,423,460)	(0.04)
	Warrants		
	United States:		
	Financial Services	53,298,052	0.81
	Real Estate Development and Operating	57,652,072	0.88
	Total United States (cost $87,395,460)	110,950,124	1.69
	Total Warrants (cost $87,395,460)	110,950,124	1.69
	Total Derivative Contracts (net cost $205,041,825)	$ 261,975,309	3.99%

U.S. GAAP Disclosures (continued)

FINANCIAL HIGHLIGHTS

	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 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 16) 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.

   The total amount of leverage employed by the Company as of December 31, 2014 calculated in accordance with both the gross and the commitment methods is as follows:

Gross method:	$8,903,947,013
Commitment method:	$9,990,104,279

   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 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, US Treasury securities and/or other liquid securities ("Collateral") as initial margin and as variation margin. Collateral that is variation margin will be transferred to the Third Party while Collateral that is initial margin 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 by an unaffiliated custodian may not be used, reused, lent, borrowed, hypothecated or re-hypothecated.

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

Certain Regulatory Disclosures (continued)

4. With respect to the liquidity management procedures of the Company, on October 1, 2014, the Company converted into a closed-ended investment fund. On October 13, 2014, the Public Shares of the Company were 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.

	Fixed Remuneration	Variable Remuneration	Total	Number of Beneficiaries
Total remuneration paid to the entire staff of Pershing Square Capital Management, L.P. ("PSCM")	$ 305,525,505	$ 33,828,000	$ 339,353,505	74
Total remuneration of those staff of PSCM who are fully or partly involved in the activities of the Company	$ 298,200,371	$ 30,403,000	$ 328,603,371	41
The proportion of the total remuneration of the staff of PSCM attributable to the Company	97.60%	89.88%	96.83%	41 out of 74
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	$ 271,941,926	$ 27,450,000	$ 299,391,926	16

6. Morgan Stanley Fund Services (Bermuda) Ltd. was previously appointed by the Company to provide certain services that related to the duties of a depositary pursuant to Directive 2011/61/EU of the European Parliament and the Council of the European Union on alternative investment fund managers (the "AIFM Directive"). Such appointment was required to enable the Company to be marketed in Denmark and Germany. The Company is no longer marketed in these jurisdictions and the services provided by Morgan Stanley Fund Services (Bermuda) Ltd. are no longer required; as such, the appointment has been terminated. Safekeeping and custodial services may be provided by the Company's prime brokers and custodian(s) where applicable.

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, 2014 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