



PERSHING SQUARE CAPITAL MANAGEMENT, L.P.

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May 11, 2016

Dear Shareholder:

Performance of Pershing Square Holdings, Ltd. is set forth below¹:

	1st Quarter 2016	April 2016	Year to Date 2016 1/1/2016 - 04/30/2016	Since Inception 12/31/12 - 04/30/2016
<u>Pershing Square Holdings, Ltd.</u>				
Gross Return	-25.2%	10.3%	-17.5%	13.2%
Net of All Fees	-25.6%	10.2%	-18.0%	0.2%
<u>Indexes (including dividend reinvestment)</u>				
S&P 500 Index	1.3%	0.4%	1.7%	55.2%
Russell 1000 Index	1.2%	0.5%	1.7%	54.7%
Dow Jones Industrial Average	2.2%	0.6%	2.8%	47.0%

First Quarter Performance Attribution

Investments that contributed or detracted at least 50 basis points to gross performance are outlined below¹:

Contributors	PSH
Air Products	1.4%
All other Positions	0.3%
Total	1.7%

Detractors	PSH
Valeant	-16.2%
Mondelez	-3.5%
Herbalife	-1.4%
Platform Specialty Products	-1.4%
Zoetis	-1.2%
Currency Options	-1.1%
Nomad Foods	-0.7%
Howard Hughes Corp	-0.6%
All other Positions	-0.8%
Total	-26.9%

¹ Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. Each position contributing or detracting at least 50 basis points when rounded to the nearest tenth is shown separately. Positions with smaller contributions are aggregated. Please see the additional disclaimers and notes to performance at the end of this letter.

Portfolio Update

Valeant (VRX)

We have made material progress at Valeant since our last communication. Shortly after Steve Fraidin and I joined the board in March, the company launched a search process for a new CEO. On May 2nd, Joe Papa, formerly the Chairman and CEO of Perrigo (NYSE: PRGO), joined Valeant as its Chairman and CEO. We believe that Joe is an ideal choice for Valeant as he has extensive senior leadership experience in all aspects of the pharmaceutical industry, a strong reputation for integrity, and an excellent track record at Perrigo as reflected by the company's 24% compounded annual return to shareholders during his tenure. Joe is passionate about the opportunity for value creation at Valeant, and we are excited to have him on board.

Valeant filed its 10-K as expected on April 29th, eliminating any potential default under its existing credit agreements. Other than the previously reported \$58 million revenue restatement from Q4 2014, there were no other restatements required in the company's audited statements. As this was likely one of the most carefully audited financial statements ever, this should serve to comfort investors as to the integrity of the company's financial statements.

Valeant will have a largely new board slate for the upcoming annual meeting in June. Two of the company's legacy directors will remain on the board – Bob Power and Bob Ingram, the company's former Chairman. Over the past six weeks, the current board led by Bob Ingram has worked very effectively despite difficult circumstances. We are extremely appreciative of the board's hard work and commitment to the company, and for the two Bobs' willingness to continue to serve going forward.

The new board of Valeant will be comprised of CEO Joe Papa, Bob Ingram and Bob Power, the four directors who joined in March – Tom Ross, Fred Eshelman, Steve Fraidin and myself – Rob Hale, a representative of ValueAct, and three new directors who will join at the annual meeting. The new board will have ample shareholder representation, substantial executive level pharmaceutical industry expertise, and accounting expertise, as well as a practicing dermatologist.

There is much work to do at Valeant, which, among other issues, includes restoring the dermatology business to growth while working out transition issues with its new Walgreens distribution arrangement, accelerating the growth of Salix, Valeant's gastrointestinal business, and reducing the company's debt through free cash flow generation and the potential sale of non-core assets. We believe that Valeant has some of the best and most durable assets in the pharmaceutical industry, which do not require aggressive pricing in order to generate growth and substantial free cash flow. It will take time for Valeant to regain its stakeholders' trust. We believe that this will occur over time as the company delivers several new quarters of results and continues to fulfill its commitments to shareholders, patients, doctors, and the community at large. Over time under Joe's leadership, we expect the market to re-rate Valeant to a substantially higher valuation reflective of its underlying business.

Air Products and Chemicals, Inc. (APD)

APD delivered its seventh consecutive quarter of double-digit earnings-per-share (“EPS”) growth under the leadership of CEO Seifi Ghasemi, despite continued foreign exchange (“FX”) and other headwinds. In the first quarter of 2016 (APD’s fiscal 2Q), the company grew EPS by 17%, exceeding consensus estimates by a modest amount. Results were driven by a significant improvement in margins which increased 500 basis points (“bps”) during the quarter to 23.4%. Now halfway through its fiscal year, the company also increased annual EPS guidance modestly to \$7.40 to \$7.55 or 12% to 14% growth for Fiscal Year 2016.

While the margin improvement was impressive, the company’s volume trends reflected the current economic environment and muted global growth. Sales were \$2.3 billion, down 6%, due to decreased energy pass-through (-3%) and FX headwinds (-3%). Underlying growth was flat, on flat volume and pricing. In North America and Europe, APD continued to grow price 1% to 2%, a level it has achieved since Seifi joined. APD can control pricing more than volume, so we view this as a positive sign that the company should be able to sustain modest price growth if and when global growth and volume returns.

Versum, APD’s Materials Technologies business, reported modestly increased profits. It produced a 6% decline in organic revenue due to lower equipment sales in electronics (which are often lumpy) and weak macro trends. Despite lower sales, margins increased 290 bps to 26.2% and EBIT was up 4%. This weak revenue growth and strong margin performance were consistent with recent trends.

APD’s consolidated operating income was up 20% as operating margins increased 500 bps to 23.4%. Of this increase, 460 bps reflected organic improvements while 40 bps was from lower energy pass-through to customers, (which inflates margins with no profit impact). Margins increased across all regions and businesses. Excluding Versum, industrial gas margins were ~22.7%, still ~200 bps behind Praxair’s industrial gas margins. The company intends to close this gap through a further \$225 million of operating efficiencies in 2017 to 2019. Seifi stated that he is pleased with the company’s progress on capturing operating efficiencies.

The company lowered full-year capex guidance from \$1.3 to \$1.2 billion, due to the lower cost of specific projects in the budget. The company brought on-stream a large-scale hydrogen facility in Edmonton, Alberta, which is connected to a regional pipeline and further expands APD’s hydrogen presence in this region. APD spent \$400 million on this facility which should produce ~\$0.10 to 0.15 cents of earnings per share based on the Company’s guidance for returns on capital expenditures. Growth capex will continue to be an important driver of earnings growth. As the company takes a more disciplined approach to capex, which is expected to be at lower levels than under previous management, we expect returns on capital to increase, generating more capital for share repurchases and dividends.

On May 6th, APD announced that it had signed a definitive agreement to sell the Performance Materials Division (PMD) of its Materials Technologies segment to Evonik Industries AG, a world leader in specialty chemicals and materials, for \$3.8 billion. APD had previously announced that it would spin off PMD with its Electronics Material Division (“EMD”) later this year. We view the sale favorably because by selling the business, APD generates cash proceeds

that can be used for investment in the business or shareholder return, while eliminating market risk from the financing required for a spinoff transaction. The company will incur substantial taxes on the sale, but, in light of the high purchase price, reflecting its value to a strategic buyer, the net proceeds are likely to generate more value than could be achieved in a spinoff. APD intends to proceed with the spinoff or sale of the EMD later this year, subject to market conditions.

Canadian Pacific Railway Limited (CP)

On April 20th, CP reported that first quarter revenue had declined 5%, as a result of the tepid macro-economic environment. On the earnings call, CP President Keith Creel highlighted that volumes will likely be down 6% for Q2, but that trends should improve in the second half of the year as comps get easier. Management expressed its view that Q2 will be the bottom for volumes and that the Canadian economy appears to be stabilizing.

Despite muted growth, CP's operational transformation continues, as the company announced that it had achieved a record Operating Ratio ("OR") of 58.9%. This result was a 430 bps improvement over last year, largely due to reduced headcount which was down 13% year-over-year. The winter quarters typically have higher ORs, given the lower volume levels and more challenging operating conditions caused by weather, making this record OR feat all the more impressive.

In the quarter, EPS increased 11%. The company maintained its guidance for double-digit EPS growth in 2016. It also announced a 40% increase in its dividend (to CAD\$2 annually) and authorized the repurchase of an additional 5% of its shares outstanding.

In November 2015, CP proposed a merger with Norfolk Southern (NS) that would have created meaningful value for both CP and NS shareholders while improving the North American rail network and enhancing service to customers. Despite the strategic and economic logic for this transaction, it was met with strong opposition from competitors, legislators and industry lobbyists. In light of this opposition, on April 11th, the company announced that it had terminated its efforts to merge with NS.

On April 22nd, the Pershing Square funds collectively sold 4.1 million shares of CP, or approximately 30% of our position, as the price increased substantially in recent weeks and became a disproportionately large percentage of the portfolio. We continue to have tremendous confidence in CP's management and prospects, but have sold shares for portfolio management reasons.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

Fannie's and Freddie's underlying earnings continued to progress modestly in the core mortgage guarantee business as the guarantee fee rate increased and credit costs declined. In addition, the non-core investment portfolio continued to shrink, resulting in a less risky and more capital-light business model. While underlying earnings improved, reported earnings remained volatile due to non-cash, accounting-based derivative losses in the non-core investment portfolio. As a result

of the derivative losses and the Net Worth Sweep, the companies are at risk of requiring a capital draw from Treasury to maintain a positive net worth. As a result, there recently have been a number of proposals from policymakers, trade groups, and industry analysts that seek to have the GSEs retain capital so they are capitalized on a standalone basis.

In the *Perry* case in the D.C. Court of Appeals, new evidence came to light that shows Treasury entered into the Net Worth Sweep immediately after learning from Fannie Mae's CFO that the company expected to soon realize ~\$50 billion of profits from reversing a deferred tax allowance and expected to become sustainably profitable over time. We believe this new evidence further bolsters the *Perry* and *Fairholme* cases and our contention that the Net Worth Sweep is illegal.

Herbalife Ltd. (HLF) Short

On May 5th, Herbalife reported improved financial performance for the first quarter of the year and updated their regulatory disclosures as follows:

“The Company is currently in discussions with the FTC regarding a potential resolution of these matters. The possible range of outcomes include the filing by the FTC of a contested civil complaint and further discussions leading to a settlement which would likely include a monetary payment and injunctive and other relief. The Company is cooperating with the investigation and at this time it is difficult to predict the timing, and the likely outcome, of these matters. The discussions with the FTC are in the advanced stages, but there are still a number of material open issues that could preclude reaching final agreement. If discussions with the FTC do not continue to progress, it is likely that litigation would ensue. Although we are confident in our legal position, litigation outcomes by their very nature are difficult to predict and there can be no assurance of a particular outcome.”

“The outcome of these matters with the FTC, whether by mutual resolution or through litigation, could have a material adverse impact on the Company's business operations, its results of operations or its financial condition. The Company believes it is reasonably possible that it may have incurred a loss. At the present time, the Company's best estimate of the payment amount that would be made by the Company under a mutual resolution with the FTC is \$200 million. The Company has not accrued any amounts with respect to any potential monetary payments relating to this matter. If a resolution is not attained and litigation ensues, the Company is unable to estimate a range of potential loss, if any, relating to these matters.”

The company's language provides greater specificity and introduces a narrower range of outcomes versus the company's 10-K, filed on February 25th, which stated:

“The possible range of outcomes include the filing by the FTC of a contested

civil complaint, further discussions leading to a settlement which could include a monetary payment and other relief or the closure of these matters without action.”

It is notable that the company removed the “closure of these matters without action” language from the recent 10-Q.

Investors reacted favorably to the company’s disclosure apparently focusing on the modest size of Herbalife’s estimate of the monetary portion of the settlement, less than two quarters of earnings, suggestive of an overall settlement that would be no more than a “slap on the wrist.” While a \$200 million settlement would be one of the highest ever in an FTC consumer protection action, it would be immaterial to Herbalife. Investors, however, appear to ignore the fact that the company may not be able to settle with the FTC, and instead, will be sued by the FTC for being a pyramid scheme, or, alternatively, that a settlement’s “injunctive and other relief” may materially impair HLF’s future profitability and growth potential.

Recently, the FTC obtained significant injunctive and other relief in its *Vemma* pyramid scheme litigation, which, we believe, if applied to Herbalife would significantly harm the company’s ability to operate profitably. We expect the FTC to demand similar safeguards and restrictions for Herbalife as it has required in the *Vemma* case.

On the evening of May 6th, shortly after HLF’s press statement about a possible resolution with the FTC and the stock price’s substantial increase, Justin Cole, the FTC’s Director of the Office of Public Affairs, provided an on-the-record statement to the media:

“Injunctive relief can be just as significant as the money obtained for consumers and even more influential on a company’s future operations.”

We believe it is very unusual for the FTC to respond to a public company’s characterization of settlement negotiations. The FTC’s reaction may signal its concern that Herbalife or investors are minimizing the significance of potential injunctive relief. The key question is what “injunctive and other relief” may be. We expect that the relief imposed by the FTC will require modifications to HLF’s business practices which will be materially adverse to HLF.

The company reported net sales of \$1.12 billion for the quarter, up ~1% year-over-year (after the impact of FX), off a relatively easy comp, beating management’s and analysts’ guidance by 6% and 4%, respectively. A combination of better-than-expected volume growth and a less severe FX environment contributed to this result. China (+39%) and EMEA (+17%) continue to be the strongest regions. Notably, North America (+9%) posted its best quarter since Q1’2014. Driven by higher-than-expected volume and net sales, Net Income grew ~7% year-over-year (“YoY”) and adjusted EPS was up ~5%.

From a cash flow perspective, results were less favorable, as operating cash flow and free cash flow declined ~12% and ~20% YoY, respectively. Total cash on HLF’s balance sheet decreased 13% to \$774 million after the company paid down \$230 million of debt in the quarter as required

under the May 2015 credit facility amendment. The company has an additional \$410 million of debt due in March of 2017.

Gross member adds were ~515K, down ~2% YoY, with the Asia Pacific and South & Central America regions showing particularly negative new members statistics (down ~15% and ~26% YoY, respectively). While North America reversed recent trends and reported unusually strong new member numbers (+32% YoY), total members remain constant at 4.0 million.

We continue to believe that HLF's share price assigns little to no downside for a material adverse regulatory outcome, nor is it justified by a business of HLF's poor quality. As a result, we believe that HLF currently represents an extremely attractive risk-reward for short sellers.

The Howard Hughes Corporation (HHC)

In his annual shareholder letter, CEO David Weinreb provided detailed financial results and the company's plans for the development of its assets in the future. David's highly detailed summary of the company's business is part of its more recent efforts to assist investors in understanding the company's underlying value. We believe that HHC trades at a discount to the value of its assets and that increased transparency will enable investors to more appropriately value the company.

On March 16th, HHC closed the sale of 80 South Street for \$390 million, a development site adjoining the South Street Seaport that the company had assembled over the past two years, generating a pre-tax gain of over \$140 million. HHC chose to sell the site to devote its development resources and capital to the South Street Seaport and other projects. The new owner of 80 South Street, China Oceanwide Holdings, intends to build a world-class, high-end residential development which reflects the dramatic improvement in perception of the Seaport neighborhood.

The company also announced a Seaport partnership with Chef David Chang (well-known for Momofuku Ko and related restaurants) to open a restaurant at Pier 17. This is in addition to the Jean-Georges Fulton Fish Market, adding to the company's unique food offerings. The company is in discussions with a number of iconic potential tenants which would be opening their first U.S. stores at the Seaport.

In its first quarter earnings release, HHC increased its projected annual stabilized NOI estimate (excluding the South Street Seaport) to \$215 million from \$203 million at year-end. Land sales in its Master Planned Communities ("MPC") segment increased 32% driven by a \$40 million bulk residential sale to a homebuilder in Summerlin, NV and two commercial sales to medical entities. Overall, Summerlin demand remains strong while the Houston MPCs (Woodlands and Bridgeland) exhibited some weakness due to the decline in oil prices. In March 2016, HHC opened the Westin at The Woodlands, a 302-unit hotel which it owns and manages.

At the Ward Village in Honolulu, construction of the Waiea and Anaha condo towers continued in-line with the plan. Currently, 86% and 81% of the total square feet available for sale are under contract, respectively. The 174-unit Waiea condo is expected to be completed by year-

end, at which point HHC will begin to generate a significant amount of cash flow from condo closings. Anaha, a 317-unit project, is expected to be completed by the summer of 2017. In February 2016, HHC began construction of Ae'o, the third of four mixed-use residential towers planned for the first phase of the Ward Village development. Whole Foods has pre-leased a substantial portion of the retail space at the base of this tower, which is scheduled for completion in 2018. The fourth condo tower, the 424-unit Ke Kilohana, sold 90% of its units in five days (in April 2016). Ke Kilohana is a workforce residential tower with 375 of its units designated for local residents.

Mondelez International (MDLZ)

We continue to believe that the opportunity for productivity improvement and margin expansion at Mondelez is significant. In February, the company announced a 2018 operating margin target of 17% to 18%. This target reflects some of the steps the company has taken over the last several years to improve its supply chain, reduce portfolio complexity, and rationalize overhead while increasing advertising and promotion. While we believe that the business is capable of higher margins, if Mondelez were to only achieve management's target, the business would be worth significantly more than its current public market valuation.

On April 27th, Mondelez reported first quarter 2016 results. Underlying organic growth continued its sequential acceleration, increasing about 3% in the quarter with volume up slightly. This was the best quarter for volume in two years, with growth in developed markets and in emerging markets excluding Brazil and Russia, both of which are in recession. Global growth for the snacks categories in which Mondelez participates remains healthy despite short-term demand weakness in some emerging economies. Management was confident about continued volume growth for the full year, citing the returns on their incremental brand investments and the closing of price gaps with competitors. Operating margins expanded by nearly 300 bps to just under 16% driven primarily by gross margin productivity including a substantial contribution from improvements in Mondelez's manufacturing base.

On March 16th, we completed a block sale of 20 million shares of MDLZ. We now own a 5.7% stake in the company and are the third largest owner. We reduced our stake for portfolio management reasons, as it had become an outsized position, in light of its initially large size and its outperformance relative to other holdings. Mondelez remains our largest investment.

Nomad Foods (NOMD)

Nomad's acquisitions of Iglo and Findus created the leading branded frozen foods business in Europe, ~2.7 times the next largest competitor. It is the market leader in the UK, Italy, Germany, France, Spain, and Sweden. The business is stable, high-margin, and cash-flow generative with low capex requirements and modest cash taxes. Nomad purchased both assets for a total of €3.3 billion or ~8 times EBITDA post-synergies. In 2015, pro forma revenue was €2.1 billion, with €345million EBITDA and €0.95 EPS (\$1.06), excluding synergies which are currently estimated at €43 to €48 million.

Recent performance has shown weak top-line trends, with like-for-like sales down 5% for 2015, the result of Iglo's historic strategy which was to disproportionately invest behind new frozen food categories, at the expense of core offerings, in the hope of driving incremental growth. Recently, Nomad has shifted its focus back to its core offerings. This shift will take some time to impact the Company's financial performance, but ultimately we believe it will result in renewed growth.

In the near term, the company's focus is on stabilizing its business, integrating the Findus acquisition, and delivering on its synergy targets. Over the longer-term, Nomad will likely continue to be a consolidator within the global packaged food sector.

Platform Specialty Products Corporation (PAH)

Platform reported modestly improved underlying earnings due to strong cost synergies from its recent acquisitions, which were offset by weakness in several key end markets and an increase in corporate costs. Reported earnings were lower than the prior year due to significant headwinds from FX. Still, earnings beat expectations leading to a substantial increase in PAH's stock price.

Platform's organic revenue declined 1% as Ag Solutions was flat and Performance Solutions was down 2%. Ag Solutions achieved solid growth in Europe and Latin America, which was offset by market weakness in North America. Performance Solutions' organic revenue declined primarily due to weakness in the electronics market in Asia. Although several of the company's end markets have softened recently, Platform's underlying results continue to outpace its competitors. Platform's organic EBITDA was up slightly, as the benefit of cost synergies more than offset the increase in corporate costs. In Ag Solutions, organic EBITDA increased 3%, as higher cost synergies more than offset the increase in corporate expenses. In Performance Solutions, organic EBITDA declined 2%, as cost synergies were more than offset by the increase in corporate expenses. Reported EBITDA declined 6% due to the negative headwinds from FX. As a result, EPS declined nearly 30% due to the negative impact from financial leverage.

Based on its first quarter results, Platform reaffirmed its 2016 EBITDA guidance. The company also announced it would hold an investor day in September, where it will provide an update on strategy and longer-term financial outlook.

Restaurant Brands International Inc. (QSR)

Restaurant Brands reported another strong quarter of underlying earnings with its results for the first quarter of 2016. The company continues to deliver strong same-store-sales growth and net unit growth at both concepts and continues to improve Tim Hortons' cost structure.

Same-store-sales this quarter grew 5% at Burger King and 6% at Tim Hortons as continued new product innovation, such as Grilled Dogs at Burger King and croissant breakfast sandwiches at Tim's, drove improved results. Same-store-sales growth at Burger King U.S. was 4%, which highlights the progress the company is making in narrowing the sales gap between Burger King and its key U.S. competitors. Net units grew 4% at both concepts and management indicated

that they have a strong development pipeline for new stores this year. As a result, Restaurant Brands' organic revenue growth was 6%.

In addition to strong organic revenue growth, the company continued to reduce Tim Hortons' overhead costs and improve margins in its franchised operations and distribution businesses. As a result of strong top-line trends and cost reduction, Restaurant Brands grew organic EBITDA 23% this quarter. Although the strengthening USD remained a materially negative headwind, Restaurant Brands' reported EBITDA still grew 15%, which is the highest level of growth the company has achieved since the Tim's acquisition.

Zoetis Inc. (ZTS)

Zoetis is the only large, independent, publicly traded animal health company in the world. The company has a market capitalization of ~\$23 billion and \$5 billion in revenue. The Pershing Square funds currently own a 5.2% economic stake in the company, down from 8.6% as a result of a recent block sale.

During the first quarter, adjusted revenue grew 6%. The Companion Animal segment was the star of the quarter, with growth of 20% driven by new product launches. Livestock revenue growth was nominal at 1% due to competition in U.S. swine products and mild U.S. weather.

Gross margins and SG&A spending were both better than expectations. Management continues to execute well on the cost efficiency program announced in May 2015. SG&A fell by 6% YoY, despite six extra days in the quarter. Operating margins expanded ~500 bps from the prior year. Management now believes savings from the efficiency program will exceed the original \$300 million targeted when the program was announced last May. All savings from this program are expected to be realized by 2017.

Good performance and favourable FX allowed management to increase earnings guidance by \$0.10/share in 2016 and \$0.06/share in 2017.

We executed a block sale of 16.85 million shares on May 9th, reducing our ownership of the company from 8.6% to 5.2%. We continue to be pleased with management's performance and have high expectations for the company. As with CP and Mondelez, we reduced our position for portfolio management reasons.

Bill Doyle, who has represented Pershing Square on the ZTS board since February 4, 2015, will not stand for re-election at the annual meeting on May 12th. We no longer feel that our presence on the board is required as the company continues to generate strong progress as evidenced by first quarter results.

Organizational Update

Bill Doyle originally joined Pershing Square on a part-time basis as a Senior Advisor in September 2013. At that time he was still actively involved with several of his venture portfolio companies, most notably as Chairman of Novocure, a privately held cancer therapy company

that treats Glioblastoma, a cancer of the brain. In October 2014, Bill became an official member of the investment team. A year later, on October 2, 2015, Novocure completed its public offering. Bill has recently assumed the Executive Chairman role at Novocure. The demands of overseeing Novocure and managing its relationship with its shareholders and other stakeholders have made it infeasible for Bill to continue as a member of the investment team. As a result, Bill will be leaving Pershing Square Capital Management and, in addition to Novocure, will be working part-time at Table Management, an entity which oversees private investments for my family.

We look forward to answering any questions you may have.

Sincerely,

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

William A. Ackman

Additional Disclaimers and Notes to Performance Results

Presentation of Performance Results and Other Data

The performance results of Pershing Square Holdings, Ltd. (“PSH” or the “Company”) shown in this letter are presented on a gross and net-of-fees basis. Gross and net performance includes the reinvestment of all dividends, interest, and capital gains, and reflects the deduction of, among other things, brokerage commissions and administrative expenses. Net performance reflects the deduction of management fees and accrued performance fee, if any. All performance provided herein assumes an investor has been in PSH since its inception date and participated in any “new issues”, as such term is defined under Rules 5130 and 5131 of FINRA. Depending on the timing of a specific investment and participation in “new issues”, net performance for an individual investor may vary from the net performance stated herein. Performance data for 2016 is estimated and unaudited.

The inception date for PSH is December 31, 2012. The performance data presented on the first page of this letter for the market indices under “since inception” is calculated from December 31, 2012. The market indices shown on the first page of this letter have been selected for purposes of comparing the performance of an investment in PSH with certain well-known, broad-based equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the funds are subject. PSH is not restricted to investing in those securities which comprise any of these indices, its performance may or may not correlate to any of these indices and it should not be considered a proxy for any of these indices. The volatility of an index may materially differ from the volatility of PSH. The S&P 500 index is proprietary to and is calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC. © 2015 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

The performance attributions to the gross returns provided on page 1 are for illustrative purposes only. At times, PSH may engage in hedging transactions to seek to reduce risk in the portfolio, including investment specific hedges that do not relate to the underlying securities of an issuer in which PSH is invested. Unless otherwise noted herein, the gross returns: (i) include only returns on the investment in the underlying issuer and the hedge positions that directly relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and also purchased puts on Issuer A stock, the gross return reflects the profit/loss on the stock and the profit/loss on the put); (ii) do not reflect the cost/benefit of hedges that do not relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and short Issuer B stock, the profit/loss on the Issuer B stock is not included in the gross returns attributable to the investment in Issuer A); and (iii) do not reflect the cost/benefit of portfolio hedges. Performance with respect to currency hedging related to a specific issuer is included in the overall performance attribution of such issuer. These attributions to gross returns do not reflect deduction of management fees and accrued performance fee, and do not reflect certain other fund expenses (e.g., administrative expenses). Inclusion of such fees and expenses would produce lower returns than presented here.

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

General Notes

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

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

Forward-Looking Statements

This letter also contains forward-looking statements, which reflect Pershing Square’s views. These forward-looking statements can be identified by reference to words such as “believe”, “expect”, “potential”, “continue”, “may”, “will”, “should”, “seek”, “approximately”, “predict”, “intend”, “plan”, “estimate”, “anticipate” or other comparable words. These forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly,

there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Should any assumptions underlying the forward-looking statements contained herein prove to be incorrect, the actual outcome or results may differ materially from outcomes or results projected in these statements. None of the Company, Pershing Square or any of their respective affiliates undertakes any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law or regulation.

Risk Factors

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

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