



April 20, 2022

Dear Pershing Square Investor:

Today, we sold our investment in Netflix, which we purchased earlier this year. The loss on our investment reduced the Pershing Square Funds' year-to-date returns by four percentage points. Reflecting this loss, as of today's close, the Pershing Square Funds are down approximately two percent year-to-date.

While we have a high regard for Netflix's management and the remarkable company they have built, in light of the enormous operating leverage inherent in the company's business model, changes in the company's future subscriber growth can have an outsized impact on our estimate of intrinsic value. In our original analysis, we viewed this operating leverage favorably due to our long-term growth expectations for the company.

Yesterday, in response to continued disappointing customer subscriber growth, Netflix announced that it would modify its subscription-only model to be more aggressive in going after non-paying customers, and to incorporate advertising, an approach that management estimates would take "one to two years" to implement. While we believe these business model changes are sensible, it is extremely difficult to predict their impact on the company's long-term subscriber growth, future revenues, operating margins, and capital intensity.

We require a high degree of predictability in the businesses in which we invest due to the highly concentrated nature of our portfolio. While Netflix's business is fundamentally simple to understand, in light of recent events, we have lost confidence in our ability to predict the company's future prospects with a sufficient degree of certainty. Based on management's track record, we would not be surprised to see Netflix continue to be a highly successful company and an excellent investment from its current market value. That said, we believe the dispersion of outcomes has widened to a sufficiently large extent that it is challenging for the company to meet our requirements for a core holding.

One of our learnings from past mistakes is to act promptly when we discover new information about an investment that is inconsistent with our original thesis. That is why we did so here.

We are in the midst of an opportunity rich environment for Pershing Square due to the dramatic shift in Federal Reserve policy, the highly inflationary environment, geopolitical uncertainty, and the resulting high degree of security price volatility. We therefore expect to find a good use for the Netflix proceeds.

Please feel free to contact the investor relations team if you have any questions about the above. We are grateful for your support and long-term partnership.

Sincerely,

A handwritten signature in black ink, appearing to read 'William A. Ackman', with a stylized flourish at the end.

William A. Ackman