2016 Key Highlights

PERFORMANCE

Pershing Square Holdings, Ltd. Performance vs. the S&P 500			
	PSH Gross Return [1]	**PSH Net Return [1]**	**S&P 500[3]**
2016	(12.1)%	(13.5)%	11.9%

PERFORMANCE ATTRIBUTION[4]

Below are the attributions to gross performance of the portfolio of the Company for 2016.

Winners	
Restaurant Brands International Inc.	3.3%
Air Products & Chemicals, Inc. & Versum Materials Inc.	3.1%
Federal National Mortgage Association	3.1%
Federal Home Loan Mortgage Corporation	1.7%
Canadian Pacific Railway Limited	1.2%
Undisclosed Position	1.0%
All Other Positions	0.6%
Total Winners	14.0%

Losers	
Valeant Pharmaceuticals International, Inc.	(19.2)%
Currency Derivatives	(1.4)%
Mondelez International, Inc.	(1.4)%
Platform Specialty Products Corporation	(1.0)%
Chipotle Mexican Grill, Inc.	(0.8)%
Nomad Foods Limited	(0.6)%
All Other Positions	(1.7)%
Total Losers	(26.1)%
Total Winners and Losers 2016	**(12.1)%**

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.

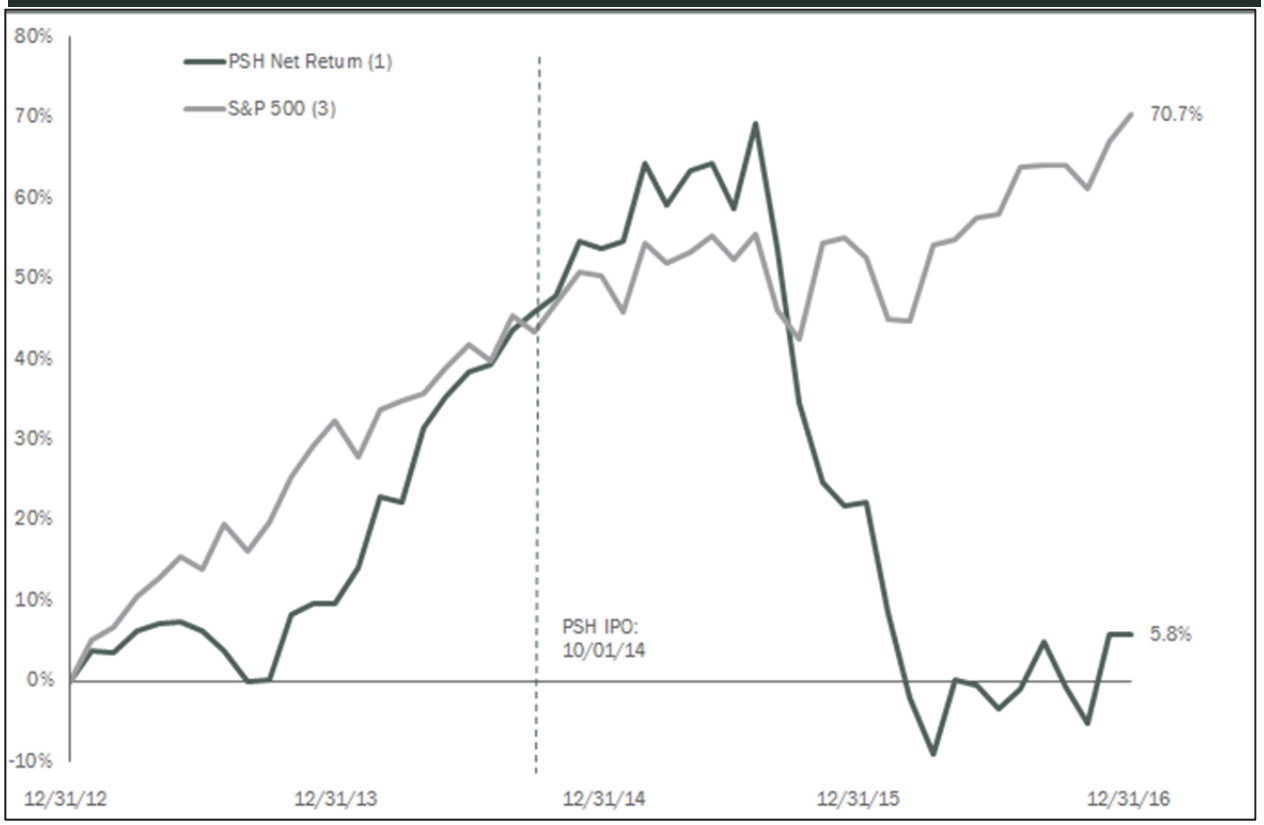
Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying footnotes on page 20.

Investment Manager's Report

HISTORICAL PERFORMANCE

Pershing Square Holdings, Ltd. Performance vs. the S&P 500		
	PSH Net Return [1]	**S&P 500[3]**
2013	9.6%	32.4%
2014	40.4%	13.7%
2015	(20.5)%	1.4%
2016	(13.5)%	11.9%
2013 – 2016 [2]		
Cumulative (Since Inception)	5.8%	70.7%
Compound Annual Return	1.4%	14.3%

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



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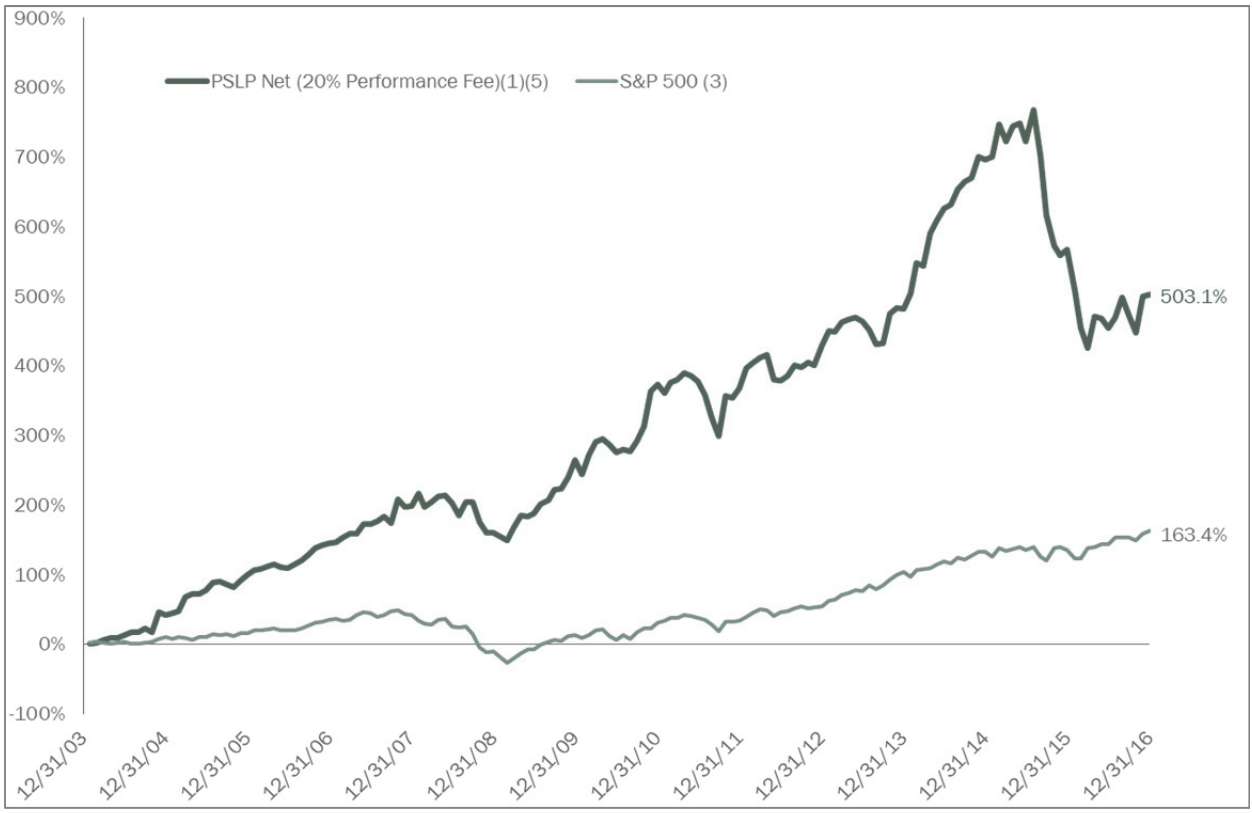
The table and chart below reflect the net performance of Pershing Square, L.P. ("PSLP"), the Pershing Square fund with the longest track record, since inception. We present the PSLP track record using its historical performance fee of 20%.

Pershing Square, L.P. Performance vs. the S&P 500		
	PSLP Net Return [1,5]	**S&P 500[3]**
2004	42.6%	10.9%
2005	39.9%	4.9%
2006	22.5%	15.8%
2007	22.0%	5.5%
2008	(13.0)%	(37.0)%
2009	40.6%	26.5%
2010	29.7%	15.1%
2011	(1.1)%	2.1%
2012	13.3%	16.0%
2013	9.7%	32.4%
2014	36.9%	13.7%
2015	(16.2)%	1.4%
2016	(9.6)%	11.9%
2004 – 2016 [2]		
Cumulative (Since Inception)	503.1%	163.4%
Compound Annual Return	14.8%	7.7%

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



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LETTER TO SHAREHOLDERS

Dear Pershing Square Investor,

Despite negative performance for the year, 2016 was an important year of progress for Pershing Square. Our progress is reflected in the 16.3% increase in NAV from the bottom on March 31, 2016 through the end of 2016 despite a further 390 basis point headwind from our investment in Valeant. More importantly, with the benefit of the perspective which comes from looking in the rear view mirror, we have had the opportunity to understand and learn from our mistakes, to reaffirm the core principles that have driven our substantially above-market returns since inception, and to make a number of important human resource and process changes to the organization that should serve us well going forward.

Viewed in its entirety, our 13-year performance since the inception of our strategy (as represented by Pershing Square, L.P., our fund with the longest-term record) has been strong, despite the recent period, as we have generated a compound annual return of 14.8% compared to the S&P returns of 7.7% for a cumulative total return of 503.1% vs 163.4% as depicted in the chart on page 8 of this report. While our long-term record has been strong, this is not helpful to investors who have joined us more recently due to the large loss we incurred in Valeant over the last 20 months.

While Valeant was initially a passive investment, after the stock price collapsed, in March 2016, our Vice Chairman, Steve Fraidin, and I joined the board. Over the past year, the company has replaced senior management with new executives, recruited 10 new directors, refinanced and renegotiated covenants on the company's debts, initiated a non-core asset sale program which has resulted in asset sales at value- and credit-accretive prices, provided improved investor transparency, increased R&D investment, and achieved major new product approvals. Normally, one would have expected this progress to be reflected in an increase in share price, but that has not yet materialized.

We have grown to admire Joe Papa and the new, extremely hard-working, Valeant management team. We have enormous respect for the other very talented members of the Valeant organization who have stayed at the company through this challenging time. Valeant would not exist without the commitment of these individuals. The new board, which includes a few members of the original board, is doing an excellent job overseeing the company and navigating a difficult situation.

With a new senior management team, new board, and the company's recently executed debt transactions, we believe that Valeant has been stabilized and now has sufficient resources to enable it to recover to its full potential. In addition, we continue to believe that the company owns high quality non-core assets which can be sold at prices which will enable the company to reduce debt on an economic and credit-accretive basis. We wish Joe, the new board, and the entire Valeant team great success in the future.

We recently sold Valeant at a price that may end up looking cheap. Why?

At the time of sale, Valeant represented about 3% of the Company. If the stock price had increased even very substantially from here, the impact on our overall performance would have been modest, and would not compensate us for the human resources and substantial mindshare that this investment had and would have continued to consume if we had remained a shareholder. Furthermore, while Valeant has made significant progress and we expect management to continue to do so, there is still a lot of work to be done.

Clearly, our investment in Valeant was a huge mistake. The highly acquisitive nature of Valeant's business required flawless capital allocation and operational execution, and therefore, a larger than normal degree of reliance on management. In retrospect, we misjudged the prior management team and this contributed to our loss. We deeply regret this mistake, which has cost all of us a tremendous amount, and which has damaged the record of success of our firm.

While there are many lessons from our investment in Valeant which we have previously discussed at length, we highlight a few important reminders from this experience:

- Management's historic ability to deploy capital in acquisitions and earn high rates of return is not a sufficiently durable asset that one can assign material value to in assessing the intrinsic value of a business.

  When we acquired Valeant, we viewed our purchase price as representing a modest discount to the value of the company's existing assets, but a large discount to intrinsic value in light of our expectation that management would continue to be able to invest capital in new transactions on terms that would create significant long-term value as it had done over the previous eight years. In retrospect, it appears that prior management substantially overpaid for the company's largest acquisition – its acquisition of Salix – which occurred contemporaneously with the substantial majority of our investment in the company.

- Intrinsic value can be dramatically affected by changes in regulations, politics, or other extrinsic factors we cannot control, and the existence of these factors is a highly important consideration in position sizing.

  In retrospect, our investment in Valeant was too large a percentage of capital in light of the greater risk of these factors having a negative impact on intrinsic value.

- A management team with a superb long-term investment record is still capable of making significant mistakes.

  We had the opportunity to work alongside Valeant management for nearly one year on the Allergan transaction, and were favorably impressed. In particular, management's decision to walk away from the Allergan deal on terms that we believed continued to offer high rates of return and significant strategic value reinforced our view that the company had a highly disciplined approach to investing capital. This coupled with the company's historic acquisition and integration track record over approximately 100 previous transactions gave us comfort that the Salix transaction would be highly value-creating for Valeant. In retrospect, it appears that the company substantially overpaid for Salix, and it has not yet achieved the results anticipated by prior management.

- A large stock price decline can destroy substantial amounts of *intrinsic* value due to its effects on morale, retention and recruitment, and the perception and reputation of a company.

  Our superb investment results in General Growth Properties, where the stock price had declined more than 99% before we made our first purchase, gave us confidence that we could assist Valeant in a turnaround after its stock price collapsed. In retrospect, Valeant's underlying businesses were not sufficiently durable to withstand the impact of the reputational damage caused by the stock price decline, negative media attention, and its impact on employee morale, retention, recruitment and the reputation of the company.

My approach to mistakes is that I personally assume 100% of the responsibility on behalf of the firm while sharing the credit for our successes. While I and the rest of the Pershing Square team have suffered significant losses from this failed investment as we are collectively the largest investors in the funds, it is much more painful to lose our shareholders' money, and for this I deeply and profoundly apologize.

We are extremely focused and working hard to continue to repair the damage from our investment in Valeant by diligently overseeing our existing portfolio companies and identifying new opportunities. With a strong commitment to the core principles that have generated the vast majority of our returns since inception and the best and most experienced team that we have had since the formation of the firm more than 13 years ago, we are well positioned for a strong recovery.

We are extremely grateful for your support.

Sincerely,

William A. Ackman

PORTFOLIO UPDATE

Air Products and Chemicals, Inc. (APD)

During 2016, Air Products and Chemicals, Inc. continued to make substantial progress on its transformation under its CEO Seifi Ghasemi. Management has restructured the company into a decentralized organization with greater accountability while transforming the culture and aligning pay with improvements in regional operating results.

Operating margins continued to improve during the most recent fiscal year, increasing 400 basis points to 23.1% in 2016 (APD's fiscal year ends September 30th, and this year's results included the non-core businesses subsequently divested and spun). This significant improvement in operating margins drove a 14% increase in earnings per share, exceeding the high end of the company's fiscal year guidance despite 3% foreign exchange headwinds.

During the year, Air Products executed spinoff and sale transactions for its non-core electronic materials and performance materials businesses, generating substantial cash proceeds. Following these transactions, the company now has minimal net debt with cash on hand and leverage capacity totaling approximately $5 billion. We expect management to invest this capital wisely in the currently opportunistic acquisition environment for core industrial gas assets. The company has highlighted potential small acquisitions and the purchase of captive assets from customers as two potential sources of opportunity.

In January, Air Products issued fiscal year 2017 first quarter results, which showed 9% growth in earnings per share. The quarterly result announcement included a reduction in fiscal year 2017 guidance originally issued in October. While the company reduced guidance by $0.25, only five cents of this reduction is related to the core industrial gases business with the remainder driven by spin-related accounting adjustments, foreign exchange movements, and lower sales of equipment. Seifi highlighted concerns relating to the current uncertainty resulting from the new U.S. administration, Brexit, and upcoming European elections as the cause for his reduced outlook for the core industrial gas business. Notably, Seifi emphasized that the company has not seen any particular weakness in its business, but is simply taking a cautious tone on guidance given the current uncertainty.

If Seifi's caution about the economy turns out to be conservative and in fact, the new administration contributes to economic growth with successful initiatives in corporate tax reform, infrastructure spending and deregulation, Air Products should be a big beneficiary. While our investment thesis is not predicated on improvements in economic growth, any improvements in growth from recently weak levels should improve Air Products' organic volume and pricing trends in its merchant business.

Air Products' revised fiscal year 2017 EPS guidance of $6.00 to $6.25 represents growth of 6% to 11% over the prior year. The guidance is principally driven by continued operating productivity and returns on growth capex and assumes continued economic weakness. Seifi has emphasized that the guidance for the fiscal year does not include any use of the company's excess capital. As such, this earnings estimate meaningfully understates the company's true underlying earnings power. We also believe that GAAP earnings understate the true economic earnings of the company as we believe the company's core assets are longer-lived than the periods over which they are depreciated.

We believe the upside in APD remains significant. APD's business is extremely high-quality, reasonably priced and run by outstanding management.

Air Products' total shareholder return [(7)], including dividends and the spinoff of Versum, was 24.0% in 2016.

Chipotle Mexican Grill, Inc. (CMG)

On September 6, 2016, we announced a 9.9% stake in Chipotle Mexican Grill which we purchased at an average price of $405 per share. Chipotle has built a superb brand pioneering the "fast casual" restaurant industry with the success of its outstanding product offering, unique culture, and powerful economic model. We have followed the business for years, noting how it has disrupted the fast food industry with its high quality, delicious and customizable hot meals that are prepared quickly and sold at affordable prices. The company has been significantly negatively impacted by food safety issues beginning in the fourth quarter of 2015 which caused a peak decline in average unit sales of 36%. In response, the company has implemented enhanced food safety protocols over the past

year, and worked to win back lost customers. While traffic and sales have begun to recover, average unit volumes were still 19% below peak levels as of the fourth quarter of 2016.

We have always believed that a good time to buy a great business is when it is in temporary trouble. While Chipotle's reputation has been bruised, we think that with the passage of time and improved operations, marketing, technology, and governance initiatives, the business will not only recover but become much stronger. Chipotle's sales recovery will be neither smooth nor predictable over the next few quarters; yet, we believe that all of the key drivers of Chipotle's powerful economic moat and long-term success remain intact. These drivers include:

1. A strong and relevant brand built by visionary leadership;
2. A differentiated product offering with a highly attractive value proposition;
3. Substantial scale in the fast casual industry and first-mover advantage in real estate;
4. Strong unit economics and extremely high returns on capital, driven by a well-honed model that facilitates best-in-class throughput; and
5. Enormous growth opportunities including new units and operating enhancements such as mobile ordering and catering.

Strong Brand

The Chipotle brand was developed by founder Steve Ells with the philosophy that food served fast does not have to be a traditional "fast-food" experience. This vision later evolved into an ambition to change the way the world thinks about and eats fast food. Chipotle's authentic brand developed a loyal following, which allowed the company to grow from one restaurant to more than 2,200 relying primarily on customer word of mouth, supplemented by non-traditional marketing techniques including digital and social media, owned content, and local events. Today, we believe that Chipotle is one of the most compelling and authentic large-scale food brands in the U.S.

Differentiated Product Offering

Chipotle's product offering is differentiated by the fact that it successfully competes in all of the desirable attributes of out-of-home fast food. As part of our research, we compared Chipotle's customer value proposition to those of fast casual, quick service, and casual dining competitors across six key metrics: food quality, taste, in-store experience, customization ability, speed, and value. We believe Chipotle's food quality is superlative given the focus on cooking from scratch with the best available and simplest ingredients. Chipotle's "burrito line" service format engages customers from the moment they walk in the door, allows exact customization of each order to accommodate individual preferences, and facilitates the fastest throughput in the industry. The product price point offers outstanding value given the quality and quantity of food served. While some other concepts can successfully compete on one or more of these attributes, we believe that few are able to replicate the Chipotle offering at comparable price points at scale.

Enormous Growth Opportunity

Prior to the recent food safety issues, Chipotle's average unit volumes were approximately $2.5 million, among the highest in the industry, despite only serving two day-parts, and with limited store hours, i.e., 11 versus as much as 24 hours for other fast food competitors. We believe that initiatives such as mobile and digital ordering as well as catering will drive an accelerated rate of same-store sales growth for the foreseeable future, incremental to the impact of recovering lost customers. Returns on capital for new units remain extremely compelling even at today's lower sales levels. Management believes that the U.S. can ultimately support more than double the current store base of approximately 2,200.

Food Safety

We have researched the initiatives that Chipotle has taken to enhance its food safety policies and procedures. While food safety risk can never be completely eliminated in any restaurant, we believe the company has done an excellent job of significantly reducing the risk of another incident while maintaining the quality and taste of its food.

Chipotle has a number of other attractive attributes which include limited global macroeconomic sensitivity and foreign currency exposure, a simple business model with limited non-GAAP earnings adjustments, a high effective tax rate of nearly 40% (which means the company will be a big beneficiary in the event of U.S. corporate tax reform), and an unlevered balance sheet with a strong net cash position.

Management and Board Developments

On December 12, 2016, Chipotle named Steve Ells sole CEO concurrent with the resignation of former co-CEO Monty Moran. In conjunction with this leadership change, Chipotle announced a renewed focus on delivering an excellent guest experience and removing unnecessary complexity from restaurant operations. The company also announced an expanded company mission to "ensure that better food, prepared from whole, unprocessed ingredients is accessible to everyone."

On December 16, 2016, Chipotle announced a board refresh in which four new directors were named including Pershing Square partner and investment team member Ali Namvar and Pershing Square advisory board member and former McDonald's CFO Matthew Paull. On March 17, 2017, the company announced that four incumbent directors will not stand for election at the upcoming annual meeting. The new board will have eight members including the four recent appointees.

Chipotle's total shareholder return was -6.3% from the inception of the position in August through year-end 2016.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

The 30-yr fixed rate mortgage is a unique feature of the US mortgage market that significantly improves affordability and is vital to maintaining current home values. Fannie and Freddie have historically been, and continue to be, essential to allowing for widespread access to the 30-year fixed rate mortgage at a reasonable cost.

Since Fannie and Freddie were put into conservatorship in 2008, there have been a variety of proposals to replace or wind them down, however, none of the proposals have been adopted because there is simply no credible alternative to Fannie and Freddie. Fortunately, there is a relatively quick and simple solution to the current situation: Fannie and Freddie's business models can be reformed by significantly increasing the GSE's capital requirements, eliminating their fixed-income arbitrage business, substantially strengthening their regulatory oversight, and developing appropriate compensation and governance policies.

We believe the new administration has the willingness and ability to make the necessary changes to Fannie and Freddie's business model to preserve widespread access to the 30-year fixed-rate mortgage. The new Treasury Secretary, Steven Mnuchin, is a mortgage market expert, and his recent public comments highlight his desire to reform Fannie and Freddie:

> "[We have got to] get Fannie and Freddie out of government ownership. It makes no sense that these are owned by the government and have been controlled by the government for as long as they have. In many cases this displaces private lending in the mortgage markets and we need these entities that will be safe. So let me just be clear we'll make sure that when they're restructured they're absolutely safe and they don't get taken over again but [we have got to] get them out of government control." *(Footnote: Nov. 30, 2016)*
>
> "[…] it's right up there in the top 10 list of things that we're going to get done and we'll get it done reasonably fast." *(Footnote: Nov. 30, 2016)*
>
> "For very long periods of time, I think that Fannie and Freddie have been well run without creating risk to the government, as well as they've played an important role…I believe these are very important entities to provide the necessary liquidity for housing finance and what I've committed to is that I will work with both of the Democrats and Republicans. What I've said and I believe, we need housing finance reform, so we shouldn't just leave Fannie and Freddie as is for the next 4 or 8 years under government control, without a fix. I believe we can find a bipartisan fix for these so on the one hand we don't end up with a giant bailout, on the other hand that we don't run the risk of completely limiting housing finance." *(Footnote: Jan. 19, 2017)*

In 2016, Fannie and Freddie's total shareholder returns were 137.8% and 130.9%, respectively, as the share prices rose dramatically after the election. In the first two months of 2017, Fannie and Freddie's share prices have declined nearly 25% after a ruling in the appellate court upheld most of the original rulings of the D.C. District Court in September 2014. We think the market has overreacted to the recent ruling, and several other legal cases, including the Court of Federal Claims case under Judge Sweeney, continue to proceed favourably.

We believe that Fannie and Freddie offer a compelling risk-reward as there are various scenarios which will generate a many-fold multiple from current levels. While a total loss is possible, we believe the probability of a total loss is relatively modest, and has become lower in the new political environment.

Herbalife Ltd. (HLF) Short

On July 15, 2016 the FTC filed a damning Complaint against Herbalife and simultaneously entered into a Stipulation to Entry of Order for Permanent Injunction and Monetary Judgment (the "Permanent Injunction"). The FTC alleged that Herbalife operates illegally and alleged violations of Section 5(a) of the FTC Act. Notably, the findings of the FTC substantially agree with our long held assertion that Herbalife operates as a pyramid scheme. Select assertions by the FTC include that:

- "[Herbalife] does not offer participants a viable retail-based business opportunity."
- "Herbalife's business model primarily compensated members for recruiting new distributors to purchase product, not for selling product at retail…"
- "[P]articipants' wholesale purchases from Herbalife are primarily a payment to participate in a business opportunity that rewards recruiting at the expense of retail sales."
- "The overwhelming majority of Distributors who attempt to retail the product make little or no net income, or even lose money, from retailing the product."

The Permanent Injunction, as described by the FTC, represents Herbalife's agreement to engage in a "top to bottom" restructuring of its business model in the United States to "start complying with the law."

In November 2016, Herbalife announced that Michael Johnson will transition to Executive Chairman in June 2017 (shortly after the FTC Permanent Injunction takes full effect in May) at which point Rich Goudis, the current COO, will take over as CEO.

Also in November, John Oliver's Last Week Tonight aired a 30-minute segment on multi-level-marketing companies with a specific focus on Herbalife which has been viewed more than 9.5 million times on YouTube (including 2 million views in Spanish). We believe this segment, coupled with the recent theatrical release of "Betting on Zero" on March 17, 2017 (with AppleTV and Amazon distribution to follow in April), will continue to shape the public narrative and highlight the tremendous harm Herbalife has and continues to inflict upon millions of Americans.

From a financial perspective, HLF's operating results in 2016 were disappointing to long investors as mid-single-digit topline organic growth was negatively impacted by significant foreign exchange headwinds causing sales to be relatively unchanged vs. 2015. Organic growth decelerated across most regions as the year progressed, declining 1% in Q4. The deceleration of Herbalife's China business was particularly notable, posting a -6% organic decline in Q4 (-12% actual). Adjusted EPS, which for Herbalife substantially overstates economic earnings, declined modestly in 2016.

Management has guided to 4% to 7% 2017 constant currency revenue growth and currency neutral EPS growth of -13% to -5%. HLF's 2017 EPS guidance of $3.65 to $4.05 implies realized EPS declines of -25% to -16%. This guidance includes the incremental interest expense associated with the company's $1.3 billion refinancing completed in February 2017, but does not include any benefit from potential share buybacks (the board has put in place a $1.5 billion normal-course authorization). Actual EPS will likely be better than current guidance if the company repurchases shares.

In February 2017, Herbalife disclosed a new investigation by the SEC and Department of Justice related to Herbalife's anti-corruption compliance in China. While it's difficult to know the specific focus of the probe, any disruption to Herbalife's China business would likely impact the company's financial performance given the large size of the China market for Herbalife (~19% of revenue).

Pyramid schemes are confidence games. The newly disclosed SEC/DOJ corruption probe, the CEO departure, declining earnings, and the deteriorating popular perception of Herbalife will likely impair distributor confidence. Furthermore, we believe the injunctive relief demanded by the FTC is likely to affect Herbalife's financial performance beginning in the second quarter of 2017. With decelerating growth in many international markets, Herbalife's earnings will likely decline in 2017. We remain short Herbalife because we believe its intrinsic value is meaningfully below the current share price, and we believe the stock should eventually decline to zero.

Herbalife's total shareholder return was -10.2% in 2016.

The Howard Hughes Corporation (HHC)

The Howard Hughes Corporation was formed in November 2010 as a tax-free spinoff from General Growth Properties, with a collection of disparate real estate holdings designed to receive appropriate management attention and recognition in the public markets. Pershing Square helped orchestrate the spinoff, hired the management team, and has been the largest investor in HHC since its inception. Management has done a superb job growing asset value, yet, the company has not received the recognition it deserves, i.e., an appropriate valuation in the public markets. Despite a more than three-fold increase over the last six years, it remains undervalued in our view.

HHC's mission is to be the preeminent developer and operator of master planned communities ("MPCs") and mixed-use properties. HHC's management team has transformed the company's disparate assets into a collection of high-quality core trophy assets. The majority of HHC's value is now represented by the South Street Seaport, Ward Village in Hawaii and master planned communities in Houston, Las Vegas and Maryland. These assets are comprised of steady cash-flow generating properties and longer-term development opportunities that encompass more than 50 million square feet of real estate development potential.

HHC continued to make meaningful progress in 2016 to enhance the value of its key assets. In its operating asset segment, HHC grew net operating income ("NOI") in 2016 to $135 million or $156 million annualizing Q4 NOI, from $118 million in 2015 (all excluding the Seaport, which is undergoing redevelopment). HHC management increased its projected stabilized 2020 NOI estimate to $232 million from $219 million.

In Hawaii, at its 60-acre coastal Ward Village property in the heart of Honolulu, HHC has four condo towers with nearly 1,400 units in various stages of completion. These towers have an estimated total cost of $1.5 billion on which the company expects to generate net margins of approximately 25% to 30%. These towers are over 80% sold with one tower projected to be delivered each year from now until 2019 (generating meaningful cash proceeds for the company). In total, HHC has entitlements to build more than 9 million square feet of mixed-use development with over 4,000 residences and 1 million square feet of retail upon completion of its plan at Ward Village.

At the Seaport, HHC owns more than 400,000 square feet of highly valuable real estate (along with 700,000 square feet of future development rights). Construction on the 170,000 square foot Pier 17 building is expected to be substantially completed by the end of 2017, with a grand opening in summer 2018. This architecturally significant building on the East River will have a unique group of tenants and a 1.5 acre rooftop year-round entertainment venue with iconic views. HHC advanced the revitalization of the Seaport with the approval for its Pier 17 Minor Modification, which will allow HHC to move and reconstruct the 53,000 square foot Tin Building. In Q1 2016, HHC sold an assemblage of properties it had acquired in 2014 and 2015 at the Seaport for $390 million generating a $140 million profit, which demonstrates the market appeal of the Seaport and management's ability to create value.

While HHC's share price performance (and intrinsic valuation creation) since its spinoff have been impressive, the share price has been flat over the last three years. Although management has done a superb job growing intrinsic value, the HHC story is largely unknown in the investment community. The HHC story and value proposition is complicated by the vast development potential that cannot be estimated by simply applying a multiple to existing cash flows. To address this concern, HHC recently started conducting quarterly earning conference calls and taking a more proactive approach to investor and analyst outreach. We believe HHC is undervalued and that further progress on asset stabilization and clarity around some of its bigger projects (e.g., Seaport and Ward Village) will help drive stock appreciation.

Howard Hughes' total shareholder return was 0.8% in 2016.

Mondelez International (MDLZ)

Mondelez was created out of the breakup of Kraft Foods in 2012, and today is one of the largest global snacks companies with 2016 revenues of $26 billion. Branded biscuits, chocolate, and confectionary businesses are wonderful businesses because of their high category margins, large economic moats, high returns on capital, and attractive long-term global growth potential. Mondelez has the most attractive stable of sweet snack brands of any publicly traded food company with seven brands that each generate over $1 billion in annual sales, many of which have been building brand equity with consumers for over one hundred years. Despite owning some of the best brands in the industry, Mondelez has among the lowest profit margins in large cap packaged food, presenting a meaningful opportunity to increase efficiency that management is currently addressing.

Mondelez made good progress on this productivity opportunity in 2016. Operating profit margins expanded by 220 basis points to 15.3%, driven primarily by a reduction in overhead costs as a percentage of sales reflecting the implementation of zero-based budgeting and the rollout of global shared services, as well as an increase in gross margin reflecting the company's supply chain transformation. Management remains committed to its 2018 operating profit margin target of 17% to 18%, and has stated that they have good visibility to expand margins even further beyond 2018.

Mondelez's underlying organic sales growth in 2016 was generally in-line with the company's categories at 2.2%, tempered by a slowdown in developing markets. We note that Mondelez is one of the few large publicly traded packaged food companies that are demonstrating any underlying volume growth, however modest. While the global growth rate of Mondelez's snacking categories moderated over the course of the year, primarily due to macroeconomic headwinds, we continue to believe that the long-term outlook for these categories remains robust, especially in the developing markets where Mondelez has large market shares and hard-to-replicate routes to market.

While consolidation in packaged foods could represent an opportunity for Mondelez, we believe the business is an attractive investment assuming no contribution from mergers or acquisitions. Sustained operating improvements should continue to drive attractive shareholder returns.

Mondelez's total shareholder return, including dividends, was 0.5% in 2016.

Nomad Foods (NOMD)

Nomad has built the leading branded frozen food business in Europe with its acquisitions of Iglo and the non-UK assets of Findus. The frozen food business is generally stable, and Nomad enjoys high margins and strong cash-flow generation with low capital expenditure requirements and modest cash taxes.

Nomad's recent results have been disappointing as revenue trends have been weak. The new management team believes this has been caused by legacy strategic decisions to focus on new product development at the expense of the company's core offerings. As a result, they have redirected their resources behind the company's core offerings, or Must Win Battles. While this strategy shift will take time to have full effect recent, initial results have been encouraging. Following significant declines in 2015, bottoming in Q3 2015, Nomad's team has produced four straight quarters of sequential improvement in like-for-like sales declines through Q3 2016. Moreover, the management team has highlighted positive results in the Must Win Battle categories and countries where they have thus far activated their strategy.

While top-line trends are improving, Nomad's management team continues to control and reduce costs while extracting synergies from its Findus acquisition, allowing it to maintain profitability levels despite negative top-line growth. For 2016, Nomad has provided guidance that EBITDA will be broadly flat with last year at €332 million and levered free cash flow will be approximately €200 million before restructuring and other one-time items. The stock currently trades at about 9.5x times this free cash flow guidance, a valuation we find attractive.

Nomad remains focused on stabilizing its base business, integrating Findus and delivering the significant synergies it has identified. Over time, Nomad intends to create value as a consolidator in the packaged foods sector. Nomad's share price declined 18.9% in 2016, and currently it is up slightly since our investment in mid-2015.

Platform Specialty Products Corporation (PAH)

2016 was a year of stabilization and progress for Platform. The company solidified its core leadership team, as key new hires, including CEO Rakesh Sachdev and Ag President Diego Casanello started in early 2016. Platform returned to positive organic growth despite continued softness in its end markets, delivered on synergy commitments from its recent acquisitions, and improved its capital structure through a $400 million equity issuance and a $3 billion debt refinancing that lowered the interest rate and extended the maturity of the company's debt.

PAH's underlying EBITDA (adjusted for currency effects) grew 6% in 2016, due to improved results in both the Performance Solutions and Agricultural Solutions businesses. Underlying EBITDA in Performance Solutions division grew 9% due to strong performance in the Asian electronics and industrial markets and cost synergies from the recent acquisition of Alent, while Agricultural Solutions grew 3% due to strength in the European and Latin America regions and continued cost synergies. Overall, PAH's EBITDA grew 4% in 2016 reflecting a modest headwind from foreign exchange.

Despite positive progress, Platform's share price declined 23.5% in 2016. However, in the first two months of 2017, Platform's share price appreciated 34%, more than offsetting the decline in 2016. Platform continues to trade at a discount to its publicly traded segment peers and private-market transaction values.

Restaurant Brands International Inc. (QSR)

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

The company's controlling shareholder 3G is an ideal operating partner and sponsor. It has installed an excellent management team and created a unique and impactful performance culture, compensation system, and business processes. We believe 3G's highly scalable and replicable operating strategy can be applied to potential future acquisition opportunities.

QSR's intrinsic value meaningfully increased in 2016, as the company continued to deliver strong financial performance: 16% organic EBITDA growth and 45% EPS growth. The high rate of EBITDA growth was driven by 2% Same-Store Sales (SSS) growth at Burger King and 3% at Tim Hortons, 5% net unit growth at both concepts, and continued cost reduction at Tim Hortons. QSR improved Tim Hortons' EBITDA margins by 500 basis points in 2016, due to margin improvement in both the franchise and distribution businesses and a 12% reduction in overhead costs. QSR's reported EBITDA grew 13%, including a 3% headwind from foreign exchange.

As a result of the positive business momentum, the total return for Restaurant Brands' shares was 29.2% in 2016. In February 2017, QSR announced the acquisition of Popeyes Louisiana Kitchen. We believe QSR will be able to meaningfully improve Popeye's cost structure and significantly accelerate its growth in new units, which will further increase Restaurant Brands' future earnings growth and intrinsic value.

Exited Positions

Canadian Pacific Railway Limited (CP)

In our August 26, 2016 Investor letter, we reported the sale of our remaining 9.8 million shares of CP on August 4, 2016, approximately five years from the inception of the investment. During the course of our investment, CP's share price increased four times, its operating performance went from worst to nearly tied for first with Canadian National, and its credit rating improved from a weak Baa-/BBB- to a strong Baa+/BBB+. While critics often accuse activists of being short-term investors focused primarily on stock buybacks and dividends, CP is a paradigmatic example of the long-term sustainable business performance enhancements and shareholder value creation we have achieved in our core activist holdings.

During our period of ownership, Canadian Pacific's total shareholder return, including dividends, was 318.9%.

Zoetis Inc. (ZTS)

On November 9, 2016, we sold our last shares of Zoetis, about two years after we publicly announced an 8.5% ownership stake. Despite the high quality nature of the business and its strong management team, we sold to redeploy the capital in certain new investments.

We purchased our stake in Zoetis at an average cost of approximately $37 per share. Shortly thereafter, we met with the Zoetis management to discuss our views on potential initiatives to create shareholder value. On February 4, 2015, Zoetis agreed to add then-Pershing Square investment team member (and healthcare industry veteran) Bill Doyle and Actavis Executive Chairman Paul Bisaro to the board on April 13, 2015.

Over the course of our ownership, ZTS developed and implemented a number of value-enhancing initiatives including restructuring its supply chain, pursuing organic revenue growth opportunities while reducing costs, and setting a goal of increasing operating margins from ~25% in 2014 to ~34% by 2017. Zoetis outperformed each of these objectives during our ownership.

During our more than two-year ownership, Zoetis generated a total shareholder return, including dividends, of 57.9%.

FOOTNOTES TO 2016 KEY HIGHLIGHTS AND INVESTMENT MANAGER'S REPORT

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

2 The inception date for the Company is December 31, 2012 and the inception date for PSLP is January 1, 2004. The performance data presented on pages 7 to 8 for the S&P 500 under "Cumulative (Since Inception)" is calculated from December 31, 2012 or January 1, 2004, as applicable.

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

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

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

In addition, at times, Pershing Square may engage in hedging transactions to seek to reduce risk in the portfolio, including investment specific hedges that do not relate to the underlying securities of an issuer in which the Company is invested. The gross returns reflected herein (i) include only returns on the investment in the underlying issuer and the hedge positions that directly relate to the securities that reference the underlying issuer (i.e., 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 (i.e., 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 7.

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, except that the tranche of interests subject to a 30% performance allocation and a 5% hard hurdle (non-cumulative) issued on January 1, 2017 is not reflected in the returns. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner paid Pershing Square an additional $840,000 for overhead expenses in connection with services provided unrelated to PSLP, which have not been taken into account in determining PSLP's net returns. To the extent that such overhead expenses had been included as fund expenses, net returns would have been lower.

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

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

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

Limitations of Performance Data

Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. This report does not constitute a recommendation, an offer to sell or a solicitation of an offer to purchase any security or investment product. This report contains information and analyses relating to all publicly disclosed positions above 50 basis points in the Company's portfolio during 2016. Pershing Square may currently or in the future buy, sell, cover or otherwise change the form of its investment in the companies discussed in this report for any reason. Pershing Square hereby disclaims any duty to provide any updates or changes to the information contained here including, without limitation, the manner or type of any Pershing Square investment.

Forward-Looking Statements

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