

## **LETTER TO SHAREHOLDERS**

Dear Pershing Square Holdings, Ltd. Shareholder:

We made substantial progress in the first half of 2018 which has continued year-to-date. Our portfolio companies continue to report strong results, leading to significant share price appreciation and improved NAV per share performance. Driven by positive second quarter performance, NAV in the first half of 2018 increased from \$17.41 to \$18.58, a 6.7% increase. Year-to-date performance, through August 7<sup>th</sup>, has increased to 12.7% (NAV per share is now \$19.62) compared with 8.1% for the S&P 500 and 1.3%<sup>(6)</sup> for the FTSE 250 over the same period. In May, the Company completed an own-share tender for \$300 million of PSH public shares which was followed by insider purchases of more than \$300 million of PSH shares. It is clear from these actions that we and the Board believe that PSH is undervalued. Management's increased ownership means that our interests are now aligned with yours to an even greater extent.

Our portfolio is comprised of long-term investments in large capitalization, simple, predictable, free-cash-flow-generative, high-quality, dominant companies with catalysts for shareholder value creation. Often, we are the catalyst for value recognition, using our influential position as a large, or the largest, shareholder often with representation on the board of directors to effectuate necessary changes.

We have disclosed new investments in United Technologies Corporation (UTX) and Lowe's Companies, Inc. (LOW). UTX is a leading industrial holding company which owns a number of high-quality businesses in three distinct divisions: (i) Aerospace systems (UTAS) and engines (Pratt & Whitney), (ii) Otis Elevator Company, and (iii) Climate, Controls and Security (CC&S), which all benefit from favorable long-term growth trends and recurring long-term cash flows. Each of these businesses has materially different capital requirements, competitive characteristics, and investor constituencies, and we believe that they will be more likely to achieve fair value as independent companies. We have had a constructive engagement with UTX management who are considering various strategic alternatives to unlock value.

Lowe's, which we discuss in greater detail below, is a leading U.S. home improvement retailer whose performance deteriorated versus Home Depot, its direct competitor, over the last decade. The company recently named Marvin Ellison president and CEO, effective July 2, 2018. As a senior executive at Home Depot – Mr. Ellison was head of U.S. stores – he helped lead Home Depot's operational improvements and outperformance versus Lowe's over the last decade. Lowe's profit margins and sales productivity are substantially lower than Home Depot's, and it trades at a substantially lower earnings multiple. We expect that Mr. Ellison can close the performance gap, and the market will revalue Lowe's accordingly.

## **PORTFOLIO UPDATE**

### **Automatic Data Processing, Inc. (ADP)**

ADP hosted its first Analyst Day since 2015 this past quarter. At the Analyst Day, the company committed to achieving 7% to 9% revenue growth and pre-tax operating margins of 23% to 25% by FY 2021. These projections represent substantial increases to management's prior guidance. The new margin targets imply annual earnings-per-share growth of 16% to 19% over the next three fiscal years, with a FY 2021 earnings target of approximately \$7 per share. We believe there continues to be a significant opportunity for ADP to exceed the new FY 2021 ~\$7 guidance, and for future accelerated progress thereafter, which we discussed in detail in a letter we published following the Analyst Day, available here: <https://www.businesswire.com/news/home/20180619006504/en/Pershing-Square-Sends-Communication-Investors-ADP>

Earlier this month, ADP reported fiscal Q4 results and introduced FY 2019 guidance. Fiscal Q4 results were strong, evidenced by accelerating year-over-year bookings growth (+18%), robust top-line growth (+8% as reported, +6% organic growth) and significant margin expansion. EPS was up 39% year-over-year, helped by ~400 basis points of net-economic margin expansion (excluding pass-throughs and float income growth) and the benefits of corporate tax reform.

More significantly, the company introduced FY 2019 guidance. ADP projected "economic" revenue growth of 5% to 7% (excluding non-economic Professional Employer Organization ("PEO") pass-throughs), continued operational margin expansion, and increased float income, with EPS projected to grow 13% to 15% over FY 2018 (*pro forma* for a recently adopted accounting change, ASC 606). Based on current guidance, ADP should realize \$5.12 to \$5.21

of Adjusted EPS for FY 2019. While we believe current guidance is a positive step towards ADP's long-term FY 2021 targets, there continues to be a significant opportunity for additional operational margin expansion in the coming years as ADP closes the gap in Employer Service relative to its structural potential.

At the June Analyst Day, CFO Jan Siegmund, who is held in high regard by shareholders, announced that he would be leaving the company when a replacement is identified. We believe the hiring of a new CFO with operational expertise in executing business transformations would be well received by shareholders.

### **Chipotle Mexican Grill, Inc. (CMG)**

Chipotle held a special investor call in late June during which the new management team, led by CEO Brian Niccol, outlined its strategic plan to drive both a successful turnaround and long-term growth. To enable the organization to deliver on its new strategy, management is undertaking a people and culture transformation with the aim of making the company more disciplined, results-focused, and "scrappy." The initial stages of this transformation include the establishment of a new corporate headquarters in Southern California and the closure of the Denver and New York offices, the elimination of two management layers to streamline decision-making, and the addition of experienced external talent in marketing, menu, digital, analytics, and human resources.

Management is also revamping the company's approach to innovation and marketing. New initiatives will pass through a "stage-gate" process in which the company tests, learns, and iterates on each initiative so that management is highly confident in the probability of each new initiative's success before a national rollout. The company will shift its marketing from an inefficient field-based, promotion-driven approach to a centralized strategy that aims to elevate Chipotle from a food brand to a purpose-driven lifestyle brand. Management is investing in a foundational customer research project, the results of which will inform various innovation and marketing initiatives including Chipotle's first-ever ongoing loyalty program that the company plans to test later this year and launch nationally in 2019.

In the near-term, management is focused on improving operational execution as well as accelerating progress in digital, both of which contributed to the second quarter 2018 results that Chipotle reported on July 26<sup>th</sup>. Same-store sales increased 3.3% in Q2, an improvement from the prior quarter, driven by 5.1% average check growth and a 1.8% decline in transactions. Management raised its outlook for full year same-store sales growth from low-single digits growth to low to mid-single digits growth. Restaurant margins were 19.7%, up nearly one percentage point from the prior year quarter, as decreased food costs as a percentage of sales more than offset wage inflation. Progress in improving both the crew member and guest experience was evident from lower hourly employee turnover, a meaningful decline in guest complaints, and higher guest satisfaction scores. To further improve throughput and consistency of execution, management is continuing to roll out new training materials and is redesigning its sales forecasting and labor scheduling tools.

Chipotle's digital sales grew 33% in Q2, up from 20% in Q1, and now account for 10.3% of total sales. Delivery sales quadrupled in the quarter as the company launched a new national partnership with third-party delivery provider DoorDash and added the ability to order delivery in the Chipotle mobile app. The company will further expand its delivery and catering capabilities over the coming quarters and is accelerating the rollout of its technology-enabled second make-line over the entire store base by the end of 2019, up from roughly 500 stores today, and 1,000 stores by the end of 2018. The second make-line is a competitive advantage for Chipotle as it enables the business to handle rapid growth in digital sales without any impact on front-line throughput or the in-restaurant experience. Chipotle experienced its highest digital sales day ever on July 31<sup>st</sup> thanks to robust consumer demand for its National Avocado Day promotion, which also helped to increase awareness and downloads of Chipotle's mobile app.

### **Restaurant Brands International Inc. (QSR)**

Restaurant Brands' second quarter results showed continued earnings growth as performance at Burger King and Popeyes remained strong, offset somewhat by muted results at Tim Hortons. QSR reported strong unit growth of 6%, as Burger King units increased 6%, Popeyes 7% and Tim Hortons 3%. QSR announced a master franchise agreement to open 1,500 Tim Hortons restaurants in China over the next decade (30% of current Tim's units), which should accelerate the brand's long-term unit growth. Same-store sales this quarter grew 2% at Burger King due to strength in promotional offers and product innovation. Popeyes' same-store sales grew 3% as the brand is experiencing the benefits of a more value-focused menu. Tim Hortons' same-store sales were flat as growth in breakfast foods and cold beverages was offset by weakness in baked goods and brewed coffee.

QSR is working on a variety of initiatives that should improve same-store sales at Tim Hortons. Recently, the brand launched all-day breakfast. The company's consumer surveys suggest this could have a meaningful impact on sales as 60% of guests said they would likely buy a breakfast sandwich after 12pm, and one-third said they would likely increase the frequency of their visits. Tim Hortons is also developing a kids' menu and a loyalty program which management expects to introduce within the next few quarters.

Organic EBITDA grew 4%, as Burger King's grew 6%, Popeyes' grew 28%, and Tim Hortons' declined 1%. Growth at Burger King continues to reflect progress in strong same-store sales, net unit growth and margin enhancement. Popeyes' growth primarily reflects improved cost efficiencies. The decline at Tim Hortons resulted from lapping the prior year's sales of new equipment related to the launch of the espresso-based drinks platform, which will no longer be a headwind in future quarters. Overall, QSR's reported EBITDA grew 6% due to organic growth and a 2% benefit from a weaker USD. EPS grew more than 30% due primarily to the lower financing costs associated with the repayment of the Berkshire preferred stock at the end of last year.

### **Lowe's Companies, Inc. (LOW)**

Lowe's is a leading U.S. home improvement retailer with an advantaged business model in a category that is positioned for continued growth. The home improvement category operates as an oligopoly, and Lowe's significant market presence results in a scale advantage that allows it to be a convenient and low-cost provider of home improvement products across its more than 2,000 stores and fully integrated mobile and online platform. We believe that Lowe's has strong future growth prospects as continued growth of the housing market should drive home improvement spending over the next several years. The increasing repair and maintenance requirements of the aging U.S. housing stock should contribute to sales growth over the longer term.

We have avoided investing in retail for nearly five years, but we believe the home improvement category is well insulated from the threat of online competitors, as a significant amount of the company's products are either difficult and/or expensive to ship due to their size (e.g., lumber and building materials, live plants), regulatory constraints (e.g., paint), installation requirements (e.g., appliances) or are uneconomic to ship due to the combination of their low price point and heavy weight (e.g., nuts and bolts, concrete). Moreover, a physical store presence is a competitive advantage in the home improvement category as customers frequently consult with store employees as part of their purchase process. Customers often prefer to see the product before they purchase it, or they drive to the store because they have an immediate need for the product. As a result, the home improvement category has one of the lowest levels of e-commerce penetration in retail. While we expect overall e-commerce competition in the category to remain relatively limited in the future, Lowe's online business is growing rapidly with a market share similar to its overall market share.

We previously invested in Lowe's in 2011 due to our belief that the market did not appreciate the rapid earnings growth that would likely result from an improvement in the housing market following the financial crisis. Shortly after we initiated our investment in 2011, the stock price appreciated significantly, and we exited our position to allocate capital to other opportunities. While Lowe's earnings and share price continued to increase thereafter, since that time, Lowe's has materially underperformed its closest competitor, Home Depot.

Prior to the financial crisis, Lowe's same-store sales growth outpaced Home Depot's and had similar profit margins to its direct competitor. Since the crisis, Lowe's has fallen far behind. Lowe's has averaged 3% same-store sales growth compared with 5% at Home Depot, resulting in a sales gap which has widened to nearly 20%. Lowe's profit margins are now nearly 500 basis points less than Home Depot.

In response to growing shareholder dissatisfaction earlier this year, Lowe's appointed three new directors to its board, and announced a search for a new CEO. One of the new directors, David Batchelder, formerly a board member at Home Depot, was appointed to lead the CEO search committee. We initiated our investment shortly after Lowe's announced the CEO search process, premised on our belief that there were several strong CEO candidates available, including a number with experience in the Home Depot transformation. At the end of May, Lowe's announced that Marvin Ellison, a former senior executive at Home Depot, would become CEO. Marvin was the leading candidate on our list of potential CEO recruits as we believe he has the relevant experience leadership qualities, and skill set to close the operational gap. Marvin started at Lowe's in July and has already redesigned the organizational structure to more closely resemble Home Depot's, and has hired several former senior Home Depot executives for key roles. We expect Marvin will announce a detailed plan to improve performance, likely at the company's Analyst Day in December.

After appreciating 15% from our cost, Lowe's currently trades at ~18 times our estimate of this year's earnings, which do not yet reflect any impact from the management change. Home Depot trades at more than 21 times analyst estimates of this year's earnings, as the market has rewarded the company's historically strong execution with a premium multiple. We believe there is large upside potential to Lowe's if it can narrow the performance gap with Home Depot as it is likely that closing the performance gap will cause the market to reward the company with an increased multiple on higher earnings that reflect the company's underlying business quality and growth potential.

We believe that the Lowe's situation is reminiscent of our investment in Canadian Pacific. At the time of our investment in CP, it had underperformed Canadian National for more than a decade, and management claimed that structural differences and weather explained the company's underperformance. We disagreed, believing that a different management approach would substantially improve the company's performance. We were able to recruit Hunter Harrison, the former CEO of CN, to CP, who in a few short years turned CP into one of the best performing railroads in North America, rivalling CN. Mr. Ellison is off to a fast start assembling a new senior executive team to organize the Lowe's turnaround. We look forward to watching him perform.

### United Technologies Corporation (UTX)

UTX's second quarter earnings showed strong organic revenue growth of 6%, led by growth in the aerospace businesses of 10%. Organic revenue growth has been above 5% for the last four consecutive quarters. The company raised its guidance for 2018 EPS for the second time this year. UTX now expects full year organic revenue growth of between 5% and 6% and EPS growth (before the impact of the Rockwell Collins acquisition) of 7% to 9%.

Despite significant profit growth in its aerospace businesses, UTX's operating profit was roughly flat compared with the prior year due to a decline in earnings from the commercial businesses (CC&S and Otis). In the aerospace businesses, UTAS organic revenues increased 8% and operating profits grew 17%. Pratt & Whitney organic revenues increased 12% and operating profit grew 8% due to the initial losses associated with ramp-up of the GTF engine program.

In its commercial businesses, CC&S organic revenues grew 4% but operating profit was flat as input costs and new product investments increased. Otis organic revenues grew 3% but operating profit declined 11%, partly due to continued price and mix pressure in China and one-time costs. Offsetting these weaker results were strong growth in equipment orders, a leading indicator of future revenue, which grew 8% for CC&S and 10% for Otis.

We believe the divergent performance of the aerospace and commercial businesses further reinforces the logic of a business separation of UTX's subsidiaries, as the strength in the aerospace business is not being appropriately reflected in UTX's stock price, which trades at only 16 to 17 times our estimate of this year's earnings (pro-forma for the Rockwell Collins acquisition). UTX's CEO, Greg Hayes, stated on the earnings call that "all options are on the table" to maximize long-term shareholder value including a three-way split of the company and/or potential business divestitures. Management reiterated that the acquisition of Rockwell Collins is expected to close in the third quarter and that the company will announce the results of its strategic review in the fourth quarter.

### Mondelez International, Inc. (MDLZ)

Mondelez reported second quarter 2018 results on July 25<sup>th</sup>, with sales growth, margins, and earnings all ahead of consensus expectations. Underlying organic sales growth was approximately 2% excluding a net benefit from lapping volume declines related to a cyberattack in the prior year quarter and other one-time items. Volume and product mix contributed 50 basis points to underlying growth, with the balance coming from pricing. Global sales growth for the snacks categories in which Mondelez operates has improved from approximately 2% in 2017 to just over 3% in the first half of this year. The company attributed the gap between the 3% growth of its categories and its 2% underlying organic growth to share losses in their Brazil and US gum businesses, as well as an inventory trade reduction in US cookies and crackers that should be transitory. Management sees this gap closing as it implements strategies to address its share losses in Brazil and the US, and as net share gains in all other markets accelerate.

Operating profit margin expanded by 130 basis points to 16.7%, driven by a 60 basis point improvement in gross margin due to productivity savings, volume leverage, and lower input costs, as well as a 70 basis point reduction in overhead costs as a percentage of sales due to continued implementation of zero-based budgeting. EPS grew 17% as reported, or 15% on a constant-currency basis, driven primarily by operating performance as well as share repurchases and higher income from the company's coffee joint ventures. Management raised full year organic

sales growth guidance from an increase of 1% to 2% to the high end of that range, and reiterated guidance for a 17% operating profit margin including an increase in gross margin, and double-digit EPS growth on a constant-currency basis. As we have noted previously, MDLZ is one of the few CPG companies that is still able to deliver relatively strong performance in the current operating environment.

### **The Howard Hughes Corporation (HHC)**

The Howard Hughes Corporation (HHC) continues to make progress creating long-term value across its collection of unique and irreplaceable real estate assets.

In its Operating Asset segment, HHC increased its estimated stabilized net operating income (NOI) target to \$309 million, which represents a compound annual growth rate of 29% over the past three years. The growth in NOI has come from organic development opportunities on HHC's existing land assets. To date, HHC has only developed a fraction of its 50 million sq. ft. of vertical development entitlements, providing a development pipeline for decades to come. As a growing percentage of HHC's enterprise value is represented by stabilized, cash-flow-generative real estate assets, it should become easier for investors to underwrite the value of its assets, which we believe will attract more traditional real estate-oriented investors to the HHC story.

In its Ward Village Hawaii 60-acre coastal development, HHC has nearly sold all of its condo inventory at its four existing condo towers. These four towers have a total projected cost of \$1.5 billion and an estimated 30% profit margin. HHC launched pre-sales of its new 751-unit condo tower offering (A'ali'i) in January and has already pre-sold 67% of the units at July month end, highlighting the significant future opportunity at Ward Village as 75% of its entitlements remain.

At the South Street Seaport in NYC, HHC launched its summer 2018 concert series at its spectacular rooftop venue, which we believe will enhance the visibility of this unique and valuable asset to the community. In Summerlin Las Vegas, HHC continued its pace of strong land sales at its master planned community (MPC). HHC's MPCs in Houston, Texas, and Columbia, Maryland, continue to perform well with ongoing commercial real estate development generating attractive yields on cost. Lastly, HHC celebrated the ground breaking of its 53-story, 1.4 million sq. ft. Class A office development at 110 North Wacker in Chicago. The total estimated cost of the project is over \$750 million, more than \$700 million of which is financed with third-party debt and equity, structured so that HHC retains the majority of the equity upside while minimizing risk.

### **Platform Specialty Products Corporation (PAH)**

In July, Platform announced the sale of its Ag Solutions business for \$4.2 billion in cash to UPL Corp. Limited, an Indian agrochemical company, a price which represents full value for the business. The transaction will significantly reduce the company's leverage levels from six times EBITDA to less than 2.5 times and will result in a more focused business with attractive growth and cash flow characteristics. Platform also announced a \$750 million share repurchase authorization (~20% of company's current market value) conditioned upon the closing of the transaction, which it expects to occur in late 2018 or early 2019.

In August, Platform reported another quarter of strong earnings growth. Organic revenue increased 7% and organic EBITDA grew 8%. Performance Solutions organic revenue grew 5% due to broad-based growth across its regions and end markets. Organic EBITDA grew 10% due to margin expansion resulting from strong sales growth of higher margin products and cost savings from supply chain initiatives. Ag Solutions organic revenue grew 10% due to strength in the Latin and North American markets. Organic EBITDA grew 6% as margins declined due to input cost inflation that was partially offset by price increases and cost savings. Overall, Platform's EBITDA grew 10% due to a 2% boost from foreign exchange and EPS grew 30%.

While Platform's share price has increased ~25% this year, it still trades at a discount to the peer set in light of its high leverage and transaction uncertainty until deal closure. If Platform were to trade at a multiple that is similar to its peers after the closing of the Ag Solutions sale, the company's shares should appreciate significantly from current levels.

### **Fannie Mae (FNMA) / Freddie Mac (FMCC)**

Fannie and Freddie reported continued earnings growth in their core single-family guarantee businesses in the second quarter. Guarantee fees charged on newly issued mortgage backed securities continued to increase along with the size of their guarantee portfolios, while underlying credit losses remained modest. Both enterprises have

now increased their capital reserves to the \$3 billion per entity limit imposed by Treasury in December, and plan to pay a combined \$6.1 billion in dividends to Treasury under the net worth sweep by September 30<sup>th</sup>. Inclusive of these upcoming payments, Treasury will have received a total of \$286 billion in dividends on its Senior Preferred Stock investment, which is \$94 billion more than its cumulative cash investment of \$191 billion. This represents an annualized cash-on-cash return to the government of nearly 11%, above the bargained for 10% interest rate. This return reflects no value for Treasury's warrants to purchase 79.9% of the common stock of both entities, which we believe should be worth in excess of \$150 billion if Fannie and Freddie exit conservatorship and are recapitalized.

In June, FHFA, Fannie and Freddie's primary regulator, released draft proposed capital rules for the enterprises that would apply once they exit conservatorship. Overall, we are encouraged that FHFA is soliciting feedback from market participants regarding adequate capital levels for the entities, which have been near zero since conservatorship began nearly a decade ago. In order to raise the large amount of private capital that will eventually be needed to recapitalize the enterprises, we believe that all final capital rules should avoid complexity and procyclicality, as well as balance the requirement for a fortress balance sheet with the need to deliver market returns to investors, and affordable mortgage rates to consumers.

Other than the draft capital rules, the last three months were relatively uneventful with regard to housing finance reform efforts, but we expect activity to resume in earnest after midterm elections in November. Last week, the government filed an omnibus motion to dismiss in 12 cases asserting an unconstitutional taking and related claims. Given the lengthy briefing schedule, we would expect a decision sometime in the late spring or summer of 2019.

We are pleased with the progress of our portfolio companies and the markets' growing recognition of their undervaluation. While a few months of strong performance is too short a period to judge our performance, we believe that PSH is back on track.

Please contact the investor relations team at [ir@persq.com](mailto:ir@persq.com) if you have any questions about any of the above. Thank you for your continued support.

Sincerely,



William A. Ackman

**FOOTNOTES TO INVESTMENT MANAGER'S REPORT**

- 1 Net returns include the reinvestment of all dividends, interest, and capital gains and reflect the deduction of, among other things, brokerage commissions, administrative expenses, management fees and historical or accrued performance fees (if any). Performance results provided herein also assume an investor that has been invested in the Company since inception. Depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance stated herein. Net performance is a geometrically linked, time-weighted calculation. From May 2, 2017 to January 2, 2018, the Company engaged in a share buyback program whereby its buyback agent repurchased Public Shares subject to certain limitations. In May 2018, the Company purchased and cancelled 22,271,714 Public Shares pursuant to the Tender Offer announced on April 25, 2018. Any positive impact on performance due to these share buybacks and the Tender Offer is reflected herein. Performance data for 2018 is estimated and unaudited.
- 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 3 to 4 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 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 the Company is subject. The Company is not restricted to investing in those securities which comprise this index, its 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 Company's 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. © 2018 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.
- 4 This table reflects the attributions to performance of the portfolio of the Company. Positions with performance attributions of at 50 basis points or more are listed above separately, while positions with performance attributions of less than 50 basis points are aggregated.  
The attributions presented herein are based on gross returns which do not reflect deduction of certain fees or expenses charged to the Company, including, without limitation, management fees and accrued performance fee (if any). Inclusion of such fees and expenses would produce lower returns than presented here.  
In addition, at times, PSCM may engage in hedging transactions to seek to reduce risk in the portfolio, including investment specific hedges that do not relate to the underlying securities of an issuer in which the Company is invested. The gross returns reflected herein (i) include only returns on the investment in the underlying issuer and the hedge positions that directly relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and also purchased puts on Issuer A stock, the gross return reflects the profit/loss on the stock and the profit/loss on the put); (ii) do not reflect the cost/benefit of hedges that do not relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and short Issuer B stock, the profit/loss on the Issuer B stock is not included in the gross returns attributable to the investment in Issuer A); and (iii) do not reflect the cost/benefit of portfolio hedges. Performance with respect to currency hedging related to a specific issuer is included in the overall performance attribution of such issuer. All other currency positions are aggregated.  
The performance attributions to the gross returns provided herein are for illustrative purposes only. The securities on these lists may not have been held by the Company for the entire period. 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 these lists. 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 3.
- 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, Pershing Square earned a \$1.5 million (approximately 3.9%) annual management fee and PSLP's general partner earned a 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 The return of the FTSE 250 is quoted in pound sterling as is customary, not in the Company's or S&P's base currency of USD.

**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 2018. PSCM 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. PSCM hereby disclaims any duty to provide any updates or changes to the information contained here including, without limitation, the manner or type of any PSCM investment.

**Forward-Looking Statements**

This report also contains forward-looking statements, which reflect PSCM'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, PSCM 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.