



December 7, 2016

Dear Shareholder:

The performance of Pershing Square Holdings, Ltd. is set forth below¹.

	3rd Quarter 2016	4th QTD 2016 Through 11/30/2016	Year-to-Date 2016 1/1/2016 - 11/30/2016	Since Inception 12/31/12 - 11/30/16
<u>Pershing Square Holdings, Ltd.</u>				
Gross Return	3.3%	6.7%	-12.3%	20.5%
Net of All Fees	2.9%	6.5%	-13.5%	5.7%
<u>Indexes (including dividend reinvestment)</u>				
S&P 500 Index	3.8%	1.8%	9.8%	67.4%
Russell 1000 Index	4.0%	1.9%	10.0%	67.2%
Dow Jones Industrial Average	2.8%	5.0%	12.6%	61.0%

Third Quarter Performance Attribution

Investments that contributed or detracted at least 50 basis points to gross performance for the quarter are outlined below^{1,2}:

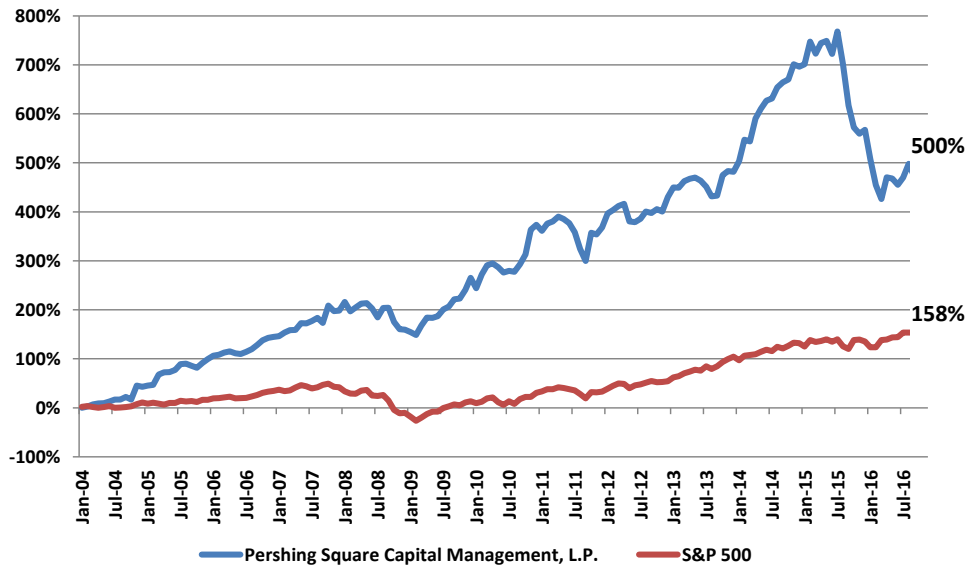
3Q16	
Contributors	PSH
Valeant	1.5%
Canadian Pacific	1.3%
Restaurant Brands	1.2%
Nomad Foods	1.2%
Air Products & Chemicals	1.2%
Zoetis	0.7%
Chipotle	0.5%
All other Positions	0.1%
Total	7.7%

3Q16	
Detractors	PSH
Mondelez	-1.8%
Herbalife	-0.8%
Fannie Mae	-0.6%
All other Positions	-1.2%
Total	-4.4%

¹ Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. Please see the additional disclaimers and notes to performance at the end of this letter.

² 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.

Pershing Square, L.P.
 Cumulative Net Return Since Inception³
 (1/1/2004 – 11/30/2016)



Performance

The chart above shows the performance of Pershing Square, L.P., our longest standing fund which launched at the inception of the firm on January 1, 2004. The substantial decline in performance from August 2015 through March 31, 2016 is largely due to Valeant’s decline, which affected PSH’s performance as well. While year-to-date performance for PSH remains negative, the fund’s performance turned positive in the second quarter, and in the third quarter, and the fourth quarter to date. This is despite the continued decline in Valeant’s stock price, as our other holdings have appreciated substantially. Valeant now represents approximately 5% of the fund’s capital.

From inception of the strategy, investors have achieved a six-fold multiple of invested capital, a 14.9% annual compound return, which compares favorably with the S&P 500, which has generated a 158% cumulative return and a 7.6% annual compound return over the same period. While this is a good result, it is below our long-term goals and not much solace to PSH investors who joined us in recent years.

Since the beginning of the year, we have worked to achieve a number of key business objectives to improve both short-term and long-term performance. These objectives have included: (1) exiting certain portfolio investments to free up capital for new opportunities, (2) identifying new investments, (3) assisting our portfolio companies in executing their strategies, (4) obtaining board representation at Valeant and assisting the company in a turnaround, and (5) putting in place a long-term compensation arrangement for long standing Pershing Square employees. We have made substantial progress on all of the above objectives. This progress is partially reflected

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in the fund's 18.4% NAV performance since the fund bottomed on March 31, 2016 versus 8.3% for the S&P 500 over the same period, but more significantly in the business progress and developments in the balance of the portfolio which we discuss in greater detail below (although PSH's share price performance has underperformed its NAV performance as the discount to NAV has widened substantially, which we also discuss below).

Exited Positions

Over the past two quarters, we have exited our investments in Canadian Pacific and Zoetis, two highly successful activist engagements that have contributed substantially to our profits over the years. While we consider both to be high quality businesses run by extremely able management teams, we harvested these investments to free up capital for new commitments.

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 nearly 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.

Zoetis Inc. (ZTS)

On November 9th 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 learn more about the company and 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.

We sold our remaining shares of Zoetis on November 9th. During our more than two-year ownership, Zoetis generated a total shareholder return of 58%.

New Investments

We have publicly disclosed one of our new investments – Chipotle Mexican Grill – which we describe in greater detail below. We have yet to disclose the second investment in which we have built a half-sized position, as the accumulation of additional shares has been disrupted by the recent increase in its stock price.

Chipotle Mexican Grill (CMG)

On September 6th, 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 best-in-class 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 are still 19% below peak levels.

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 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
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 2,100 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 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 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, nearly 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, loyalty program development, catering, and menu innovation including dessert 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. We believe that the U.S. can support about 3,000 additional Chipotle restaurants, a total of 5,000 units representing 2.3 times the current store base.

Food Safety

We have researched the initiatives that Chipotle has taken to address food safety. While food safety risk can never be completely eliminated in any restaurant, we think the company has done an excellent job of significantly reducing the risk of another incident while maintaining the freshness 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 of lower U.S. tax rates if implemented by the Trump administration) and an unlevered balance sheet with a strong net cash position.

Valuation

Given Chipotle's depressed near-term earnings due to the recent decline in sales and its detrimental impact on operating margins, we do not believe it is appropriate to value Chipotle using a multiple of next year's earnings based on comparables or estimated growth rates. To estimate the intrinsic value of Chipotle shares, we have valued the discounted cash flows of the business over its life using reasonable assumptions. In our base case, we have assumed a long-term restaurant count of 5,000 units, some recovery of lost customers over the next several years, and moderate same-store sales growth over the long-term driven by the impact of new technology initiatives (like mobile, online ordering and loyalty) and day-part extension initiatives (like catering). We conservatively have assumed that profit margins will be at a discount to peak levels reflecting the cost of new food safety procedures as well as increased investments, offset over time by thoughtful management of overhead costs and increased operating leverage.

Portfolio Update⁴

Mondelez International (MDLZ)

On October 26, Mondelez reported third quarter 2016 results. Underlying organic growth was generally in-line with the company's categories at nearly 2%, including volume growth of 1.3%. This was the third straight quarter of positive underlying volume growth and a sequential acceleration from the second quarter. We note that Mondelez is one of the few large cap packaged food companies that is demonstrating any underlying volume growth, however modest. While the global growth rate of Mondelez's snacking categories has 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 emerging markets where Mondelez has large market shares and robust routes to market.

Operating profit margins expanded by 220 basis points to 15.8% in the quarter, 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. Year-to-date, the company continues to show progress with its significant cost savings opportunity and productivity initiatives, and remains on track to reach its 2018 margin target of 17% to 18% with further upside beyond 2018.

Air Products and Chemicals, Inc. (APD)

Air Products' fiscal year fourth quarter earnings per share of \$2.01 increased 10% over the prior year. This strong performance was driven by a 260 basis point increase in operating margins. This quarter marked the ninth straight quarter of double-digit EPS growth since Seifi Ghasemi joined Air Products as its CEO.

Sales increased 1% as 3% underlying growth was offset by a 2% drag from foreign exchange rates and the pass-through of lower energy prices. The 3% underlying growth was driven by increased volumes as pricing remained flat. Growth capex contributed to volume growth in Asia, while global economic weakness led to weak volumes elsewhere around the globe.

The highlight of the quarter was continued productivity savings and margin progression, with operating profit margins of 23.7%, up 260 basis points over the prior year. Excluding its non-core businesses, APD's industrial gases margins were 23% percent in FY Q4, slightly above Praxair's 22% industrial gas margins. Air Products has fulfilled its goal of becoming the most profitable company in the industrial gas industry.

Full year results generated EPS growth of 14%, exceeding the high end of the company's fiscal year guidance, despite 3% foreign exchange headwinds. Excluding these foreign exchange headwinds, EPS grew 17% for the year.

Air Products provided fiscal year 2017 EPS guidance of \$6.25 to \$6.50 representing growth of 9% to 13% over the prior year, excluding the recent spinoff and sale of Versum and the performance materials businesses. The guidance is principally driven by continued operating productivity and returns on growth capex. Air Products expects to achieve an additional \$100

⁴ By position size, longs then shorts

million of productivity improvement in FY 2017 which equates to \$0.35 of EPS and approximately half of 2017 anticipated EPS growth.

On the earnings call, Seifi emphasized that the guidance for the fiscal year does not include any use of the \$2.6 billion of net proceeds from the sale and spin of its non-core businesses. The company highlighted that it is considering opportunities for growth capex projects, small acquisitions, and share repurchases as potential uses of capital. Air Products remains optimistic about the growth capex opportunities it has identified, including in the US Gulf Coast, China, and certain limited opportunities in Europe. The company is well positioned for growth given its leadership in the tonnage market and its strong balance sheet.

APD's December 2, 2016 price of \$144.55, less the \$12 of cash from the spinoff and sale, the stock trades at 20.8x earnings and 13.8x maintenance free cash flow, a price which we believe significantly discounts the company's intrinsic value.

Restaurant Brands International Inc. (QSR)

QSR reported strong results by executing on its three key growth drivers: same store sales, net unit growth, and operational efficiency. In the third quarter, the company generated 2% same store sales growth in its Burger King and Tim Hortons concepts. While same store sales growth has decelerated over the last few quarters, it is still at a healthy overall level. Strong international growth was partially offset by weaker U.S. performance at Burger King where same store sales declined 0.5%. The decline in the U.S. is partially due to a tough comparison with last year's quarter's 5% growth, but also reflects a more difficult industry environment as the recent decline in food costs has widened the price gap between restaurant and grocery to historically high levels, resulting in lower restaurant traffic.

QSR achieved net unit growth of 3% which management expects will accelerate in the fourth quarter. In addition, Tim Hortons recently announced two master franchise agreements in the U.K. and the Philippines, which should accelerate future growth.

QSR continues to improve the efficiency of Tim Hortons' cost structure by reducing overhead costs by more than 8% this quarter and meaningfully increasing margins in the franchised and distribution businesses.

The Howard Hughes Corporation (HHC)

Net Operating Income (NOI) from HHC's operating assets (consolidated and owned) decreased sequentially from \$35.2 million to \$31.3 million (and year-over-year from \$31.9 million), largely due to headwinds in Houston that continue to negatively impact HHC's owned hotels in Houston (\$3.5 million sequential decline in hospitality NOI). HHC held steady its projected stabilized annual NOI estimate (which excludes the South Street Seaport) of \$215 million and kept constant its estimated stabilized hospitality NOI levels. Land sales in its Master Planned Community (MPC) segment decreased from \$59 million to \$32 million year-over-year in Q3 and sequentially from \$34 million due primarily to a \$27 million reduction in commercial sales from Q3 2015.

In Hawaii, at its Ward Village property, construction of the Waiea, HHC's first residential tower, is nearing completion. HHC has started collecting the proceeds from the sale of these

units. HHC's second tower (Anaha) recently topped out and is on schedule to be completed by mid-summer 2017. The company now has five condominium projects for sale, four of which are under construction (see status of each one below). HHC executed 35 new sales contracts since the end of Q2, representing 11% of the remaining inventory under construction (reducing the number of unsold units to 280 from a total inventory of 1400 units).

Ward Village Towers Under Construction as of September 30, 2016

Project	Total Units	Under Contract	Percent of Units Sold	Total Projected Costs (\$M)	Costs Incurred to Date (\$M)	Estimated Completion Date
Walea	174	160	92.0%	\$ 403.4	\$ 346.3	Q4 2016
Anaha	317	297	93.7%	\$ 401.3	\$ 207.8	2017
Ae'o	466	257	55.2%	\$ 428.5 (a)	\$ 53.8	2018
Ke Kilohana	424	387	91.3%	\$ 218.9	\$ 11.1	2019
Total Under Construction	1,381	1,101	79.7%	\$ 1,452.1	\$ 619.0	

(a) Also includes project costs of our flagship Whole Foods Market located on the same block.

Summerlin

Summerlin's residential land sale market remains strong with \$16.5 million in closings. HHC has contracted 21 custom lots totaling \$94 million at The Summit, HHC's luxury golf course JV development within Summerlin. HHC signed a 20-year ground lease for a two-rink practice facility for the newly awarded NHL franchise in Las Vegas in Downtown Summerlin. The facility is expected to be completed in August 2017.

Houston

While the broader Houston market remains negatively impacted by lower oil prices (especially in the higher-end market), HHC continued to see increased activity at Bridgeland due to demand for mid-priced homes. Bridgeland had 12.2 acres of residential land sales, which represented an increase of 110% year-over-year (and flat sequentially). Sequentially, Woodlands land sale closings increased from \$1.4 million to \$10.6 million, but at a reduced price per lot of \$532,000 per acre compared to \$603,000 per acre in the second quarter. The recent increase in oil prices are likely to contribute to greater business confidence and demand for real estate in Houston.

South Street Seaport

On October 19, 2016, HHC obtained approval for the Seaport's Pier 17 and Tin Building Minor Modification, which will allow HHC to move and reconstruct the Tin Building, among other changes to the Seaport. 10 Corso Como, an iconic Italian fashion retailer, signed a 13,000 square foot lease in the historic district where it will open its only North American location. Finally, iPic had its grand opening at the Seaport, which represents Manhattan's first new commercial multiplex movie theater opening in over a decade.

HHC named David O'Reilly as its new CFO replacing Andy Richardson. David was previously the CFO of Parkway Properties, a publicly listed REIT.

In summary, HHC continues its highly successful strategy of converting land and other non-income development assets into cash and stabilized cash flows. This has had the effect of increasing HHC's intrinsic value and should assist investors in valuing the company.

Fannie Mae (FNMA) / Freddie Mac (FMCC)

Fannie and Freddie's underlying earnings continue to progress modestly in the core mortgage guarantee business, while the non-core investment portfolio continues to shrink to a smaller and appropriate level, resulting in a more profitable and lower-risk business model. The strength in underlying earnings growth reflects two factors: (1) an increase in guarantee fees as the fees on new mortgages exceed the average fees on the existing portfolio, and (2) lower credit losses as the portfolio's credit quality has meaningfully improved since the financial crisis.

There were a number of legal developments this quarter. In the Federal Court of Claims case, Judge Sweeney granted the plaintiffs access to 56 documents the government had claimed were privileged, many of which were contemporaneous with the period just prior to the Net Worth Sweep and involved high level government officials. The plaintiffs have not yet had access to the privileged documents as the government has appealed Judge Sweeney's ruling. We find it interesting that the government is fighting so hard against this ruling, as it has previously complied with the judge's prior motions to turn over documents.

A new lawsuit was filed in Texas that makes claims similar to the Perry case, but also makes several new arguments. First, the lawsuit argues that the Housing and Economic Recovery Act (HERA), which grants FHFA rights as conservator, is invalid and violates the separation of powers. Second, the lawsuit contends that the FHFA has affected a liquidation of the GSEs in violation of HERA by creating policies such as a common securitization platform and credit risk transfer agreements which are designed to minimize the GSEs role in the marketplace.

Since the election, Fannie and Freddie's share prices have appreciated materially as investors believe that a more business-oriented administration that did not implement the Net Worth Sweep would be more likely to seek a consensual resolution that benefits all stakeholders. Recent statements by Steven Mnuchin, the presumptive Treasury Secretary, have also contributed to the recent stock price increases. In an interview on Fox Business, Mr. Mnuchin stated:

It makes no sense that [the GSEs] 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 gotta get them out of government control.

We strongly agree with Mr. Mnuchin's views about the GSEs.

Valeant Pharmaceuticals International (VRX)

Since our last update in August, Valeant has bolstered its management ranks, improved dermatology average selling prices (ASPs), stabilized its salesforces, and experienced acceleration in Salix script trends. Despite these positive developments, financial results

continue to be challenged as certain unexpected events impacted Valeant in Q3 and weakness in Valeant's U.S. Diversified Products segment continues to weigh on near- to medium-term earnings.

Valeant reported quarterly revenue of \$2.48 billion, Adjusted EBITDA of \$1.16 billion and Adjusted EPS of \$1.55. This represented sequential improvement of 2%, 7% and 11%, respectively, as the business continues to stabilize following the disruption of recent quarters.

Beginning this quarter, management provided disclosure under the new financial reporting structure. The business is now aligned across three verticals: (1) Bausch + Lomb / International ("Durable"), (2) Branded Rx ("Growth"), and (3) U.S. Diversified Products ("Cash Generating"). This new disclosure is consistent with Valeant's commitment to greater transparency. Over time, Valeant has indicated that a substantial mix-shift will take place in its business as Bausch + Lomb / International and Branded Rx target mid-single digit revenue growth (high-single digit operating income growth) while Valeant's U.S. Diversified Products segment declines. As this mix-shift happens over time, a greater percentage of Valeant's profits will come from higher quality, higher growth and more valuable businesses.

In conjunction with announcing Q3 results, management updated 2016 guidance, reducing full year estimates. Full year Adjusted EBITDA and EPS are now projected to be \$4.25 billion to \$4.35 billion (down from \$4.8 billion - \$4.95 billion) and \$5.30 to \$5.50, respectively (down from \$6.60 to \$7.00). Implicit in updated guidance is a sequential decline in Q4 versus Q3. Management addressed some of the key factors on the earnings call contributing to this dynamic, some of which are permanent headwinds while others are temporary.

Valeant management provided initial perspectives on 2017 results on the earnings call including an expectation for Bausch + Lomb / International and Branded Rx to achieve mid-single-digit revenue growth and high-single-digit operating profit growth. Management anticipates that this growth will be more than offset by the decline in U.S. Diversified Products (specifically the neurology and generics business) as a result of patent expirations and generic competition. Management announced the planned implementation of a zero-based-budgeting initiative, expected to save \$75 to \$100 million in 2017 and a goal to improve gross profit by \$150 to \$250 million by 2020 through supply chain rationalization.

Management reiterated its commitment to achieve more than \$5 billion of debt reduction over the next 18 months from a combination of cash generation and asset divestitures. We believe that asset sales are an important catalyst for value creation and stock price appreciation at Valeant. Valeant has identified approximately \$8 billion of assets that are non-core which it has begun to market for sale.

Platform Specialty Products Corporation (PAH)

In September, Platform hosted an investor day where it provided a detailed explanation of the secular growth drivers and unique competitive positioning of each of its Performance and Agricultural Solutions businesses, along with long-term guidance of 4% annual organic revenue growth and high-single digit annual EBITDA growth.

The company also announced that it had reached a revised agreement with Permira to settle its \$600 million preferred stock liability related to the Arysta acquisition. Under the revised agreement, Platform has the option to pay Permira \$450 million in cash and 5.5 million shares,

which equates to \$500 million at the current market prices and represents a savings of \$100 million relative to the original agreement. To finance the cash portion of the agreement, the company raised \$400 million of equity and, as a result, was able to refinance \$2 billion of its debt, reducing the rate on this debt by 50 basis points and extending the maturities by three years to 2023.

At the beginning of November, Platform reported strong third quarter earnings. The company delivered 3% organic revenue growth, comprised of 4% growth in Agricultural Solutions and 2% in Performance Solutions. The results are particularly impressive given the cyclical weakness in the company's end markets. EBITDA grew 14%, due to 5% growth before synergies and corporate costs, 6% impact from net synergies, and 3% from FX.

Nomad Foods (NOMD)

Nomad reported Q3 results in late November.

Third quarter like-for-like sales declined 3.3%, which marked the fourth straight quarter of sequential improvement in like-for-like sales trends. This sequential improvement in trends is consistent with management's guidance and driven by the company's shift in its strategy to refocus its resources on its core product offerings.

Third quarter EBITDA was €85 million and the EBITDA margin was 19.4% or 200 basis points better than prior year, although much of this improvement in margins was driven by a reduction in bonus accruals. Net of this impact, margins grew modestly, driven by a reduction in indirect expenses. The Company realized of €2.5 million of synergies during the quarter or €10 million annually and reaffirmed its target of €43 to €48 million of total synergies by 2018. Nomad remains focused on stabilizing its base business, integrating Findus and delivering the significant synergies it has identified.

Nomad reiterated its expectation that sales trends will improve sequentially as the new strategy rolls out. It also reiterated full year guidance that estimates that EBITDA will be broadly flat with last year at €330 million and levered free cash flow will be €200 million before restructuring and other one-time items. The stock trades at about 8 times free cash flow guidance, a valuation we find attractive.

Herbalife Ltd. (HLF) Short

On November 1, 2016, Herbalife reported its third quarter financial results. Modest financial performance in the quarter, disappointing 2017 guidance and the unexpected announcement of a CEO transition caused the stock to decline. HLF stock has traded down more than 33% since the announcement of the company's settlement with the FTC on July 15th, 2016, a 15% year-to-date decline, as investors have come to increasingly ignore the company's fraudulent characterization of the FTC settlement. At its December 2, 2016, price of \$47.99 per share, HLF currently trades at approximately the price at which we shorted the shares in 2012.

On a consolidated basis the company reported net sales of \$1.1 billion for the quarter, up 1.7% year-over-year. Headline adjusted net income of \$105 million for the quarter (down 3% YoY) translated into adjusted EPS of \$1.21 (down 4% YoY). On a constant currency basis the company reported net sales growth of 5%, driven by EMEA (+15%), Mexico (+14%) and North America (+10%).

The deceleration of Herbalife's China business during the quarter is notable. Once a high-flying growth market (regularly posting 20-30%+ top-line growth), the China business has slowed in recent quarters, achieving modest 1% currency-adjusted, year-over-year top-line growth in Q3 (or negative 5% on actual basis).

Along with earnings, Herbalife announced that Michael Johnson is slated to transition to Executive Chairman in June 2017 at which point Rich Goudis, the current COO, will take over as CEO. Goudis has been largely absent from the public eye in recent years.

Since HLF's earnings call, two other notable events have taken place. First, on November 6th, John Oliver's Last Week Tonight aired a 32-minute segment on multi-level-marketing companies with a focus on Herbalife. In his typically colorful style, John Oliver points out the hypocrisy and fraud inherent in Herbalife's business and shines a spotlight on how the company harms hundreds of thousands of people every year. You can watch his scathing take-down of HLF [here](#). To date, the John Oliver segment has been viewed on YouTube more than 8 million times including over 1.7 million views of the Spanish-language version representing about 11% of the Hispanic households in the U.S. These 8 million views are in addition to the 4.1 million viewers of Oliver's show on HBO and millions more on Facebook.

Second, on November 7, 2016, the documentary film "Betting on Zero" secured distribution rights, which will include a 30 or so city theatrical release in early 2017 and online video-on-demand dissemination thereafter. We believe that the John Oliver segment and the wide distribution of the film are materially positive developments which will help elevate the Herbalife story beyond traditional financial news media.

Despite its weak financial outlook, Herbalife is trading at \$47.99 or about 10 times the midpoint of management's new 2017 guidance (\$4.60 - \$5.00). Importantly, however, this guidance does *not* assume a significant disruption in Herbalife's U.S. business. We believe the negative earnings impact is likely to be substantial as the U.S. accounted for ~23% of Herbalife's contribution margin this past quarter (a measure of profitability before general selling and administrative expenses), and a substantially higher portion of earnings when giving consideration to the inherent operating leverage of the business.

Furthermore, Herbalife's "definition" of earnings continues to exclude certain items which we believe are actual ongoing costs of the business but which Herbalife adds-back (including ~\$0.46 for "non-cash interest expense"). This excludes additional fines and/or injunctive relief that may arise from other regulatory agencies. On a pro-forma basis, assuming a modest decline in the U.S. business and expensing the add-backs, we estimate Herbalife is currently trading at 12 to 15 times 2017 pro forma earnings (and a potentially much higher multiple depending on the magnitude of the impending U.S. decline).

Fundamentally, pyramid schemes are confidence games. The CEO exit, deteriorating earnings, the declining stock price, and the John Oliver segment should materially impact Herbalife distributor confidence. When distributors reduce their purchases and/or leave the company, the financial results of the company should decline on an accelerated basis. Furthermore, we believe the injunctive relief demanded by the FTC is likely to significantly impact Herbalife's financial performance beginning in the second quarter of 2017. Coupled with decelerating growth in many international markets, especially in China, we expect earnings to decline in 2017. We remain short Herbalife because we believe its intrinsic value is zero.

The New Long-Term Incentive Program

Until recently, Pershing Square had been fortunate in not having experienced a meaningful decline in annual performance other than a 12% to 13% decline in 2008 during the financial crisis. While we are obviously unhappy about the Valeant investment, I am pleased that the entire organization has managed through recent events extremely effectively without losing focus on our long-term goals. That said, we are often reminded that incentives drive all human behavior, and as such earlier this year we began work on a new long-term incentive program for the team.

The new long-term incentive program was designed by Brian Welch and Ali Namvar (we thought that a younger and older member of the investment team would generate a structure that would appeal widely in the organization). The program creates a new form of compensation and long-term incentives for long-standing employees of Pershing Square.

Today, we have two forms of compensation for employees. Some employees receive base and bonus compensation, and the balance receive a profit interest which entitles them to a percentage interest in the net profits of the firm from management and incentive fees. About half of Pershing Square employees have profit interests in the firm. These interests behave like legal interests in the firm except that they are terminated when an employee leaves the company.

Under the new Long-Term Incentive Plan (LTIP), when an employee has been a profit interest partner, she can become eligible to be a member of the LTIP. If an employee is awarded membership into the LTIP program, her profit interest vests over a 10-year period such that after 10 years, the employee can then retire and continue to receive a reduced percentage of her previous profit interest on a permanent basis. In addition, the LTIP partner will receive an additional sharing of incentive fees for the following three years after retirement, in both cases as long as she does not compete with the firm. The program allows an employee to retire and pursue other interests outside the industry, and continue to have an ongoing pension-like interest in the firm's profits.

We believe that the LTIP is unique in the hedge fund industry and is reflective of how we think about our business. We have built Pershing Square to last. We believe that further aligning the interests of our employees with our investors increases the probability that Pershing Square will succeed over the long term.

Discount from NAV

Pershing Square Holdings' discount from NAV has increased substantially over the last eight months and was more than 20% as of November 30, 2016. As an investor's return is a function both of underlying NAV performance and price versus NAV, we find the current discount unacceptable. We believe the discount is attributable to a number of factors which include our below-expectation performance, and recent capital flows out of the hedge fund industry. We are exploring potential steps to narrow the discount to NAV and expect to report back to investors as soon as we have decided our intended approach.

We recognize that the recent period has been a difficult one for our investors. We are extremely appreciative of your support and patience. Please feel free to contact the Investor Relations team or me if you have questions about any of the above.

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”) and Pershing Square, L.P. 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/allocation, if any. All performance provided herein assumes an investor has been in PSH or Pershing Square, L.P., as applicable, since its respective 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 inception date for Pershing Square, L.P. is January 1, 2004. Pershing Square, L.P.’s net returns for 2004 were calculated net of a \$1.5 million (approximately 3.9%) annual management fee and performance allocation equal to 20% above a 6% hurdle, in accordance with the terms of the limited partnership agreement of Pershing Square, L.P. 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 Pershing Square, L.P. set out in this document reflect the different fee arrangements in 2004, and subsequently. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner paid Pershing Square an additional \$840,000 for overhead expenses in connection with services provided unrelated to Pershing Square, L.P., which have not been taken into account in determining Pershing Square, L.P.’s net returns. To the extent that such overhead expenses had been included as fund expenses, net returns would have been lower.

The attributions presented on page 1 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 incentive fee (if any). Inclusion of such fees and expenses would produce lower returns than presented here. 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.

In addition, 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. All other currency positions are aggregated. 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 a Pershing Square fund for the entire calendar year.

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.