



Pershing Square Holdings, Ltd.
2021 Annual Report



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Company Overview

The Company

Pershing Square Holdings, Ltd. (“PSH”, or the “Company”) (LN:PSH) (LN:PSHD) (NA:PSH) is an investment holding company structured as a closed-ended fund principally engaged in the business of acquiring and holding significant positions in a concentrated number of large capitalization companies. PSH’s objective is to maximize its long-term compound annual rate of growth in intrinsic value per share.

PSH was incorporated with limited liability under the laws of the Bailiwick of Guernsey on February 2, 2012. It commenced operations on December 31, 2012 as a registered open-ended investment scheme, and on October 2, 2014 converted into a registered closed-ended investment scheme. Public Shares of PSH commenced trading on Euronext Amsterdam N.V. on October 13, 2014. On May 2, 2017, PSH’s Public Shares were admitted to the Official List of the UK Listing Authority and commenced trading on the Premium Segment of the Main Market of the London Stock Exchange (“LSE”).

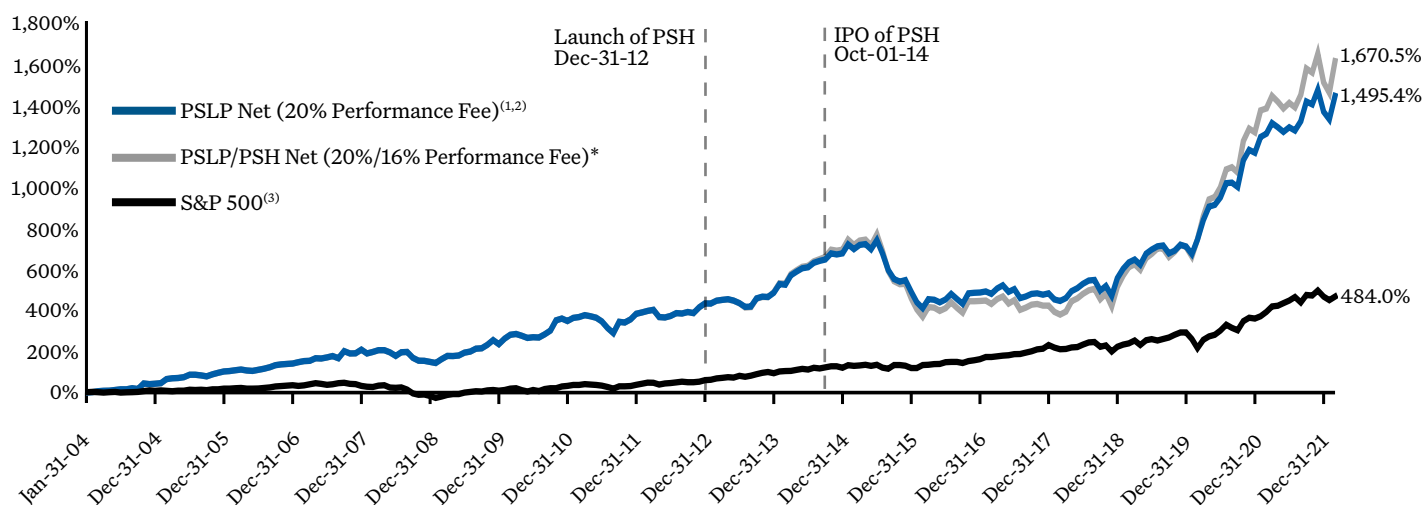
PSH has appointed Pershing Square Capital Management, L.P. (“PSCM,” the “Investment Manager” or “Pershing Square”), as its investment manager. PSCM was founded by William A. Ackman on January 1, 2004. The Investment Manager has responsibility, subject to the overall supervision of the Board of Directors, for the investment of PSH’s assets and liabilities in accordance with the investment policy of PSH set forth on pages 35-36 of this Annual Report (the “Investment Policy”).

The substantial majority of the Company’s portfolio is typically allocated to 8 to 12 core holdings usually comprising liquid, listed large capitalization North American companies. The Investment Manager seeks to invest in high-quality businesses, which it believes have limited downside and generate predictable, recurring cash flows. The Investment Manager is an active and engaged investor that works with its portfolio companies to create substantial, enduring and long-term shareholder value. The Investment Manager aims to manage risks through careful investment selection and portfolio construction, and may use opportunistic hedging strategies, to mitigate market-related downside risk or to take advantage of asymmetric profit opportunities. Over more than 18 years, the investment strategy pursued by the Investment Manager has generated a 17.1% annualized net return and cumulative net returns of 1,670.5% for PSLP/PSH (as converted) compared to a 10.2% annualized net return and cumulative net returns of 484.0% for the S&P 500, PSH’s historical benchmark index, over the same period.¹



Company Performance

Pershing Square Holdings, Ltd. and Pershing Square, L.P. (“PSLP”) NAV Performance vs. the S&P 500



	PSLP/PSH Net Return*		PSLP Net Return ^(1,2)	S&P 500 ⁽³⁾
2004	42.6 %	Pershing Square, L.P.	42.6 %	10.9 %
2005	39.9 %		39.9 %	4.9 %
2006	22.5 %		22.5 %	15.8 %
2007	22.0 %		22.0 %	5.5 %
2008	(13.0)%		(13.0)%	(37.0)%
2009	40.6 %		40.6 %	26.5 %
2010	29.7 %		29.7 %	15.1 %
2011	(1.1)%		(1.1)%	2.1 %
2012	13.3 %		13.3 %	16.0 %
2013	9.6 %		9.7 %	32.4 %
2014	40.4 %	Pershing Square Holdings, Ltd.	36.9 %	13.7 %
2015	(20.5)%		(16.2)%	1.4 %
2016	(13.5)%		(9.6)%	11.9 %
2017	(4.0)%		(1.6)%	21.8 %
2018	(0.7)%		(1.2)%	(4.4)%
2019	58.1 %		44.1 %	31.5 %
2020	70.2 %		56.6 %	18.4 %
2021	26.9 %		22.9 %	28.7 %
Year-to-date through March 22, 2022	(2.2)%		(1.9)%	(5.0)%

January 1, 2004–March 22, 2022^(1,4)

Cumulative (Since Inception)	1,670.5 %	1,495.4 %	484.0 %
Compound Annual Return	17.1 %	16.4 %	10.2 %

December 31, 2012–March 22, 2022^(1,4)

Cumulative (Since PSH Inception)	234.0 %	200.9 %	278.4 %
Compound Annual Return	14.0 %	12.7 %	15.5 %

* NAV return an investor would have earned if it invested in PSLP at its January 1, 2004 inception and converted to PSH at its launch on December 31, 2012. Also see endnote 1 on page 118. Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and important disclaimers on pages 118-121.



Chairman's Statement

INTRODUCTION

The global coronavirus pandemic continued to have a major effect on the world's economy in 2021; however, incredible progress was made thanks to the development of vaccines, and as they have become more widely distributed, have enabled us to adjust to a new way of living with the remaining risks of COVID-19. I am pleased to report that the actions taken by our portfolio companies in 2020 to protect and preserve their businesses, and to develop new strategic initiatives, put them in a position to recover strongly in 2021. As markets recovered, the Investment Manager predicted that the unprecedented U.S. government stimulus and pent-up global demand would lead to an increase in inflation, and that interest rates would need to increase. The Investment Manager implemented a hedging strategy during 2021 which helped to protect our investors from the potential risks of inflation whilst also positioning PSH's portfolio to generate long-term returns in the future.

Despite the progress made against COVID-19, we continue to find ourselves in an uncertain time due to geopolitical events. At the time of writing this letter, Russia and Ukraine are at war, and the situation is evolving rapidly. Our companies continue to report strong earnings and their operations are not materially exposed to the conflict, but there is no doubt the horrific events in Ukraine will have political and economic ramifications across the world.

INVESTMENT PERFORMANCE

During the year ended December 31, 2021, PSH's total Net Asset Value ("NAV") return including dividends was 26.9%, ending the year at \$57.30 per share.ⁱ PSH generated a total shareholder return of 18.6% over the same period as a result of the widening of the discount to NAV at which PSH shares traded from 23.0% to 28.3%.ⁱⁱ By comparison, the S&P 500 increased 28.7% during the year ended December 31, 2021.ⁱⁱⁱ This solid performance in 2021 follows a period of outstanding performance for PSH such that our three-year annualized NAV return is 50.1% (share price 48.4%, S&P 500 26.0%) and five-year annualized NAV return is 26.4% (share price 23.8%, S&P 500 18.4%). The Board is very pleased to note the Investment Manager's strong and consistent track record in generating substantial gains for shareholders.

PSH's growth in 2021 was driven by strong performance across its portfolio companies, most notably at Lowe's, Universal Music Group ("UMG"), and from PSH's interest rate hedge position. The most notable detractor from performance in 2021 was the decrease in value of PSH's commitment to invest in Pershing Square Tontine Holdings ("PSTH"). The PSTH share price declined from \$27.72 to \$19.72 during 2021, leading to a decrease in the value of PSH's forward purchase agreements and Sponsor Warrants. The performance of the entire portfolio is discussed in more detail in the Investment Manager's Report below, and further information on the valuation of the PSTH forward purchase agreements and Sponsor Warrants can be found in the Notes to the Financial Statements.

In my report to you last year, I noted the Investment Manager's foresight in using an asymmetric hedging strategy that protected the portfolio from severe declines in the stock market in Q1 2020. In 2021, the Investment Manager once again effectively utilized a hedge in the fixed income market by purchasing interest rate swaptions with the expectation that interest rates would rise as the world began to emerge from the COVID-19 pandemic. At an initial cost of \$157 million – or 1.4% of PSH's assets at the time – the hedge's asymmetric nature protected the portfolio with a relatively small investment.^{iv} As the Investment Manager's thesis became more widely accepted by the market, the hedge significantly increased in value. In January 2022, the substantial majority of the hedge was sold generating proceeds of \$1.25 billion across the Pershing Square Funds. The proceeds were then used to establish a new core position for PSH in Netflix, whose share price had significantly declined in recent months, leading the Investment Manager to believe it was undervalued. The Investment Manager remains concerned about the potential impact of inflation on PSH's portfolio and has since re-established a similar asymmetric interest rate swaption position to protect the portfolio going forward.



PSH's portfolio companies have emerged from the pandemic better positioned than before, and the Investment Manager believes that the intrinsic value of PSH's portfolio companies will continue to grow and deliver strong returns to shareholders over the long term.

INVESTMENT MANAGER

The Board has delegated the task of managing the Company's assets to the Investment Manager as set out in the Investment Management Agreement (the "IMA") entered into by PSH and Pershing Square Capital Management, L.P. at the inception of PSH (as amended from time to time). Although the Board does not make individual investment decisions, the Board is ultimately accountable for oversight of the Investment Manager.

The Investment Manager is a fundamental value investor that utilizes a range of engagement strategies to unlock long-term value for shareholders and, among other things, seeks to invest in excellent businesses with opportunities for improvement. These businesses tend to be large cap companies domiciled in North America that generate relatively predictable and growing free-cash-flows, with formidable barriers to entry and a compelling value proposition. The Investment Manager continues to engage constructively with many of PSH's portfolio companies through direct board representation in some situations, and less formal, private engagement in others. The Investment Manager's nimble use of hedging strategies demonstrates an important differentiating attribute and a unique advantage for PSH, and the Board commends the Investment Manager's deft approach.

PORTFOLIO CHANGES

The PSH Board was pleased to see that the Investment Manager continued to refresh the portfolio in 2021, particularly when market volatility created opportunities to reinvest in high-quality companies at attractive prices. During the year, PSH initiated positions in UMG, Domino's Pizza and Canadian Pacific Railway. It also enjoyed profitable exits from its positions in Starbucks and Agilent Technologies. In early 2022 PSH initiated a position in Netflix with the proceeds generated from its interest rate swaption hedge and also established a new interest rate swaption hedge.

The Investment Manager remains focused on finding a potential transaction for Pershing Square Tontine Holdings Ltd. ("PSTH") that meets its core investment principles. As discussed in the Investment Manager's report in our 2021 Interim Financial Statements, the Investment Manager has also filed a public registration statement for Pershing Square SPARC Holdings, Ltd. ("SPARC") which remains subject to SEC review. If SPARC is approved, it will allow the Investment Manager to continue to work on a potential merger transaction without burdening investors with the opportunity cost of keeping their money in a trust account. If SPARC is not approved and PSTH has not completed an initial business combination in the allotted time, PSTH will return its capital held in trust and PSTH's Sponsor Warrants would expire worthless.

CORPORATE ACTIONS

In 2021, PSH completed two new bond issuances, raising a total of \$1.3 billion of additional capital at attractive interest rates: €500 million of 1.375% 6-year unsecured Bonds due October 2027, (the "2027 Bonds") and \$700 million of 3.250% 10-year unsecured Bonds due October 2031 (the "2031 Bonds"). The proceeds from the sale of the 2027 Bonds and 2031 Bonds were used in part to fund PSH's tender for its outstanding 5.500% unsecured Bonds due in 2022 (the "2022 Bonds"). \$369 million of the 2022 Bonds were redeemed in the tender.



PSH's long-term debt management strategy is to manage leverage over time by increasing NAV through strong performance and laddering maturities through new issuances. The issuances in 2021 follow two issuances in 2020 and one in 2019, all of which are investment grade. The net result of these issuances is a laddered set of maturities over the next 17 years which matches our long-term investment horizon. Our total debt to total capital ratio today is just over 21% and is conservative given that PSH's portfolio is liquid and easy to value.^v The Board continues to believe that PSH's access to low-cost, investment grade, long-term debt is a competitive advantage that will serve shareholders well over the long term.

On March 28, 2022, the Company announced that beginning with the second quarter dividend and for the remainder of the calendar year 2022, the Company will increase its quarterly dividend by 25% to \$0.125 per share. The Company's intended policy in future years will be to pay quarterly dividends in an amount determined by multiplying the average PSH NAV of all trading days in December of the prior year by 0.25%, subject to a cap whereby the total dividend for the year is not to exceed 125% of the average total dividend paid in each of the previous three years so that PSH does not make an excess distribution under the PFIC rules. Once the dividend is set for a specific year, we do not intend to decrease it from that level even in the event that NAV were to decline in a future year. PSH's goal is to maximize its long-term compound annual rate of growth in NAV per share. Our new dividend policy will allow shareholders to receive quarterly distributions that will increase over time as we achieve this objective.

DISCOUNT TO NAV

The Board closely monitors the discount to NAV at which PSH's Public Shares trade and is not satisfied with the current discount. Despite the three-year annualized PSH NAV return of 50.1% for the period ending December 31, 2021, the discount widened from 25.2% to 28.3% over that period. However, it is interesting to note that shareholders captured approximately 95% of the value of the increase in NAV as the share price annualized return equaled 48.4% over the same period.

The Board believes that the best way to close the discount is for PSH to attract long-term investors by continuing to deliver strong investment performance over time. We can also do more to increase awareness of our performance and our strategy among investors. In recent years the Board has actively taken steps to broaden our investor base by securing a listing on the London Stock Exchange. Our subsequent elevation to the FTSE 100 index has increased the visibility of PSH to investors. In 2021, we increased our marketing efforts in the U.K., specifically to retail investors and the "platforms" they use, and remain focused on reaching a broader array of potential investors. We are also pleased that the Association of Investment Companies ("AIC") has reclassified PSH from its Hedge Funds group to U.S. Equity, which more accurately reflects our investment strategy.

Since May 2017, we have repurchased 51 million PSH Public Shares for \$837 million, which represents 21% of shares outstanding prior to the repurchases. During this time the discount widened from 15.3% to 33.9% as of this writing.^{vi} We are keenly aware that share repurchase programs alone do not inherently act as a discount closing mechanism. We did not buy back any shares in 2021 because the Board and the Investment Manager did not believe that it would be the best use of our capital given other investment opportunities available at that time. We have not ruled out undertaking additional buy backs or other corporate actions in the future should we believe they are likely to be an effective use of capital and in the best long-term interests of our shareholders.



CORPORATE GOVERNANCE / BOARD

Tope Lawani, Rupert Morley and Tracy Palandjian joined the Board in 2021 as non-executive directors. The addition of Tope, Rupert and Tracy expanded the Board to seven members, six of whom are independent. Our Board discussions have already benefited from the perspectives they each bring to our meetings.

The Board continues to work effectively and diligently on behalf of all shareholders. The Investment Manager and the PSH Board have maintained an open and productive dialogue. I would like to thank my fellow directors for all of their contributions and time commitment throughout the year.

EVENTS / SHAREHOLDER ENGAGEMENT

PSH's investor meeting on February 11, 2022, was attended by shareholders representing 34% of shares outstanding (excluding the 25% of shares owned by PSCM affiliates).^{vii} During the meeting, the Investment Manager presented a portfolio update. The presentation is available on PSH's website: www.pershingsquareholdings.com.

PSH's 2022 AGM will be held on May 5, 2022. Although the States of Guernsey removed all travel restrictions on February 17, 2022, visitors to Guernsey are still advised to test before travel. There are also reporting and isolation requirements should you develop symptoms or test positive for COVID-19 when in Guernsey. We therefore encourage our shareholders to submit proxy votes in electronic form. The results of the voting will be announced as soon as practicable after the conclusion of the AGM.

I will report to you on the first half of 2022 in August 2022, and the Investment Manager will keep you informed of any significant developments in the portfolio before then, when appropriate.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 28, 2022



Investment Manager's Report

LETTER TO SHAREHOLDERS

To the Shareholders of Pershing Square Holdings, Ltd.:

In 2021 Pershing Square Holdings generated strong NAV performance of 26.9%, and a lower total shareholder return (TSR) of 18.6% due to the widening of the discount to NAV at which PSH's shares traded during 2021.⁵

Investors who invested in Pershing Square, L.P. at its inception on January 1, 2004 and transferred their investment to PSH at its inception on December 31, 2012 ("Day One Investors") have grown their equity investment at a 17.1% compounded annual rate over the last 18 years, compared with a 10.2% return had one invested in the S&P 500 during the same period.⁶ With the magic of compounding, our 17.1% compound annual NAV return translates into a cumulative total NAV return since inception of 1,670% versus 484% for the S&P 500 over the same period. In other words, Day One Investors have multiplied their equity investment by 18 times versus the six times multiple they would have achieved had they invested in a zero-fee S&P 500 index fund.

Using PSH's stock price return rather than per-share NAV performance, Day One Investors have earned a 14.5% compounded return, a 12 times multiple of their original investment.⁷ This lower return reflects the 33.9% discount to NAV at which PSH's stock currently trades. Our strong preference is for PSH's shares to trade at or around intrinsic value for which we believe our NAV per share is a conservative estimate. With continued strong performance, we expect that PSH's discount to NAV will narrow, and its NAV and market value returns will converge.

The Last Four Years

The last four years have been an extraordinary period of performance for PSH. NAV per share has increased from \$17.41 to \$57.30 from December 31, 2017 to December 31, 2021, a compound annual return of 35.4% and a cumulative return of 236% versus 17.6% and 91.5% for the S&P 500 over the same period. In light of the strong turnaround in PSH's performance, we thought it would be useful to examine the steps we took to achieve this outcome as they will provide useful lessons for the years to come.

In 2017, Pershing Square was in the midst of resolving the overhang from two bad investments that contributed to a several-year period of underperformance, which led us to what is best described as a moment of reflection for Pershing Square. Our self-examination inspired a turnaround strategy comprised of four pillars: (1) exit the problematic investments; (2) restructure Pershing Square to a smaller investment-centric organization with future asset growth driven by investment results; (3) stabilize our capital base by acquiring a large stake in PSH and halting marketing and capital raising for the private funds; and (4) reinforce the implementation of our core investment principles which have generated the substantial majority of our performance since inception.

Exit the Problematic Investments

We sold Valeant and closed out our Herbalife short despite our belief that substantial profits would likely have been realized from their then trading prices. While retaining both investments would have generated substantial gains,^a we exited because we believed that the capital could better be deployed in other opportunities, particularly when one considered the

^a As of March 22, 2022, Valeant, now Bausch Health, has increased by 118.6% to \$24.05 from our final exit price of \$11.00, and our short position in Herbalife has declined since our exit by 30.6%, or from \$48.95 (adjusted for its 2 to 1 stock split) to \$33.98.



opportunity cost of our time. The aphorism that you “don’t need to make it back the way you lost it” has always resonated with us. Fortunately, we were amply rewarded from the redeployment of this capital as profits on the new investments were substantially greater than the gains we would have achieved from holding the troubled ones.

Restructure Pershing Square to a Smaller Investment-Centric Organization

When my former partner and I launched Gotham Partners, my previous firm, in 1992, my ambition was not to build a large global asset management firm. Rather, my immodest announced goal (exhibiting the perils of youthful exuberance) was “to generate one of the best long-term investment records ever.” Our goal was the same when we launched Pershing Square in 2004. We were off to a good start with a 21% compound annual return for the first nearly 12 years.⁸ By 2015, these strong returns coupled with early capital inflows grew Pershing Square’s equity under management to about \$20 billion.⁹ About 60% of these assets were in our two private funds – Pershing Square, L.P. and Pershing Square International, Ltd. – from which capital could be redeemed each quarter, a redemption “half-life” of about one year, with the balance of our assets in PSH.

In light of the impermanent nature of our private fund capital and the resulting constant need to retain and recruit new investors to maintain stable capital, I had inadvertently become the “Chief Marketing Officer” of Pershing Square (not to take away from our investor relations team’s excellent work) as investors who had committed large amounts of capital wished to meet with the CEO and other members of the investment team at least once a year. By 2015 and at \$20 billion of equity under management, these once-a-year meetings with a hundred or more investors ended up consuming or conflicting with much of our productive time, which interfered with the large blocks of time needed to focus on investing. Even a five-minute “check in” in the middle of the workday can materially disrupt the “flow” essential to the research and investment process.

To fix this problem, we informed our investors in January 2018 that members of the investment team would no longer meet with investors (other than Ben Hakim who took on this responsibility). Investors would continue to be kept well informed by our investor relations team and our conference calls, letters, presentations, and Annual Investor Meeting.

We understood that as a result of this change in our investor relations policy some of our institutional investors might be required to, or might choose to, redeem. Even considering the cost of having to manage through a transition period with substantial capital outflows, we strongly believed that this change would be in the long-term best interests of investors who chose to stay with us. It was a good decision. With this new approach to investor relations, we have been able to spend effectively all of our business time on our investments, generating the best performance in our history. We attribute much of our success over the last four years to our improved ability to focus.

Stabilize Our Capital Base and the Pershing Square Team

During 2018, we substantially enhanced the stability of our capital base by acquiring a larger ownership stake in PSH, increasing our alignment with other shareholders. As a long-term major owner, we could now invest without regard to short-term considerations, an enormous competitive advantage as nearly all other investment managers are beholden to short-term investor capital flows.



The business of raising capital is one which requires time-consuming support from all aspects of the firm. Our decision to exit the private fund capital raising business allowed us to operate extremely effectively with a much smaller team. In a small organization, our other-than-investing managerial responsibilities are much more limited. A smaller Pershing Square is both an extremely effective and attractive place to work, making it easier for us to retain talent, minimize turnover, and execute a turnaround.

Withdrawals of capital from our private funds and our large investment in PSH stock transformed our capital base to one that is substantially more permanent and more closely aligned with our investors. Today, nearly 90% of our assets are held by PSH¹⁰ of which Pershing Square employees and affiliates are the largest owners with more than 25% of shares outstanding, a \$2.8 billion of equity investment. Employees and our affiliates are also the largest investors in our two private funds representing approximately 44% of their capital or \$913 million for a total systemwide equity investment from employees and affiliates of 28% of capital or \$3.7 billion.¹¹ Pershing Square is one of the few investment managers in the world with such a large commitment of capital from the individuals who are making the investment decisions.

Our permanent capital base has allowed us to be highly opportunistic during periods of market stress – think March 2020 and the first few months of this year. It has also allowed us to win a recent competitive process where a seller of a high-quality business sought an anchor investor who has: (1) the ability to be a long-term and potentially permanent owner, (2) significant skin in the game (not just other people's money), and (3) a strong track record as a steward for other shareholders.

We believe that we were chosen by Vivendi to be a 10% owner of Universal Music Group largely for the above reasons from among a highly competitive field comprised of the largest private equity and other investors who needed an “exit strategy” in order to make the investment. We do not need an exit strategy. Rather, our strong preference is to find businesses where we believe that an exit will not be required, of which UMG is a good and important example.

Capital is generally, but not always, a commodity. Our differentiated capital base and growing reputational equity enabled us to win an investment mandate where price was an important but secondary consideration. With our increasing scale, large insider investment, and stable capital base, we believe that we will continue to identify other negotiated transactions where these unique attributes give us important competitive advantages.

Reinforce the Core Principles

Our renewed commitment to the core investment principles that have driven the substantial majority of our returns over time was the critical fourth pillar in our turnaround. The physical manifestation of the fourth pillar is a ‘stone’ tablet that sits on each of our desks that reminds us of our commitment to invest in the extremely durable growth companies that meet our core principles for business quality, simplicity, predictability, and free-cash-flow generation. We have been greatly rewarded for doing so.

Hedging and the Benefits of Asymmetry

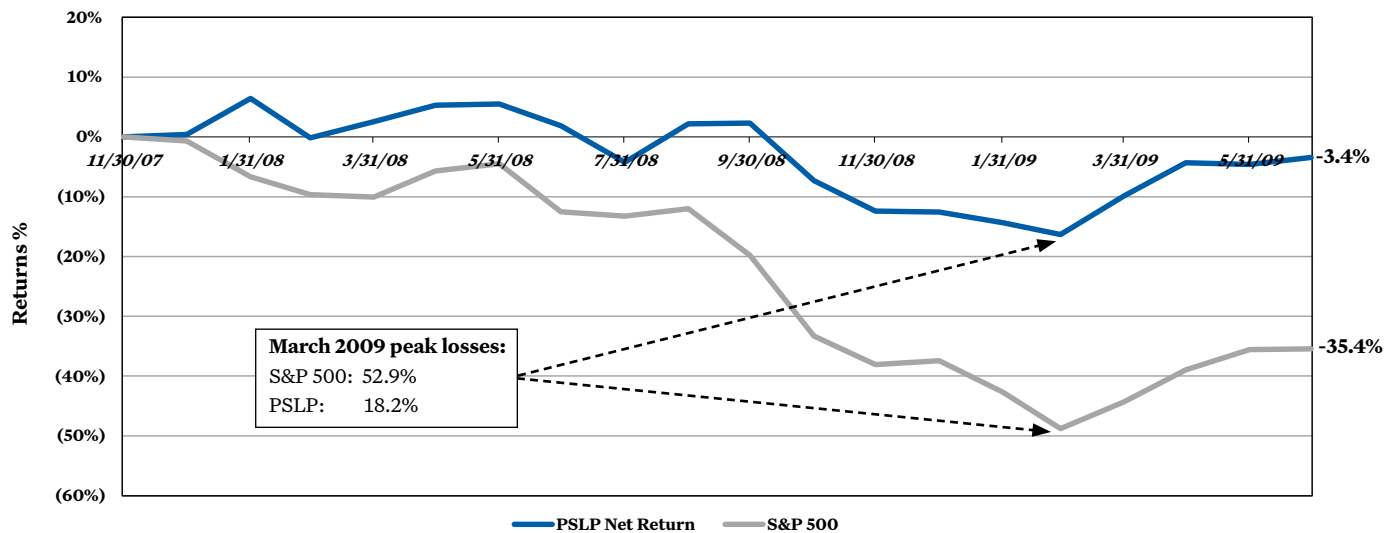
While the four pillars help to explain important contributors to the last four years and our approach to generating strong results in the future, they are not the only drivers of our results. Since our inception, asymmetric hedging strategies have



been important contributors to performance. Below we compare our performance during periods of extreme market volatility since our inception during: the financial crisis, the pandemic, and the first few months of 2022 – that greatly benefitted from our approach to hedging:

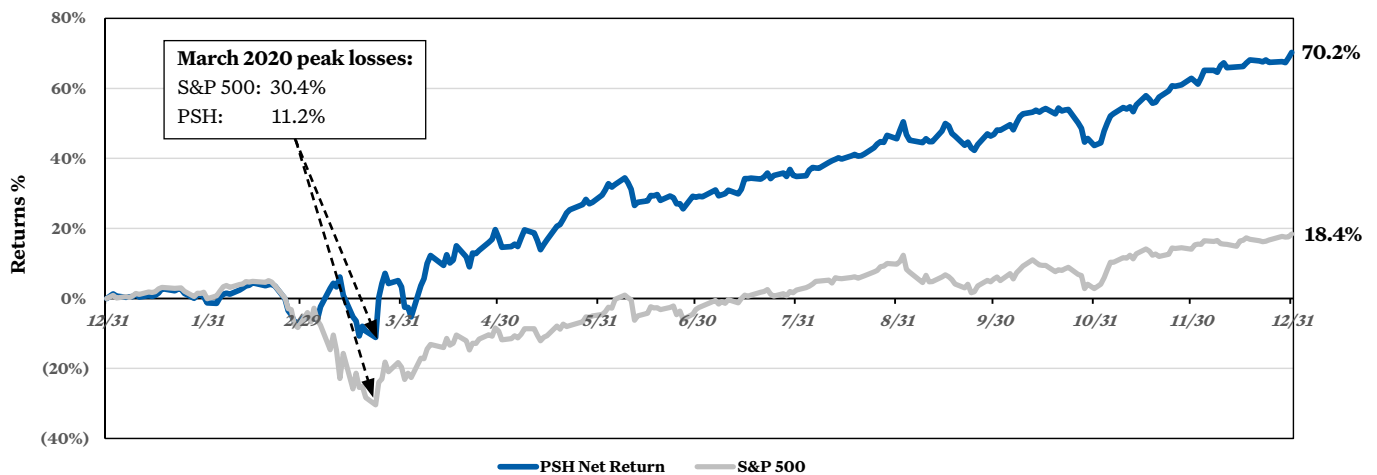
Global Financial Crisis

From December 1, 2007 to June 30, 2009, PSLP outperformed the S&P 500 by 3,200 basis points



COVID-19 Pandemic

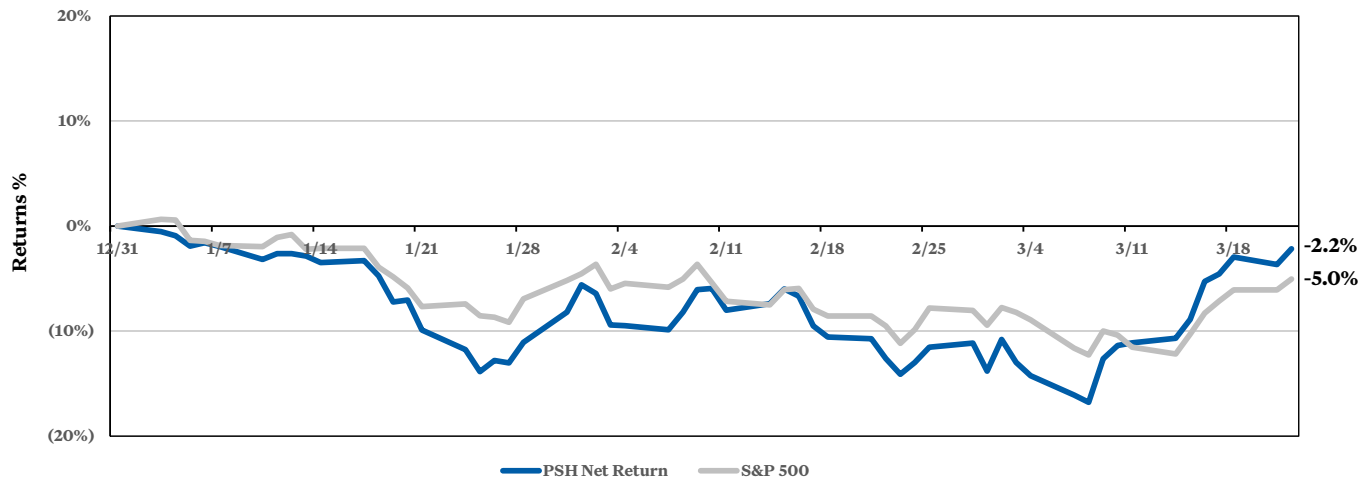
From January 1, 2020 to December 31, 2020, PSH outperformed the S&P 500 by 5,180 basis points





Russia/Ukraine War and Record Inflation

From January 1, 2022 to March 22, 2022, PSH outperformed the S&P 500 by 280 basis points



We do not use hedges to protect our mark-to-market performance from short-term downward volatility. We do not invest for the short term; therefore, we do not believe it makes sense to hedge for potential short-term declines in the stock market. We do, however, continually seek investments that can multiply in value when extraordinary negative macro or market events may occur. We implement this strategy so we are well positioned to acquire more of our existing holdings and/or potential new investments which may become available at attractive prices during periods of market disruption. We structure these hedges using instruments, typically options or the purchase of credit default swaps, that offer asymmetric payoffs and consume only a modest amount of our capital if the potential market disruption does not occur.

We think this approach can be best understood by analogy to over insuring your home in advance of an expected storm where insurance is purchased with a sufficiently large deductible such that the cost is minimal and the potential payoff is large relative to the premiums paid. The downside to this approach is that you may buy insurance which does not generate a return because your ability to predict future weather conditions is not perfect. So long as you only buy insurance episodically and opportunistically – that is when the weather looks to be very bad and the premiums are modest – the potential for opportunism can greatly outweigh the cost of the premiums.

We own businesses that we believe will survive the proverbial great flood. When macro considerations warrant the purchase of protection and the price of the insurance is favorable, we over insure. When the storm hits, we cash in the policies and buy more of what we already own and/or new companies that are available at a big discount. We have been well rewarded for doing so.



The First Few Months of 2022

Year to date, NAV per share has declined by 215 basis points. This performance reflects both positive and negative contributors. Year-to-date hedging gains have generated 727 basis points of positive returns, whereas our portfolio companies have generated 883 basis points of negative returns with the balance of 59 basis points reflecting accrued bond interest, management fees and other costs.¹² We believe that our companies' stock price declines are driven principally by the overall stock market disruption due to uncertainty about Federal Reserve policy and its impact on equity markets, and the recent war in Ukraine.

Volatility during the first few months of the year has provided opportunities for Pershing Square. In January, we exited some of our interest rate swaptions that we purchased in December 2020 and in 2021 ("the 2020/2021 swaptions") that were approaching expiration, generating \$1.25 billion for PSH and the other two Pershing Square funds ("the Funds"), the proceeds of which were principally invested in Netflix, a business that we have admired and previously researched, but never owned. Recently, we sold our remaining 2020/2021 swaptions for \$195 million generating cumulative total proceeds of \$1.45 billion on the 2020/2021 swaptions from the Funds' original investment of \$188 million.

In light of our continuing concerns about the impact of rising rates on equity markets and the market's underestimation of this risk, we replaced a substantial portion of the rate hedges that we sold with new interest rate swaptions ("the 2022 swaptions") with strike prices that were initially somewhat out of the money and with a longer term to expiration. The 2022 swaptions have already more than tripled in value from our original cost. Assuming the 2022 swaptions are sold at their current market value, the total proceeds from all of our swaption hedges would be in excess of \$2.1 billion.

The War, Inflation, Risk, Uncertainty, and Why We Remain Fully Invested

The war in Ukraine is a tragedy. Watching innocent people die due to the political and geopolitical objectives of one man is something one would hope would have never reoccurred. Ukraine is putting up a fierce fight and much of the Western world is helping with aggressive sanctions, military equipment and funding, but we need to do more. Russia's horrific actions must be made to be extraordinarily expensive and punishing for its military and its economy so that we deter and hopefully eliminate such aggression, destruction, and loss of life in the future.

The economic implications of the war are significant in amplifying inflation in energy, agriculture, and other goods and services, and tempering the risk appetites of investors and corporations. The prospects of high inflation, deteriorating growth, and the potential for a U.S. and global recession have increased significantly. Russia has become uninvestable. China is not far behind due to their crackdown on corporations and high-profile CEOs, and their tacit approval of Russia's actions. U.S. companies were already in the process of reshoring and near-shoring their supply chains, which will accelerate due to increasing geopolitical uncertainty. De-globalization is inherently inflationary. Risk premiums should also continue to rise.

Why then, you might ask, do we remain fully invested? For two principal reasons: first, we believe that the businesses we own have substantial pricing power that will enable them to cover the costs of inflation and are otherwise sufficiently robust and durable to continue to grow and withstand the test of time; and second, we believe that our hedges will likely generate substantial liquidity that would enable us to take advantage of opportunities in the event of a substantial market decline. We believe that hedging is a better alternative to keeping funds in cash while one is waiting for opportunities, particularly because high rates of inflation cause the purchasing power of cash to decline rapidly.



The industries and businesses in which we have invested are highly attractive and well positioned to withstand negative externalities. About 30% of our equity portfolio is invested in music and video streaming (UMG and Netflix); 26% in restaurants and restaurant franchising (Chipotle, Restaurant Brands and Domino's); 15% in a home improvement retailer (Lowe's); 10% in real estate in states with substantial in-migration (Howard Hughes) and in residential mortgages (Fannie Mae and Freddie Mac), 10% in hotel franchising (Hilton), and 8% in a railroad (Canadian Pacific).¹³ We expect that each of these companies will grow their revenues and profitability over the long term, regardless of recent events and the various other challenges that the world will face over the short, intermediate, and long-term.

While effectively all businesses are exposed to the global economy, we have chosen to invest close to home. Our portfolio is North American-centric with most to all of our companies' profits generated in North America. While the U.S. has its share of problems including a highly litigious business environment, a complex regulatory regime, and political disharmony and divisiveness, we believe these factors are substantially outweighed by a legal regime where the rule of law is generally respected (more so than in most other places in the world), limited corruption, a world class military and defense, and a corporate and capital markets environment where capitalism can flourish. We believe that these attractive attributes will increase in importance to investors in light of recent events. Much the same way that the world is deglobalizing, deglobalization appears to be coming to the capital markets.

We expect our portfolio companies to continue to compound their intrinsic values at even higher rates than before due to their currently reduced valuations. We believe that all of our portfolio companies will generate long-term durable growth due to their dominant market positions, substantial free cash flow generation, high returns on capital, pricing power, and strong balance sheets. Furthermore, most of our companies use their free cash flow to repurchase their own shares so our portfolio companies and their shareholders are the long-term beneficiaries of their recently reduced stock prices. While most investment managers prefer to report consistent growing returns to their investors, we prefer to have intermittent periods of downward volatility as they create opportunities to plant the seeds for greater long-term outperformance.

Pershing Square Tontine Holdings, Ltd. ("PSTH")

PSTH's failed business combination with Universal Music Group was a significant disappointment in 2021. We worked for nine months on behalf of PSTH to close the UMG transaction, but were unable to resolve regulatory issues in a timely fashion (and determined that we could not do so before the transaction deadline) in light of the somewhat atypical structure of the business combination which was designed to accommodate UMG's controlling shareholder's requirements. Our failure to complete the transaction was unexpected as our (and our counsel's and that of our counterparty's) understanding of the SPAC business combination rules, as well as that of the NYSE whose business combination rules applied, appeared to permit the transaction structure that we had proposed.

Fortunately, PSH and the other Pershing Square core funds, along with a co-investment fund we raised for this investment, were able to take over the transaction and to close on time and on the original terms. Doing so preserved Pershing Square's track record for closing deals and eliminated potential litigation risk from a potentially failed transaction. The assignment also restored PSTH to pursue a future transaction, albeit with somewhat less time remaining to do so.

During the first quarter of 2022, UMG's share price made a roundtrip back to our purchase price in Euros, and an even lower price in U.S. dollar terms. As a result, PSTH investors who missed the opportunity to acquire UMG through PSTH have had the opportunity to purchase UMG at the same or a similar price to that we paid, which helps to mitigate the opportunity cost of the failure of the PSTH/UMG business combination for PSTH shareholders.



We are very fortunate to have UMG as our largest position. It is one of the highest quality businesses we own and it trades at one of the largest discounts to intrinsic value in our portfolio.

We are continuing to pursue potential business opportunities for PSTH. Recent market volatility and a difficult IPO environment make PSTH's \$1 billion to \$3 billion of committed capital from Pershing Square and its unique Tontine warrant structure, designed to minimize the risk of shareholder redemptions, an even more attractive counterparty for a merger.

PSTH is open for business. We of course continue to welcome inbound ideas from investment bankers, advisors and others. We have until July 24, 2022 to sign a letter of intent for a transaction, and six months thereafter to close unless otherwise extended by shareholders.

Pershing Square SPARC Holdings, Ltd. ("SPARC")

We have made considerable progress toward the launch of Pershing Square SPARC Holdings, Ltd., although there can be no certainty the required NYSE rule will be adopted and other required approvals will be obtained. To review, SPARC is a newly proposed acquisition company that is structured to address certain undesirable features of SPACs that we were unable to address even with the investor-friendly SPAC innovations of PSTH's structure.

On March 1, 2022, the NYSE proposed an amendment to its initial subscription warrant listing rule that would allow SPARC warrants ("SPARs" or generically "subscription warrants") to trade on the NYSE. The public comment period for the new rule will end today, March 29th. We strongly encourage interested parties to publish a comment today as all comments are considered carefully by the SEC. (To publish a comment, click [here](#) and reference SR-NYSE-2021-45). The SEC will either approve or disapprove of the new rule no later than May 8th.

If the subscription warrant listing rule is approved and SPARC's registration statement is declared effective by the SEC, we intend to distribute SPARs to PSTH shareholders and warrant holders later this year. The SPARs are intended to have a maximum 10-year term and a minimum strike price of \$10.00 per share, subject to upward adjustment, which will enable us to tailor the amount of capital needed for a potential merger transaction. The SPARs will only become exercisable 20 business days after SPARC has entered into a definitive agreement for a transaction and the registration statement for that transaction (including comprehensive disclosure about the acquired business) has been declared effective by the SEC.

As the SPARs will be distributed free to PSTH holders, SPARC will have no underwriting fees nor will it have customary SPAC shareholder warrants outstanding which are typically issued at the time of a SPAC IPO as an inducement for investors to buy a "unit" in the SPAC's initial public offering. With no shareholder warrants or underwriting fees, SPARC will have an extremely simple and efficient capital structure with only common stock outstanding, other than 20% out-of-the-money Sponsor and Director Warrants on 5.21% of the post-transaction merged company. We expect that SPARC's simple capital structure, *de minimis* frictional costs, and unlimited scalability, backed by a large capital commitment from the Pershing Square Funds on the same terms as the SPAR holders will make SPARC an ideal vehicle for private companies to go public, a much more attractive alternative than going public in a conventional IPO.



The SPAC market is in total disarray for reasons largely of its own making. As we have often stated, we believe that incentives drive all human behavior, particularly on Wall Street. The incentive structure of the current-day SPAC (as distinguished from PSTH) motivated sponsors to complete transactions in many cases regardless of the outcome for their common stockholders. In light of typical SPACs' highly dilutive structures with founder stock, large underwriting fees, and dilutive shareholder warrants outstanding, it is the rare SPAC transaction that has been able to create even short-term value for shareholders. We believe the vastly superior structure and economic terms of the SPARC structure will, over time, enable us to own large stakes in high quality, newly public businesses that meet our investment criteria. No assurance can be given that SPARC will ultimately be effectuated on the terms outlined above or at all.¹⁴

Pershing Square 3.0

When we consider our history of corporate engagement, we have previously described two Pershing Square eras: (1) the initial period from our inception as Pershing Square 1.0 or “transactional activism,” where we invested in undervalued companies in which we were able to create substantial shareholder value by catalyzing corporate events like spinoffs, strategic asset or corporate transactions, and/or changes in tax or corporate structure, and (2) Pershing Square 2.0, beginning with our investment in General Growth Properties, where we joined the board of directors and helped to create shareholder value from the perspective and influence of an insider.

In the last year or so, some of our investors have asked whether our approach has changed again as they perceive us to be a “quieter” investor. They note that it has been about five years since our last proxy contest, and we have had only positive, constructive engagements with our portfolio companies in as many years.

To set the record straight, we have always sought to have positive, constructive engagements with our portfolio companies and their boards and management teams. Fortunately, we have largely succeeded, other than in the initial stages of a handful of proxy contests over the years. Unfortunately, our quieter constructive engagements which characterize the substantial majority of our investments are less widely known because quiet, constructive engagements do not generate media attention, certainly when compared with proxy contests.

We have also on a few rare occasions engaged in the “noisiest” form of activism, activist short selling, although this has been limited to two high-profile activist short engagements. Despite our limited participation in this investment strategy, it has generated enormous media attention for Pershing Square. In addition to massive amounts of media hits, our two short activist investments managed to inspire a book and a movie. Fortunately for all of us, and as importantly for our reputation as a supportive constructive owner, we have permanently retired from this line of work.

In our nineteenth year since inception, we have had the opportunity to get to know many boards and management teams, and we have built a reputation as a constructive, long-term, and helpful owner. The world of large capitalization public companies is small, and our reputation as a thoughtful investor has therefore become well known among CEOs, boards, and others who matter. The result is that all of our interactions with companies over the last five years have been cordial, constructive, and productive. We intend to keep it that way as it makes our job easier and more fun, and our quality of life better. So, if it is helpful to call this quieter approach Pershing Square 3.0, let it hereby be so anointed.



The Team

I am extremely fortunate to come to work every day alongside an extremely talented group of colleagues. Our look-after-one-another, family-oriented culture has made work fun, productive, and profitable for the team and our investors. We are unusual in our industry for the modest size of our organization – at current count 42, beginning with our smallest team, the two-person reception desk to our largest, our eight-person investment team – particularly when compared with the amount of assets we manage.

Our small size is by no means an effort to keep costs down. We are fortunate in having an investment strategy – concentrated and long-term, and a business model – investment-centric rather than asset-gathering – that enables relatively few to accomplish so much. Small organizations are often more productive, effective, and easier to manage than large ones.

We are also beneficiaries of the long tenure of our team members. Pershing Square is an extremely interesting and attractive place to work. We have also been through many challenges and successes together from which we have learned a lot. Our experience and our culture have proven to be important sources of our competitive advantage and sustainability in an industry with a relatively short half-life, which is why we are extremely circumspect when adding new team members. We know that we will experience many challenges over the next hopefully many decades, and we are well prepared for what comes next.

We are living in extraordinary times. As the steward for a portion, and for some of you a large portion of your investment assets, we are grateful for your commitment to Pershing Square. Our shareholders include thousands of individual investors and many institutions for whom the successful investment of their assets can create opportunities as well as mitigate other risks and costs that they bear. We take this responsibility extremely seriously. We are pleased with our long-term record and our performance in recent years, but we are not resting on our laurels. We have plenty of work to do to achieve our ambitious long-term goals, and we remain vigilant, focused, and committed to maximizing the outcome for our shareholders.

Sincerely,

William A. Ackman



2021 PORTFOLIO UPDATE

Performance Attribution

Below are the contributors and detractors to gross performance of the portfolio of the Company for 2021 and year-to-date 2022⁽¹⁵⁾.

January 1, 2021 – December 31, 2021		January 1, 2022 – March 22, 2022	
Lowe's Companies Inc.	10.8 %	Interest Rate Swaptions	7.3 %
Universal Music Group N.V.	8.7 %	Canadian Pacific Railway Limited	1.1 %
Interest Rate Swaptions	7.7 %	Bond Interest Expense	(0.2)%
Hilton Worldwide Holdings Inc.	5.7 %	Chipotle Mexican Grill, Inc.	(1.6)%
Domino's Pizza Inc.	4.2 %	Lowe's Companies Inc.	(2.3)%
Chipotle Mexican Grill, Inc.	3.9 %	Universal Music Group N.V.	(2.4)%
Agilent Technologies Inc.	3.8 %	Domino's Pizza Inc.	(2.6)%
The Howard Hughes Corporation	2.3 %	All Other Positions and Other Income/Expense	(1.1)%
Index CDS	(1.1)%		
Bond Interest Expense	(1.3)%		
Federal Home Loan Mortgage Corporation	(1.8)%		
Federal National Mortgage Association	(2.2)%		
Pershing Square Tontine Holdings, Ltd.	(6.5)%		
All Other Positions and Other Income/Expense	(0.3)%		
Net Contributors and Detractors	33.9 %	Net Contributors and Detractors	(1.8)%

Contributors or detractors to performance of 50 basis points or more are listed above separately, while contributors or detractors to performance of less than 50 basis points are aggregated, except for bond interest expense. Bond interest expense includes a one-time bond extinguishment expense of \$12.1M in connection with the partial cancellation of the 2022 Bonds on October 4, 2021. See Note 18 in the Notes to the Financial Statements for additional detail. Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and important disclaimers on pages 118-121.

New Positions:

Netflix ("NFLX")

We have long admired Netflix and had initially researched and analyzed the company as part of our investment due diligence on UMG. We then updated and completed our work in January when the stock price declined due to disappointing subscriber guidance. Much like UMG, we believe Netflix is well positioned as a leading beneficiary of the long-term secular growth in streaming, a high-quality business overseen by a world-class management team. Netflix established subscription video streaming when it launched its service in the U.S in 2007. Over the subsequent fifteen years, it has achieved global scale with 222 million paid subscribers today in more than 190 countries.



Despite its large scale, Netflix is still in the early stages of capitalizing on the decade-long secular growth in streaming video and corresponding decline in linear Pay TV. Current subscribers amount to less than a quarter of today's estimated total addressable market of 800 million to 900 million households that have either fixed broadband access or subscribe to Pay TV (excluding China).

Netflix offers consumers on-demand, commercial-free, binge-able content with ubiquitous accessibility at a price point that is approximately 80% less expensive than the average Pay TV package in the U.S. A Netflix subscription is one of the lowest cost forms of high value entertainment, with cost per hour of engagement of about 30 cents. The company's vastly superior value proposition relative to Pay TV and other forms of entertainment should drive substantial pricing power and meaningfully increase its penetration across its addressable market over time. We expect the company's addressable market to grow materially with global improvements in broadband connectivity and the continuous proliferation in the number of connected devices (SmartTVs, tablets, and smartphones).

Netflix is well positioned as the dominant market leader with several advantages relative to existing legacy media incumbents and large-capitalization technology entrants. The company has a diverse library of "content for everyone" that is replenished at a much faster rate than competitors. It releases 150 to 200 original content episodes per month, more than the volume released by Prime Video, Hulu, Disney+ and HBO Max combined. Netflix's industry-leading subscriber base has enabled the company to establish a very profitable business while spending more on original content than competitors.

Netflix's competitors are not currently profitable on a standalone basis and may struggle to spend ever increasing amounts on content unless they achieve significant future subscriber growth. Legacy media incumbents rely on existing profit pools from Pay TV to fund content spend today, but these sources of funding are quickly eroding due to Pay TV cord-cutting. Large-capitalization technology competitors such as Amazon and Apple have deployed cash flows from their significantly larger core businesses to fund video content, but we believe they will not spend unlimited sums to advance video streaming businesses that remain unprofitable and are ancillary to their core businesses.

As Pay TV cord cutting accelerates in mature markets, we believe there will be consumer appetite to subscribe for multiple streaming services over time. In the U.S., we estimate that wallet share released from declining linear Pay TV subscriptions, which are priced at approximately \$80 per month, can easily sustain a streaming bundle of three to five streaming services per household, which are typically each priced around \$10 to \$15 per month and offer a significantly better customer experience.

Netflix has the lowest churn rate by a wide margin amongst streaming services, highlighting its core position as the anchor, utility-like service of any "streaming bundle." Netflix's retention in the U.S., its most competitive market, has remained consistently stable at industry-highest levels despite the launch of several new competitors. International markets are earlier stage growth markets where Netflix has an even more formidable first-mover advantage and significant competitive position in local language content. Only Netflix has the unique and proven track record of elevating regional productions like *Squid Game*, *Casa de Papel* and *Lupin* into the global cultural zeitgeist.

As Netflix's business has achieved scale, its operating profit margins have increased from 4% in 2016 to 21% in 2021. Over the last five years, Netflix has held content spend per subscriber constant despite growing overall content spend by 23% per annum. At the same time, the company has increased price by 7% annually, resulting in dramatically improved subscriber unit economics. From the customer's perspective, Netflix's value proposition has become better each year as the growth in the volume of new high quality content has comfortably exceeded price increases. We believe that the combination of continued subscriber growth and pricing power will allow the company to leverage its growing content spend over an even larger future subscriber base, which will drive substantial future margin expansion and provide a better value proposition to its subscribers each year.



The opportunity to acquire Netflix at an attractive valuation emerged as investor concerns over management's short-term guidance, exacerbated by recent market volatility, led to a substantial decline in the company's share price. Despite a 47% increase in revenue, approximately 800 basis points of margin expansion and a vastly improved free cash flow profile over the last two years, as of March 22, 2022, Netflix's share price is down approximately 45% from recent highs and is trading below its February 2020, pre-pandemic share price.

Although we expect some near-term variability in the company's quarterly growth and profitability, we are confident in Netflix's long-term outlook. Over the next decade, we estimate the company can achieve double-digit annual revenue growth, significantly expand its operating profit margins, and grow its earnings per share by more than 20% per year. Moreover, the company is now cash flow positive which over time will enable capital return through share buybacks in the coming years. We believe Netflix's current valuation represents a meaningful discount to intrinsic value for a business of its quality and exceptional growth potential.

Canadian Pacific Railway ("CP")

Beginning in late 2021, we reinitiated an investment in Canadian Pacific. CP has been the best performing railroad in North America over the last decade due to the exceptional leadership of CEO Keith Creel and his predecessor, Hunter Harrison. We first invested in CP in 2011 and recruited industry veteran Hunter Harrison to lead a turnaround of the company. Under Hunter and Keith's leadership, CP has more than doubled its operating margins from 19% in 2011 to 42% in 2021 and become a leader in profitability among North American Class I railroads.

Canadian Pacific has been the fastest growing North American Class I railroad with average organic revenue growth of 6% over the last five years. In December, CP closed the acquisition of Kansas City Southern ("KCS"), which we believe will be a transformational and value-creating transaction. The acquisition of KCS positions CP to be the only North American railroad with a direct route from Canada to Mexico, and will result in significant revenue and cost synergies. KCS's rail network is at the center of the North American rail system, linking Mexico to major markets in the Midwest and Southeast regions of the United States. The CP-KCS combination will connect six of the seven largest metro regions in North America in one direct route and offer unparalleled speed and service for customers. CP currently owns KCS through a voting trust, which entitles CP to full economic ownership of the company, but does not permit CP to take operational control of the railroad until it receives regulatory approval of its pending merger application. We expect this approval to occur by the end of the year.

We believe CP is an attractive business as it operates in an oligopolistic industry where the barriers to entry are high due to considerable capital requirements, regulation, and network effects. The company provides a mission-critical freight transportation service which is often the cheapest or only viable method for transporting heavy freight over long distances, allowing for significant pricing power. Moreover, we believe freight volumes for the industry are poised for strong growth as rail freight transportation takes share from trucking. Rail currently accounts for less than 10% of overall freight transportation dollars in the United States with trucking representing more than 60%.

Rail transportation is both cheaper over longer distances than trucking, and significantly more environmentally friendly as it reduces greenhouse gas emissions by up to 75% compared to trucking. As customers increasingly look to reduce their carbon footprints and the railroads continue to enhance their customer service levels, we expect the railroad industry's share of the freight transportation market to meaningfully improve from current levels. Furthermore, the current geopolitical environment has increased the probability of significant investment in North American onshoring and energy production, which would further strengthen CP's volume growth over time.



Since we exited our original investment in CP in 2016, we have continued to closely follow the company and have admired the company's industry-leading execution and operational excellence. We believe the acquisition of KCS will be transformational for CP's rail network, and expect CP's leadership team to make significant operational improvements at KCS.

Despite our expectation that CP's best-in-class recent performance will continue and the company's future growth profile will be significantly enhanced by the revenue and cost synergies associated with the KCS combination, CP's shares have recently traded at a discounted valuation relative to history and its peers. We believe that the successful consummation and integration of the KCS acquisition will lead to attractive future investment returns relative to our purchase price as CP generates robust free cash flow per share growth over the medium-term, and which should cause it to receive a higher valuation that is more consistent with historical and peer levels.

Portfolio Update:

Universal Music Group ("UMG")

Universal Music Group is the world's leading music entertainment company and a high-quality, capital-light business that can be thought of as a rapidly growing royalty on the greater global consumption and monetization of music. Together with affiliate funds, we acquired 10% of the company last summer at a negotiated equity value of €33 billion, shortly before its distribution from Vivendi.

We believe that many investors still underappreciate the future long-term duration of growth in the music industry. Music is still in the early innings of a decades-long runway of growth, as it remains under-monetized relative to history and when compared to other forms of media. Due to increasing streaming penetration combined with the development of new services, platforms, and business models, we believe UMG can grow revenues at an annual rate approaching double-digits for more than a decade. Streaming is faster-growing, more predictable, minimally capital intensive, and more profitable than the physical or download recorded music business. High absolute levels of revenue growth coupled with UMG's fixed-cost base should allow UMG to significantly expand its operating margins over time, producing attractive compound earnings growth for the foreseeable future.

In recent months, investors have become concerned about industrywide competition for catalog assets and its impact on returns on capital. We believe these concerns are largely misplaced. With its best-in-class global team, access to unparalleled data, and unique ability to increase monetization, we believe UMG is an advantaged buyer and ideal steward for iconic catalogs. Importantly, UMG does not need to acquire catalogs in order to continue its strong growth trajectory and achieve the medium-term guidance outlined at its Capital Markets Day last year. The company recently reiterated that these acquisitions are additive to its existing medium-term growth algorithm, and that UMG will only acquire iconic catalogs where it can improve monetization, and then only at a price where the returns exceed the company's cost of capital.

Going forward, to further assist investors in evaluating the business, the company recently committed to providing more detailed revenue disclosure. We believe that expanded disclosure, coupled with further opportunities for investors to hear from management, will help investors better understand and appreciate UMG's advantaged position in a highly attractive and growing ecosystem. Over time, we also expect UMG to further optimize its capital structure and capital allocation policies.

We believe UMG's current valuation represents a significant discount to intrinsic value as it fails to reflect both the company's attractive business characteristics and long runway for sustained and robust earnings growth.



Lowe's ("LOW")

Lowe's is a high-quality business with significant long-term earnings growth potential. We initiated our investment in the company in April 2018 based on our assessment that the hiring of a new high-caliber management team who would undertake a business transformation could dramatically improve the business and close the performance gap to its closest competitor, Home Depot. Marvin Ellison became CEO in July 2018, and since then, Marvin and his team have executed a multi-year transformation plan to bolster Lowe's retail fundamentals, reduce structural costs, expand distribution capabilities, and modernize systems and the company's omnichannel capabilities.

The initial implementation of the transformation plan positioned Lowe's to deftly react to the demand acceleration following the onset of the COVID-19 pandemic. COVID-19 led existing homeowners to nest at home expanding its utilization to include working from home, home schooling, and a heightened demand for at-home leisure activities. Higher home asset utilization catalyzed more maintenance, repair, and remodel activity. More broadly, the pandemic also initiated a structural change in how people view and invest in their homes. We expect these trends to continue and to inure to the benefit of Lowe's going forward.

Importantly, while some had questioned whether the increase in demand during the pandemic had simply been a "pull forward," we believe that industry demand is likely to normalize at a higher baseline. This view is supported by an aging housing stock, a general lack of new inventory, robust home equity values, strong consumer balance sheets, historically low interest rates and a generational shift which is seeing millennial consumers engage in home ownership for the first time. The culmination of these variables has created an unprecedented backlog in professional home improvement projects heading into 2022, which should provide support for the medium-term outlook.

Independent from the accommodative macroeconomic environment, Lowe's is well positioned to continue to grow earnings-per-share through idiosyncratic opportunities including continued e-commerce improvements, and with a heightened focus and execution on the critically important pro consumer segment. Lowe's is also positioned to expand margins in 2022 through a multitude of self-help initiatives which should see Lowe's operating margin approach its current 13% target. Combined with best-in-class capital return, Lowe's is headed for another year of double-digit earnings-per-share growth.

As Lowe's continues to execute its multiyear business transformation, we believe the company is well positioned to continue to close the margin gap that exists compared to Home Depot which currently stands at 260 basis points (15.2% for Home Depot vs. Lowe's at 12.6%). Notably, the company has announced an analyst day in December 2022 during which the company intends to provide an updated roadmap on Lowe's goal to "substantially close the margin gap" with Home Depot.

The successful execution of Lowe's continued business transformation should allow the company to generate accelerated double-digit earnings growth for the foreseeable future. Notwithstanding the attractive growth outlook, Lowe's trades at about 16 times earnings, a low valuation for a business of this quality, and a substantial discount to its direct competitor, Home Depot. We find this valuation disparity to be anomalous in light of Lowe's strong execution and potential for further operational optimization.



Hilton (“HLT”)

While the hotel industry was extremely negatively impacted by the COVID-19 pandemic, Hilton has done a superb job navigating industry volatility, a testament to both the company’s high-quality business model and excellent management team. At the onset of the pandemic, Hilton’s management team took decisive defensive actions which mitigated profit compression from industry declines in revenue. These actions have now positioned the company to generate improved margins, stronger cash flows, and higher investment returns as the business rapidly recovers to pre-COVID-19 demand levels.

Notwithstanding the arrival of the COVID-19 Delta and Omicron variants, industry RevPAR (the industry metric for same-store sales at a given hotel) has shown continued sequential improvement as travel and mobility have recovered along with COVID-19 vaccine rollouts and the evolution of COVID-19 towards a societally endemic virus. Recent trending has affirmed that a robust recovery scenario is underway, led by domestic leisure travel occasions which saw RevPAR eclipse 2019 levels during the 2021 holiday season, the first time since the onset of the pandemic.

Although there will be volatility in the pace of the recovery, we believe demand is likely to sustainably normalize at or above 2019 levels at some point later this year. In part, this recovery is being driven by an unprecedented snapback in average daily rate “ADR.” Historically a laggard during prior recessions, ADR has been buoyed by a strong consumer appetite to travel, broad and accelerating inflationary pressures (hotels can change room rates in real time), and a positive mix-shift from large corporations to small and medium-sized businesses which are leading the business transient recovery.

Throughout the pandemic, Hilton took actions to reduce corporate expenses by about 20% compared to 2019 levels. Simultaneously, the company provided resources and support to the Hilton owner community which further solidified Hilton as the preferred franchise partner thereby expanding Hilton’s pipeline of units around the world. Hilton has affirmed its near-to-medium term outlook of mid-single-digit net unit growth and the resumption of its historical 6% to 7% net unit growth beginning in 2023-2024, a higher growth rate than competitors, and further evidence of Hilton’s differentiated business model. We believe that Hilton will continue to grow its market share at an attractive rate over time given independent hotels’ increased interest in seeking an affiliation with global brands, particularly in the wake of the pandemic.

While the recovery may continue to be uneven, Hilton has made tremendous progress which will help it become an even more profitable and stronger business going forward. We believe Hilton’s experience with COVID-19 – the proverbial 1,000-year flood – has affirmed the company’s unique high-quality, asset light, high-margin business model, and reinforces our belief that Hilton deserves a premium valuation.

Chipotle (“CMG”)

Chipotle continued its superb performance in 2021 driven by ongoing strength in digital sales and the recovery of in-store ordering. The successful business transformation led by CEO Brian Niccol and his team prior to the pandemic dramatically improved digital access and enabled the company to serve customers as they rapidly pivoted to order ahead pickup and delivery in 2020. These digital gains have proven resilient, with digital sales growth of 6% in the second half of last year even as in-store sales rebounded 37%, with the latter now approaching 90% of pre-pandemic levels.



During 2021, Chipotle achieved a significant milestone by generating average restaurant sales of \$2.6 million, eclipsing the 2015 peak of \$2.5 million and putting the company firmly on track to achieve management's goal of more than \$3 million. Same-store sales grew 19% in 2021, or 21% from 2019 levels, driven by the in-store sales recovery, key innovations including the quesadilla and smoked brisket, and menu price increases. Chipotle's superlative customer value proposition continued to be evident in 2021 as the company was able to raise prices to cover inflation and protect margins while experiencing very little customer resistance. Chipotle's most popular entrée, a chicken burrito/bowl, is still priced below \$8.00 in most parts of the country, demonstrating the significant latent pricing power that can be deployed if the inflationary environment continues.

In early February, management raised their long-term unit growth outlook to include the potential for at least 7,000 restaurants in North America, up from the prior goal of 6,000 restaurants, with annual new restaurant growth of 8% to 10% in 2022 and beyond, up from 6.5% average growth in the last three years. These new goals reflect the success of small-town locations that are delivering returns at or above traditional locations, as well as the robust performance of the Chipotlane digital drive-thru format, which will be featured in over 80% of new openings and is currently in only 12% of the store base.

In addition to new restaurants in North America, Chipotle continues to enjoy a long runway to drive growth across the business through menu innovation such as the recently launched pollo asado, loyalty program enhancements, operating leverage with 40% incremental restaurant margins, and the potential for international expansion beyond Canada.

Restaurant Brands ("QSR")

QSR's franchised business model is a high-quality, capital-light, growing annuity that generates high-margin brand royalty fees from now four leading brands: Burger King, Tim Hortons, Popeyes and recently acquired Firehouse Subs.

During the past two years, the company took a number of steps to accelerate its digital investments. The expansion of the company's delivery footprint, modernization of its drive-thru experience, increases in mobile ordering adoption, and improvement in its loyalty programs have helped drive digital sales and the company's recovery.

Burger King's international business and Popeyes have returned to strong same-store sales growth relative to pre-COVID-19 levels, whereas Burger King in the U.S. and Tim Hortons in Canada are still below 2019 levels. Burger King U.S. is now under new leadership, and we are optimistic about the new management team and their efforts to return the brand to sustainable growth. Tim Hortons' recovery in Canada is tied to mobility, showing significant improvement each month during the last quarter, culminating with December improving to low-single digit growth relative to 2019 levels before the impact of Omicron.

As the company returns to sustainable growth, management continues to take important steps to position the company for long-term success. The company announced several new markets for the Tim Hortons and Popeyes brand, and returned to its historical mid-single-digit unit growth last year. QSR also closed its acquisition of Firehouse Subs for \$1 billion in December. We expect the company to accelerate the Firehouse's unit growth in the coming years.

As underlying sales trends recover, we expect QSR's share price will more accurately reflect our view of its business fundamentals over time. In the meantime, the company recently initiated a share repurchase program and is currently buying back stock at what we believe to be a low valuation.



The Howard Hughes Corporation (“HHC”)

The COVID-19 pandemic changed how many people work and live, and highlighted the value of HHC’s unique master planned community (“MPC”) assets. During the past two years, under the new management of David O’Reilly and Jay Cross as CEO and President respectively, HHC embarked on a transformation plan to become a leaner and more focused organization centered on the company’s core MPC business. Since embarking on the plan, HHC has generated \$376 million in net proceeds from asset sales.

In 2021, HHC redeployed proceeds from non-core asset sales into the \$600 million acquisition of a shovel-ready, 37,000-acre MPC called Douglas Ranch in Phoenix, Arizona. The site is entitled for 100,000 residential homes and 55 million square feet of commercial development.

As the world emerges from COVID-19, the migration to the suburbs, especially in lower-tax states, has continued as evidenced by strong MPC land sales in HHC’s top-ranked Summerlin and Woodlands MPCs. HHC’s operating assets, particularly its retail portfolio, have also recovered in 2021 and have returned to pre-COVID-19 levels. HHC’s Ward Village in Hawaii has now pre-sold 64% of its eighth condo tower only two months after launching sales.

We continue to believe that Howard Hughes’ uniquely well positioned MPCs and portfolio of high-quality operating assets will deliver substantial, shareholder-value-creating growth for years to come.

Domino’s Pizza (“DPZ”)

Our investment in Domino’s was off to a strong start with shares up over 50% from when we made the investment in March through the end of 2021, driven by robust operating results and a late-year omicron-driven rally in “stay-at-home” stocks. Most of these gains disappeared in the first few months of this year with Domino’s stock price declining 29% through March 22nd. In addition to a broader market selloff, especially in higher-growth companies, we believe the recent stock price weakness is attributable to an ongoing slowdown in same-store sales growth that began in the third quarter of 2021. Domino’s has a long history of defying the skeptics and outperforming following brief periods of weakness, and we believe this time is no different.

The recent deceleration is driven primarily by driver shortages due to the current state of the U.S. labor market, which is acutely impacting the delivery business that comprises two-thirds of sales. While driver shortages have led to shortened hours and customer service challenges at many locations, the company is taking corrective action by conducting a full assessment of the driver labor market, launching new hiring and training systems, raising wages, and eliminating time consuming in-store tasks.

In light of high inflation in labor and food costs, Domino’s recently refreshed its core mix & match delivery offer by raising the price point from \$5.99 to \$6.99 and adding new products to the offer. We estimate that this one dollar increase will be a several percentage-point tailwind to same-store sales growth, without taking into account any positive benefit to ticket that Domino’s has historically seen from new product additions. This is the first time the company has increased the price on this offering in over twelve years, and we continue to believe Domino’s customer value proposition remains exceptional. Product innovation, a peak level of advertising funds, and the return of key promotions should provide additional tailwinds to sales growth.



Concurrent with fourth quarter results in early March, Domino's announced the promotion of Russell Weiner, COO and President of Domino's U.S., to CEO effective May 1st, the retirement of outgoing CEO Ritch Allison, and a new CFO hire. Shortly after joining Domino's as Chief Marketing Officer in 2008, Russell led the wildly successful Pizza Turnaround campaign, which revitalized the Domino's brand and led to 7% average U.S. same-store sales growth over the subsequent twelve years. We believe there is no one better equipped to drive growth for Domino's, and are looking forward to what Russell can deliver in the years to come.

Domino's currently trades at a mid-20s multiple of forward earnings, a compelling valuation given its leading position in the QSR pizza category enabled by its crown jewel digital and delivery infrastructure, the high certainty nature of the business, and its mid- to high-teens, long-term earnings growth. We are pleased that the company is taking advantage of its depressed share price by continuing to repurchase shares, consistent with its longstanding policy of returning excess cash to shareholders.

Fannie Mae ("FNMA" or "Fannie") and Freddie Mac ("FMCC" or "Freddie") (together "the GSEs")

Fannie and Freddie suffered large stock price declines of 66% and 64%, respectively, in 2021, primarily driven by a Supreme Court ruling in June that was adverse to shareholders, as we previously discussed in detail in our Semi-Annual report. Shareholders suffered another legal blow in February 2022, when the Court of Appeals for the Federal Circuit ruled decisively against the plaintiffs in the takings cases filed in the Court of Federal Claims, which will end this litigation unless the Supreme Court decides to review the decision.








Despite these disappointing outcomes in the courts, we believe that the GSEs' exit from conservatorship remains a question of when and not if, as their role as the irreplaceable core of the U.S. housing finance system is now broadly acknowledged across the political spectrum. Privatization of Fannie and Freddie will ensure that private capital bears the first loss in any future real estate dislocation, rather than having Treasury or U.S. taxpayers bear the risk. As common shareholders, we own valuable perpetual options on both entities that we believe will be worth many multiples of today's prices once re-privatization occurs. The perpetual nature of these options protects our investment even if Fannie and Freddie do not exit conservatorship for years. In the meantime, both entities continue to build capital through retained earnings and now have combined capital of \$75 billion.

Exited Positions:

As previously disclosed, Pershing Square exited its investments in Starbucks and Agilent in 2021.



PUBLIC COMPANY ENGAGEMENT SINCE INCEPTION⁽¹⁶⁾

Long Positions						
 2004	 2004	 2004	Atlantic Realty Trust 2004	 2004	 2005	 2005
 2006	 2006	 2007	 2008	 2008	 2008	 2009
 2010	 2010	 2010	 2010	 2010	 2011	Justice Holdings Ltd. 2011
 2012	 2013	 2013	 2013	 2013	 2014	 2014
 2015	 2015	 2015	 2016	 2017	 2018	 2018
 2018	 2018	 2019	 2020	 2020	 2020	 2021
 2021						
Short Positions*						
 2004	 2005	 2007	 2007	 2007	 2012	

* Short Positions includes options, credit default swaps and other instruments that provide short economic exposure. Pershing Square has no current intention to initiate a public equity short position.

The companies on this page reflect all of the portfolio companies, long and short, as of March 22, 2022, in respect of which (a) Pershing Square or any Pershing Square Fund, as applicable, has designated a representative to the board, filed Schedule 13D, Form 4 or a similar non-US filing or has made a Hart-Scott Rodino filing; or (b) Pershing Square has publicly recommended changes to the company's strategy in an investment-specific white paper, letter or presentation.

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and disclaimers on pages 118-121.



Principal Risks and Uncertainties

The Board has ultimate responsibility for the Company's risk management. The Board recognizes that identifying the inherent risks related to the business and operations of the Company and developing an effective strategy to manage and mitigate these risks is crucial to the ongoing viability and success of the Company.

In order to identify these risks, the Board reviews the management of investment risk and the operations of the Investment Manager at each quarterly Board meeting. In addition, the Board has established a Risk Committee, which at least annually carries out a robust assessment of the existing and emerging risks facing the Company, including those that could threaten its business model, future performance, solvency or liquidity.

The Risk Committee's assessment identified 44 existing risks relevant to the Company's business in 2021, including risks arising from the Company's investment activities, structure and operations as well as risks relating to shareholder engagement and regulatory compliance. The Risk Committee has considered the cause of each risk, the likelihood of a risk occurring, and the severity of the impact on the Company if the risk occurs, both before and after taking into account the controls in place to mitigate them. Based on this assessment, the Risk Committee has identified the subset of risks set out below as the principal risks faced by the Company. The discussion of each principal risk below also includes the effect of any applicable 2021 emerging risks identified by the Committee.

Risk	Description	Mitigating Factors
Investment Risk	<p>The Company's investments are exposed to the risk of the loss of capital. There is no assurance that the Company's portfolio investments will increase in value and shareholders may lose all, or substantially all, of their investment in the Company.</p> <p>Failure to appropriately integrate risks into investment decisions or to manage risks to which the Company's investments are exposed, including ESG risks such as climate change, may have a material negative impact on the Company's performance.</p>	<p>The Investment Manager is an experienced investor and makes investment decisions in accordance with its investment principles as described in the Company's Investment Policy.</p> <p>The most important criterion in the Investment Manager's investment selection process is its view of the long-term quality of a business, which is informed by, among other things, the Investment Manager's assessment of the potential impact of risks to the business, including ESG risks, and how these risks are managed by its board and management. The Investment Manager assesses risks to the long-term success of the Company's investments by performing extensive research prior to making an investment decision and by ongoing monitoring to deeply understand each business and the industry in which it operates. The Investment Manager's approach to the management of ESG risks as a component of investment risk is further described in its ESG Statement available on the Company's website.</p> <p>The Board receives quarterly updates on the performance of the Company's portfolio positions.</p> <p>The interests of the Investment Manager are aligned with the Company's shareholders as a result of the substantial investment made by Investment Manager's personnel in the Company.</p>



Risk	Description	Mitigating Factors
Investment Manager's Authority	<p>The Investment Manager has broad investment authority in executing the Company's strategy and may use whatever investment techniques it believes are suitable for the Company, including novel or untested approaches.</p> <p>In addition, the Company's strategy depends on the ability of the Investment Manager to successfully identify attractive investment opportunities.</p> <p>Performance fees may incentivize the Investment Manager to take on excessive risk within the portfolio.</p>	<p>The Board receives a report from the Investment Manager at each quarterly Board meeting, or as necessary, on developments and risks relating to portfolio positions and financial instruments used in the portfolio and the portfolio composition as a whole.</p> <p>The Investment Manager engages in a thorough diligence process for novel investment structures and is an experienced investor.</p> <p>The interests of the Investment Manager are aligned with the Company's shareholders as a result of the substantial investment made by Investment Manager's personnel in the Company.</p>
Portfolio Concentration	<p>The Investment Manager may invest a significant proportion of the Company's capital in a limited number of investments, subject to the Company's Investment Policy. Because the Company's portfolio is highly concentrated and primarily invested in public equities (or derivatives referencing public equities), it is sensitive to fluctuations in equity prices and its investment results may be volatile. A concentrated portfolio also exacerbates the risk that a loss in any one position could have a material adverse impact on the Company's assets.</p>	<p>The Investment Manager performs extensive research prior to making new investments, along with ongoing monitoring of positions held in the Company's portfolio. The Investment Manager is mindful of sector and industry exposures and other correlations between businesses in which the Company invests.</p> <p>The Board reviews portfolio concentration and receives a detailed overview of the portfolio positions no less than quarterly, but more frequently as necessary.</p> <p>The Investment Policy prohibits investments by the Company in, or giving exposure to, the securities of any one issuer representing more than 25% of the Company's gross assets (assets on the statement of financial position prior to deduction of liabilities) measured at the time of making the investment.</p>
Engaged Investor	<p>The Investment Manager is an engaged investor and may advocate for managerial, operating and governance changes, which may involve the substantial use of time, resources and capital and litigation by or in opposition to the target company's management, board or shareholders.</p>	<p>The Investment Manager has significant experience engaging with the management of portfolio companies and takes an active role where it believes the commitment of time, energy, and capital is justified in light of the potential for reward. The Board is kept informed of and reviews the Investment Managers active engagements with portfolio companies.</p>
Portfolio Liquidity Risk	<p>The Company may be restricted from trading in certain securities in its portfolio for which the Investment Manager has board representation or for contractual, regulatory or other reasons.</p> <p>Stressful market conditions may prevent the Company from having sufficient liquidity to meet its liabilities when due.</p>	<p>The Investment Manager actively monitors positions with trading restrictions to manage its future liquidity needs. The Investment Manager may sell securities subject to restrictions through block sales, during open trading windows or pursuant to automatic trading plans. When joining the board of an issuer, the Investment Manager typically seeks to receive registration rights to facilitate future sales.</p> <p>The Company invests primarily in large-capitalization securities which are highly liquid under normal market conditions. The Investment Manager actively manages the Company's cash and cash equivalents to ensure, as much as possible, that the Company will have sufficient liquidity under both normal and stressed market conditions.</p>



Risk	Description	Mitigating Factors
NAV Discount	The Public Shares of the Company have in the past, currently and may in the future trade at a significant discount to NAV, which may affect demand for the Public Shares.	<p>For a summary of actions the Company has taken to address the discount, please see “Discount to NAV” in the Report of the Directors.</p> <p>The Board monitors the trading activity of the shares on a regular basis and reviews the discount to NAV at its quarterly meetings. The Company has also retained advisers to engage with existing and potential shareholders and to assist in its consideration of potential measures to reduce the discount of share price to NAV.</p>
Regulatory Risk	Regulatory risk can negatively impact the Company in a number of ways. For example, changes in laws or regulations could have a detrimental impact on the Company’s ability to freely acquire and dispose of certain securities or deploy certain investment techniques. In addition, failure to comply with laws or regulations can subject the Company to reputational damage and prosecutions.	<p>Prior to initiating an investment, the Investment Manager considers the possible legal and regulatory issues that could impact its ability to achieve its objective with respect to such position. The Investment Manager’s legal and compliance team (supported by professional external advisers) monitors regulatory changes on an ongoing basis and informs the Board of emerging risks.</p> <p>The Board and the Investment Manager maintain policies and procedures designed to prevent violations of applicable laws and regulations. The Board is provided with the Investment Manager’s compliance manual and periodic updates thereto.</p> <p>The Board is apprised of any regulatory inquiries or material regulatory developments and receives quarterly updates from the Investment Manager’s Chief Legal and Compliance Officer.</p>
Key Man Risk	The Investment Manager is dependent on William Ackman to provide its investment advisory services to the Company as he has ultimate discretion with respect to all investment decisions.	<p>The investment team and other senior personnel of the Investment Manager are experienced, longstanding employees.</p> <p>Sound corporate governance principles are well established and effectively practiced.</p> <p>The Investment Manager maintains a contingency plan to facilitate an orderly transition in the management of the Company’s affairs and communications to shareholders upon the occurrence of a key man event.</p>
Tax Risk	<p>The Company may conduct its affairs in a way that places its tax status at risk. Changes to the tax laws of, or practice in a tax jurisdiction affecting the Company could adversely affect the value of the Company’s investments and decrease the post-tax returns to shareholders.</p> <p>Investments in the Company may not be tax efficient for certain shareholders. The Investment Manager may make an investment or trading decision which takes into account tax consequences for some investors and/or is tax efficient for some shareholders, but which may result in adverse tax or economic consequences for other shareholders.</p>	The Company aims to avoid adverse tax consequences and engages experienced tax advisors as appropriate.



Risk	Description	Mitigating Factors
Market Risk	Adverse changes affecting the global financial markets and economy as a whole may have a material negative impact on the performance of the Company's investments or may cause the prices of financial and derivative instruments in which the Company invests to be highly volatile.	<p>The Investment Manager monitors emerging risks to global markets that may impact the Company's portfolio. While the Company is not committed to maintaining market hedges at any time, in order to mitigate market-related downside risk, it may acquire put options, short market indices or baskets of securities and/or purchase index or single-name credit default swaps, interest rate or currency hedges, and engage in other hedging strategies.</p> <p>The Investment Manager identified inflation and an increase in interest rates as emerging market risks for 2021 and entered into interest rate swaptions to hedge this risk.</p>
Cybersecurity	An information security breach results in the disclosure of the Company's sensitive information and/or access to core systems being disrupted or denied.	<p>The Company's sensitive information is maintained by the Investment Manager, which has implemented robust information security controls, frequent testing and advanced monitoring of cybersecurity threats. The Investment Manager reviews the information security controls of service providers with access to sensitive Company information to ensure appropriate protections are in place. All core operating systems are regularly backed up.</p> <p>The Cybersecurity Committee of the Investment Manager meets quarterly or more frequently as needed to evaluate cybersecurity risks and to review the effectiveness of the Investment Manager's cybersecurity controls.</p> <p>The Board receives quarterly updates on cybersecurity and an annual overview of the Investment Manager's cybersecurity program.</p> <p>The Investment Manager adopted additional precautions to mitigate cybersecurity risks during its period of remote operations, including additional monitoring of network traffic and user activity as well as employee training to prevent successful phishing/ransomware attacks.</p>
Service Providers	Key service providers perform inadequately or expose Company to risk.	<p>The Investment Manager has adopted a vendor supervision policy and performs due diligence on service providers in accordance with its assessment of their risk to the Company.</p> <p>The Investment Manager monitors key service providers through frequent contact and reports to the Board as needed.</p> <p>The Board advises on the engagement of service providers as appropriate and the Management Engagement Committee reviews key service providers at least annually.</p> <p>The Company has not experienced any disruption in services from its service providers as a result of the COVID-19 pandemic and all service providers continue to meet expectations.</p>
Insurance	The Company is liable for claims due to the failure of an insurance underwriter or inadequate insurance coverage.	<p>The Company and the Investment Manager maintain insurance policies with reputable insurance underwriters.</p> <p>Insurance arrangements and limits are reviewed annually by the Board to ensure they remain appropriate.</p>



Directors



ANNE FARLOW

Independent Director
Chairman of the Board
Chairman of the Nomination and
Management Engagement Committees

Ms Farlow, a Hong Kong resident, has been an independent Director of the Company since 2014 and is an experienced private equity investment professional and non-executive director. She is a non-executive director of BlueRiver Acquisition Corp., listed on the New York Stock Exchange, and has been appointed as a non-executive director of Caledonia Investments plc, listed on the London Stock Exchange, with effect from March 28, 2022. She has been an active investor in and non-executive director of various unlisted companies since 2005.

From 2000 to 2005, she was a director of Providence Equity Partners in London, and was one of the partners responsible for investing a \$2.8 billion fund in telecom and media companies in Europe.

From 1992 to 2000, she was a director of Electra Partners, and was based in London from 1992 to 1996 and Hong Kong from 1996 to 2000. Prior to working in private equity, Ms Farlow worked as a banker for Morgan Stanley in New York, and as a management consultant for Bain and Company in London, Sydney and Jakarta.

Ms Farlow graduated from Cambridge University with a MA in engineering in 1986 and a MEng in chemical engineering in 1987. She obtained an MBA from Harvard Business School in 1991.



NICHOLAS BOTTA

Mr Botta, a U.S. resident, has been a Director of the Company since 2012. He is also a director of Pershing Square International, Ltd. Until March 1, 2017, when Mr Botta became President of the Investment Manager, he was the Investment Manager's Chief Financial Officer.

He also worked as controller and then as Chief Financial Officer of Gotham Partners from 2000 to 2003. From 1997 to 2000, Mr Botta was a senior auditor at Deloitte & Touche in its securities group. He was also a senior accountant from 1995 to 1997 for Richard A. Eisner & Co., LLP.

Mr Botta received his Bachelor of Accounting from Bernard Baruch College in 1996. Mr Botta is a certified public accountant.



Directors



BRONWYN CURTIS, OBE

Senior Independent Director
Chairman of the Remuneration Committee

Ms Curtis, a U.K. resident, has been an independent Director of the Company since April 2018. Ms Curtis is a global financial economist who has held senior executive positions in both the financial and media sectors. She currently serves as a non-executive director of a number of institutions including the U.K. Office of Budget Responsibility, JP Morgan Asia Growth and Income, BH Macro, Mercator Media, Australia-United Kingdom Chamber of Commerce, and Scottish American Investment Co.

She has also been a Governor at the London School of Economics. Ms Curtis held several senior positions at HSBC from 2008 to 2012 where she managed the global research operations and portfolio including the economic, fixed income, foreign exchange and equity products. From 1999 to 2006, Ms Curtis was the Head of European Broadcast at Bloomberg LP, where she was responsible for production and editorial for its 24-hour business and financial news coverage.

Prior to joining Bloomberg, she held positions at Nomura International and Deutsche Bank. Ms Curtis graduated from the London School of Economics with a Masters in Economics in 1974.



ANDREW HENTON

Independent Director
Chairman of the Audit and Risk Committees

Mr Henton, a Guernsey resident, has been an independent director of the Company since September 2020. Mr Henton has wide board experience of both regulated and non-regulated businesses (including listed funds) in both executive and non-executive capacities. He currently serves on the boards of several private entities. He is chair of the board of Butterfield Bank Jersey Limited and SW7 Holdings Limited, and serves as a member of the board of TaDaweb S.A., Butterfield Bank Guernsey Limited, Longview Partners (Guernsey) Limited and Close Brothers Asset Management (Guernsey) Limited. He also previously served as the Chair of the Board of Boussard & Gavaudan Holding Limited, a listed closed-ended investment company.

Between 2002 and 2011, Mr Henton held various positions at Close Brothers Group plc, latterly acting as Head of Offshore Businesses. During this time, he led the creation of Close Private Bank, which provided asset management, banking, and administration services to high net worth and institutional clients. Mr Henton previously spent four years working in HSBC's Corporate Finance division and three years as a Fund Manager with Baring Private Equity Partners.

He graduated from Oxford University in 1991 and subsequently qualified as a Chartered Accountant with PricewaterhouseCoopers in London.



Directors



TOPE LAWANI

Independent Director

Mr Lawani, a Nigerian national, is a co-founder and managing partner of Helios Investment Partners and co-CEO and a director of Helios Fairfax Partners Corp. Prior to forming Helios, he was a principal in the San Francisco and London offices of TPG Capital. He began his career as a mergers & acquisitions and corporate development analyst at the Walt Disney Company.

Mr Lawani serves as a non-executive director of Helios Towers plc, Vivo Energy plc, LinkCommerce Ltd, Thunes, Axxela Ltd, ZOLA Electric and OVH Energy BV. Mr Lawani is a member of the MIT Corporation (Massachusetts Institute of Technology's board of trustees), the MIT School of Engineering dean's advisory council, the Harvard Law School dean's advisory board and the international board of The END Fund. He previously served as a non-executive director of Equity Group Holdings Plc, Emerging Markets Private Equity Association (EMPEA), First City Monument Bank Plc, Bayport Management and Millicom International Cellular. Mr Lawani also previously served as a board observer of the board of directors of J. Crew, Inc. and Burger King Corp, and on the overseers' visiting committee of the Harvard Business School.

Mr Lawani received a B.S. in chemical engineering with a minor in economics from the Massachusetts Institute of Technology, a juris doctorate from Harvard Law School and an MBA from Harvard Business School. He is fluent in Yoruba, a widely spoken West African language.



RUPERT MORLEY

Independent Director

Mr Morley is a trustee of Comic Relief and chair of its investment advisory group. He serves as chairman and CEO of Rococo Chocolates, one of Britain's leading makers of high-quality chocolates, since 2017. He purchased the business out of administration in 2019, prior to which he was a minority shareholder. Mr Morley previously served as CEO of Sterling Relocation, Hamptons estate agency and Propertyfinder.co.uk and managing director of Swan Hellenic Cruises. He also previously served as operations director of Brierley Investments Limited, a non-executive director of Thistle Hotels, English Welsh & Scottish Railways and Graham-Field Health Products and president of the Fédération Internationale des Déménageurs Internationaux (FIDI).

He has a degree in economics from Cambridge University and an MBA from Harvard Business School where he was a Kennedy Scholar.



Directors



TRACY PALANDJIAN

Independent Director

Ms Palandjian is co-founder and CEO of Social Finance, Inc., a non-profit organization focused on developing and managing investments that generate social impact and financial return. Prior to Social Finance, Ms Palandjian was a managing director for eleven years at The Parthenon Group, a global strategy consulting firm, where she established and led the Nonprofit Practice. She also worked at Wellington Management Co. and McKinsey & Co.

Ms Palandjian is co-author of “Investing for Impact: Case Studies Across Asset Classes,” and serves as vice chair of the U.S. Impact Investing Alliance and vice chair of the Global Steering Group on Impact Investing. She is an independent director of Affiliated Managers Group where she is on the compensation and nominating & governance committees, a trustee at the Surdna Foundation where she chairs the investment committee, and a director at the Boston Foundation. Previously, Ms Palandjian served as vice chair of the Harvard Board of Overseers, board chair of Facing History and Ourselves, co-chair of Robert F. Kennedy Human Rights, and trustee of Milton Academy. Ms Palandjian is a 2019 recipient of the Harvard Business School Alumni Achievement Award, the school’s highest honor.

A native of Hong Kong, Ms Palandjian is fluent in Cantonese and Mandarin. She graduated from Harvard College with a B.A. magna cum laude in economics and holds an M.B.A. with high distinction from Harvard Business School, where she was a Baker Scholar.



Report of the Directors

We present the Annual Report and Financial Statements of the Company for the year ended December 31, 2021.

PRINCIPAL ACTIVITY

The Company was incorporated in Guernsey, Channel Islands on February 2, 2012. It became a registered open-ended investment scheme under Guernsey law on June 27, 2012, and commenced operations on December 31, 2012. On October 2, 2014, the Guernsey Financial Services Commission (“GFSC”) approved the conversion of the Company into a registered closed-ended investment scheme.

Please refer to Note 11 for further information on the various classes of shares (any reference to “Note” herein shall refer to the Notes to the Financial Statements).

INVESTMENT POLICY

The Company’s investment objective is to preserve capital and seek maximum, long-term capital appreciation commensurate with reasonable risk. For these purposes, risk is defined as the probability of permanent loss of capital, rather than price volatility.

In its value approach to investing, the Company seeks to invest in long (and occasionally short) investment opportunities that the Investment Manager believes exhibit significant valuation discrepancies between current trading prices and intrinsic business (or net asset) value, often with a catalyst for value recognition.

The Investment Manager may also seek short sale investments that offer absolute return opportunities. In addition, the Investment Manager may short individual securities to hedge or reduce our long exposures.

The Company will not make an initial investment in the equity of companies whose securities are not publicly traded (i.e., private equity) but may invest in privately placed securities of public issuers and publicly traded securities of private issuers. Notwithstanding the foregoing, it is possible that, in limited circumstances, public companies in which we have invested may later be taken private, and we may make additional investments in the equity or debt of such

companies. We may make investments in the debt securities of a private company, provided that there is an observable market price for such debt securities.

The Company may invest in long and short positions in equity or debt securities of U.S. and non-U.S. issuers (including securities convertible into equity or debt securities); distressed securities, rights, options and warrants; bonds, notes and equity and debt indices; swaps (including equity, foreign exchange, interest rate, commodity and credit default swaps), swaptions, and other derivatives; instruments such as futures contracts, foreign currency, forward contracts on stock indices and structured equity or fixed-income products (including without limitation, asset-backed securities, mortgage-backed securities, mezzanine loans, commercial loans, mortgages and bank debt); exchange traded funds and any other financial instruments the Investment Manager believes will achieve the Company’s investment objective. The Company may invest in securities sold pursuant to initial public offerings. Investments in options on financial indices may be used to establish or increase long or short positions or to hedge the Company’s investments. In order to mitigate market-related downside risk, the Company may acquire put options, short market indices, baskets of securities and/or purchase credit default swaps but is not committed to maintaining market hedges at any time.

A substantial majority of the Company’s portfolio is typically allocated to 8 to 12 core holdings usually comprised of liquid, listed mid-to-large capitalization North American companies.

So long as the Company relies on certain exemptions from investment company status under the U.S. Investment Company Act of 1940, as amended, the Company will not purchase more than 3% of the outstanding voting securities of any SEC-registered investment company. The Company will not invest more than 10%, in aggregate, of its total assets in other UK-listed closed-ended investment funds, unless such other closed-ended investment funds themselves have published investment policies to invest no more than 15% of their total assets in other UK-listed closed-ended investment funds. In addition, investments by



the Company in, or giving exposure to, the securities of any one issuer may not, in the aggregate, represent more than 25% of the Company's gross assets, measured at the time the investment is made.

The Company generally implements substantially similar investment objectives, policies and strategies as the other investment funds managed by the Investment Manager and its affiliates. Allocation of investment opportunities and rebalancing or internal "cross" transactions are typically made on a pro-rata basis. However, the Investment Manager may abstain from effecting a cross transaction or only effect a partial cross transaction if it determines, in its sole discretion, that a cross transaction, or a portion thereof, is not in the best interests of a fund (for example, because a security or financial instrument is held by such fund in the appropriate ratio relative to its adjusted net asset value, or because a security or financial instrument should be divested, in whole or in part, by the other funds) or as a result of tax, regulatory, risk or other considerations.

The Company may hold its assets in cash, cash equivalents and/or U.S. Treasuries pending the identification of new investment opportunities by the Investment Manager. There is no limit on the amount of the Company's assets that may be held in cash or cash equivalent investments at any time.

The Board has adopted a policy pursuant to which the borrowing ratio of the Company, defined for this purpose as the ratio of the aggregate principal amount of all borrowed money (including margin loans) to total assets (pursuant to the latest annual or semi-annual Financial Statements of the Company), shall in no event exceed 50% at the time of incurrence of any borrowing or its drawdown (e.g. a borrowing under a line of credit). The Board may amend the Company's borrowing policy from time to time, although the Board may not increase or decrease the Company's maximum borrowing ratio without the prior consent of the Investment Manager. This borrowing policy does not apply to and does not limit the leverage inherent in the use of derivative instruments.

The Company may use derivatives, including equity options, in order to obtain security-specific, non-recourse leverage

in an effort to reduce the capital commitment to a specific investment, while potentially enhancing the returns on the capital invested in that investment.

The Company may also use derivatives, such as equity and credit derivatives and put options, to achieve a synthetic short position in a company without exposing the Company to some of the typical risks of short selling, which include the possibility of unlimited losses and the risks associated with maintaining a stock borrow. The Company generally does not use total return swaps to obtain leverage, but rather to manage regulatory, tax, legal or other issues.

Material changes to the Company's Investment Policy require approval by a special resolution of the holders of Public Shares.

RESULTS AND NAV

The Company had a gain attributable to all shareholders for the year ended December 31, 2021 of \$2.44 billion (2020: gain of \$3.70 billion). The net assets attributable to all shareholders at December 31, 2021 were \$11.41 billion (2020: \$9.05 billion). For the Company's performance returns, please see the Company Performance and Financial Highlights sections on pages 2 and 114, respectively.

The Company announces the weekly and monthly NAV and investment performance of its Public Shares to the Euronext Amsterdam and LSE markets and publishes this information on the Company's website (www.pershingsquareholdings.com). In addition, transparency reports created by the Administrator are published on the Company's website.

The Company released semi-annual financial statements on August 24, 2021 relating to the first half of 2021. The Company intends to release semi-annual financial statements for the first half of 2022 in the third quarter.

DISCOUNT TO NAV

The Board monitors the discount to NAV at which the Company's Public Shares trade closely and seeks opportunities to narrow it. In 2021, despite the Company's



third consecutive year of strong performance, the Public Shares traded at a discount between 19.9% and 30.3%. The Board continues to believe that the Public Shares are undervalued and that sustained positive investment performance, increased awareness of the Company, and the associated incremental demand for its shares should narrow the discount over time.

The Company has taken a variety of actions that aim to narrow the discount by increasing the Company's visibility and potential shareholder base. These include adding a listing on the Main Market of the LSE (2017), inclusion in the FTSE 250 (2017), adding a U.S.-Dollar denominated LSE quotation (2018), initiating a quarterly dividend of \$0.10 per Public Share (2019), and, most recently, the Company's inclusion in the FTSE 100 on December 21, 2020.

In March 2021, the Company engaged Frostrow as a distributor to cultivate demand across UK-based wealth managers, retail/adviser platforms and institutional investors.

The Company did not repurchase shares in 2021 under its June 2020 share buyback program before the program expired on the date of the Company's 2021 Annual General Meeting. Since 2017, the Company has repurchased 50,834,239 Public Shares (21.2% of shares then-outstanding) for a total of \$837 million at an average discount of 26.5%.

When considering potential share repurchase programs, the Board consults with the Investment Manager and reviews a number of factors including the available unencumbered cash and the likelihood that such cash could be deployed into an attractive new investment in a given market environment, the level at which current portfolio holdings trade relative to their intrinsic values, the Company's leverage, the discount to NAV at which the shares would be repurchased and the impact further reductions would have on the Company's free float. After examining these factors, and noting the persistence of the discount despite the substantial number of shares repurchased to date, the Board believes that generating long-term positive NAV performance by reinvesting capital into the portfolio rather than engaging in further share repurchases is the correct strategic approach at this time.

Although the Board does not currently intend to authorize further buyback programs, it may wish to do so in the future. Accordingly, the Company intends to propose that shareholders renew the Company's general share buyback authority at the Company's 2022 Annual General Meeting to allow the Company to engage in share buybacks up to a maximum of 14.99% of the Public Shares outstanding. If approved by shareholders, the Board may decide to utilize the share buyback authority to resume acquisitions of Public Shares in the market depending on the factors described above.

The Board continues to be satisfied that the interests of PSH shareholders and the Investment Manager are closely aligned. Affiliates of the Investment Manager beneficially owned approximately 25% of the Company at December 31, 2021 (December 31, 2020: 25%). In addition, all Management Shares were converted to Public Shares as of December 31, 2020 and are included in the Company's Public Share capital by the FTSE Indices. The Board believes the investment in the Company by the Investment Manager's team has created an even stronger incentive for the Investment Manager to generate positive investment performance, which the Board believes will increase the Company's share price and reduce the discount to NAV over the long term.

BONDS IN ISSUE

On June 26, 2015, the Company issued \$1 billion of Senior Notes maturing on July 15, 2022 (the "2022 Bonds"). The 2022 Bonds were issued at par with a coupon rate of 5.50% per annum.

On July 25, 2019, the Company closed on a fully committed private placement of \$400 million Senior Notes with a coupon rate of 4.95%, maturing on July 15, 2039 (the "2039 Bonds").

On August 26, 2020, the Company closed on a fully committed private placement of \$200 million of Senior Notes with a coupon rate of 3.00%, maturing on July 15, 2032 (the "2032 Bonds").

On November 2, 2020, the Company issued \$500 million of Senior Notes maturing on November 15, 2030 (the "2030 Bonds"). The 2030 Bonds were issued at par with a coupon rate of 3.25% per annum.



On October 1, 2021, the Company issued \$700 million of Senior Notes maturing on October 1, 2031 (the “2031 Bonds”). The 2031 Bonds were issued at 99.670% of par with a coupon rate of 3.25% per annum.

On October 1, 2021, the Company issued €500 million of Senior Notes maturing on October 1, 2027 (the “2027 Bonds” and together with the 2022 Bonds, 2039 Bonds 2032 Bonds, 2030 Bonds and 2031 Bonds, “the Bonds”). The 2027 Bonds were issued at 99.869% of par with a coupon rate of 1.375% per annum.

On September 22, 2021, the Company commenced a cash tender offer for the 2022 Bonds. On October 4, 2021, \$369,377,000 of the 2022 Bonds were tendered and cancelled. Following the cancellation, the aggregate principal amount of the 2022 Bonds outstanding is \$630,623,000.

The Bonds rank equally in right of payment and contain substantially the same covenants. The Bonds’ coupons are paid semi-annually, with the exception of the 2027 Bonds, which are paid annually. The Bonds are listed on Euronext Dublin with a symbol of PSHNA.

DIVIDEND

On February 13, 2019, the Company announced that it had initiated a quarterly interim dividend of \$0.10 per Public Share. The Special Voting Share receives a proportionate quarterly dividend based on its respective net asset value per share, which is contributed to charity. Dividends will be paid in U.S. Dollars unless a shareholder elects to be paid in GBP. Shareholders may also elect to reinvest cash dividends into Public Shares through a dividend reinvestment program administered by an affiliate of Link Market Services Limited (“Link”), the Company’s registrar. Further information regarding the dividend, including the anticipated 2022 dividend payment schedule and how to make these elections, is available at www.pershingsquareholdings.com/psh-dividend-information.

Each dividend is subject to a determination that, after the payment of the dividend, the Company will meet the

solvency requirements under Guernsey law, and that, in accordance with the indentures governing the Bonds, the Company’s total indebtedness will be less than one third of the Company’s total capital. The Board may determine to modify or cease paying the dividend in the future.

In the year ended December 31, 2021, the Company paid dividends in the amount of \$79,650,896, a lower amount than it paid in 2020 due to share repurchases (2020: \$81,137,646).

DIRECTORS

The present members of the Board, all of whom are non-executive Directors, are listed on pages 31-34. Further information regarding the Board is provided in the Corporate Governance Report.

The Company maintains directors’ and officers’ liability insurance in relation to the actions of the Directors on behalf of the Company. Information regarding Directors’ remuneration and ownership in the Company is set out in the Directors’ Remuneration Report on pages 44-45.

MATERIAL CONTRACTS

The Company’s material contracts are with:

- PSCM, the Investment Manager to the Company. PSCM receives a quarterly management fee and may receive a performance fee from the Company as described more fully in Note 15.
- Northern Trust International Fund Administration Services (Guernsey) Limited (“Northern Trust”), the Company’s Administrator and Company Secretary. The Administrator provides the Company with administration services, including, among other things, the computation of the Company’s NAV and the maintenance of the Company’s accounting and statutory records.
- Link, the Company’s registrar. The Company has also engaged an affiliate of Link to administer the Company’s dividend reinvestment program.



- Goldman Sachs & Co. LLC and UBS Securities LLC, the Company's Prime Brokers and custodians.
- Jefferies International Limited ("Jefferies"), the Company's corporate broker. Jefferies' engagement as the Company's buyback agent expired on April 28, 2021. Jefferies also previously served as the adviser for the Company's share tender offer and was the Company's sponsor in connection with its LSE listing.
- Frostrow Capital LLC ("Frostrow"), the Company's UK distributor.

Although the Investment Manager is authorized to engage service providers on behalf of the Company, the Board is advised of and given the opportunity to review and execute material contracts.

The Board and, where appropriate, the Investment Manager monitor the performance of these service providers throughout the year, and the Management Engagement Committee conducts a formal review annually. For further details of the review conducted by the Management Engagement Committee of these and other service providers to the Company, please see "Management Engagement Committee" in the Corporate Governance Report.

The Board has reviewed the recommendations of the Management Engagement Committee with respect to the engagement of the Investment Manager and the Company's other material service providers above, and agrees with the Committee's conclusion that their continued appointment is in the interests of the Company's shareholders as a whole. The Board will continue to monitor their performance closely.

ENVIRONMENTAL, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES

As an investment company without employees or physical operations, the Company does not directly engage in activities that impact the environment or the community. Although the Board has delegated the responsibility for making individual investment decisions to the Investment Manager, the Board has encouraged the Investment Manager to consider ESG best practices, including the risks

and impact of climate change, within its own organization, and to actively engage on these issues with its portfolio companies when appropriate.

As further described in the Investment Manager's ESG Statement, available on the Company's website, the Investment Manager has integrated ESG into its investment selection, risk management and stewardship processes, and has embedded ESG considerations into its operations as a firm. The Investment Manager analyzes the exposure of a business to ESG risks and its approach to ESG at the time of its initial investment and as part of its ongoing stewardship by performing extensive diligence on the business, the industry sector and the context in which the business operates. A business that has not addressed material ESG risks or that has unsustainable business practices will generally not meet the Investment Manager's investment criteria unless the Investment Manager's intent is to use its influence to actively address these issues. The Board is pleased to note that all of the Company's portfolio companies have integrated ESG into their business practices, including by adopting environmental stewardship programs, diversity & inclusion initiatives, and, in some cases, aligning the remuneration of senior management to ESG targets. Links to the ESG practices of each portfolio company are available in the Investment Manager's ESG Statement.

The Investment Manager continues to deepen its own commitment to ESG practices in its operations. To meet its goal of being carbon-neutral by the end of 2022, the Investment Manager has implemented environmentally sustainable practices throughout its office space and will purchase carbon credits for the emissions it is unable to eliminate. In addition, the Investment Manager has continued its leadership on diversity initiatives by selecting female and minority owned banks as co-managers for the 2027 and 2031 Bond offerings and by adding women and representatives of ethnic minority groups to its analyst and operational teams. The longstanding participation of the Investment Manager's CEO in charitable and community activities is well documented at www.pershingsquarefoundation.org which supports exceptional leaders and innovative organizations that tackle



important social issues and deliver scalable and sustainable impact. The Board will continue to monitor the Investment Manager's implementation of ESG initiatives over the course of 2022.

MODERN SLAVERY ACT 2015

Although the Company does not fall within the scope of the U.K. Modern Slavery Act 2015, it has assessed its supply chains for potential sources of modern slavery or human trafficking. The Company has minimal contact with countries and sectors most likely to have a risk of modern slavery or human trafficking. The Company's major suppliers are providers of professional services, including the Investment Manager, Administrator, auditor and other legal and financial advisors described in "Material Contracts". These suppliers operate in the United States, United Kingdom, Western Europe, and other countries that are generally regarded as low risk. Prior to engaging a supplier with higher-risk attributes, the Company will perform additional due diligence on the supplier's employment practices to ensure that it is not engaged in modern slavery or human trafficking.

SECTION 172(1) STATEMENT

The Directors have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to its stakeholders and matters set out in s172(1) (a-f) of the Companies Act 2006, in the decisions taken during the year ended December 31, 2021 as described in this Report of the Directors.

The following are some examples of how the Directors have discharged their section 172 duties during the year:

- The Board has identified shareholders as key stakeholders and actively sought to engage with them. As a closed-ended investment company, PSH has no employees or operations, and its shareholders are both customers and investors. The Board's approach to engagement with its stakeholders is discussed further in "Shareholder Engagement".

- The Board has maintained close relationships with its major suppliers of services – the Investment Manager, Administrator, auditor and its other professional service providers.
- The Board carefully considered the risks and conditions of the assignment of the UMG stock purchase to the Company and the other Pershing Square Funds, including the assumption of PSTH's (as defined on page 80) indemnity of Vivendi and expenses incurred by PSTH in connection with the transaction, and it concluded the assignment was in the long-term best interest of the Company's shareholders.
- The Board continued to responsibly manage and ladder the maturities of the Company's debt obligations by approving the issuance of the 2027 Bonds and the 2031 Bonds at low interest rates, and the tender offer for the 2022 Bonds, which the Board believes will contribute to the Company's returns over the long-term. As was the case for the 2030 Bonds, the majority of the co-managers for the 2027 and 2031 Bonds were female and minority owned banks, continuing to demonstrate the Board and Investment Manager's engagement on diversity and inclusion.
- The nomination and subsequent election of Tope Lawani, Rupert Morley and Tracy Palandjian as non-executive Directors at the Company's 2021 Annual General Meeting meaningfully expanded the Board's diversity on many metrics, including ethnicity, gender, background and experience. It also reflects the Board's careful planning for future succession.
- The Board continues to encourage the Investment Manager to examine the role of the Company's investment activities on the community and the environment. The Manager's approach to ESG issues is discussed in the Investment Manager's ESG Statement available at [\(link\)](#).

Further details regarding the processes by which the Board has considered the requirements of 172(1) in its decision-making are included in "The Board's Processes" in the Corporate Governance Report.



SHAREHOLDER ENGAGEMENT

As the Company's shareholders are also its customers, the Board recognizes the importance of soliciting shareholder feedback to understand shareholders' issues and to address their concerns regarding the Company. The Chairman met regularly with shareholders prior to the COVID-19 pandemic, and the Chairman and other Directors plan to resume this practice when they can safely do so.

The Board regularly assesses the nature and quality of its and the Investment Manager's engagement with shareholders. To ensure the Board remains apprised of shareholder requests and feedback for the Board, the Board and the Investment Manager have adopted procedures governing interactions with shareholders. In addition, Company announcements, other than routine or portfolio-related announcements, are approved by the Chairman and the Senior Independent Director prior to their release. The Board receives quarterly updates from the Investment Manager regarding investor contact during the quarter, which include, among other items, a summary of common discussion topics, selected meeting highlights, and metrics regarding the number, type, location and investment timeframe of shareholders contacted.

To understand the views of the Company's key stakeholders, and to assist the Board's consideration of shareholder interests, the Investment Manager maintains regular contact with shareholders via quarterly communications, including semi-annual investor calls and letters to shareholders, the annual investor presentation, the publication of weekly and monthly NAV estimates, and on an ad-hoc basis when queries from shareholders arise. In addition, a representative of the investor relations team is present for the substantial majority of board discussions regarding key decisions to be made by the Board.

The Board notes that during the course of 2021, the Investment Manager took advantage of the efficiency of connecting with shareholders virtually and conducted hundreds of shareholder calls and meetings, speaking with

holders of a majority of the Company's Public Shares, including several of the Company's largest shareholders, representing a variety of regions, types and investment strategies.

Jefferies acted as corporate broker to the Company during 2021 to support communications with shareholders and advise the Company on shareholder sentiment. Since March 2021, the Company has also engaged Frostrow as a distributor to strengthen its engagement with existing and potential shareholders in the UK marketplace. Frostrow was retained to compliment Jefferies' activity by focusing on cultivating demand across UK-based wealth managers, retail/adviser platforms and institutional investors. Frostrow's activities have included identifying and liaising with the target market, organizing regular one-to-one investor meetings around the UK, and maintaining contact with investment company analysts and data providers. Subsequent to the engagement of Frostrow, the Company have seen increases in holdings across wealth management, retail/adviser platform and institutional categories. Investor feedback from meetings conducted by Jefferies and Frostrow is reported to the Board on a regular basis.

Due to COVID-19, the Company moved to virtual investor events in 2021 and 2022, in which investors received an update from the Chairman of the Board and the Investment Manager. The virtual events have provided greater accessibility to shareholders and eliminated the cost of travel. We hope to revert to in-person annual investor events at the appropriate time and to provide simultaneous webcasts for those unable to attend in person. Shareholders representing approximately 34% of NAV (excluding affiliate ownership) attended the Company's 2022 investor event on February 11, 2022. On a more formal basis, the Directors reported to shareholders throughout the year with the publication of the annual and semi-annual reports.

Shareholders may contact the Directors in writing at the Company's registered office or by email at PSHDirectors@ntrs.com.



GOING CONCERN

Risks associated with the Company's investment activities, together with existing and emerging risks likely to affect its future development, performance and position are set out in Principal Risks and Uncertainties on pages 27-30 and in Note 13.

The Board has considered the financial prospects of the Company through March 31, 2023 and made an assessment of the Company's ability to continue as a going concern. In assessing the going concern status of the Company, the Directors have considered:

- The Company's net assets attributable to all shareholders at December 31, 2021 of \$11,409,195,248;
- The liquidity of the Company's assets (at December 31, 2021, 90.8% of its assets comprised of cash and cash equivalents and Level 1 assets); and
- The Company's total indebtedness to total capital ratio of 20.9% at December 31, 2021.

After making reasonable enquiries, and assessing all data relating to the Company's liquidity, particularly its cash holdings and Level 1 assets, the Directors and the Investment Manager believe that the Company is well placed to manage its business risks. Furthermore, the Directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For these reasons, the Directors have adopted the going concern basis in preparing the Financial Statements.

VIABILITY STATEMENT

In accordance with Principle 33 of the Association of Investment Companies ("AIC") Code, the Board has carefully considered the existing and emerging risks set out

in Principal Risks and Uncertainties alongside the measures in place to mitigate those risks — both at the Investment Manager level and the Company level. It has determined that those controls are sufficient such that the risks will not likely impair the long-term viability of the business. The Board has made this assessment with respect to the upcoming three-year period ending December 31, 2024.

The Board has also evaluated the sustainability of the Company's business model, taking into account its investment objectives, sources of capital and strategy. The Board believes that the Company's closed-ended structure and Investment Policy position it to invest over the long-term, and provide the Company with the flexibility to meet its investment objective in a variety of market conditions. In particular, the Board notes the continued underlying performance of the Company's portfolio companies and the Company's strong 2021 performance despite market disruptions caused by the ongoing COVID-19 pandemic.

The Board has also evaluated quantitative data as of December 31, 2021 including net assets attributable to shareholders, the liquidity of the Company's assets, and the Company's total liabilities. It has also considered projections of expected net cash outflows for the next three years. The Board believes that a three-year timeframe is appropriate given the general business conditions affecting PSH's portfolio positions, the typical duration of equity positions taken by the Company and the regulatory environment in which PSH operates, which is undergoing constant change. The Board is confident that these projections can be relied upon to form a conclusion as to the viability of the Company with a reasonable degree of accuracy over the three-year timeframe.

On the basis of these projections and the considerations described above, the Board has determined that the Company will remain viable for the upcoming three-year period. This assessment is conducted annually by the Board.



KEY INFORMATION DOCUMENT

The Company has prepared a standardized Key Information Document (“KID”) conforming to the requirements of the EU Packaged Retail and Insurance-Based Investment Products Regulation. The KID is updated at least annually and is available at

www.pershingsquareholdings.com/company-documents.

STATEMENT OF DIRECTORS’ RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report of the Directors and the Financial Statements in accordance with applicable laws and regulations. The Companies (Guernsey) Law, 2008 requires the Directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the profit or loss of the Company for that year. In preparing those Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008, Protection of Investors (Bailiwick of Guernsey) Law, 2020, the listing requirements of Euronext Amsterdam and the UK Listing Authority, the

Company’s governing documents and applicable regulations under English and Dutch law. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors confirms to the best of her or his knowledge and belief that:

- the Financial Statements, prepared in accordance with the International Financial Reporting Standards (“IFRS”), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties faced.

The Directors further confirm that they have complied with the above requirements, and that this Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each of the Directors is aware, there is no information relevant to the audit of which the Company’s auditor is unaware, and each has taken all steps he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

By order of the Board.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board

March 28, 2022

/s/ Andrew Henton
Andrew Henton
Chairman of the Audit
Committee

March 28, 2022



Directors' Remuneration Report

The Board aims to compensate the Directors in a manner that promotes the strategy and long-term success of the Company, and has formed a Remuneration Committee to ensure that the Company maintains fair and appropriate remuneration policies and controls. The Remuneration Committee has been delegated responsibility for determining the remuneration of the Chairman and recommending remuneration for the non-executive Directors of the Company.

The Remuneration Committee consists of Ms Curtis, Mr Morley and Ms Palandjian. Ms Curtis is the Chairman of the Remuneration Committee. The Committee is encouraged to exercise independent judgment when considering the remuneration of each Director.

The Directors, other than Mr Botta, are all independent non-executive Directors. The Directors are the only officers of the Company. Each Director has executed an appointment letter setting forth his or her responsibilities. Copies of the Directors' letters of appointment are available upon request from the Company Secretary, and will be available for inspection at the Annual General Meeting.

DIRECTOR REMUNERATION POLICY

The Directors shall be paid such remuneration for their services as determined by the Board, save that, unless otherwise approved by ordinary resolution, each Director's remuneration shall not exceed £150,000 per annum, the limit set in the Company's Articles of Incorporation. All of the Directors are entitled to be reimbursed for all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. At the recommendation of the Remuneration Committee, the Board has adopted a travel and expense policy to ensure that business expenditures are appropriate and are cost-effective.

The Committee, in making its recommendations, will take into account the Company's and each Director's performance, the time commitments and responsibilities of the Directors, the level of skill and experience of each Director, overall market conditions, remuneration paid by companies of similar size and complexity, and any other factors the Committee determines are relevant. The Committee may recommend that additional remuneration be paid, from time to time, on a time spent basis to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company. The Committee's review may not result in any changes to previous recommendations to the Board.

Only Directors unaffiliated with the Investment Manager will receive fees for their services. Directors are not eligible for bonuses, share options, long-term incentive schemes or other performance-related benefits. No Director will be involved in deciding their own remuneration.

The Company has undertaken, subject to certain limitations, to indemnify each Director out of the assets and profits of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities arising out of any claims made against them in connection with the performance of their duties as a Director of the Company.

All Directors are required to submit themselves to annual re-election by shareholders at each annual general meeting in accordance with the Articles of Incorporation of the Company. On termination of the appointment, Directors are entitled to fees accrued through the date of termination, together with reimbursement of expenses incurred prior to that date. The Company does not pay any remuneration to the Directors for loss of office.



ANNUAL REPORT ON REMUNERATION

Service Contracts Obligations and Payment on Loss of Office

No Director has a service contract with the Company and, as such, no Director is entitled to compensation payments upon termination of their appointment or loss of office.

Total Remuneration Paid to Each Director

The total remuneration of the Directors for the year ended December 31, 2021 was:

	2021	2020
Anne Farlow	£125,000	£75,000
Richard Battey ¹	£24,519	£55,000
Nicholas Botta	–	–
Bronwyn Curtis	£73,379	£50,000
Andrew Henton ²	£71,758	£13,587
Tope Lawani ³	£43,929	–
Rupert Morley ³	£47,308	–
Tracy Palandjian ³	£43,929	–
William Scott ⁴	–	£15,797
Richard Wohanka ¹	£21,250	£50,000

1 Retired April 28, 2021

2 Appointed September 23, 2020

3 Elected April 28, 2021

4 Retired April 27, 2020

The Directors will receive the following remuneration for 2022:

Chairman of the Board	£125,000
Chairman of the Audit Committee	£75,000
Senior Independent Director	£70,000
Non-Executive Directors	£65,000

The Chairman of the Board, the Chairman of the Audit Committee and the Senior Independent Director receive higher fees to reflect the additional responsibilities required

of these roles. Mr Botta does not receive a fee for his services as a Director. As of the 2021 Annual General Meeting, Audit Committee members receive an additional £5,000 to reflect the increased responsibilities of the role as a result of the reduction in the size of the Audit Committee. No other changes to the Director's 2021 remuneration were proposed. The Remuneration Committee intends to next review the Directors' remuneration in November 2022.

All of the above remuneration relates to fixed annual fees. There are no pension arrangements in place for the Directors of the Company. Accordingly, there were no other items in the nature of remuneration, pension entitlements or incentive scheme arrangements which were paid or accrued to the Directors during the year.

Directors' Shareholdings in the Company

Directors are not required under the Company's Articles of Incorporation or letters of appointment to hold shares in the Company. At December 31, 2021, the Directors' interests in the Company were as follows:

	Class of Shares Held	Number of Shares
Anne Farlow	Public Shares	20,700
Nicholas Botta	Public Shares	2,065,822
Bronwyn Curtis	Public Shares	7,400
Andrew Henton	Public Shares	4,775
Tope Lawani	N/A	–
Rupert Morley	N/A	–
Tracy Palandjian	Public Shares	15,500

During the year ended December 31, 2021, Anne Farlow and Tracy Palandjian purchased 5,561 and 15,500 Public Shares, respectively. There have been no changes in the interests of the Directors between December 31, 2021 and the date of signing of this report.



Corporate Governance Report

The Company is a member of the AIC and reports against the AIC Code of Corporate Governance published in February 2019 (the “AIC Code”). The AIC Code provides a framework of corporate governance best practices for investment companies.

As an entity authorized and regulated by the Guernsey Financial Services Commission (the “GFSC”), the Company is subject to the GFSC’s “Finance Sector Code of Corporate Governance” (the “Guernsey Code”). By reason of the premium listing of the Public Shares on the LSE, the Company is also required by the Listing Rules of the Financial Conduct Authority to report on how it has applied the UK Corporate Governance Code (the “UK Code”). The Company is deemed to meet its reporting obligations under the Guernsey Code and the UK Code by reporting against the AIC Code. The AIC Code addresses all of the principles set out in the Guernsey Code and closely reflects the UK Code. In addition, the AIC Code contains additional principles and recommendations on issues that are of specific relevance to investment companies. Accordingly, the Board believes that applying the AIC Code provides the appropriate corporate governance framework for the Company and reporting for its shareholders.

The AIC Code is available on the AIC’s website, www.theaic.co.uk. The UK Code is available on the UK Financial Reporting Council’s website, www.frc.org.uk.

The Company’s compliance with the AIC Code is explained in this Corporate Governance Report, the Report of the Directors, the Directors’ Remuneration Report and the Report of the Audit Committee. As set forth in these reports, the Company has complied with the principles and recommendations of the AIC Code and the relevant provisions of the UK Code.

The Board strongly believes that its focus on maintaining high standards of corporate governance contributes to the Company’s success, as described throughout this report and the reports of its committees.

THE BOARD COMPOSITION AND DELEGATION OF FUNCTIONS AND ACTIVITIES

The Board consists of seven non-executive Directors, six of whom are independent. Mr Botta, as President of the Investment Manager, is deemed not to be an independent Director of the Company. Ms Farlow, Ms Curtis and Mr Henton serve as Chairman of the Board, Senior Independent Director and Chairman of the Audit Committee, respectively. Richard Battey and Richard Wohanka, who had served as non-executive Directors since 2012 and 2018, respectively, did not offer themselves for re-election to the Board at the Company’s Annual General Meeting in April 2021. Tope Lawani, Rupert Morley and Tracy Palandjian were elected to the Board as non-executive Directors on April 28, 2021.

The Company has no executive directors or employees, and has engaged external parties to undertake the daily management, operational and administrative activities of the Company. In particular, the Directors have delegated the function of managing the assets comprising the Company’s portfolio to the Investment Manager, which is not required to, and generally will not, submit individual investment decisions for the approval of the Board. In each case where the Board has delegated certain functions to an external party, the delegation has been clearly documented in contractual arrangements between the Company and the external party. The Board retains accountability for the various functions it delegates. Further information is provided in the Report of the Audit Committee.

COMPANY CULTURE

While the Company does not have employees, the Board and the Investment Manager believe that it is important to the Company’s success to promote a culture of high ethical and professional values, engage in prudent risk management and utilize effective control processes and systems. The Company has adopted an investment policy,



which describes the Company's investment objective, the instruments in which the Company may invest and the types of opportunities the Investment Manager seeks on the Company's behalf. Risk management is integrated into the Investment Manager's investment process and operations. The Investment Manager creates strong operational systems by maintaining a robust compliance function, continually seeking to enhance its infrastructure and controls, and incentivizing personnel to collaborate and act with professional integrity.

The Board periodically receives reports on the Investment Manager's culture and is exposed to the Investment Manager's culture through its close contact with the Investment Manager's management team and support personnel. The Board has been pleased by the Investment Manager's investments in operational infrastructure and personnel and believes they have contributed to the success of the Company.

DIVERSITY

The Directors recognize that Board diversity contributes to the success of the Company by enhancing the Board's effectiveness through good corporate governance. In accordance with the AIC Code, the Board regards its own diversity as an important mechanism by which to balance the necessary mix of skills, experience, independence, opinions and knowledge appropriate for the Company.

The Board is committed to appointing the best possible applicant for any open Board positions, taking into account the composition and needs of the Board at the time of the appointment. Subject to the foregoing, it is the intention of the Board that Board members include Directors of different backgrounds, races and genders with different skills, knowledge and experience.

The Nomination Committee will be responsible for recommending the appointment of new Directors to the Board. When evaluating candidates, the Nomination Committee will give full consideration to the skills,

experience, knowledge, background, gender and race of each candidate in the context of the composition of the current Board (including the benefits of gender and ethnic diversity), the challenges and opportunities facing the Company and the balance of skills, knowledge and experience needed for the Board to be effective in the future. All candidates are considered on their merits. Where appropriate, the Nomination Committee may retain external search consultants to assist in securing a diverse pool of candidates for open board positions.

With the election of Ms Palandjian and Messrs Lawani and Morley at the 2021 Annual General Meeting, the Board currently comprises three female and four male directors (43% female), including one female director and one male director who identify as a director of color (29% directors of color). This composition exceeds the recommendations of the Hampton-Alexander and Parker Reviews for female and ethnic minority board representation, respectively.

The Board intends to maintain or exceed the targets set by the Hampton-Alexander and Parker Reviews to the extent consistent with its aim that the Board reflects the balance of skills, experience, length of service and knowledge appropriate for the Company.

The Investment Manager continued to progress its diversity and inclusion initiatives in 2021 by adding female and minority hires to its investment analyst and operational teams. In addition, a majority of the co-managers for the 2027 and 2031 Bonds were female and minority-owned banks. Noting its success in these areas, the Investment Manager will continue to intentionally seek diverse candidates for open positions and develop relationships with minority owned businesses, as well as implement other recommendations made by its Diversity & Inclusion Committee.



BOARD TENURE AND SUCCESSION PLANNING

All Directors are required to submit themselves to annual re-election by shareholders at each annual general meeting, and any Director appointed in accordance with the Articles of Incorporation will hold office only until the next following annual general meeting and will then stand for re-election. In accordance with the AIC Code, if and when any Director, including the Chairman, has been in office (or upon re-election would at the end of that term, be in office) for more than nine years, the Board will consider whether there is a risk that such Director might reasonably be deemed to have lost independence through such long service. The Board believes that this policy will provide for its regular refreshment while allowing it the flexibility to maintain the proper balance of skills, experience and independence that will contribute to the Company's success.

Richard Battey and Richard Wohanka, who had served as non-executive Directors since 2012 and 2018, respectively, did not offer themselves for re-election to the Board at the Company's Annual General Meeting in April 2021. Mr Henton replaced Mr Battey as the Chairman of the Audit Committee.

The Nomination Committee conducted a thorough search process for candidates to succeed Messrs Battey and Wohanka. The Committee identified three exceptional candidates, Tope Lawani, Rupert Morley, and Tracy Palandjian, who together meaningfully broadened the Board's skills and experience and presented a unique opportunity for succession planning. All three director candidates were submitted for shareholder approval and were elected at the 2021 Annual General Meeting, increasing the size of the Board to seven directors.

Further details regarding the search process undertaken by the Nomination Committee are provided under "Nomination Committee" on pages 50-51.

THE BOARD'S PROCESSES

The content and culture of board meetings are a critical means by which the Board's governance contributes to the

Company's success. The Board meets regularly throughout the year, at least on a quarterly basis. Board meetings prioritize open discussion and debate. The Board's decision-making actively considers the likely consequences of any decision in the long term, reputational risks to the Company and the need to consider the interests of shareholders' as a whole.

The Chairman maintains regular contact with the Investment Manager to identify information that should be provided to the Directors, and invites Director comments on meeting agendas. At the beginning of every Board meeting, Directors disclose their potential conflicts, including ownership in the Company, interests in the business to be transacted at the meeting, and potential appointments to other public companies. The Chairman is actively involved in all aspects of Board decision making, seeks input from other Directors, and encourages their participation in matters involving their expertise. Minutes of meetings reflect any Director's concerns voiced at Board meetings.

At each quarterly Board meeting, the Board receives updates regarding the Investment Manager's operations and investor relations activities during the quarter. The Board also reviews the Company's investments, share price performance, and the premium/discount to NAV at which the Company's Public Shares are trading, and receives an update on litigation and regulatory matters. The Board conducts a comprehensive review of the Company's expenses semi-annually.

In order to perform these reviews in an informed and effective manner, the Board receives formal reports from the Investment Manager at each quarterly Board meeting. The Board may also request focused reports to review the Investment Manager's controls in certain operational areas such as information security, regulatory compliance or media relations, and may request enhanced operational controls as appropriate. In between meetings, the Board maintains regular contact with the Investment Manager, the Company Secretary and the Administrator, and is informed in a timely manner of investments and other matters relevant to the operation of the Company that would be expected to be brought to the Board's attention.



An induction program, including training and information about the Company and the Investment Manager, is provided to Directors upon their election or appointment to the Board. Each Director is encouraged to consider their own training needs on an ongoing basis, and the Chairman also assesses the individual training requirements for each Director. Directors, where necessary in the furtherance of their duties, also have access to independent professional advice at the Company's expense.

BOARD ATTENDANCE

All Board members are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance may be unavoidable in certain circumstances. The following table details the number of Board meetings attended by each Director in the year ended December 31, 2021:

	Scheduled Quarterly Board Meetings (attended/eligible)	Ad-hoc Board and Subcommittee Meetings (attended/eligible)
Richard Battey ¹	1/1	5/5
Nicholas Botta ²	4/4	11/11
Bronwyn Curtis	4/4	8/8
Anne Farlow	4/4	11/11
Andrew Henton	4/4	11/11
Tope Lawani ³	3/3	3/4
Rupert Morley ³	3/3	4/4
Tracy Palandjian ³	3/3	2/4
Richard Wohanka ¹	1/1	4/4

1 Retired April 28, 2021

2 Mr Botta does not attend meetings as a Director where such attendance may conflict with his interests as President and a partner in the Investment Manager.

3 Elected April 28, 2021

The Board meets formally four times a year. Ad-hoc Board meetings may be convened at short notice to discuss time-sensitive matters arising in between scheduled meetings and require a minimum quorum of two Directors.

COMMITTEES OF THE BOARD

The Board has established an Audit Committee, a Remuneration Committee, a Management Engagement Committee, a Nomination Committee and a Risk Committee. The Board reduced the size of the Audit, Remuneration and Nomination Committees as of the 2021 Annual General Meeting on April 28, 2021, to three Directors each to more efficiently allocate the Committee workload among the Directors. Committee membership is further described in the report of each Committee.

Audit Committee

Further details as to the composition and role of the Audit Committee are provided in the Report of the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of Ms Curtis, Mr Morley and Ms Palandjian. Ms Curtis is the Chairman of the Remuneration Committee. The Remuneration Committee reviews the remuneration of the Company's Chairman and non-executive Directors and seeks to ensure that the Company maintains fair and appropriate remuneration policies and controls. Further details regarding the Directors' remuneration are provided in the Directors' Remuneration Report.

Below is a summary of Director attendance at Remuneration Committee meetings in the year ended December 31, 2021:

	Remuneration Committee Meetings (attended/eligible)
Richard Battey ¹	1/1
Bronwyn Curtis	1/1
Anne Farlow ²	1/1
Andrew Henton ²	1/1
Rupert Morley ³	0/0
Tracy Palandjian ³	0/0
Richard Wohanka ¹	1/1

1 Retired April 28, 2021

2 Left Committee April 28, 2021

3 Elected April 28, 2021



The written terms of reference of the Remuneration Committee are available on the Company's website or, on request, from the Company Secretary.

Management Engagement Committee

The Management Engagement Committee consists of the independent Directors of the Company who are not affiliated with the Investment Manager. Ms Farlow is the Chairman of the Management Engagement Committee. The Management Engagement Committee reviews the performance of the Investment Manager in the management of the Company's affairs and the terms of engagement and performance of the Company's other key service providers, and then reports and makes recommendations to the full Board.

Below is a summary of Director attendance at Management Engagement Committee meetings in the year ended December 31, 2021:

Management Engagement Committee Meetings (attended/eligible)	
Richard Battey ¹	1/1
Bronwyn Curtis	1/1
Anne Farlow	1/1
Andrew Henton	1/1
Rupert Morley ²	0/0
Tope Lawani ²	0/0
Tracy Palandjian ²	0/0
Richard Wohanka ¹	1/1

¹ Retired April 28, 2021

² Elected April 28, 2021

The written terms of reference of the Management Engagement Committee are available on the Company's website or, on request, from the Company Secretary.

The Management Engagement Committee reviewed the performance of and fees paid to the Company's key service providers, including the Investment Manager, in April 2021. The Committee made certain recommendations to the Board and the Investment Manager based on its assessment of their performance.

The Committee found that the Investment Manager demonstrated exceptional skill in 2020 in its early identification of COVID-19 as a material risk to the portfolio, successful implementation of a hedge and the unwind of the hedge and reinvestment of the proceeds at the bottom of the market. The Investment Manager has continued to utilize this strategy effectively by implementing an interest rate hedge at the beginning of 2021 and reinvesting the proceeds into Netflix in early 2022. The Committee also noted with approval the Investment Manager's innovative approach to investment structures and the depth of knowledge demonstrated by the investment team at Board meetings. For these reasons, the Committee found PSCM's engagement to be in the long-term best interest of the Company and recommended that the Board continue to engage PSCM as the Investment Manager.

The Management Engagement Committee also reviewed the fees earned by the Investment Manager and confirmed that they were calculated in accordance with the terms of the IMA. The Committee notes that the significant investment in the Company by the Investment Manager's team has closely aligned its interests with those of the Company. Furthermore, the Committee believes that competitive remuneration is critical to the Investment Manager's ability to recruit and retain the personnel who contribute to the long-term success of the Company. The Committee notes that the Investment Manager has also implemented a long-term equity program to retain key personnel.

Nomination Committee

The Nomination Committee consists of Mr Botta, Ms Farlow and Mr Lawani. Ms Farlow is the Chairman of the Nomination Committee. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, succession planning for Director departures and identifying and nominating suitable candidates to fill vacancies, taking into account the challenges and opportunities facing the Company and the skills, knowledge and experience needed on the Board. The Committee reports its recommendations to the full Board. In the event the Nomination Committee is considering



the matter of the succession to the chairmanship of the Board, another member of the Committee will preside as Committee Chairman.

The Nomination Committee also reviews the commitments of the Directors to confirm that they continue to have sufficient time to meet their responsibilities to the Company and that their other commitments do not create any conflicts of interest. To ensure that Directors continue to have sufficient time to be effective contributors to the Company, Directors are limited in the number and type of directorship appointments they may hold in accordance with overboarding guidelines, and must seek the approval of the Board prior to accepting new appointments. In considering whether to grant approval, the Board will assess any impact the appointment may have on the time the Director is able to devote to the Company, any impact on the Director's independence, and relevant guidelines on overboarding. Three appointments were approved by the Board in 2021 in accordance with these considerations.

Below is a summary of Director attendance at Nomination Committee meetings in the year ended December 31, 2021:

Nomination Committee Meetings (attended/eligible)	
Richard Battey ¹	3/3
Bronwyn Curtis ²	3/3
Anne Farlow	3/3
Andrew Henton ²	3/3
Nicholas Botta	3/3
Tope Lawani ³	0/0
Richard Wohanka ¹	3/3

1 Retired April 28, 2021

2 Left Committee April 28, 2021

3 Elected April 28, 2021

The written terms of reference of the Nomination Committee are available on the Company's website or, on request, from the Company Secretary.

In anticipation of the retirement of Messrs Battey and Wohanka from the Board, the Nomination Committee engaged Egon Zehnder, a global leadership advisory firm with no other connection to the Company, to identify a range of candidates to fill the Board vacancies. The Committee also considered candidates proposed by members of the Board and the Investment Manager. The Committee, noting the U.S. focus of the Company's investments and the benefits of expanding the diversity of the Board, actively sought to identify candidates with U.S. business experience and diverse ethnic backgrounds. Committee members and representatives of the Investment Manager conducted interviews with a number of qualified candidates, of which three were interviewed by the remaining members of the Committee. In light of the quality of the candidates and the significant increase in the Board's workload, the Nomination Committee recommended that the Board submit all three candidates—Tope Lawani, Rupert Morley, and Tracy Palandjian—for shareholder approval at the 2021 Annual General Meeting as independent non-executive Directors of the Company. All three candidates were elected by shareholders on April 28, 2021.

Risk Committee

The Risk Committee consists of all of the Directors of the Company. Mr Henton is the Chairman of the Risk Committee. The Risk Committee is responsible for reviewing the Company's risk profile, as described in the Company's Investment Policy, borrowing policy and other risk disclosures; identifying, evaluating and reporting to the Board any emerging risks to the Company; ensuring that appropriate controls and reporting are in place to allow for the identification, monitoring and management of key risks to the Company's business; conducting and submitting to the Board an annual assessment of the material risks applicable to the Company's business; and making recommendations to the Board regarding risk mitigation.

The written terms of reference of the Risk Committee are available on the Company's website or, on request, from the Company Secretary.



Below is a summary of Director attendance at Risk Committee meetings in the year ended December 31, 2021:

	Risk Committee Meetings (attended/eligible)
Richard Battey ¹	1/1
Nicholas Botta	2/2
Bronwyn Curtis	2/2
Anne Farlow	2/2
Andrew Henton	2/2
Tope Lawani ²	1/1
Rupert Morley ²	1/1
Tracy Palandjian ²	1/1
Richard Wohanka ¹	1/1

1 Retired April 28, 2021

2 Elected April 28, 2021

The Risk Committee conducted its annual business risk assessment in February 2021 and identified 44 risks relevant to the Company's business. These risks consist of risks arising from the Company's investment activities, structure and operations as well as risks relating to shareholder engagement and regulatory compliance.

The Risk Committee has considered the cause of each risk and has assigned each risk a rating based on the likelihood of a risk occurring and the severity of the impact on the Company if the risk occurs, both before and after considering the controls in place to mitigate them. Risks with the highest residual risk have been included in "Principal Risks and Uncertainties".

The Risk Committee first identified the effect of the COVID-19 pandemic on the Company as an emerging risk in 2020 and continued to monitor its effects in 2021. The Committee believes the Company's portfolio is well-positioned to weather the short-term market volatility caused by the pandemic, including the potential effects of inflation, interest rate increases and supply chain disruptions. Although the Company's service providers continued to work remotely for the majority of 2021, the processes implemented early in the pandemic functioned well and their operations ran smoothly. The Investment Manager returned to in-person operations at the end of 2021 with strong safety protocols in place.

COMMITTEES OF THE INVESTMENT MANAGER

The Investment Manager has a Conflicts Committee, which meets no less frequently than annually and on an as-needed basis; Best Execution and Cybersecurity Committees, which meet no less frequently than quarterly and on an as-needed basis; and Valuation and Disclosure Committees, which meet no less frequently than semi-annually, and on an as-needed basis. The minutes from the Disclosure, Valuation and Conflicts Committee meetings are presented to the Board at the quarterly Board meetings, or sooner if necessary.

BOARD PERFORMANCE

The performance of the Board and that of each individual Director is evaluated annually.

The evaluation of the Board's performance in 2021 was performed internally. Each Director completed a questionnaire assessment of the effectiveness of the Board, its committees, and the policies and procedures observed by the Board and its committees. The Chairman discussed matters related to individual performance individually with each Director. The Senior Independent Director conducted a full review of the Chairman's performance with the other non-executive Directors.

The results were collated by the Company Secretary and were presented to the Board by the Chairman. The evaluation highlighted that the Board's cohesiveness and effectiveness during periods with tight timelines and a high volume of decision making had been a particular strength during the year. No material weaknesses in performance were identified in the assessment, and the Board has concluded that it operated effectively in 2021. The Board has incorporated the findings of its assessment into workflows that will build on its existing strengths in the coming year. The 2019 Board evaluation was externally facilitated by SCT Consultants. The next external review will be completed for 2022.

/s/ Anne Farlow

Anne Farlow
Chairman of the Board
March 28, 2022



Report of the Audit Committee

The Audit Committee consists of Ms Curtis, Mr Henton and Mr Morley. Mr Henton is the Chairman of the Audit Committee. In consideration of Mr Henton's professional qualifications and service on the audit committees of other investment companies, and the experience of the other Audit Committee members in the financial sector, the Board has determined that the Audit Committee members have the relevant experience to successfully perform the duties of the Committee.

Below is a summary of Director attendance at Audit Committee meetings in the year ended December 31, 2021:

	Audit Committee Meetings (attended/eligible)
Richard Battey ¹	3/3
Bronwyn Curtis	6/6
Anne Farlow ²	3/3
Andrew Henton	6/6
Rupert Morley ³	3/3
Richard Wohanka ¹	3/3

¹ Retired April 28, 2021

² Left the Committee April 28, 2021

³ Elected April 28, 2021

The Audit Committee has written terms of reference with formally delegated duties and responsibilities. The terms of reference of the Audit Committee are available on the Company's website or, on request, from the Company Secretary.

The Audit Committee considers the appointment, independence and remuneration of the auditor and reviews the annual accounts and semi-annual reports. Where non-audit services are to be provided by the auditor, the Audit Committee reviews the scope and terms of the engagement and considers the financial and other implications of the engagement on the independence of the auditor.

The principal duties of the Audit Committee are to monitor the integrity of the Financial Statements of the Company, including its annual and semi-annual reports and formal announcements relating to the Company's

financial performance, and reviewing and reporting to the Board on significant financial reporting issues and judgements communicated to the Committee by the auditor. In particular, the Audit Committee reviews and assesses, where necessary:

- The consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the Company;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- The clarity of disclosure in the Company's financial reports and the context in which statements are made;
- All material information presented with the Financial Report such as the Chairman's Statement, Investment Manager's Report, Principal Risks and Uncertainties, Report of the Directors, Directors' Remuneration Report and the Corporate Governance Report; and
- The content of the Annual Report and Financial Statements, and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

PREPARATION OF FINANCIAL STATEMENTS

As part of the December 31, 2021 audit, prior to year-end, the Audit Committee was involved in the planning and preparation for the Annual Report, Financial Statements and the audit. The Audit Committee's November 2021 meeting was devoted to discussing the audit plan and timelines, including the extensive coordination undertaken by the Investment Manager and the Administrator to ensure an efficient audit process. In addition to meetings of the Audit Committee during the audit, the Chairman of the Board and the Chairman of the Audit Committee were in



regular contact with the Investment Manager, Administrator and auditor throughout the audit process. From this contact, the Audit Committee was able to consider the processes of the Investment Manager and the Administrator in relation to the production of the Financial Statements and determine that their processes were appropriate.

The Audit Committee used its own experience with the Company and the Investment Manager's, Administrator's and auditor's knowledge to determine the overall fairness, balance and understandability of the Annual Report and Financial Statements, and carefully reviewed their content prior to final approval by the Board. This allowed the Audit Committee and the Board to be satisfied that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable.

SIGNIFICANT REPORTING MATTERS

As part of the year-end audit, the Audit Committee reviewed and discussed the most relevant issues for the Company. In discharging its responsibilities, the Audit Committee made the following assessments during the year:

Given the large performance fee owed by the Company for 2021, the Audit Committee reviewed the auditors' process for confirming the Investment Manager's calculation of the performance fee and the disclosure regarding the performance fee in Note 15. The Audit Committee also noted that the performance fee is independently calculated by the Company's Administrator as part of its calculation of the Company's NAV, and that 1% of the total performance fee is held back by the Company to account for adjustments, if any, that arise from the Company's audit. The Audit Committee is satisfied with the controls in place for the calculation of the performance fee and has determined that the disclosure is consistent with the relevant accounting standards.

The Audit Committee has confirmed that where the Investment Manager has fair valued Level 3 investments, including the Company's investment in Pershing Square TH

Sponsor, LLC and the Committed Forward Purchase Units and Additional Forward Purchase Units (as defined in Note 16), the Investment Manager has obtained pricing from an independent third-party pricing service/valuation agent. The independent third-party pricing service/valuation agent utilizes proprietary models to determine fair value. The Audit Committee also reviewed the auditor's assessment of the appropriateness of the valuation process and methodology. The Audit Committee has satisfied itself that the valuation techniques are reasonable and appropriate for the Company's investments, and are consistent with the requirements of IFRS.

The Audit Committee reviewed the completeness and accuracy of the disclosures in the Annual Report and Financial Statements, and satisfied itself that the disclosures appropriately reflected the risks facing the Company and its financial results.

The Audit Committee reviewed the report of the Risk Committee and the Board's procedures regarding the identification, management, and monitoring of risks that could affect the Company. The Audit Committee is satisfied that the Risk Committee and the Board are engaged on an ongoing basis in the process of identifying, evaluating and managing (where possible) the principal and emerging risks facing the Company as described in Principal Risks and Uncertainties on pages 27-30. The Audit Committee also has access to personnel of the Investment Manager responsible for implementing and maintaining controls to address these risks.

The Audit Committee continues to monitor the review by the Board of the Company's compliance with applicable regulations, listing requirements and corporate governance standards.

After considering the audit process and various discussions with the auditor, Investment Manager and Administrator, the Audit Committee is satisfied that the audit was undertaken in an effective manner and addressed the main risks.



INTERNAL CONTROLS

The Audit Committee has examined the effectiveness of the Company's internal control systems at managing the risks to which the Company is exposed and has not identified any material weaknesses.

The Board is ultimately responsible for the Company's internal control systems, and for assessing its effectiveness at managing the operational risks to which the Company is exposed. The internal control systems are designed to manage, rather than eliminate, the operational risk of failure to achieve business objectives, and by their nature can only provide reasonable and not absolute assurance against misstatement and loss. The Board confirms there is an ongoing process for identifying, evaluating and managing the significant operational risks faced by the Company, and that this process has been in place for the year ended December 31, 2021, and up to the date of the approval of the Annual Report and Financial Statements. This is done in accordance with relevant best practices detailed in the Financial Reporting Council's guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Risk Committee, at the direction of the Board, conducts an annual risk assessment to identify the material risks applicable to the Company's business, the likelihood of a risk occurring, and the severity of the impact on the Company, and reviews the controls and reporting in place to monitor and mitigate these risks. Deficiencies and recommendations are provided to the Board. The Investment Manager's operational controls are reviewed by the Board as part of an operational update provided by the Investment Manager at each quarterly Board meeting.

Neither the Company nor the Investment Manager have an internal audit department. All of the Company's management functions are delegated to independent third parties, and the Board therefore believes that an internal audit function for the Company is not necessary or required. The Board, and where appropriate the Investment Manager,

has familiarized itself with the internal control systems of its material service providers, which report regularly to the Board. The Board is satisfied that the controls employed by these service providers adequately manage the operational risks to which the Company is exposed.

AUDITOR

It is the duty of the Audit Committee, among other things, to:

- Consider and make recommendations to the Board in respect of the Company's external auditor that are to be approved by shareholders at the Annual General Meeting;
- Discuss and agree with the external auditor the nature and scope of the audit;
- Keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor; and
- Review the external auditor's letter of engagement, audit plan and management letter.

Ernst & Young LLP has been appointed to provide audit services to the Company, and has acted as the Company's auditor since it was appointed to audit the Company's first Financial Statements, for the period ended December 31, 2012. A resolution to re-appoint Ernst & Young LLP as auditor will be proposed at the 2022 Annual General Meeting. The audit partner will rotate, including a change of physical location from Jersey to Guernsey.

The Company is not required to engage in a formal tender process under EU or UK regulations due to its incorporation in Guernsey. However, in recognition of the auditor's long tenure and corporate governance best practices, the Audit Committee will commence a tender process in 2022 to compare the quality and effectiveness of the auditor with those of other audit firms. Should the Audit Committee conclude that a change of auditor is in the best interests of the Company, a resolution to appoint the new auditor will be proposed at the 2023 Annual General Meeting.



The Audit Committee reviewed the scope of the audit and the fee proposal set out by the auditor in its audit planning report and discussed these with the auditor at the Audit Committee meeting held on November 5, 2021. The Company regularly undertakes market surveys of auditors' fees and has found its auditor's fees to be in line with the market. The Audit Committee recommended to the Board that it accept the auditor's proposed fee of \$221,000 (2020 Actual: \$257,000) for the audit of the Annual Report and Financial Statements. The Audit Committee notes that 2020 and 2021 audit fees reflect an additional fee charged for audit work undertaken in relation to the Company's investment in Pershing Square Tontine Holdings, Ltd. During the year ended December 31, 2021, the Company also paid \$91,700 (2020: \$66,000) for fees related to the semi-annual review.

The table below summarizes the amounts expensed and capitalized for tax services and other services, respectively, during the years ended December 31, 2021 and December 31, 2020.

	Year Ended 2021		Year Ended 2020	
Tax Services	\$	45,441	\$	86,034
Other Services ¹		195,832		192,749
Total Non-Audit Fees	\$	241,273	\$	278,783

¹ Ernst & Young LLP was engaged to provide a comfort letter relating to the financial information of the Company in the offering memorandums for the 2030, 2027 and 2031 Bonds.

The Audit Committee understands the importance of auditor independence. Each year, the Audit Committee reviews the scope and results of the audit, its cost effectiveness, and the independence and objectivity of the external auditor. As part of this review, the Audit Committee receives a report from the external auditor confirming its independence and the controls it has in place to ensure its independence is not compromised.

Any engagement of the auditor to provide non-audit services to the Company must also receive the prior approval of the Audit Committee. In considering whether to

approve such engagement, the Audit Committee assesses (i) the nature of the non-audit service and whether the auditor is the most appropriate party to provide such service; (ii) the proposed fee for the service and whether it is reasonable; and (iii) whether the engagement will constitute a threat to the objectivity and independence of the conduct of the audit. The Audit Committee may take into account the expertise of the auditor, the potential time and cost savings to the Company, and any other factors it believes relevant to its determination.

The auditor was engaged to provide non-audit services to the Company in connection with the issuance of the 2027 and 2031 Bonds, including a comfort letter for 2018, 2019 and 2020 financial statements and the 2021 unaudited semi-annual financial statements included in the offering documentation. Prior to approving the engagement, the Audit Committee confirmed that no firm other than the auditor could provide the services in the expedited timetable required for the bond issuances. Furthermore, because of the auditor's prior audit of these financial statements and expertise in the matters for which it was engaged, the auditor was able to perform the non-audit services more efficiently than another accounting firm, resulting in substantial cost savings to the Company.

The Audit Committee has reviewed the fees paid for the non-audit services. The Audit Committee does not consider the fees to be excessive or a threat to the objectivity and independence of the conduct of the audit and considers Ernst & Young LLP to be independent of the Company.

To fulfill its responsibility regarding the independence of the external auditor, the Audit Committee considers:

- discussions with or reports from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the nature of non-audit services provided by the external auditor.



To assess the effectiveness of the external auditor, the Audit Committee reviews:

- the external auditor's fulfillment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit; and
- feedback from other service providers evaluating the performance of the audit team.

The Audit Committee is satisfied with Ernst & Young LLP's effectiveness and independence as external auditor having considered the degree of diligence and professional skepticism demonstrated by them and has also considered the Financial Reporting Council's Audit Quality Review of Ernst & Young LLP's previous audit work.

Having carried out the review described above and having satisfied itself that the external auditor remains independent and effective, the Audit Committee has recommended to the Board that Ernst & Young LLP be reappointed as external auditor for the year ending December 31, 2022.

Shareholders should note that the primary framework for the Company's audit is International Standards on Auditing (UK); the auditor's report thereunder is set out on pages 58-64. The Annual Report also includes on pages 65-66 a report from the auditor to the Directors in accordance with U.S. Generally Accepted Auditing Standards in order to satisfy various U.S. regulatory requirements.

/s/ Andrew Henton

Andrew Henton
Chairman of the Audit
Committee
March 28, 2022



Report of Independent Auditor

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERSHING SQUARE HOLDINGS, LTD.

Opinion

We have audited the Financial Statements of Pershing Square Holdings, Ltd. (the "Company") for the year ended 31 December 2021 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Management Shareholders, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements, including the UK FRC's Ethical

Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Conclusions Relating to Going Concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included;

- Confirming our understanding of the Directors' going concern assessment process for the Company by engaging with the Directors and Investment Manager early in the audit process to ensure all key factors were considered in its assessment;
- Obtaining the Investment Manager's going concern assessment for the Company which comprised a cashflow forecast and loan covenant reverse stress test, acknowledging the liquidity of the investment portfolio, the significant net asset position and cash balances which are significantly in excess of current liabilities, and testing for arithmetical accuracy;
- We challenged the appropriateness of the Investment Manager's forecasts by applying downside sensitivity analysis and applying further sensitivities to understand the impact on the liquidity of the Company;
- Holding discussions with the Investment Manager and the Board on whether events or conditions exist that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern;
- Assessing the assumptions used in the going concern assessment prepared by the Investment Manager and considering whether the methods utilised were appropriate for the Company;



- Reading the going concern disclosures included in the Annual Report and Financial Statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern up to December 31, 2024.

- In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting;
- Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of Our Audit Approach

Key audit matters	Misstatement of the valuation of the Company's investments
Materiality	Overall materiality of \$114.1m which represents 1% of Total Equity.

An Overview of the Scope of our Audit

Tailoring The Scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account

size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Climate Change

The Company has explained climate-related risks in the 'Environmental, Employee, Social And Community Issues' section of the Report of the Directors and form part of the "Other information", rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether these disclosures are materially inconsistent with the Company's Financial Statements, or our knowledge obtained in the course of the audit, or otherwise appear to be materially misstated.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.



Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Misstatement of the valuation of the Company's investments (2021 – assets: \$13,871.9 million and liabilities: \$38.8 million; 2020 – assets: \$9,697.0 million and liabilities: \$573.6 million)</p>	<p>Updated our understanding of the investment valuation process, performed a walkthrough of the investment valuation class of transactions and evaluated the design of controls in this area.</p>	<p>We confirmed that there were no material instances of use of inappropriate policies or methodologies and that the valuation of the investments was not materially misstated.</p>
<p>Refer to the Audit Committee Report (pages 53 – 57); Accounting policies (pages 74 – 79); and Note 7 of the Financial Statements (pages 83 – 89)</p>	<p>In conjunction with our internal valuation specialists we assessed the reasonableness and appropriateness of the valuation model/method, comparing these to our understanding of market practices, and determined whether significant assumptions used to estimate fair value are appropriate and supported.</p>	<p>We also confirmed that there were no material matters arising from our audit work on the valuation of financial instruments, in accordance with IFRS, that we wanted to bring to the attention of the Audit Committee.</p>
<p>The fair value of the investment portfolio may be misstated due to the application of inappropriate methodologies or inputs to the valuations.</p>	<p>For options, forwards and swaps, we instructed our internal valuation specialists to assist the audit team by independently valuing a sample of positions. We compared their values to the Company's valuations, assessing differences with reference to our Reporting Threshold.</p>	
<p>The valuation of the Company's investments is a key driver of the Company's net asset value and total return. Investment valuation could have a significant impact on the net asset value of the Company and the total return generated for shareholders.</p>	<p>For level 3 investments we:</p>	
<p>There has been no change in this risk from the previous year.</p>	<ul style="list-style-type: none"> • Obtained management's models, as well as those of their independent valuation agents, and instructed our own internal specialists to assist the audit team in challenging the methodologies and subjective estimates therein. • Identified the key unobservable inputs to valuations and reviewed and assessed the reasonableness of the sensitivity workings and disclosures, comparing against our range of acceptable inputs. • Vouched valuation inputs that do not require specialist knowledge to independent sources and tested the arithmetical accuracy of the Company's calculations. 	
	<p>The audit team also considered the credentials and qualifications of management's independent valuation agents.</p>	
	<p>Obtained values for all remaining quoted equities from independent sources and agreed these to management's proposed values.</p>	
	<p>Assessed whether the valuation determined is in accordance with IFRS by comparing the valuation methodology to the requirements of IFRS 13.</p>	



Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be \$114.1 million (2020: \$90.5 million), which is 1% (2020: 1%) of Total Equity. We believe that Total Equity provides us with the best measure of materiality as the Company's primary performance measures for internal and external reporting are based on Total Equity.

During the course of our audit, we reassessed initial materiality and updated its calculation to align with the year-end Total Equity figure.

Performance Materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely \$85.6 million (2020: \$67.9 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the Financial Statements did not exceed our materiality level.

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$5.7 million (2020: \$4.5 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other Information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 42;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate, set out on page 42;
- Directors' statement on fair, balanced and understandable Financial Statements, set out on page 43;
- Director's statement on whether it has a reasonable expectation that the company will be able to continue in operation and meets its liabilities, set out on page 42;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on pages 51-52;

- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, set out on page 55; and
- The section describing the work of the audit committee, set out on pages 53-57.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 43, the Directors are responsible for the preparation of the Financial Statements, and for being satisfied that they give a true and fair view, and for such internal controls as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and the Investment Manager.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies (Guernsey) Law, 2008, the 2018 UK Corporate Governance Code and, the listing requirements of Euronext Amsterdam and the UK Listing Authority and the Protection of Investors (Bailiwick of Guernsey) Law, 2020.
- We understood how the Company is complying with those frameworks by making enquiries of the Investment Manager and those charged with governance regarding:
 - their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the Financial Statements;
 - the Company's methods of enforcing and monitoring non-compliance with such policies;
 - management's process for identifying and responding to fraud risks, including programs and controls the Company has established to address risks identified by the entity, or that otherwise prevent, deter and detect fraud; and
 - how management monitors those programs and controls.
- Administration and maintenance of the Company's books and records is performed by Northern Trust International Fund Administration Services (Guernsey) Limited which is a regulated firm, independent of the Investment Manager. We corroborated our enquiries through our review of Board minutes and any correspondence received from regulatory bodies. We also obtained their SOC1 controls report and reviewed it for findings relevant to the Company. We noted no contradictory evidence during these procedures.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by:
 - obtaining an understanding of entity-level controls and considering the influence of the control environment;
 - obtaining management's assessment of fraud risks including an understanding of the nature, extent and frequency of such assessment documented in the Board's risk matrix;



- making inquiries with those charged with governance as to how they exercise oversight of management's processes for identifying and responding to fraud risks and the controls established by management to mitigate specifically those risks the entity has identified, or that otherwise help to prevent, deter and detect fraud;
 - making inquiries with management and those charged with governance regarding how they identify related parties including circumstances related to the existence of a related party with dominant influence; and
 - making inquiries with management and those charged with governance regarding their knowledge of any actual or suspected fraud or allegations of fraudulent financial reporting affecting the Company.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved a review of Board minutes and inquiries of the Investment Manager and those charged with governance including:
 - Through discussion, gaining an understanding of how those charged with governance, the Investment Manager and Administrator identify instances of non-compliance by the Company with relevant laws and regulations;
 - Inspecting the relevant policies, processes and procedures to further our understanding;
 - Reviewing Board minutes and internal compliance reporting;
 - Inspecting correspondence with regulators; and
 - Obtaining relevant written representations from the Board of Directors.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the Company to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. We signed an engagement letter on 5 April 2013.
- The period of total uninterrupted engagement including previous renewals and reappointments is 10 years, covering the years ending 31 December 2012 to 31 December 2021.
- The audit opinion is consistent with the additional report to the audit committee.

Use of Report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

/s/ Christopher James Matthews
Christopher James Matthews, FCA

For and on behalf of Ernst & Young LLP Guernsey
March 29, 2022

- (1) The maintenance and integrity of the Pershing Square Holdings, Ltd. website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
- (2) Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.



INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF PERSHING SQUARE HOLDINGS, LTD.

Opinion

We have audited the accompanying financial statements of the Company, which comprise the Statement of Financial Position as of December 31, 2021 and 2020, and the related Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Management Shareholders, Statement of Changes in Equity and Statement of Cash Flows for the years then ended, and the related notes to the Financial Statements (collectively referred to as the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations, changes in net assets attributable to management shareholders and equity, and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRS and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Financial Statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Financial Statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Financial Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Financial Statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Financial Statements as a whole. The accompanying Condensed Schedule of Investments, Financial Highlights and Certain Regulatory Disclosures are presented for purposes of additional analysis and are not a

required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Financial Statements. The information has been subjected to the auditing procedures applied in the audit of the Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Financial Statements or to the Financial Statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the Financial Statements as a whole.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 1 to 57 and pages 115 to 121 but does not include the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the Financial Statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/ Ernst & Young LLP

Ernst & Young LLP

Guernsey, Channel Islands

March 29, 2022



Audited Financial Statements

STATEMENT OF FINANCIAL POSITION

As of December 31, 2021 and December 31, 2020

	Notes	2021	2020
Assets			
Cash and cash equivalents	10	\$ 1,767,776,549	\$ 1,879,639,109
Due from brokers	13	158,421,029	955,676,624
Trade and other receivables	9	10,293,988	8,865,622
Financial assets at fair value through profit or loss			
Investments in securities	6	13,028,113,314	9,093,461,819
Derivative financial instruments	6, 8	843,764,884	603,563,999
Total Assets		\$ 15,808,369,764	\$ 12,541,207,173
Liabilities			
Due to brokers	13	\$ 774,874,594	\$ 46,004,594
Trade and other payables	9	464,492,013	693,840,621
Deferred tax expense payable	19	111,544,983	52,446,850
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	6, 8	38,846,045	573,590,762
Bonds	18	3,009,416,881	2,122,787,844
Total Liabilities		\$ 4,399,174,516	\$ 3,488,670,671
Equity			
Share capital	11	\$ 5,722,349,692	\$ 5,722,349,692
Treasury shares	11	(242,956,239)	(242,956,239)
Retained earnings		5,929,801,795	3,573,143,049
Total Equity		11,409,195,248	9,052,536,502
Total Liabilities and Equity		\$ 15,808,369,764	\$ 12,541,207,173
Net assets attributable to Public Shares		\$ 11,408,830,936	\$ 9,052,247,442
Public Shares outstanding		199,120,882	199,120,882
Net assets per Public Share		\$ 57.30	\$ 45.46
Net assets attributable to Special Voting Share		\$ 364,312	\$ 289,060
Special Voting Share outstanding		1	1
Net assets per Special Voting Share		\$ 364,311.71	\$ 289,060.26

The accompanying notes form an integral part of these Financial Statements.



These Financial Statements on pages 67-111 were approved by the Board of Directors on March 28, 2022, and were signed on its behalf by

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 28, 2022

/s/ Andrew Henton
Andrew Henton
Chairman of the Audit
Committee
March 28, 2022



STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and December 31, 2020
(Stated in United States Dollars)

	Notes	2021	2020
Investment gains and losses			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		\$ 2,553,059,056	\$ 2,512,130,911
Net realized gain/(loss) on commodity interests (net of brokerage commissions and other related fees of (2021: \$652,636, 2020: \$1,305,482))		(109,129,995)	2,057,091,477
Net change in unrealized gain/(loss) on commodity interests		692,360,520	(8,908,581)
	6	3,136,289,581	4,560,313,807
Income			
Dividend income		114,730,177	84,418,343
Interest income	12	117,359	1,062,148
		114,847,536	85,480,491
Expenses			
Performance fees	15	(464,058,982)	(695,694,558)
Management fees	15	(146,070,348)	(95,794,204)
Interest expense	12	(105,493,134)	(83,482,818)
Bond extinguishment expense	18	(12,122,953)	–
Professional fees		(8,130,098)	(9,186,732)
Other expenses		(2,348,782)	(2,028,302)
		(738,224,297)	(886,186,614)
Net gain/(loss) on currency translation of the Bonds	18	10,633,330	–
Profit/(loss) before tax attributable to equity and management shareholders		2,523,546,150	3,759,607,684
Withholding tax (dividends)		(28,138,375)	(21,794,811)
Deferred tax expense	19	(59,098,133)	(38,938,005)
Profit/(loss) attributable to equity and management shareholders		2,436,309,642	3,698,874,868
Amounts attributable to management shareholders		–	127,038,913
Profit/(loss) attributable to equity shareholders⁽¹⁾		\$ 2,436,309,642	\$ 3,571,835,955
Earnings per share (basic & diluted)⁽²⁾			
Public Shares	17	\$ 12.23	\$ 18.12
Special Voting Share	17	\$ 77,794.82	\$ 115,896.15

All the items in the above statement are derived from continuing operations. There is no other comprehensive income for the years ended 2021 and 2020.

(1) Profit/(loss) attributable to equity shareholders is comprised of the net profits earned and losses incurred by shareholders of Public Shares and the Special Voting Share.

(2) EPS is calculated using the profit/(loss) for the year attributable to equity shareholders divided by the weighted average shares outstanding over the full years of 2021 and 2020 as required under IFRS. See Note 17 for further details.

The accompanying notes form an integral part of these Financial Statements.



STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MANAGEMENT SHAREHOLDERS

For the years ended December 31, 2021 and December 31, 2020
(Stated in United States Dollars)

		Net Assets Attributable to Management Shareholders
As of December 31, 2020	\$	–
Total profit/(loss) attributable to management shareholders		–
As of December 31, 2021	\$	–
As of December 31, 2019	\$	152,364,909
Total profit/(loss) attributable to management shareholders		127,038,913
Dividend distribution to management shareholders		(2,370,760)
Conversion from Management Shares to Public Shares ⁽¹⁾		(280,762,795)
Accretion from share buybacks ⁽²⁾		3,729,733
As of December 31, 2020	\$	–

(1) The Company converted all outstanding Management Shares to Public Shares on December 31, 2020. See Note 11 for further details.

(2) Between June 20, 2019 and September 3, 2020, the Company repurchased Public Shares as part of a series of share buyback programs. Any repurchased Public Shares were subsequently cancelled or held in Treasury. See Note 11 for further details. This amount represents the accretion relating to the share buyback program that has been allocated to the Management Shares.

The accompanying notes form an integral part of these Financial Statements.



STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2021 and December 31, 2020
(Stated in United States Dollars)

	Share Capital	Treasury Shares	Retained Earnings	Total Equity
As of December 31, 2020⁽¹⁾	\$ 5,722,349,692	\$ (242,956,239)	\$ 3,573,143,049	\$ 9,052,536,502
Total profit/(loss) attributable to equity shareholders	–	–	2,436,309,642	2,436,309,642
Dividend distribution to equity shareholders	–	–	(79,650,896)	(79,650,896)
As of December 31, 2021⁽¹⁾	\$ 5,722,349,692	\$ (242,956,239)	\$ 5,929,801,795	\$ 11,409,195,248
As of December 31, 2019⁽¹⁾	\$ 5,568,360,539	\$ (80,153,606)	\$ 80,073,980	\$ 5,568,280,913
Total profit/(loss) attributable to equity shareholders	–	–	3,571,835,955	3,571,835,955
Share buybacks ⁽²⁾	–	(289,575,701)	–	(289,575,701)
Dividend distribution to equity shareholders	–	–	(78,766,886)	(78,766,886)
Conversion from Management Shares to Public Shares	153,989,153	126,773,068	–	280,762,221
As of December 31, 2020⁽¹⁾	\$ 5,722,349,692	\$ (242,956,239)	\$ 3,573,143,049	\$ 9,052,536,502

- (1) Total equity of the Company is comprised of the aggregate net asset values of Public Shares and the Special Voting Share. Under IFRS, Management Shares are classified as financial liabilities rather than equity. See Note 2 on pages 78-79 for further details.
- (2) Between June 20, 2019 and September 3, 2020, the Company repurchased Public Shares as part of a series of share buyback programs. Any repurchased Public Shares were subsequently cancelled or held in Treasury. As of December 31, 2021 and December 31, 2020, 11,835,868 Public Shares were held in Treasury, respectively. See Note 11 for further details. This amount includes the accretion relating to the share buyback program that has been allocated to the Public Shares and the Special Voting Share.
- (3) The Company converted all outstanding Management Shares to Public Shares on December 31, 2020 and issued Public Shares to these shareholders from Treasury. See Note 11 for further details.

The accompanying notes form an integral part of these Financial Statements.



STATEMENT OF CASH FLOWS

For the years ended December 31, 2021 and December 31, 2020
(Stated in United States Dollars)

	Notes	2021	2020
Cash flows from operating activities			
Profit/(loss) for the year attributable to equity and management shareholders		\$ 2,436,309,642	\$ 3,698,874,868
Adjustments to reconcile changes in profit/(loss) for the year to net cash flows:			
Bond interest expense	18	103,900,095	82,079,517
Bond interest paid ⁽¹⁾	18	(101,411,647)	(74,250,000)
Bond extinguishment expense	18	12,122,953	–
Net gain/(loss) on currency translation of the Bonds	18	(10,633,330)	–
(Increase)/decrease in operating assets:			
Due from brokers		797,255,595	(840,701,122)
Trade and other receivables	9	(1,428,366)	(1,741,577)
Investments in securities	6	(3,934,651,495)	(3,359,125,794)
Derivative financial instruments	6	(240,200,885)	(472,703,196)
Increase/(decrease) in operating liabilities:			
Due to brokers		728,870,000	46,004,594
Trade and other payables	9	(228,776,027)	653,217,441
Deferred tax expense payable	19	59,098,133	38,938,004
Derivative financial instruments	6	(534,744,717)	565,983,347
Net cash provided by/(used in) operating activities		(914,290,049)	336,576,082
Cash flows from financing activities			
Purchase of Public Shares ⁽²⁾	11	(573)	(291,177,639)
Dividend distributions	11	(79,650,896)	(81,137,646)
Bond cancellation	18	(369,377,000)	–
Bond extinguishment expense	18	(12,122,953)	–
Proceeds from issuance of Bonds	18	1,276,892,792	700,000,000
Expenses relating to issuance of Bonds	18	(13,313,881)	(7,468,274)
Net cash provided by/(used in) financing activities		802,427,489	320,216,441
Net change in cash and cash equivalents		(111,862,560)	656,792,523
Cash and cash equivalents at beginning of year		1,879,639,109	1,222,846,586
Cash and cash equivalents at end of year	10	\$ 1,767,776,549	\$ 1,879,639,109
Supplemental disclosure of cash flow information and non-cash activities			
Cash paid during the year for interest		\$ 108,487,815	\$ 75,483,434
Cash received during the year for interest		\$ 95,069	\$ 1,232,136
Cash received during the year for dividends		\$ 113,093,212	\$ 81,637,693
Cash deducted during the year for withholding taxes		\$ 27,850,156	\$ 21,045,969
Equity securities (with unrealized appreciation of \$510,548,632) received in-kind for proceeds from the distribution from PS VII Master, L.P.		\$ 2,820,120,137	\$ –

(1) In accordance with the amendments to IAS 7, the Company's net debt reconciliation related to the Company's Bonds is further detailed in Note 18.

(2) Includes cash paid for fractional shares related to conversions.

The accompanying notes form an integral part of these Financial Statements.



Notes to Financial Statements

1. CORPORATE INFORMATION

Organization

The Company was incorporated with limited liability under the laws of the Bailiwick of Guernsey on February 2, 2012. It became a registered open-ended investment scheme under Guernsey law on June 27, 2012 and commenced operations on December 31, 2012. On October 2, 2014, the GFSC approved the conversion of the Company into a registered closed-ended investment scheme.

The Company's registered office is at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL, Channel Islands.

The latest traded price of the Public Shares is available on Reuters, Bloomberg, Euronext Amsterdam and the LSE.

A copy of the Prospectus of the Company is available from the Company's registered office and on the Company's website (www.pershingsquareholdings.com).

Investment Policy

Please refer to "Investment Policy" in the Report of the Directors for the Investment Policy of the Company.

Bonds

Bond Offerings

On June 26, 2015, the Company closed on the offering of \$1 billion Senior Notes that mature on July 15, 2022 (the "2022 Bonds"). The 2022 Bonds were issued at par with a coupon rate of 5.50% per annum.

On July 25, 2019, the Company closed on a fully committed private placement of \$400 million Senior Notes with a coupon rate of 4.95%, maturing on July 15, 2039 (the "2039 Bonds").

On August 26, 2020, the Company closed on a fully committed private placement of \$200 million Senior Notes with a coupon rate of 3.00%, maturing on July 15, 2032 (the "2032 Bonds").

On November 2, 2020, the Company issued \$500 million of Senior Notes maturing on November 15, 2030 (the "2030 Bonds"). The 2030 Bonds were issued at par with a coupon rate of 3.25% per annum.

On October 1, 2021, the Company issued \$700 million of Senior Notes maturing on October 1, 2031 (the "2031 Bonds"). The 2031 Bonds were issued at 99.670% of par with a coupon rate of 3.25% per annum.

On October 1, 2021, the Company issued €500 million of Senior Notes maturing on October 1, 2027 (the "2027 Bonds" and together with the 2022 Bonds, 2039 Bonds, 2032 Bonds, 2030 Bonds and 2031 Bonds, "the Bonds"). The 2027 Bonds were issued at 99.869% of par with a coupon rate of 1.375% per annum.

The Bonds rank equally in right of payment and contain substantially the same covenants. The Bonds' coupons are paid semi-annually, with the exception of the 2027 Bonds, which are paid annually. The Bonds are listed on Euronext Dublin under the symbol of PSHNA.

Tender Offer

On September 22, 2021, the Company commenced a cash tender offer for the 2022 Bonds. Bonds in the amount of \$369,377,000 were tendered and cancelled on October 4, 2021. Following the cancellation, the aggregate principal amount of the 2022 Bonds outstanding is \$630,623,000. Bond holders participating in the tender received consideration from the Company of \$1,032.82 per \$1,000 of principal, equating to a payment of \$381,499,953. The consideration paid in excess of principal resulted in a total one-time extinguishment expense of \$12,122,953 to the Company.

Investment Manager

The Company has appointed PSCM as its investment manager pursuant to the IMA. The Investment Manager has responsibility, subject to the overall supervision of the Board of Directors, for the investment of the Company's assets in accordance with the Investment Policy of the Company. The



Company delegates certain administrative functions relating to the management of the Company to PSCM. William A. Ackman is the managing member of PS Management GP, LLC, the general partner of PSCM.

Board of Directors

The Company's Board of Directors is comprised of Nicholas Botta, President and a partner of the Investment Manager, Bronwyn Curtis, Anne Farlow, Andrew Henton, Tope Lawani, Rupert Morley and Tracy Palandjian, all of whom are non-executive Directors. All Directors other than Mr. Botta are considered independent. Anne Farlow is the Chairman of the Board.

Committees of the Board

The Board has established an Audit Committee, a Management Engagement Committee, a Remuneration Committee, a Risk Committee and a Nomination Committee. Other than the Risk Committee, all Committee members are independent Directors of the Company who are not affiliated with the Investment Manager. Further details as to the composition and role of the Audit Committee are provided in the Report of the Audit Committee; further details as to the composition and role of the Management Engagement, Remuneration, Risk and Nomination Committees are provided in the Corporate Governance Report.

Prime Brokers

Pursuant to prime broker agreements, Goldman Sachs & Co. LLC and UBS Securities LLC (the "Prime Brokers") both serve as custodians and primary clearing brokers for the Company.

Administrator

Pursuant to an administration agreement, Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") has been appointed as administrator and the Company Secretary.

The Administrator provides certain administrative and accounting services, including the maintenance of the Company's accounting and statutory records, and receives customary fees, plus out of pocket expenses, based on the nature and extent of services provided.

Exchange Listings

The Company's Public Shares trade on the Premium Segment of the Main Market of the LSE and on Euronext Amsterdam. Shares are quoted and traded in USD in Amsterdam and in USD and Sterling in London.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Financial Statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Financial Statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities at fair value through profit or loss that have been measured at fair value.

The Company presents its statement of financial position with assets and liabilities listed in order of liquidity. An analysis regarding settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 13.

After making reasonable inquiries and assessing all data relating to the Company's liquidity, particularly its holding of cash and Level 1 assets in relation to its liabilities, the Investment Manager and the Board of Directors believe that the Company is well placed to manage its business risks, has adequate resources to continue in operational existence through April 30, 2023 and do not consider there to be any threat to the going concern status of the Company. For these reasons, they have adopted the going concern basis in preparing the Financial Statements.



Financial Instruments

Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss and Commodity Interests

Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities. A financial asset or financial liability is measured at fair value through profit or loss if it meets the definition of held for trading.

In applying that classification, a financial asset or financial liability is considered to be held for trading if: (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or (b) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial Assets

The Company classifies its financial assets as subsequently measured at fair value through profit or loss or measured at amortized cost based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at fair value through profit or loss ("FVPL")

A financial asset is measured at fair value through profit or loss if: (a) its contractual terms do not give rise to cash flows on specified dates that are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding or (b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or (c) at initial recognition, it

is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company includes in this category investments in securities and derivative financial instruments.

Financial assets measured at amortized cost

A debt instrument is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Company includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts and other receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired.

Financial Liabilities

Financial liabilities measured at fair value through profit or loss

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. This category would include derivative contracts in a liability position and equity instruments sold short since they are classified as held for trading.

Financial liabilities measured at amortized cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category its Bonds and other short-term payables.



Derecognition of financial liabilities

The Company will derecognize a financial liability when the obligation under the liability is discharged, canceled or expired.

Bonds at Amortized Cost

(i) Classification

The Company classifies its Bonds, as discussed in Note 1 and Note 18, at initial recognition at amortized cost.

(ii) Recognition

The Company recognizes its Bonds upon the date of issuance of the Bonds.

(iii) Initial Measurement

Bonds are measured initially at their par values minus the original issue discount, if any, and any costs directly attributable to their issuance, which is considered to approximate fair value.

(iv) Subsequent Measurement

After initial measurement, the Company measures the Bonds at amortized cost using the effective interest method. Interest expense relating to the Bonds is calculated using the effective interest method and allocated over the relevant period and is recognized in the statement of comprehensive income accordingly. The interest expense relating to the Bonds includes the amortization of coupon interest, the original issue discount, if any, and the transaction costs attributable to their issuance.

(v) Derecognition

The Company will derecognize its liability associated with each of the Bonds upon maturity, tender, or in the event that the Company exercises its prepayment option for all or some of the Bonds, in which case all or some of the liability would be derecognized at the settlement date.

Fair Value Measurement

The Company measures its investments in financial instruments, such as equities, options and other derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company values equity securities listed on a securities exchange at the official closing price reported by the exchange on which the securities are primarily traded on the date of determination. In the event that the date of determination is not a day on which the relevant exchange is open for business, such securities are valued at the official closing price reported by the exchange on the most recent business day prior to the date of determination. Exchange-traded options and securities listed on a securities exchange for which the exchange does not report an official closing price on the date of determination (other than because the relevant exchange was closed on such date) are valued at the average of the most recent “bid” and “ask” prices.

Securities that are not listed on an exchange (both equity and debt) but for which external pricing sources (such as dealer quotes or other independent pricing services) may be available are valued by the Investment Manager after considering, among other factors, such external pricing sources, recent trading activity or other information that, in the opinion of the Investment Manager, may not have been reflected in pricing obtained from external sources. The practical application of quoted market prices to portfolio positions is a function of the quoted differential in bid/offer spreads. Long and short positions generally are marked to mid-market (subject to the Investment Manager’s discretion to mark such positions differently if and when deemed appropriate).

In order to value over-the-counter credit derivatives, the Investment Manager uses a third-party pricing service that obtains quotes from multiple dealers. Cleared credit derivatives (including index credit default swaps) will



generally be valued using prices obtained from the clearing house that clears the majority of the volume of such credit derivative and/or as necessary, the value of a third-party pricing provider if a single clearing house does not clear the majority of such credit derivative.

Investments where no external pricing sources are available (i.e. Level 3 investments) are fair valued using valuation methodologies as determined by the Investment Manager. Additionally, the Investment Manager may choose to employ an independent third-party valuation firm to conduct valuations.

The valuation committee of the Investment Manager considers the appropriateness of the valuation methods and inputs, including information obtained after the close of markets, and may request that alternative valuation methods be applied to support the valuation arising from the methods discussed. Any material changes in valuation methods are discussed and agreed with the Board of Directors.

Offsetting of Financial Instruments

Financial assets and financial liabilities are reported gross by counterparty in the statement of financial position. It is not the Company's intention to settle financial assets and financial liabilities net of the collateral pledged to or received from counterparties.

See Note 8 for the offset of the Company's derivative assets and liabilities, along with collateral pledged to or received from counterparties.

Functional and Presentation Currency

The Company's functional currency is the United States Dollar ("USD"), which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated, and its liquidity is managed, in USD. Therefore, USD is considered the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The presentation currency of the Company's Financial Statements is USD.

Foreign Currency Translations

Assets and liabilities denominated in non-U.S. currencies are translated into USD at the prevailing exchange rates at the reporting date. Transactions in non-U.S. currencies are translated into USD at the prevailing exchange rates at the time of the transaction.

The Company includes the portion of gains and losses on investments due to changes in foreign exchange rates with the portion due to changes in market prices of the investments based on the classification of the underlying investment in the statement of comprehensive income.

The portion of gains and losses related to the Bonds' liability due to changes in foreign exchange rates is included in net gain/(loss) on currency translation of the Bonds in the statement of comprehensive income.

Dividend income and withholding tax (dividends) on the statement of comprehensive income includes any gains or losses due to foreign currency translation.

Amounts Due To and Due From Brokers

Due from brokers consists of cash balances held at the Company's prime brokers, cash held and collateral pledged at futures commission merchants, cash collateral pledged to counterparties related to derivative contracts and amounts receivable for securities transactions that have not settled at the reporting date, if any. Cash that is related to securities sold, not yet purchased, is restricted until the securities are purchased. Due to brokers consists of cash received from counterparties to collateralize the Company's derivative contracts and amounts payable for securities transactions that have not settled at the reporting date, if any.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents in the statement of financial position is comprised of money market funds which are invested in U.S. Treasury obligations.



Investment Income/Expense

Dividend income is recognized on the date on which the investments are quoted ex-dividend and presented gross of withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to securities sold not yet purchased is recognized when the shareholders' right to receive the payment is established. Interest income and expense related to cash, collateral cash received/posted by the Company, rebate expense and borrowing costs on securities sold not yet purchased and securities lending is recognized when earned/incurred.

Net Gain or Loss on Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

The Company records its security transactions and the related revenue and expenses on a trade date basis.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of prior years' unrealized gains and losses for financial instruments which were realized in the reporting period.

Realized gains and losses on disposals of financial instruments classified at fair value through profit or loss are calculated using the highest cost relief method (specific identification). These gains or losses represent the differences between an instrument's purchase amount and disposal amount, or cash payments due on, or receipts from, derivative contracts.

Professional Fees

Professional fees include, but are not limited to, expenses relating to accounting, investment valuation, administrative services, auditing, tax preparation expenses, legal fees and expenses, professional fees and expenses (including fees and expenses of investment bankers, advisers, appraisers, public and government relations firms and other consultants and experts) and investment-related fees and expenses including research, but excluding investment transaction costs.

Other Expenses

Other expenses include, but are not limited to, investment-related expenses associated with activist campaigns including expenses for: (i) proxy contests, solicitations and tender offers; (ii) compensation, indemnification and expenses of nominees proposed by the Investment Manager as directors or executives of portfolio companies; and (iii) printing and postage expenses, bank service fees, insurance expenses, and expenses relating to regulatory filings and registrations made in connection with the Company's business and investment activities.

Taxes

The Company is not subject to any income or capital gains taxes in Guernsey. The Company is subject to withholding taxes applicable to certain investment income, such as dividends.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. See Note 19 for further details.

Management Fees and Performance Fees

The Company recognizes management fees and performance fees in the period in which they are incurred in accordance with the terms of the IMA, which is an executory contract under IAS 37 as discussed in Note 3. Refer to Note 15 for detailed information regarding the calculation of both fees.

Net Assets Attributable to Management Shareholders

In accordance with IAS 32, the Company classifies its Public Shares and the Special Voting Share as equity, as shareholders do not have any rights of redemption.

Management Shares can be converted into a variable number of Public Shares based upon their net asset values as of the last day of each calendar month and are therefore classified as financial liabilities in accordance with IFRS.



At no time can Management Shares be redeemed in cash at the option of the management shareholders. Net assets attributable to Management Shares, if any, are accounted for on an amortized cost basis at the net asset value calculated in accordance with IFRS. The change in the net assets attributable to Management Shares, other than that arising from share issuances, share repurchases or conversions, is recognized in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognized in the Financial Statements and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have a significant effect on the amounts recognized in the Financial Statements:

Assessment of Investment Management Agreement as an executory contract

The Company classifies the IMA as an executory contract. Under paragraph 3 of IAS 37, "executory contracts" are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent. The objective of IAS 37 is to ensure, inter alia, that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets. The Board has determined that the IMA meets the definition of an executory contract in that: it is a contract for the performance of services, it imposes continuing obligations on each party, and it has been entered into for a renewable term.

Under the IMA, the services that the Company has contracted for consist of investment management services to be delivered by the Investment Manager. The Investment Manager has sole authority to make investments on behalf of the Company throughout the term of the IMA. In consideration for those services, the Company has continuing obligations to pay management fees and performance fees (if any). See Note 15 - Investment Management Agreement - Fees, Performance Fees and Termination.

As explained in Note 15, the performance fee is made up of certain components including the Potential Offset Amount (as defined in Note 15). In the Company's judgment, these components constitute a single unit of account because no component is payable without the others being payable, the components are settled as a single amount and it is not possible to segregate the different services provided by the Company and attribute them to the different components of the performance fee.

The IMA is automatically renewable each December 31 for one year. The IMA is terminable (a) at December 31 of any year by each party upon four months' prior notice (subject, in the case of termination by the Company, to shareholder approval requiring a 66 2/3% majority by voting power of the outstanding shares and a 66 2/3% majority of the outstanding Public Shares, as prescribed by the Company's Articles of Incorporation) or (b) at any time if the other party liquidates, a receiver or liquidator or administrator is appointed in respect of the other party's assets or the other party commits a material breach that remains uncured for more than 30 days after notice thereof. The Company considers that its termination rights are substantive. In the event that the IMA is terminated, the Company is only liable for performance fees up to the date of termination, and the Investment Manager cannot recover any Potential Offset Amount (except to the extent that it is part of the performance fee).

In its application of IAS 37, the Board has determined that payment of performance fees is entirely dependent on performance of services under the IMA and on the Company's NAV appreciation generated by those services



(subject to standard high water mark arrangements). Accordingly, those fees (including the Potential Offset Amount component of performance fees) arise and are recognized as the services are performed by the Investment Manager, and the Company's NAV appreciates. The Company accrues a provision for performance fees over the applicable period based on its NAV appreciation above the high water mark. The Board has assessed that in this manner, the Company's NAV appreciation appropriately matches the timing of recognizing the Company's obligation to pay fees that may be triggered by such NAV appreciation.

The Company also assessed whether the Potential Offset Amount gave rise to a financial liability under the requirements to record contingent settlement obligations in IAS 32 paragraph 25. The Company concluded that no financial liability arises until December 31 of each year, at which point the performance fee including the offset amount crystallizes, because the arrangements only give rise to a financial asset for the Investment Manager at that date.

Assessment of Company investment as structured entity

IFRS 12 defines a structured entity as an entity that has been designed so that voting or other similar rights of the investors are not the dominant factor in deciding who controls the entity.

The Company, Pershing Square, L.P. ("PSLP") and Pershing Square International, Ltd. ("PSINTL" and together with the Company and PSLP, the "Pershing Square Funds") wholly own Pershing Square TH Sponsor, LLC ("PSTH Sponsor"), a Delaware limited liability company, as non-managing members and are its only source of funding. The business and affairs of PSTH Sponsor are managed exclusively by its non-member manager, PSCM. PSTH Sponsor is the sponsor entity for Pershing Square Tontine Holdings, Ltd. ("PSTH"), a Delaware corporation, which is a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. PSTH filed its initial Form

S-1 Registration Statement (the "PSTH S-1") with the Securities and Exchange Commission ("SEC") on June 22, 2020 and subsequently had its Initial Public Offering ("IPO") on July 22, 2020. As of December 31, 2021 and December 31, 2020, the Company held an investment in PSTH Sponsor. This investment is reflected under financial assets at fair value through profit or loss in the statement of financial position.

The Company has assessed whether PSTH Sponsor should be classified as a structured entity. The Company has considered the terms of the limited liability company agreement of PSTH Sponsor and has determined that the dominant factor of control is PSCM's role as non-member manager. The Company, therefore, has concluded that PSTH Sponsor is a structured entity.

PS VII Master, L.P. ("PS VII Master") operates as a co-investment vehicle invested primarily in securities of (or otherwise seeking to be exposed to the value of securities issued by) Universal Music Group N.V. ("UMG"), commenced operations on August 9, 2021 and is an affiliated investment fund. As of December 31, 2021, the Company held an investment in PS VII Master. This investment is reflected under financial assets at fair value through profit or loss in the statement of financial position.

The Company has assessed whether PS VII Master should be classified as a structured entity. The Company has considered the terms of the investment management agreement between PS VII Master and the Investment Manager along with the voting and redemption rights of the other PS VII Master investors, including their rights to remove the Investment Manager, and has determined that the dominant factor of control of PS VII Master is PS VII Master's contractual agreement with the Investment Manager. The Company, therefore, has concluded that PS VII Master is a structured entity.

The Pershing Square Funds wholly own Pershing Square SPARC Sponsor, LLC ("SPARC Sponsor"), a Delaware limited liability company, as non-managing members and



are its only source of funding. The business and affairs of SPARC Sponsor are managed exclusively by its non-member manager, PSCM. SPARC Sponsor is the sponsor entity for Pershing Square SPARC Holdings, Ltd. (“SPARC”), a Delaware corporation, which is a newly organized company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. SPARC filed its initial Form S-1 Registration Statement (“SPARC S-1”) with the SEC on November 24, 2021. As of December 31, 2021, the Company held an investment in SPARC Sponsor. This investment is reflected under financial assets at fair value through profit or loss in the statement of financial position. SPARC remains subject to SEC approval. No assurance can be given that SPARC will be effectuated.

SPARC and SPARC Sponsor are the successor entities of SPARC Sponsor Cayman and SPARC Cayman, which the Investment Manager intends to dissolve in 2022.

Pershing Square SPARC Sponsor Cayman, LLC (“SPARC Sponsor Cayman”), a Delaware limited liability company, is wholly owned by the Pershing Square Funds as non-managing members. The business and affairs of SPARC Sponsor Cayman are managed exclusively by its non-member manager, PSCM. SPARC Sponsor Cayman is the sponsor entity for Pershing Square SPARC Holdings, Ltd. (“SPARC Cayman”), a Cayman Islands exempted company, which is a newly organized company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. As of December 31, 2021, the Company held an investment in SPARC Sponsor Cayman. This investment is reflected under financial assets at fair value through profit or loss in the statement of financial position.

The Company has assessed whether SPARC Sponsor and SPARC Sponsor Cayman should be classified as structured entities. The Company has considered the terms of the governing agreements of SPARC Sponsor and SPARC

Sponsor Cayman and has determined that the dominant factor of control is PSCM’s role as non-member manager. The Company, therefore, has concluded that SPARC Sponsor and SPARC Sponsor Cayman are structured entities.

All realized and unrealized gains and losses from the Company’s investments in PSTH Sponsor, PS VII Master, SPARC Sponsor Cayman and SPARC Sponsor (collectively, the “Structured Entities”) are reflected in the statement of comprehensive income for the years ended 2021 and 2020, as applicable. The Company has not provided any financial or other support to these unconsolidated Structured Entities. See Note 7 for the discussion on the fair value measurement and Note 16 for related party transactions regarding the Company’s investments in the Structured Entities.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined by the Investment Manager using prices obtained from counterparties or independent third-party pricing services/valuation agents. The independent third-party pricing services/valuation agents utilize proprietary models to determine fair value. The valuation agents’ modeling may consider, but is not limited to, the following inputs: amount and timing of cash flows, probability assessments, volatility



of the underlying securities' stock price, comparable transaction data, dividend yields and/or interest rates. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are calibrated regularly and tested for validity using prices from observable current market transactions in the same instrument (without modification or repackaging) or based on available observable market data. Refer to Note 7 for the sensitivity analysis performed on significant unobservable inputs used in the valuation of Level 3 investments.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Company has assessed the impact of amendments made to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39, and has determined that they do not affect the Company's Financial Statements. The Company has also assessed the impact of amendments made to IFRS 1, IFRS 3, IFRS 9, IFRS 17, IAS 1, IAS 16 and IAS 37, which have been issued but are not yet effective, and has determined that they are unlikely to affect the Company's Financial Statements.

5. SEGMENT INFORMATION

In accordance with IFRS 8: Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance.

Management information for the Company as a whole is provided internally to the Directors for decision-making purposes. The Board's decisions are based on a single integrated strategy and the Company's performance is evaluated on an overall basis. The Company has a portfolio of long and occasionally short investments that the Board and Investment Manager believe exhibit significant valuation discrepancies between current trading prices and intrinsic business value, often with a catalyst for value recognition. Therefore, the Directors are of the opinion that the Company is engaged in a single economic segment of business for all decision-making purposes. The financial results of this segment are equivalent to the results of the Company as a whole.

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss:

As of December 31	2021	2020
Investments in securities	\$ 13,028,113,314	\$ 9,093,461,819
Derivative financial instruments	843,764,884	603,563,999
Financial assets at fair value through profit or loss	\$ 13,871,878,198	\$ 9,697,025,818

Financial liabilities at fair value through profit or loss:

As of December 31	2021	2020
Derivative financial instruments	\$ 38,846,045	\$ 573,590,762
Financial liabilities at fair value through profit or loss	\$ 38,846,045	\$ 573,590,762



Net changes in fair value of financial assets and financial liabilities through profit or loss:

For the years ended
December 31

	2021			2020		
	Realized	Unrealized	Total Gains/(Losses)	Realized	Unrealized	Total Gains/(Losses)
Financial assets at fair value through profit or loss	\$ 1,057,774,573	\$ 2,064,167,393	\$ 3,121,941,966	\$ 142,989,921	\$ 2,056,431,944	\$ 2,199,421,865
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–
Derivative financial instruments	20,596,505	(6,248,890)	14,347,615	1,829,627,106	531,264,836	2,360,891,942
Net changes in fair value	\$ 1,078,371,078	\$ 2,057,918,503	\$ 3,136,289,581	\$ 1,972,617,027	\$ 2,587,696,780	\$ 4,560,313,807

7. FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgment and considers factors specific to the asset or liability. Financial instruments are recognized at fair value and categorized in the following table based on:

Level 1 – Inputs are unadjusted quoted prices in active markets. The assets and liabilities in this category will generally include equities listed in active markets, U.S. Treasuries (on the run) and listed options.

Level 2 – Inputs (other than quoted prices included in Level 1) are obtained directly or indirectly from observable market data at the measurement date. The assets and liabilities in this category will generally include fixed income securities, interest rate swaptions, OTC options, total return swaps, credit default swaps, equity forward contracts, foreign currency forward contracts and certain other derivatives.

Level 3 – Inputs, including significant unobservable inputs, reflect the Company's best estimate of what market participants would use in pricing the assets and liabilities at the measurement date. The assets and liabilities in this category will generally include warrants and certain other derivatives.



Recurring Fair Value Measurement of Assets and Liabilities

(in thousands)

As of December 31	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets:								
Equity Securities:								
Common Stock:								
Financial Services	\$ 154,118	\$ -	\$ -	\$ 154,118	\$ 346,991	\$ -	\$ -	\$ 346,991
Hospitality	1,779,424	-	-	1,779,424	1,269,175	-	-	1,269,175
Life Science Tools/Industrials	-	-	-	-	1,238,920	-	-	1,238,920
Media	2,971,449	-	-	2,971,449	-	-	-	-
Real Estate Development and Operating	1,196,897	-	-	1,196,897	681,387	-	-	681,387
Restaurant	4,008,567	-	-	4,008,567	3,545,817	-	-	3,545,817
Retail	2,341,024	-	-	2,341,024	1,700,141	-	-	1,700,141
Transportation	100,420	-	-	100,420	-	-	-	-
Preferred Stock:								
Financial Services	32,791	-	-	32,791	94,265	-	-	94,265
Investment in Affiliated Entities:								
Media	-	273,045 ⁽⁵⁾	-	273,045	-	-	-	-
Special Purpose Acquisition Company	-	-	170,378 ⁽³⁾	170,378	-	-	216,765 ⁽³⁾	216,765
Special Purpose Acquisition Rights Company	-	-	-	-	-	-	-	-
Derivative Contracts (Held for Trading):								
Currency Call/Put Options	-	-	-	-	-	243 ⁽¹⁾	-	243
Foreign Currency Forwards	-	2,140 ⁽¹⁾	-	2,140	-	223 ⁽¹⁾	-	223
Forward Purchase Units:								
Special Purpose Acquisition Company	-	-	1,524 ⁽⁴⁾	1,524	-	-	536,441 ⁽⁴⁾	536,441
Interest Rate Swaptions	-	840,101 ⁽¹⁾	-	840,101	-	61,101 ⁽¹⁾	-	61,101
Total Return Swaps:								
Financial Services	-	-	-	-	-	5,557 ⁽²⁾	-	5,557
Total	\$12,584,690	\$1,115,286	\$171,902	\$ 13,871,878	\$ 8,876,696	\$ 67,124	\$ 753,206	\$ 9,697,026



Recurring Fair Value Measurement of Assets and Liabilities (continued)

(in thousands)

As of December 31

2021

2020

	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Liabilities:								
Derivative Contracts (Held for Trading):								
Credit Default Swaps:								
Financial Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,261 ⁽²⁾	\$ -	\$ 1,261
Equity Forwards:								
Transportation	-	12,526 ⁽²⁾	-	12,526	-	-	-	-
Equity Options Written:								
Real Estate Development and Operating	-	-	-	-	-	47,712 ⁽¹⁾	-	47,712
Foreign Currency Forwards	-	20,396 ⁽¹⁾	-	20,396	-	-	-	-
Forward Purchase Units:								
Special Purpose Acquisition Company	-	-	5,924 ⁽⁴⁾	5,924	-	-	-	-
Index Credit Default Swaps	-	-	-	-	-	524,618 ⁽²⁾	-	524,618
Total	\$ -	\$ 32,922	\$ 5,924	\$ 38,846	\$ -	\$ 573,591	\$ -	\$ 573,591

- (1) Level 2 financial instruments include OTC currency call/put options, equity options, interest rate swaptions and foreign currency forward contracts that are fair valued by the Investment Manager. The fair values of these financial instruments may reflect, but are not limited to, the following inputs: current market and contractual prices from market makers or dealers, volatilities of the underlying financial instruments, interest rates, and/or current foreign exchange forward and spot rates. The significant inputs are market observable and included within Level 2. The Investment Manager utilizes a third-party pricing service and its widely recognized valuation models, to obtain fair values of these financial instruments. The most frequently applied valuation techniques include forward pricing and option models, using present value calculations.
- (2) Level 2 financial instruments include total return swap contracts, equity forward contracts, credit default swaps and index credit default swaps that are fair valued by the Investment Manager using market observable inputs. The fair values of these financial instruments may reflect, but are not limited to, the following inputs: market price of the underlying security, notional amount, expiration date, fixed and floating interest rates, credit spreads, index factors, payment schedules and/or dividends declared.
- (3) These figures relate to the Company's investment in PSTH Sponsor (refer to Note 16). Substantially all of the instruments underlying the Company's investment in PSTH Sponsor are Level 3.
- (4) These figures relate to the Company's investments in the Committed Forward Purchase Units and the Additional Forward Purchase Units. Refer to Note 16 for further details.
- (5) This figure relates to the Company's investment in PS VII Master as of the year ended 2021, as discussed in Note 16. The instruments underlying the Company's investment in PS VII Master included 98.7% of Level 1 financial instruments, 0.9% of Level 2 financial instruments and 0.4% of other assets and liabilities that are outside the scope of IFRS 13 as of the year ended 2021. Due to certain restrictions on when the Company can dispose of its investment, the Investment Manager has determined that PS VII Master is a Level 2 financial instrument.

The Company's cash and cash equivalents and short-term receivables and payables are recorded at carrying value which approximates fair value. The Bonds are classified as Level 1 financial liabilities and the fair values of the Bonds are discussed further in Note 18.

Some of the Company's investments in Level 1 securities represent a significant portion of the Company's portfolio. If such investments were sold or covered in their entirety, it might not be possible to dispose of them at the quoted market price which IFRS requires to be used in determining fair value.

Many factors affect the price that could be realized for large investments and the Investment Manager believes it is difficult to accurately estimate the potential discount or premium to quoted market prices that the Company would ultimately receive.

Level 3 Transfers

Transfers between levels during the year are determined and deemed to have occurred at each financial statement reporting date. There were no transfers into or out of Level 3 fair value measurements since the last financial statement reporting date.



Level 3 Reconciliation

Level 3 investments as of December 31, 2021 include the Company's investments in PSTH Sponsor, SPARC Sponsor, SPARC Sponsor Cayman and the Forward Purchase Units (each as disclosed in Note 16). As no external pricing sources are available for these investments, each is fair valued using valuation methodologies as determined by the Investment Manager. In applying its valuation methods, the Investment Manager utilizes information including, but not limited to the following: amount and timing of cash flows, probability assessments, volatility of the underlying securities' stock price, comparable transaction data, dividend yields and/or interest rates. The Investment Manager employs an independent third-

party valuation firm to conduct valuations for the Forward Purchase Units and the Sponsor Warrants held by PSTH Sponsor. The independent third-party valuation firm provides the Investment Manager with a written report documenting their recommended valuations as of the determination date. The valuation committee of the Investment Manager considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods be applied to support the valuation arising from the method discussed. Any material changes in valuation methods are discussed and agreed with the Board of Directors and the Investment Manager's valuation committee. The following table summarizes the change in the carrying amounts associated with Level 3 investments for the years ended 2021 and 2020.

	Forward Purchase Units	PSTH Sponsor	SPARC Sponsor Cayman	SPARC Sponsor	Total
Balance at December 31, 2020	\$ 536,440,242	\$ 216,765,432	\$ –	\$ –	\$ 753,205,674
Purchase of SPARC Cayman ordinary shares	–	–	1,493,740	–	1,493,740
Purchase of SPARC ordinary shares	–	–	–	205,880	205,880
Net gain/(loss)	(540,840,045)	(46,387,374)	(1,493,740)	(205,880)	(588,927,039)
Balance at December 31, 2021	\$ (4,399,803)	\$ 170,378,058	\$ –	\$ –	\$ 165,978,255

	Forward Purchase Units	PSTH Sponsor	Total
Balance at December 31, 2019	\$ –	\$ –	\$ –
Purchase of Sponsor Warrants	–	58,967,000	58,967,000
Purchase of Class B common stock	–	21,076	21,076
Funding of PSTH Sponsor loan	–	957,355	957,355
Repayment of PSTH Sponsor loan	–	(957,525)	(957,525)
Net gain/(loss)	536,440,242	157,777,526	694,217,768
Balance at December 31, 2020	\$ 536,440,242	\$ 216,765,432	\$ 753,205,674

As disclosed in the table above, the Company had a net loss of \$588,927,039 for the year ended December 31, 2021 from Level 3 securities and a net gain of \$694,217,768 for the year ended December 31, 2020. The loss in 2021 and gain in 2020 were primarily driven by changes in the market value of the Company's investments in PSTH Sponsor and the Forward Purchase Units due to decreases and increases, respectively, in the price of PSTH's publicly traded Class A common stock. PSTH Class A common stock was initially offered at \$20.00 on July 22, 2020, and closed at \$27.72 on December 31, 2020 and \$19.72 on December 31, 2021.



Quantitative Information of Significant Unobservable Inputs – Level 3

The table below summarizes quantitative information about the significant unobservable inputs used in the fair value measurement and the valuation processes used by the Company for Level 3 securities as of December 31, 2021 and December 31, 2020:

As of December 31, 2021	Financial Assets/ Liabilities	Fair Value	Valuation Techniques	Unobservable Input	Input
Forward Purchase Units:					
Committed Forward Purchase Units	Financial Liability	\$ (5,923,858)	Black-Scholes pricing model	Discount for Lack of Marketability	1%
Additional Forward Purchase Units	Financial Asset	\$ 1,524,055	Black-Scholes pricing model	Discount for Lack of Marketability	45%
				Discount for Probability of Exercise	79.8%
Investment in PSTH Sponsor:					
Sponsor Warrants	Financial Asset	\$ 170,376,263	Black-Scholes pricing model	Volatility	25%
				Illiquidity Discount	20%
				Probability of Warrant Renegotiation	18.8%

As of December 31, 2020	Financial Assets/ Liabilities	Fair Value	Valuation Techniques	Unobservable Input	Input
Forward Purchase Units:					
Committed Forward Purchase Units	Financial Asset	\$ 387,563,628	Black-Scholes pricing model	Discount for Lack of Marketability	3%
Additional Forward Purchase Units	Financial Asset	\$ 148,876,614	Black-Scholes pricing model	Discount for Lack of Marketability	8%
				Discount for Probability of Exercise	79.8%
Investment in PSTH Sponsor:					
Sponsor Warrants	Financial Asset	\$ 216,762,909	Black-Scholes pricing model	Volatility	25%
				Illiquidity Discount	17%
				Probability of Warrant Renegotiation	24.5%



The significant unobservable inputs listed above are reflective of the rights and obligations associated with each investment.

The Discount for Lack of Marketability (“DLOM”) for the Committed Forward Purchase Units relates to an embedded lock-up (the “FPA Lock-Up”), whereby the securities underlying the Committed Forward Purchase Units may not be sold for 180 days post the completion of PSTH’s Initial Business Combination (“IBC”). As a result of the FPA Lock-Up, the DLOM was 1% as of December 31, 2021 (2020: 3%).

The Additional Forward Purchase Units are subject to the same FPA Lock-Up and have embedded optionality such that they may be exercised at any amount up to \$2 billion. This additional feature, combined with the FPA Lock-Up, resulted in a DLOM of 45% as of December 31, 2021 (2020: 8%). The Discount for Probability of Exercise is a direct result of the embedded option component. It is modelled to reflect the possible exercise of values between nil and \$2 billion, resulting in a discount of 79.8% as of December 31, 2021 (2020: 79.8%).

The Sponsor Warrants have three significant unobservable inputs: (i) Volatility, (ii) Illiquidity Discount and (iii) Probability of Warrant Renegotiation. The volatility of 25% as of December 31, 2021 (2020: 25%) reflects the anticipated implied volatility of the potential target company from PSTH’s IBC over the Sponsor Warrants’ 10-year term. The Illiquidity Discount of 20% as of December 31, 2021 (2020: 17%) relates to an embedded lock-up, whereby the securities underlying the Sponsor Warrants may not be sold for three years post the completion of PSTH’s IBC. The Probability of Warrant Renegotiation is a discount based on the probability that the Sponsor Warrants will be restructured at the time of PSTH’s IBC. The discount of 18.8% as of December 31, 2021 (2020: 24.5%) was representative of the average of sponsor incentive restructurings and founder stock forfeitures in completed SPAC transactions.

Sensitivity Analysis to Significant Changes in Unobservable Inputs with Level 3 Hierarchy

The significant unobservable inputs used in the fair value measurement of Level 3 investments together with a quantitative sensitivity analysis as of December 31, 2021 and December 31, 2020:

2021	Financial Assets/ Liabilities	Unobservable Input	Sensitivity Used	Effect on Fair Value
Forward Purchase Units:				
Committed Forward Purchase Units	Financial Liability	Discount for Lack of Marketability	+1%/-1%	\$60,461 / (\$60,461)
Additional Forward Purchase Units	Financial Asset	Discount for Lack of Marketability	+5%/-5%	\$(138,566) / \$138,566
		Discount for Probability of Exercise	+5%/-5%	\$(376,353) / \$376,353
Investment in PSTH Sponsor:				
Sponsor Warrants	Financial Asset	Volatility	+5%/-5%	\$34,608,359 / \$(35,703,875)
		Illiquidity Discount	+5%/-5%	\$(10,648,536) / \$10,648,536
		Probability of Warrant Renegotiation	+3%/-3%	\$(6,295,477) / \$6,295,477



2020	Financial Assets/ Liabilities	Unobservable Input	Sensitivity Used	Effect on Fair Value
Forward Purchase Units:				
Committed Forward Purchase Units	Financial Asset	Discount for Lack of Marketability	+2%/-2%	\$(7,983,360) / \$7,983,360
Additional Forward Purchase Units	Financial Asset	Discount for Lack of Marketability	+3%/-3%	\$(4,808,160) / \$4,808,160
		Discount for Probability of Exercise	+3%/-3%	\$(22,055,795) / \$22,055,795
Investment in PSTH Sponsor:				
Sponsor Warrants	Financial Asset	Volatility	+5%/-5%	\$31,752,000 / \$(32,659,200)
		Illiquidity Discount	+5%/-5%	\$(12,700,800) / \$12,700,800
		Probability of Warrant Renegotiation	+1%/-1%	\$(3,150,172) / \$3,150,172

8. DERIVATIVE CONTRACTS

In the normal course of business, the Company enters into derivative contracts for investment purposes and hedging purposes. These instruments are subject to various risks, similar to non-derivative instruments, including market, credit and liquidity risk (see Note 13). The Company manages these risks on an aggregate basis along with other risks associated with its investing activities as part of its overall risk management strategy. All derivatives are reported at fair value (as described in Note 2) in the statement of financial position. Changes in fair value are reflected in the statement of comprehensive income. A description of the derivatives traded by the Company is below.

Total Return Swaps

Total return swap contracts represent agreements between two parties to make payments based upon the performance of a certain underlying financial instrument. The Company is obligated to pay or entitled to receive as the case may be, the net difference in the value determined at the onset of the swap versus the value determined at the termination or reset date of the swap. The amounts required for the future satisfaction of the swaps may be greater or less than the amounts recorded in the statement of financial position. The ultimate gain or loss depends upon the prices of the underlying instrument(s) on settlement date. In addition, a total return swap requires one party to pay the other party a floating amount that reflects an interest carrying cost; the party that receives the performance of the underlying financial instrument will typically pay the floating amount to the other party.

Credit Default Swaps

A credit default swap contract represents an agreement that one party, the protection buyer, will pay a fixed coupon in return for a payment by the other party, the protection seller, contingent upon a specified credit event relating to an underlying reference obligation. The protection buyer pays the protection seller a quarterly fixed coupon. If a specified credit event occurs, there is an exchange of cash flows and/or securities designed so that the net payment to the protection buyer reflects the loss incurred by holders of the referenced obligation in the event of its default. In the case of OTC credit default swaps, which are usually on single reference entities, the ISDA agreement establishes the nature of the credit event, and such events may include bankruptcy and failure to meet payment obligations when due. For cleared credit default swaps, the terms incorporate a uniform set of definitions published by ISDA. At the point in time when a credit default swap contract is entered into, the parties thereto agree that the contract will be governed by these definitions and that the determinations of the Credit Derivatives Determinations Committees will be binding on the contract.

Equity Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Company purchases and sells put and call options through regulated exchanges and OTC markets. Options purchased by the Company provide the Company with the opportunity to



purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Company is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Company provide the purchaser (the party facing the Company) the opportunity to purchase from or sell to the Company the underlying asset at an agreed-upon value either on or before the expiration of the option. In writing an option, the Company bears the market risk of an unfavorable change in the financial instrument underlying the written option. The exercise by the purchaser of an option written by the Company could result in the Company buying or selling a financial instrument at a price higher or lower than the current market value, respectively. The maximum loss for written put options is limited to the number of contracts written and the related strike prices, and the maximum loss for written call options (which could be unlimited) is contingent upon the market price of the underlying security at the exercise date. At December 31, 2021, the Company had no written options. At December 31, 2020, the Company had a maximum potential loss of \$564,492,880 relating to written equity put options, assuming the underlying stock price of such options decreased to nil. The fair value of these written put options as of December 31, 2020 was (\$47,711,572).

Interest Rate Swaptions

An interest rate swaption is an option to enter into an interest rate swap. In exchange for premiums, the buyer gains the right but not the obligation to enter into a specified swap agreement with the issuer on a specified future date. A payer swaption is an option to enter into a swap as a fixed-rate payer, while a receiver swaption is an option to enter into a swap as a fixed-rate receiver.

Equity Forwards

An equity forward contract involves a commitment by the Company to purchase or sell equity securities for a predetermined price, with payment and delivery of the equity securities at a predetermined future date. An equity forward embeds a cost of carry (interest) charge payable by the Company (when the Company commits to purchase) or receivable by the Company (when the Company commits to sell) the underlying securities.

Currency Options

Currency options operate as described under “Equity Options” with the underlying asset being a notional amount of a currency that will be bought or sold in the future for a specified amount of another currency (the strike price).

Foreign Currency Forwards

A foreign currency forward contract is a commitment to purchase or sell a non-USD currency on a future date at a negotiated forward exchange rate. Foreign currency forward contracts are used for trading purposes and may hedge the Company’s exposure to changes in foreign currency exchange rates on its non-U.S. portfolio holdings.

The following table shows the fair values of derivative financial instruments recorded as assets or liabilities as of December 31, 2021 and December 31, 2020, together with their average notional amounts which is indicative of the trading activity throughout the year. The notional amount, which is recorded on a gross basis, is the amount of a derivative’s underlying asset, reference rate or index value, and is the basis upon which changes in the value of derivatives are measured.



Fair Value of Derivative Financial Instruments

As of December 31

	2021		2020	
	Fair Value	Average Notional	Fair Value	Average Notional
Derivatives primarily held for trading purposes				
Assets				
Currency Call/Put Options	\$ –	\$ 1,549,798	\$ 243,466	\$ 265,360,922
Equity Forwards	–	–	–	102,380,104
Forward Purchase Units	1,524,055	288,243,005	536,440,242	719,088,197
Interest Rate Swaptions	840,101,364	37,376,400,067	61,101,294	304,845,333
Total Return Swaps	–	–	5,556,245	69,711,494
Total Assets	\$ 841,625,419	\$ 37,666,192,870	\$ 603,341,247	\$ 1,461,386,050
Liabilities				
Equity Forwards	\$ 12,525,601	\$ 147,936,730	\$ –	\$ 119,308,042
Equity Options	–	–	47,711,572	174,732,049
Forward Purchase Units	5,923,858	1,094,707,036	–	–
Total Liabilities	\$ 18,449,459	\$ 1,242,643,766	\$ 47,711,572	\$ 294,040,091
Derivatives primarily held for risk management purposes				
Assets				
Foreign Currency Forwards	\$ 2,139,465	\$ 42,424,747	\$ 222,752	\$ 299,142,964
Liabilities				
Credit Default Swaps	\$ –	\$ 21,757,500	\$ 1,260,780	\$ 4,351,500
Foreign Currency Forwards	20,396,586	644,142,091	–	–
Index Credit Default Swaps	–	5,803,936,800	524,618,410	8,284,621,212
Total Liabilities	\$ 20,396,586	\$ 6,469,836,391	\$ 525,879,190	\$ 8,288,972,712

The table below summarizes gains or losses from the Company's derivative trading activities for December 31, 2021 and December 31, 2020 that are included in investment gains and losses.

Derivatives for Trading Activities	Year Ended 2021 Net Gain/(Loss)	Year Ended 2020 Net Gain/(Loss)
Credit Default Swaps	\$ (299,742)	\$ (43,081)
Currency Call/Put Options	(243,466)	(6,097,741)
Equity Forwards	(12,716,699)	(320,069,585)
Equity Options	(13,062,361)	121,246,522
Foreign Currency Forwards	6,928,349	(1,560,028)
Forward Purchase Units	(540,840,045)	536,440,242
Index Credit Default Swaps	(102,711,268)	2,057,013,956
Interest Rate Swaptions	686,185,259	(2,733,319)
Total Return Swaps	(8,892,412)	(23,305,024)
Total Net Gain/(Loss)	\$ 14,347,615	\$ 2,360,891,942

Offsetting of Derivative Assets and Liabilities

IFRS 7 requires an entity to disclose information about offsetting rights and related arrangements. The disclosures provide users with information to evaluate the effect of netting arrangements on an entity's financial position. The disclosures are required for all recognized financial instruments that could be offset in accordance with IAS 32 Financial Instruments Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with IAS 32.



The table below displays the amounts by which the fair values of derivative assets and liabilities could be offset in the statement of financial position as a result of counterparty netting. Collateral pledged/received represents amounts by which derivative assets and liabilities could have been further offset for financial presentation purposes if the Company did not include collateral amounts in due from/to brokers in the statement of financial position.

Offsetting of Derivative Assets and Liabilities

As of December 31, 2021	Gross Amounts ⁽¹⁾	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Offset in the Statement of Financial Position	Offsetting Permitted Under ISDA Master Agreements	Cash Collateral Pledged/ (Received) ⁽²⁾	Net Amount
Derivative Assets	\$ 840,101,364	\$ –	\$ 840,101,364	\$ –	\$ (839,607,860)	\$ 493,504
Total	\$ 840,101,364	\$ –	\$ 840,101,364	\$ –	\$ (839,607,860)	\$ 493,504
Derivative Liabilities	\$ (12,525,601)	\$ –	\$ (12,525,601)	\$ –	\$ 12,525,601	\$ –
Total	\$ (12,525,601)	\$ –	\$ (12,525,601)	\$ –	\$ 12,525,601	\$ –

As of December 31, 2020	Gross Amounts ⁽¹⁾	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Offset in the Statement of Financial Position	Offsetting Permitted Under ISDA Master Agreements	Cash Collateral Pledged/ (Received) ⁽³⁾	Net Amount
Derivative Assets	\$ 66,901,005	\$ –	\$ 66,901,005	\$ (5,799,711)	\$ (61,101,294)	\$ –
Total	\$ 66,901,005	\$ –	\$ 66,901,005	\$ (5,799,711)	\$ (61,101,294)	\$ –
Derivative Liabilities	\$ (47,711,572)	\$ –	\$ (47,711,572)	\$ 5,799,711	\$ 41,911,861	\$ –
Total	\$ (47,711,572)	\$ –	\$ (47,711,572)	\$ 5,799,711	\$ 41,911,861	\$ –

- (1) The gross amounts include derivative assets and liabilities which the Company has entered into with an ISDA counterparty and are collateralized. As of December 31, 2021, derivative assets and liabilities not subject to ISDA Master Agreements totaled \$3,663,520 and \$26,320,444, respectively. As of December 31, 2020, derivative assets and liabilities not subject to ISDA Master Agreements totaled \$536,662,994 and \$525,879,190, respectively.
- (2) The Company received total collateral of approximately \$840.7 million and pledged total collateral of approximately \$222.8 million from/to its ISDA counterparties. Additionally, the Company had a receivable of approximately \$1.0 million due from its ISDA counterparties. Included within the collateral available for offset shown above are amounts offset against balances due from/to brokers as disclosed in Note 13.
- (3) The Company received total collateral of approximately \$61.7 million and pledged total collateral of approximately \$199.3 million collateral from/to its ISDA counterparties. Included within the collateral available for offset shown above are amounts offset against balances due from/to brokers as disclosed in Note 13. Additionally, the Company has posted collateral of approximately \$271.4M to its futures commission merchant where the Company's credit default swaps and index credit default swaps are held. This amount is not expressed in the above table and is not subject to an ISDA Master Agreement.



9. TRADE AND OTHER RECEIVABLES/PAYABLES

The following is a breakdown of the Company's trade and other receivables/payables as stated in the statement of financial position.

As of December 31	2021	2020
Trade and other receivables		
Dividends receivable	\$ 9,785,475	\$ 8,436,729
Prepays and other receivables	471,807	414,478
Interest receivable	36,706	14,415
	\$ 10,293,988	\$ 8,865,622
As of December 31	2021	2020
Trade and other payables		
Performance fees payable	\$ 462,597,488	\$ 692,206,795
Other payables	1,840,614	1,463,960
Interest payable	53,911	169,866
	\$ 464,492,013	\$ 693,840,621

10. CASH AND CASH EQUIVALENTS

The following is a breakdown of the Company's cash and cash equivalents as stated in the statement of financial position.

As of December 31	2021	2020
Cash and cash equivalents		
U.S. Treasury money market funds	\$1,767,776,549	\$1,879,639,109
	\$1,767,776,549	\$1,879,639,109

As of December 31, 2021, money market fund investments in Goldman Sachs Financial Square Treasury Instruments Fund and BlackRock Liquidity Funds Treasury Trust Fund had fair values of \$1,223,175,876 (2020: \$1,135,121,890) and \$544,600,673 (2020: \$744,517,219), respectively.

11. SHARE CAPITAL

Authorized and Issued Capital

The Board has general and unconditional authority to issue an unlimited number of shares (or options, warrants or other rights in respect of shares). All of the Company's share classes participate pro-rata in the profits and losses of the Company based upon the share class's ownership of the Company at the time of such allocation.

As of December 31, 2021 and December 31, 2020, the Company had 199,120,882 Public Shares and the Special Voting Share outstanding. The Company also held 11,835,868 Public Shares in Treasury for a total of 210,956,750 Public Shares in issue as of December 31, 2021 and December 31, 2020. All Management Shares converted to Public Shares on December 31, 2020.

The Company's Articles of Incorporation, in accordance with the Listing Rules, incorporate pre-emption rights in favor of existing Shareholders on the issue or sale from treasury of new equity securities for cash (or to issue any rights to subscribe for or convert equity securities into ordinary shares of the Company). At the 2021 Annual General Meeting, the Company proposed and shareholders passed a special resolution to approve the disapplication of the pre-emption rights contained in the Articles of Incorporation so that the Board has the authority to allot and issue (or sell from treasury) up to 19,912,088 Public Shares (equal to 10% of Public Shares outstanding as at the latest practicable date prior to the date of publication of the 2021 Notice of the Annual General Meeting). Such disapplication for issuances of 10% or less of outstanding equity is commonly requested by issuers listed on the LSE. The Company intends to propose the same special resolution at next year's Annual General Meeting.



In order to maintain the status of the Company as a foreign private issuer under U.S. securities law and regulations, the Company has issued a Special Voting Share to PS Holdings Independent Voting Company Limited (“VoteCo”), a Guernsey limited liability company. The Special Voting Share at all times carries 50.1% of the aggregate voting power in the Company (except for certain matters set forth in the Listing Rules on which it may not vote). VoteCo’s organizational documents require it to vote in the interest of the Company’s shareholders as a whole. The Investment Manager has no affiliation with VoteCo. The members of the VoteCo board of directors are independent from the Investment Manager and have no interest in the Company or the Investment Manager. VoteCo is wholly owned by a trust established for the benefit of one or more charitable organizations outside of the United States, currently the Breast Cancer Society of Canada.

The Investment Manager waived the management fee and the performance fee with respect to Management Shares at the time of the IPO. Management Shares were issued to certain members, partners, officers, managers, employees or affiliates of the Investment Manager and certain other shareholders.

Lock-up

In connection with the Company’s IPO, Mr. Ackman and selected partners of the Investment Manager have each entered into a lock-up arrangement with the Company (the “Lock-Up Deed”) whereby their aggregate Management Shares held at the time of the IPO are subject to a lock-up of 10 years commencing from October 1, 2014, other than sales of Management Shares (i) required to pay taxes on income generated by the Company; (ii) required due to regulatory constraints; or (iii) following separation of employment from the Investment Manager. Management Shares subject to the Lock-Up Deed may from time to time be transferred to affiliates, provided that the transferee agrees to be subject to the remaining lock-up period. On August 9, 2018, the Company amended the Lock-Up Deed to clarify that parties to the Lock-Up Deed may sell the specific Management Shares they held at the time of the IPO, so long as they continue to hold at least as many Management Shares in

the aggregate as they held at the time of the IPO (or, if the Management Shares have been converted to Public Shares, so long as they hold at least as many Public Shares as such Management Shares were converted into). Following the conversion of all Management Shares into Public Shares on December 31, 2020, 7,950,974 Public Shares remain subject to the Lock-Up Deed as of December 31, 2021 and December 31, 2020.

Share Conversion

Subject to the terms of the Lock-Up Deed, holders of Management Shares are entitled to convert into Public Shares. Public Shares acquired by persons who are otherwise eligible to hold Management Shares can be converted into Management Shares, on a NAV-for-NAV basis at each month end.

During the year ended December 31, 2021, there were no conversions between share classes. During the year ended December 31, 2020, holders of Management Shares converted all of the remaining 5,160,225 Management Shares into 6,175,883 Public Shares.

Voting Rights

The holders of Public Shares have the right to receive notice of, attend and vote at general meetings of the Company. Public Shares held in Treasury do not have voting rights.

Each Public Share and each Management Share, if any, carries such voting power so that the aggregate issued number of Public Shares and Management Shares carries 49.9% of the total voting power of the aggregate number of voting shares. Each Public Share carries one vote and each Management Share carries such voting power so that the total voting power of the Public Shares and Management Shares are pro-rated in accordance with their respective net asset values. The Special Voting Share carries 50.1% of the aggregate voting power in the Company. The Special Voting Share and the Management Shares may not vote on certain matters specified in the Listing Rules.



Specified Matters

In order to comply with the Listing Rules, the Company was required to make certain revisions to its shareholder voting structure. The Listing Rules permit only holders of the Public Shares to vote on certain matters (the “Specified Matters”).

Each of the Specified Matters is set forth in the Listing Rules.

Distributions

The Board may at any time declare and pay dividends (or interim dividends) based upon the financial position of the Company. No dividends shall be paid in excess of the amounts permitted by the Companies (Guernsey) Law, 2008 and without the prior consent of the Board and the Investment Manager.

On February 13, 2019, the Company initiated a quarterly interim dividend of \$0.10 per Public Share, which remains unchanged. Please see “Dividends” in the Report of the Directors for further information regarding the dividend. For the year ended December 31, 2021, the Company paid dividends of \$79,650,896 (2020: \$81,137,646).

Capital Management

The Company’s general objectives for managing capital are:

- To continue as a going concern;
- To maximize its total return primarily through the capital appreciation of its investments; and
- To minimize the risk of an overall permanent loss of capital.

To the extent the Investment Manager deems it advisable and provided that there are no legal, tax or regulatory constraints, the Company is authorized to manage its capital through various methods, including, but not limited to: (i) repurchases of Public Shares and (ii) further issuances of shares, provided that the Board only intends to exercise its

authority to issue new shares if such shares are issued at a value not less than the estimated prevailing NAV per share (or under certain other specified circumstances).

At the 2021 Annual General Meeting, shareholders renewed the Company’s authority to engage in share buybacks up to a maximum of 14.99% of the Public Shares outstanding. There were no shares repurchased for the year ended December 31, 2021.

The Company announced share buyback programs in April and June of 2020, each of \$100 million and each for up to 6 million of the Company’s outstanding Public Shares. Jefferies International Limited was appointed as the buyback agent. As part of the share buyback programs announced in 2020 and 2019, the Company repurchased 13,732,785 Public Shares for a total of \$286 million at an average discount of 32.0% for the year ended December 31, 2020. All Public Shares repurchased were held in Treasury. Since the Company’s first buyback program in May 2017, including the Company’s May 2018 tender offer, the Company has repurchased a total of 50,834,239 Public Shares for \$837 million at an average discount of 26.5%.

The Company intends to propose that shareholders renew its general share buyback authority at the 2022 Annual General Meeting to allow the Company to engage in share buybacks for up to a maximum of 14.99% of the Public Shares outstanding. If approved by shareholders and depending on market conditions, the Company’s available capital and other considerations, the Company may decide to utilize the share buyback authority to make further acquisitions of Public Shares in the market.

As discussed on page 94 under “Lock-up”, the Investment Manager imposed a 10-year lock-up on certain holders of Management Shares at the time of the IPO, subject to certain exceptions. This lock-up does not affect capital resources available to the Company.



The Public Shares, Management Shares and Special Voting Share transactions for the years ended December 31, 2021 and December 31, 2020 were as follows:

	Management Shares	Public Shares	Special Voting Share
Shares Outstanding as of December 31, 2019	5,160,225	206,677,784	1
Share Buybacks*	–	(13,732,785)	–
Conversion Out**	(5,160,225)	–	–
Conversion In	–	6,175,883	–
Shares Outstanding as of December 31, 2020	–	199,120,882	1
Shares Outstanding as of December 31, 2021	–	199,120,882	1

* All Public Shares repurchased were held in Treasury. The Company holds 11,835,868 Public Shares in Treasury which are excluded from Public Shares outstanding.

** All Management Shares were converted to Public Shares as of December 31, 2020.

12. INTEREST INCOME AND EXPENSE

The following is a breakdown of the Company's interest income and expense as stated in the statement of comprehensive income.

Interest Income	Year Ended 2021	Year Ended 2020
Interest earned on collateral balances	\$ 85,136	\$ 1,030,739
Interest earned on securities lending	32,223	–
Cash	–	31,409
	\$ 117,359	\$ 1,062,148
Interest Expense	Year Ended 2021	Year Ended 2020
Bonds coupon expense	\$ 99,901,785	\$ 79,602,528
Amortization of Bonds issue costs incurred as finance costs	3,908,950	2,476,989
Interest expense on collateral balances	1,588,710	1,401,786
Amortization of Bonds original issue discount incurred as finance costs	89,360	–
Cash	4,329	1,515
	\$ 105,493,134	\$ 83,482,818

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk Mitigation

The Investment Manager does not use formulaic approaches to risk management. Instead, risk management is integrated into the portfolio management process. The primary risk management tool is extensive research completed by the Investment Manager prior to an initial investment. The Investment Manager defines investment risk as the probability of a permanent loss of capital rather than price volatility. Factors considered by the Investment Manager in assessing long investment opportunities include, but are not limited to:

- The volatility/predictability of the business;
- Its correlation with macroeconomic factors;
- The company's financial leverage;
- The defensibility of the company's market position; and
- Its discount to intrinsic value.



The Investment Manager believes that the acquisition of a portfolio of investments, when acquired at a large discount to intrinsic value, provides a margin of safety that can mitigate the likelihood of an overall permanent loss of the Company's capital. The primary risks in the Company's portfolio are company-specific risks which are managed through investment selection and due diligence.

The Investment Manager does not have a formulaic approach in evaluating correlations between investments, but is mindful of sector and industry exposures and other fundamental correlations between the businesses in which the Company invests.

The Investment Manager believes that an important distinguishing factor about the Company's portfolio is that it does not generally use margin leverage.

At times, the Investment Manager has made investments that have materially different risk and reward characteristics. These investments in complex securities or derivatives, or in companies – because of the circumstances surrounding the companies at the time of the investment, the highly leveraged nature of the businesses or assets, the relative illiquidity of the investment, and/or the structure of the Company's investment – have a materially greater likelihood of a potential permanent loss of capital for the funds. In light of this greater risk, the Investment Manager generally requires the potential for a materially greater reward if successful, and sizes the investments appropriately.

Refer to Principal Risks and Uncertainties (which are explicitly incorporated by reference into these Notes to Financial Statements) for further information regarding principal risks faced by the Company.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Company's derivatives and investments held as of December 31, 2021 are presented in the Condensed Schedule of Investments on pages 112-113 (which is explicitly incorporated by reference into these Notes to Financial Statements). Derivative trading activities are discussed in detail in Note 8.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Generally, most financial assets decline in value when interest rates rise and increase in value when interest rates decline. While nearly every one of the Company's investments is exposed to the economy to some degree, the Investment Manager attempts to identify companies for which increases or decreases in interest rates are not particularly material to the investment thesis. The Company does not generally hedge its interest rate exposure as the Investment Manager does not believe that, absent the potential for asymmetric profits, hedging interest rate risk is a prudent use of capital. In December 2020, the Company initiated a position in interest rate swaptions and added to its position throughout 2021, as the Investment Manager identified an attractive investment opportunity to hedge the risk of rising interest rates with a potential asymmetric payoff.



The following table illustrates the Company's exposure to U.S. interest rates from its investment in interest rate swaptions as of December 31, 2021 and December 31, 2020. The analysis calculates the effect of a reasonably possible percentage change to the underlying interest rates and its effect on the Company's profit or loss with all other variables held constant.

Interest Rate (2021)	Exposure	Change in Interest Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
U.S. 2 Year Treasury	\$ 732,212,727	+103%	\$ 1,115,800,750
U.S. 2 Year Treasury	\$ 732,212,727	-103%	\$(593,265,258)
U.S. 10 Year Treasury	\$ 107,888,637	+30%	\$108,753,168
U.S. 10 Year Treasury	\$ 107,888,637	-30%	\$ (69,228,652)

Interest Rate (2020)	Exposure	Change in Interest Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
U.S. 2 Year Treasury	\$61,101,294	+26%	\$ 67,370,000
U.S. 10 Year Treasury	\$61,101,294	-26%	\$ (6,330,000)

As of December 31, 2021 and December 31, 2020 cash and cash equivalents equaled \$1,767,776,549 and \$1,879,639,109, respectively. The Company did not perform a sensitivity analysis on cash and cash equivalents as any change would be immaterial.

The Bonds have no interest rate risk as the interest rates are fixed and they are carried at amortized cost.

Currency Risk

The Company invests in financial instruments and enters into transactions that are denominated in currencies other than USD. Consequently, the Company's financial assets or

liabilities denominated in currencies other than USD are exposed to the risk that the exchange rate of USD relative to other currencies may change in a manner that has an adverse effect on their fair value. In addition, portfolio companies with foreign operations are also exposed to currency risk, which may adversely affect their valuation.

The Company primarily utilizes forward exchange contracts and currency options to hedge currency risk, though it may invest in such instruments for other purposes. Increases or decreases of the Company's investments due to currency risk are partially offset by gains and losses on the economic hedging instruments. Also refer to the Condensed Schedule of Investments on pages 112-113 (which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details of the Company's financial assets and liabilities.

The following tables show the currencies to which the Company had significant exposure at December 31, 2021 and December 31, 2020 on its financial assets and financial liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against USD on equity and on profit or loss with all other variables held constant.

Currency (2021)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	\$ 6,082,937	+6%	\$ 3,540,366
CAD	\$ 6,082,937	-6%	\$ 2,877,565
EUR	\$ (8,084,809)	+7%	\$ 1,542,447
EUR	\$ (8,084,809)	-7%	\$ (13,463,985)

Currency (2020)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	\$ 4,115,711	+7%	\$ 2,087,157
CAD	\$ 4,115,711	-7%	\$ 1,712,478
EUR	\$ 96,929,247	+7%	\$ 7,187,473
EUR	\$ 96,929,247	-7%	\$ (7,187,473)



Equity Price Risk

The Company's portfolio is highly concentrated, with a significant proportion of its capital in one or a limited set of investments. A substantial majority of the Company's portfolio is typically allocated to 8 to 12 core holdings usually comprised of highly liquid, listed large cap North American companies. Because the portfolio is highly concentrated and primarily invested in public equities (or derivative instruments which reference public equities), fluctuations in equity prices are a significant risk to the portfolio. Refer to the Company Performance on page 2, Investment Manager's Portfolio Update on pages 17-25 and the Condensed Schedule of Investments on pages 112-113 (each of which is explicitly incorporated by reference into these Notes to Financial Statements) for quantitative and qualitative discussion of the Company's portfolio and additional details regarding the Company's financial assets and financial liabilities.

The following table estimates the effect on the Company's net assets due to a possible change in equity prices with all other variables held constant.

% Change in Net Assets Attributable to all Shareholders	
Change in Equity Price (2021)	
+11%	+14%
-11%	-14%

% Change in Net Assets Attributable to all Shareholders	
Change in Equity Price (2020)	
+10%	+12%
-10%	-12%

The following table analyzes the Company's concentration of equity price risk in the Company's equity portfolio by geographical distribution (based on issuer's place of primary listing or, if not listed, place of domicile).

As of December 31	2021	2020
Europe	25%	–
North America	75%	100%
Total	100%	100%

The following table analyzes the Company's concentration of equity price risk in the Company's equity portfolio by industry sectors:

As of December 31	2021	2020
Restaurant	31 %	37 %
Media	25 %	–
Retail	18 %	18 %
Hospitality	14 %	13 %
Real Estate Development and Operating	9 %	6 %
Financial Services	1 %	5 %
Special Purpose Acquisition Company	1 %	8 %
Transportation	1 %	–
Special Purpose Acquisition Rights Company	–	–
Life Science Tools/Industrials	–	13 %
Total	100%	100%

Where the Company holds a short position, securities sold, not yet purchased, represent obligations of the Company to deliver the specified securities and, thereby, create a liability to purchase the security in the open market at prevailing prices. Accordingly, these transactions may result in additional risk as the amount needed to satisfy the Company's obligations may exceed the amount recognized in the statement of financial position.

Liquidity Risk

The Company's policy and the Investment Manager's approach to managing liquidity are to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressful market conditions. The Company invests primarily in liquid, large-capitalization securities which, under normal market conditions, are readily convertible to cash. Less liquidity is tolerated in situations where the risk/reward trade-off is sufficiently attractive to justify a greater degree of illiquidity. The following tables summarize the liquidity profile of the Company's financial assets and financial liabilities, cash and cash equivalents (including due to/from brokers) and trade receivables and payables based on undiscounted cash flows:



As of December 31, 2021	Less than 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
Assets						
Cash and cash equivalents	\$ 1,767,776,549	\$ –	\$ –	\$ –	\$ –	\$ 1,767,776,549
Due from brokers	158,421,029	–	–	–	–	158,421,029
Trade and other receivables	10,293,988	–	–	–	–	10,293,988
Financial assets at fair value through profit or loss:						
Investments in securities	7,308,142,718	2,532,968,337	1,566,142,160	1,087,255,435	533,604,664	13,028,113,314
Derivative financial instruments*	842,240,829	–	–	–	–	842,240,829
Total Assets	\$ 10,086,875,113	\$ 2,532,968,337	\$ 1,566,142,160	\$ 1,087,255,435	\$ 533,604,664	\$ 15,806,845,709
Liabilities						
Due to brokers	\$ 774,874,594	\$ –	\$ –	\$ –	\$ –	\$ 774,874,594
Trade and other payables	464,492,013	–	–	–	–	464,492,013
Deferred tax expense payable	3,328,902	6,506,491	18,786,948	44,949,398	37,973,244	111,544,983
Bonds	30,242,133	–	19,500,000	688,192,321	3,139,735,936	3,877,670,390
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments*	32,922,187	–	–	907,175,760**	–	940,097,947
Total Liabilities	\$ 1,305,859,829	\$ 6,506,491	\$ 38,286,948	\$ 1,640,317,479	\$ 3,177,709,180	\$ 6,168,679,927

* In the case of derivatives that reference equity securities, the derivative terms provide that the counterparty, if directed, may terminate the derivative directly in the marketplace without requiring any upfront cash payment and such termination would follow the above liquidation time horizons.

** Pursuant to the Forward Purchase Agreement, the Company has an obligation to purchase Committed Forward Purchase Units no later than simultaneously with the closing of PSTH's IBC. This calculation assumes PSTH completes an IBC prior to its mandatory liquidation date. The Committed Forward Purchase Units have a purchase price of \$20.00 per unit, which equates to a total cash outlay of \$907,175,760. The Company has not considered the Additional Forward Purchase Units as liabilities for the purpose of this analysis as their exercise is at the discretion of the Company and the other Pershing Square Funds. See Note 14 for further details.



As of December 31, 2020	Less than 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
Assets						
Cash and cash equivalents	\$ 1,879,639,109	\$ –	\$ –	\$ –	\$ –	\$ 1,879,639,109
Due from brokers	955,676,624	–	–	–	–	955,676,624
Trade and other receivables	8,865,622	–	–	–	–	8,865,622
Financial assets at fair value through profit or loss:						
Investments in securities	6,499,107,690	1,752,399,222	350,611,391	274,256,888	217,086,628	9,093,461,819
Derivative financial instruments*	62,616,855	2,051,500	1,844,034	611,368	–	67,123,757
Total Assets	\$ 9,405,905,900	\$ 1,754,450,722	\$ 352,455,425	\$ 274,868,256	\$ 217,086,628	\$ 12,004,766,931
Liabilities						
Due to brokers	\$ 46,004,594	\$ –	\$ –	\$ –	\$ –	\$ 46,004,594
Trade and other payables	693,840,621	–	–	–	–	693,840,621
Deferred tax expense payable	6,033,240	11,792,241	17,825,481	16,795,888	–	52,446,850
Bonds	39,716,667	–	8,711,806	48,525,000	2,723,650,000	2,820,603,473
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments*	531,367,705	10,727,553	16,216,069	15,279,435	907,175,760**	1,480,766,522
Total liabilities excluding net assets attributable to shareholders	1,316,962,827	22,519,794	42,753,356	80,600,323	3,630,825,760	5,093,662,060
Net assets attributable to shareholders	–	–	–	–	–	–
Total Liabilities	\$ 1,316,962,827	\$ 22,519,794	\$ 42,753,356	\$ 80,600,323	\$ 3,630,825,760	\$ 5,093,662,060

* In the case of derivatives that reference equity securities, the derivative terms provide that the counterparty, if directed, may terminate the derivative directly in the marketplace without requiring any upfront cash payment and such termination would follow the above liquidation time horizons.

** Pursuant to the Forward Purchase Agreement, the Company has an obligation to purchase Committed Forward Purchase Units no later than simultaneously with the closing of PSTH's IBC. This calculation assumes PSTH completes an IBC prior to its mandatory liquidation date. The Committed Forward Purchase Units have a purchase price of \$20.00 per unit, which equates to a total cash outlay of \$907,175,760. The Company has not considered the Additional Forward Purchase Units as liabilities for the purpose of this analysis as their exercise is at the discretion of the Company and the other Pershing Square Funds. See Note 14 for further details.

Although a majority of the Company's portfolio is comprised of liquid, large-capitalization securities, there may be contractual or regulatory restrictions on trading, or "trading windows" imposed with respect to certain issuers for which the Investment Manager has board representation or is otherwise restricted. Although these limitations are considered in connection with the portfolio liquidation analysis, these restrictions are not taken into consideration when calculating the overall liquidity in the table above as the Investment Manager has been able to liquidate such securities

successfully through block trades or automatic purchase/sale plans. The Investment Manager believes that the appropriate metric for assessing portfolio liquidity is to calculate how many days it would require to liquidate a position assuming the Investment Manager were able to capture 20% of the trailing 90-day average trading volume. On a monthly basis, this metric is applied to the existing portfolio to assess how long it will take to divest the Company (and the other PSCM-managed funds) of its portfolio positions.



Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that is entered into with the Company, resulting in a financial loss to the Company. It arises principally from derivative financial assets, cash and cash equivalents, and balances due from brokers. In order to mitigate credit risk, the Company seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy. The Investment Manager has negotiated its ISDA agreements to include bilateral collateral agreements. Thereafter the Investment Manager monitors exposure, performs reconciliations, and posts/receives cash or U.S. Treasury collateral to/from each of the Company's counterparties on a daily basis. The Company invests substantially all cash collateral received into U.S. Treasuries or short-term U.S. Treasury money market funds. In addition, from time to time, the Company purchases credit default swap contracts on the Company's counterparties as a form of credit protection. The Investment Manager prepares daily reports that set forth the Company's exposure (along with that of the other PSCM-managed funds) to each counterparty. Such reports include the credit default swap notional exposure, the net unhedged/(over hedged) exposure, the initial margin posted and the net counterparty exposure. In addition, the Investment Manager reviews credit ratings reports on its counterparties on a weekly basis. Please refer to the Condensed Schedule of Investments on pages 112-113 (which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details regarding the Company's financial assets and financial liabilities.

After taking into effect the offsetting permitted under IAS 32, the Company views its aggregate credit exposure to be \$210,774,355 and \$156,794,838 at December 31, 2021 and December 31, 2020, respectively, representing the fair value of derivative contracts in net asset position net of derivative contracts in net liability position and net of any collateral received by or given to ISDA counterparties. The Company did however, utilize index credit default swaps and

credit default swaps referencing unrelated counterparties during 2021 and 2020 to hedge its portfolio against market downturns as a result of the global pandemic.

The Company maintains its cash and cash equivalents position at major financial institutions. At times, cash balances may exceed federally insured limits and, as such, the Company has credit risk associated with such financial institutions. The cash and cash equivalents balances are reflected in the statement of financial position. At December 31, 2021 and December 31, 2020, cash was primarily invested in U.S. Treasury money market funds with daily liquidity as disclosed in Note 10.

The Company's prime brokers are required to provide custody services for the Company's securities. The prime brokers are not permitted under U.S. law to lend out (or "re-hypothecate") the Company's securities if these securities are fully paid for unless the Company enters into a securities lending agreement. If the Company uses margin leverage, the prime brokers may lend out the Company's securities to fund the prime brokers' business, but are restricted under U.S. law; that is, the prime brokers may only lend out an amount of the Company's securities that is less than or equal to 140% of the debit balance that the prime broker extends to the Company as credit. The Company monitors its accounts to avoid running a debit balance. Additionally, the Company has processes in place that allow it to quickly move securities from its prime brokers into a regulated bank entity which is not legally permitted to re-hypothecate client securities.

The following table analyzes the Company's cash and cash equivalents (2021: \$1,767,776,549, 2020: \$1,879,639,109, 2020), due from brokers (2021: \$158,421,029, 2020: \$955,676,624) and financial assets portfolio (2021: \$13,871,878,198, 2020: \$9,697,025,818) based on the underlying custodians' and counterparties' credit rating, with the exception of the Company's investments in SPARC Sponsor, SPARC Sponsor Cayman, PSTH Sponsor and the Additional and Committed Forward Purchase Units which the Company excluded for purposes of this calculation. For



cash held at the Company's futures commission merchant ("FCM") as of December 31, 2020, the Company had exposure to both the FCM and the clearing house at which securities are cleared. This calculation only considers the credit rating of the FCM.

As of December 31	2021	2020
AAA	12%	16%
A	87%	83%
BBB+	1%	1%
Total	100%	100%

The following tables reconcile the Company's due from brokers and due to brokers balances from a gross basis to a net basis under which they are presented on the statement of financial position.

As of December 31	2021	2020
Due from brokers		
Cash held at prime brokers	\$ 1,381,029	\$ 1,418,813
Gross ISDA collateral posted	222,821,819	199,340,019
Cash/collateral held at FCM	–	770,647,811
Netting of collateral allowable under ISDA agreements	(65,781,819)	(15,730,019)
	\$ 158,421,029	\$ 955,676,624

As of December 31	2021	2020
Due to brokers		
Gross ISDA collateral received	\$ (840,656,413)	\$ (61,734,613)
Netting of collateral allowable under ISDA agreements	65,781,819	15,730,019
	\$ (774,874,594)	\$ (46,004,594)

14. COMMITMENTS AND CONTINGENCIES

As of December 31, 2021 and December 31, 2020, the Company had commitments relating to its purchase of the Forward Purchase Units and the undrawn balance of the promissory note as described on page 105 of Note 16. No other commitments or contingencies existed as of December 31, 2021 and December 31, 2020.

15. INVESTMENT MANAGEMENT AGREEMENT — FEES, PERFORMANCE FEES AND TERMINATION

The Investment Manager receives management fees and performance fees, if any, from the Company pursuant to the IMA.

Management Fee

The Investment Manager receives a quarterly management fee payable in advance each quarter in an amount equal to 0.375% (1.5% per annum) of the net assets (before any accrued performance fee) attributable to fee-paying shares. The fee-paying shares of the Company are the Public Shares and the Special Voting Share. Management fees paid by Public Shares held by PSCM employees, partners and their affiliated entities are refunded to such shareholders by the Investment Manager.

For the years ended December 31, 2021 and 2020, the Investment Manager earned management fees from the Company of \$146,070,348 and \$95,794,204, respectively.

Performance Fee

Generally, the Investment Manager receives performance fees annually and upon payment of dividends in an amount equal to 16% of the NAV appreciation attributable to the fee-paying shares of the Company above a high water mark (the "16% performance fee") and before giving effect to the accrued performance fees minus the Additional Reduction (defined below). The 16% performance fees paid in connection with dividends are prorated to reflect the ratio of the dividend to the Company's net asset value at the time the dividend is paid. The Company's payment of a dividend will reduce the high water mark by the percentage of net asset value the dividend represents. These performance fees are defined as the "Variable Performance Fee" in the IMA. No Variable Performance Fee can be higher than the 16% performance fee, but it may, as a result of the Additional Reduction, be lower (although it can never be a negative amount).

The "Additional Reduction" is an amount equal to (i) the lesser of the 16% performance fee and the Potential Reduction Amount (defined below), offset (up to such lesser amount) by (ii) the then current portion of the Potential Offset Amount.



The “Potential Reduction Amount” is equal to (i) 20% of the aggregate performance fees and allocation earned by the Investment Manager and its affiliates in respect of the same calculation period on the gains of current and certain future funds managed by the Investment Manager or any of its affiliates plus (ii) if the Potential Reduction Amount for the previous calculation period exceeded the 16% performance fee, the excess amount (which is in effect carried forward).

The “Potential Offset Amount” refers to the fees and other costs of the offering and admission on Euronext Amsterdam of the Public Shares and the commissions paid to placement agents and other formation and offering expenses incurred prior to the IPO of the Company that were, in each case, borne by the Investment Manager pursuant to the IMA. The Potential Offset Amount will be reduced by each dollar applied to reduce the Additional Reduction, until it is fully reduced to zero.

The Potential Offset Amount is not a Company obligation but instead is a component used in the calculation of the Variable Performance Fee. Thus, if the Company or the Investment Manager terminates the IMA or the Company liquidates and the Company pays the Variable Performance Fee that may crystallize in connection therewith, the Company has no obligation to pay any remaining portion of the Potential Offset Amount.

The Potential Offset Amount equaled \$120 million in the aggregate at the time of the IPO. After giving effect to the Potential Reduction Amount of \$10.8 million in 2021, the Potential Offset Amount was reduced to \$41.6 million as of December 31, 2021 (2020: \$52.4 million).

For the year ended December 31, 2021, the Investment Manager earned performance fees of \$1,476,256 in connection with the payment of the quarterly dividend and an annual performance fee of \$462,582,726. For the year ended December 31, 2020, the Investment Manager earned performance fees of \$3,522,993 in connection with the payment of the quarterly dividend and an annual performance fee of \$692,171,565. Performance fees paid by Public Shares held by employees, partners and their affiliated entities are refunded to such shareholders by the Investment Manager.

Termination

The IMA automatically renews annually, except that it may be terminated (a) as of December 31st of any year upon four months’ prior written notice by either party, subject, in the case of termination by the Company, to approval by a 66 2/3% vote (by voting power) of the holders of the then outstanding voting shares of the Company, together with a 66 2/3% vote (by voting power) of the holders of the then outstanding Public Shares; and (b) in case of dissolution or liquidation of either party or if a receiver or provisional liquidator or administrator or similar officer is appointed over any of the assets of such party or if either party commits a material breach of its obligations under the IMA and such breach remains uncured for more than 30 calendar days after the notice thereof delivered to the party in breach by the other party in accordance with the IMA.

The termination of the IMA at any time will be a crystallization event, which will result in the Variable Performance Fee described above being payable.

16. RELATED PARTY DISCLOSURES

Pershing Square Tontine Holdings, Ltd.

Registration Statement

PSTH, a Delaware corporation, is a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. PSTH filed its S-1 Registration Statement with the SEC on June 22, 2020 and subsequently consummated its IPO on July 24, 2020. The Company’s investments in PSTH and PSTH Sponsor, both affiliates of PSCM, are described below.

Class B Common Stock

On May 7, 2020, the Pershing Square Funds made a capital contribution of \$25,000 to PSTH Sponsor to fund PSTH Sponsor’s acquisition of 100 shares of PSTH Class B common stock at a price of \$250.00 per share. The Company’s portion of the contribution was \$21,076. The number of votes carried by each share of Class B common stock is such that the 100 shares



of Class B common stock, in the aggregate, hold 20.0% of the voting power of the Class A common stock. The shares of Class B common stock will automatically convert into shares of Class A common stock at a one-to-one ratio at the time of PSTH's IBC.

Promissory Note

In addition to its purchase of Class B common stock, PSTH Sponsor agreed to loan PSTH up to \$1,500,000 to cover certain expenses pursuant to a promissory note. The loan is unsecured, accrues interest on a monthly basis at the applicable federal rate, and is payable no later than the end of the 24-month (or 30-month, as applicable) period from PSTH's IPO in which PSTH must complete its IBC.

From May 26, 2020 to July 2, 2020, the Company made contributions to PSTH Sponsor totaling \$957,355, all of which PSTH Sponsor loaned to PSTH under the promissory note. On July 24, 2020 all amounts drawn down by PSTH under the promissory note with PSTH Sponsor, along with a nominal amount of interest, were fully repaid and immediately distributed to the Company and the other Pershing Square Funds.

As of December 31, 2021 and December 31, 2020, \$378,880 was left under the promissory note that could be drawn down; however, there were no borrowings outstanding.

Sponsor Warrants

On July 21, 2020, PSTH Sponsor purchased warrants from PSTH for an aggregate purchase price of \$65,000,000 (the "Sponsor Warrants"). Based on the Company's ownership in PSTH Sponsor, its portion of the purchase price was \$58,967,000.

Pursuant to the Sponsor Warrant agreement filed as an exhibit to the PSTH S-1, the Sponsor Warrants will be exercisable, in whole or in part, for that number of shares constituting 5.95% of the common shares of the post-combination business on a fully diluted basis at the time immediately following PSTH's IBC, at an exercise price equal to \$24.00 per common share of the post-combination business. The Sponsor Warrants will have a term of 10 years from PSTH's IBC and will generally not be salable, transferable or exercisable until three years into their term.

Refer to Note 7 for additional detail on the valuation methodologies and fair market value associated with the Company's investment in PSTH Sponsor as of December 31, 2021 and December 31, 2020.

Forward Purchase Agreement

The Pershing Square Funds entered into a forward purchase agreement with PSTH on June 21, 2020. Pursuant to the forward purchase agreement, the Pershing Square Funds agreed to purchase an aggregate of \$1 billion or 50,000,000 of units (the "Committed Forward Purchase Units"). The forward purchase agreement also provides that the Pershing Square Funds may elect to purchase up to an additional aggregate amount of \$2 billion or 100,000,000 of units (the "Additional Forward Purchase Units" and collectively with the Committed Forward Purchase Units, the "Forward Purchase Units"). Each of the Forward Purchase Units has a purchase price of \$20.00 and consists of one share of PSTH Class A common stock and one-third of one warrant.

The purchase of the Committed Forward Purchase Units and the elections to purchase the Additional Forward Purchase Units will take place in one or more private placements in such amounts and at such time or times as the Pershing Square Funds determine, with the full amount of the Committed Forward Purchase Units and the elected amounts of Additional Forward Purchase Units to have been purchased no later than simultaneously with the closing of PSTH's IBC. The obligation to purchase the Committed Forward Purchase Units may not be transferred to any other parties. However, the Pershing Square Funds' right to purchase the Additional Forward Purchase Units may be transferred, in whole or in part, to any entity that is managed by PSCM, but not to third parties. PSTH and the Pershing Square Funds may determine, by mutual agreement, to increase the number of Additional Forward Purchase Units at any time prior to the IBC.

The Pershing Square Funds' obligation or right, as applicable, to purchase the Forward Purchase Units was allocated among the Company, PSLP, and PSINTL at 90.72%, 5.73% and 3.55%, respectively. As of December 31, 2021, the Pershing Square Funds have not purchased any Forward Purchase Units.



Refer to Note 7 for additional detail on the valuation methodologies and fair market value associated with the Forward Purchase Units as of December 31, 2021 and December 31, 2020.

PSTH's Proposed IBC and Cancellation

On June 20, 2021, PSTH announced that it had entered into a definitive agreement with Vivendi S.E. ("Vivendi") to acquire approximately 10% of the outstanding ordinary shares of Universal Music Group B.V. ("UMG") for approximately \$4 billion. Under the terms of the agreement with Vivendi, PSTH shareholders, including the Company, would have received a distribution of UMG shares from a liquidating trust following (i) UMG's separation from Vivendi, (ii) its listing on Euronext Amsterdam and (iii) the registration of UMG shares with the SEC. Prior to the consummation of the UMG share acquisition, the Pershing Square Funds would have exercised their right to purchase \$1.6 billion Forward Purchase Units pursuant to an amended forward purchase agreement.

On July 19, 2021, PSTH announced that the PSTH board of directors unanimously determined not to proceed with the UMG transaction and to assign PSTH's share purchase agreement to the Company and its affiliates, an assignment which the Company and its affiliates agreed to assume, committing them to purchase 5% of UMG with an option to purchase an additional 5% of UMG by September 15, 2021. The Company and its affiliates also agreed to assume the indemnity agreement between PSTH and Vivendi, and to reimburse PSTH for the expenses PSTH incurred in connection with the proposed UMG transaction, which were approximately \$25 million. The purchase of UMG shares and the reimbursement of expenses to PSTH are discussed further in "PS VII" within this Note.

PSTH Litigation

On August 17, 2021, a derivative lawsuit on behalf of PSTH was filed in the U.S. District Court for the Southern District of New York by a PSTH shareholder against the independent directors of PSTH, PSTH Sponsor, PSLP, PSTH, PSINTL and the Company alleging, among other things, that PSTH is an investment company under the Investment Company Act of

1940 ("ICA") and seeking a declaration to that effect along with rescission of certain agreements that the plaintiff contends would not be appropriate under the ICA, and damages in an unspecified amount. The Company believes the allegations are without merit.

PS VII

On August 9, 2021, the Company, PSLP and PSINTL made capital contributions of \$2,510,274,953, \$202,475,922 and \$87,249,125, respectively, to PS VII Master, for a total of \$2,800,000,000. The capital contributions were used to acquire 128,555,017 ordinary shares of UMG, representing 7.1% of the share capital of UMG at the time of the acquisition. As a result of the closing of this acquisition, the share purchase and indemnity agreements described under "PSTH's Proposed IBC and Cancellation" transferred to the Company and its affiliates and PSTH was released from its obligations under these agreements to Vivendi.

On August 24, 2021, the Pershing Square Funds made additional capital contributions to PS VII Master of approximately \$25 million, of which the Company contributed \$22,377,329. The capital contributions were used by PS VII Master to reimburse PSTH for expenses PSTH incurred in connection with PSTH's proposed UMG transaction. The \$25 million was reflected in the cost of UMG shares and was ultimately borne by all investors in PS VII Master.

On September 1, 2021, PS VII Master raised \$1.18 billion of additional capital, for a total capital raise of \$4 billion. On September 9, 2021, a second purchase of 52,769,098 UMG ordinary shares was executed for \$1.15 billion. In total, 181,324,115 ordinary shares of UMG were purchased by PS VII Master for \$3.9 billion, representing approximately 10% of UMG at the time of acquisition. There are no trading restrictions on the stock acquired.

On September 21, 2021, at the time of UMG's listing on Euronext Amsterdam, PS VII Master's UMG ordinary shares were converted to UMG common stock.

On October 1, 2021, PS VII Master transferred to the Company its ownership of 105,325,592 UMG ordinary shares



and cash of \$12,484,432, as a partial redemption in kind of its ownership interest in PS VII Master as of September 30, 2021. The market value of these shares at the time of distribution was \$2,820,120,137 with an unrealized gain of \$510,548,632 as reflected in the statement of comprehensive income. This represented 92% of the Company's investment in PS VII Master. The remaining 8% is still invested in PS VII Master for regulatory purposes. The Company is not charged a management fee or performance fee in relation to its investment in PS VII Master. As of December 31, 2021, the Company had a capital balance of \$273,045,403 in PS VII Master, representing 28% of the fund.

On December 9, 2021, the Company received a capital distribution from PS VII Master of \$1,881,372, the result of dividends (net of withholding) received by PS VII Master from its investment in UMG common stock.

Pershing Square SPARC Holdings, Ltd.

SPARC is a newly incorporated Delaware Corporation, formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. SPARC filed its initial Form S-1 Registration Statement with the SEC on November 24, 2021. SPARC is the successor to SPARC Cayman, which the Investment Manager intends to dissolve in 2022.

SPARC remains subject to SEC review. The listing and trading of SPARC warrants on the New York Stock Exchange (the "NYSE") is subject to the SEC's approval of a new listing rule proposed by the NYSE on March 1, 2022. No assurance can be given that the new listing rule will be approved or that SPARC will be effectuated.

On November 9, 2021 and November 22, 2021, the Pershing Square Funds made capital contributions of \$10,000 and \$226,600, respectively, to SPARC Sponsor to fund its acquisition of 1,000 and 22,660 shares of common stock ("Sponsor Shares"), respectively. The Company's capital contributions totaled \$205,880. As of December 31, 2021, the Company owned 87% of SPARC Sponsor. SPARC Sponsor is the successor to SPARC Sponsor Cayman. The Pershing Square Funds made capital contributions to SPARC Sponsor Cayman on June 14, 2021 and November 17, 2021 of \$20,000 and \$1,696,420, respectively, to fund its acquisition of 1,000

and 84,821 SPARC Cayman ordinary shares, respectively. The Company's capital contributions totaled \$1,493,740. As of December 31, 2021, the Company owned 87% of SPARC Sponsor Cayman. The Investment Manager intends to dissolve SPARC Sponsor Cayman in 2022.

Refer to Note 7 for additional detail on the valuation methodologies and fair market value associated with SPARC Sponsor and SPARC Sponsor Cayman as of December 31, 2021.

There are important differences between SPARC and a typical SPAC. Please review the SPARC S-1 Registration Statement available on the SEC's website, which can be viewed [here](#).

Rebalancing Transactions

The Investment Manager may seek to effect rebalancing transactions from time to time pursuant to policies that are intended to result in the Company and the affiliated entities managed by the Investment Manager generally holding investment positions on a proportionate basis relating to their respective adjusted net asset values, which are equal to each of the entities' net asset values plus any accrued (but not crystallized) performance fees and the net proceeds of any outstanding long-term debt, including the current portion thereof (which in the case of the Company, includes the net proceeds from the Bonds as further discussed below in Note 18). Rebalancing transactions involve either the Company purchasing securities or other financial instruments held by one or more affiliated entities or selling securities or other financial instruments to one or more affiliated entities.

Rebalancing transactions are subject to a number of considerations including, but not limited to, cash balances and liquidity needs, tax, regulatory, risk and other considerations, which may preclude these transactions from occurring or limit their scope at the time of the transactions. The Investment Manager effects rebalancing transactions based on independent market prices, and consistent with the valuation procedures established by the Investment Manager. Neither the Investment Manager nor any of its affiliates receive any compensation in connection with rebalancing transactions. In addition, rebalancing transactions are generally effected without brokerage commissions being charged. To the extent that rebalancing transactions may be viewed as principal



transactions due to the ownership interest in the Company or an affiliated entity by the Investment Manager and its personnel, the Investment Manager will either not effect such transactions or comply with the requirements of Section 206(3) of the U.S. Investment Advisers Act of 1940, as amended, including that the Investment Manager will notify the relevant entity (or an independent representative of that entity) in writing of the transaction and obtain the consent of that entity (or an independent representative of that entity), and any other applicable law or regulation.

In 2021, the Investment Manager effected rebalancing transactions for certain of the Company's investments between the Company and PSINTL with an aggregate fair value of \$63,780,080. In 2020, the Company, PSLP and PSINTL engaged in rebalancing transactions with an aggregate fair value of \$8,119,333.

Directors' Fees

For the year ended December 31, 2021, the Company's independent Directors' fees in relation to their services for the Company were \$618,765 of which none were payable as of December 31, 2021. For the year ended December 31, 2020, the Company's independent Directors' fees in relation to their services for the Company were \$331,525 of which none were payable as of December 31, 2020.

Management and Performance Fees

The relationship between the Company and the Investment Manager and the fees earned are disclosed in Note 15.

PSH Ownership

During the year ended December 31, 2021, William Ackman exercised previously purchased call options referencing 14 million Public Shares and terminated 7 million out-of-the-money put options. As a result, William Ackman no longer owns any options on PSH, and only owns PSH Public Shares. The net economic share ownership of approximately 25% of the Company by William Ackman, Nicholas Botta and other affiliates of PSCM remained unchanged from December 31, 2020.

Beneficial Ownership of Portfolio Companies

In the normal course of business, the Company and its affiliates make concentrated investments in portfolio companies where the aggregate beneficial holdings of the Company and its affiliates may be in excess of 10% of one or more portfolio companies' classes of outstanding securities. At such ownership levels, a variety of securities laws may, under certain circumstances, restrict or otherwise limit the timing, manner and volume of disposition of such securities. In addition, with respect to such securities, the Company and its affiliates may have disclosures or other public reporting obligations with respect to acquisitions and/or dispositions of such securities. Similar restrictions and/or obligations may apply where the Company and its affiliates have a representative on the board of a portfolio company.

As of December 31, 2021 and December 31, 2020, the Company and the other Pershing Square Funds beneficially owned in excess of 10% of the outstanding common equity securities of The Howard Hughes Corporation and Class A common stock of PSTH, assuming full election of the Forward Purchase Units. Additionally, as of December 31, 2021, the Company and the other Pershing Square Funds, through their ownership of SPARC Sponsor and SPARC Sponsor Cayman, are the sole shareholders of SPARC and SPARC Cayman, respectively.

William A. Ackman is the chairman of the board of The Howard Hughes Corporation.

17. EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") is calculated by dividing the profit/(loss) for the year attributable to the Public Shares and the Special Voting Share over the weighted average number of Public Shares and the Special Voting Share outstanding, respectively. In accordance with IFRS, the weighted average shares outstanding calculated for the Public Shares and the Special Voting Share were 199,120,882 and 1, respectively, for the year ended December 31, 2021 and 197,168,930 and 1, respectively, for the year ended December 31, 2020.



18. BONDS

The Company has issued the following Senior Notes, which are listed on Euronext Dublin with a symbol of PSHNA.

Bond	Date of Issuance	Bond Face	Price of Bonds at Issuance (of Par)	Fixed Rate Coupon (per annum)	Coupon Payment	Maturity Date
2022 Bonds	June 26, 2015	\$ 630,623,000	100%	5.500%	Semi-Annual	July 15, 2022
2027 Bonds	October 1, 2021	€ 500,000,000	99.869%	1.375%	Annual	October 1, 2027
2030 Bonds	November 2, 2020	\$ 500,000,000	100%	3.250%	Semi-Annual	November 15, 2030
2031 Bonds	October 1, 2021	\$ 700,000,000	99.670%	3.250%	Semi-Annual	October 1, 2031
2032 Bonds	August 26, 2020	\$ 200,000,000	100%	3.000%	Semi-Annual	July 15, 2032
2039 Bonds	July 25, 2019	\$ 400,000,000	100%	4.950%	Semi-Annual	July 15, 2039

The Company used the net proceeds of the Bonds' offerings for general corporate purposes, including to make investments or hold assets in accordance with the Company's Investment Policy, and in the case of the 2027 and 2031 Bonds, a portion of the proceeds were used to fund the tender offer of the 2022 Bonds described below.

On September 22, 2021, the Company commenced a cash tender offer for any and all of the 2022 Bonds, which had an original principal amount of \$1,000,000,000. The tender was finalized on October 4, 2021, resulting in the partial cancellation of \$369,377,000 of the original principal amount. Bond holders participating in the tender received consideration from the Company of \$1,032.82 per \$1,000 of principal, equating to a payment of \$381,499,953. The consideration paid in excess of principal resulted in a total one-time extinguishment expense of \$12,122,953 to the Company, which is reflected in the statement of comprehensive income. The Company also paid interest accrued from the immediately preceding interest payment date, to (but excluding) the tender settlement date of October 4, 2021, in respect of the 2022 Bonds purchased by the Company pursuant to the tender offer.

The Bonds rank equally in right of payment with each other and contain substantially the same covenants. The Company has the option to redeem all or some of the 2022 Bonds prior to June 15, 2022, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2022 Bonds to be redeemed or (2) the sum of the present values of the remaining scheduled principal and interest payments

(exclusive of accrued and unpaid interest to the date of redemption) on the 2022 Bonds to be redeemed, discounted to the redemption date on a semi-annual basis using the applicable U.S. Treasury rate plus 50 basis points, plus accrued and unpaid interest.

Each of the other Bonds are callable at par plus a customary make whole premium until a certain date (the "Par Call Date") and thereafter become callable at 100% of Par. The Par Call Date for each of these Bonds is as follows:

Bond	Par Call Date
2027 Bonds	August 1, 2027
2030 Bonds	August 15, 2030
2031 Bonds	July 1, 2031
2032 Bonds	July 15, 2030
2039 Bonds	July 15, 2034

Until July 15, 2022, each of the Bonds has the same key man provision, which requires the Company to make an offer to acquire the Bonds at 101% of par plus accrued interest if a key man event occurs. After July 15, 2022, the maturity date of the 2022 Bonds, the covenant is modified to provide that if a key man event occurs, the specified debt to capital ratio in the debt covenant is reduced from 1.0 to 3.0 to 1.0 to 4.0. If, at the time of the key man event, the Company's debt to capital ratio is above 1.0 to 4.0, the Company has a one-time obligation to reduce its debt to a 1.0 to 4.0 ratio within 180 days. In the event a reduction is required, a portion of each Bond becomes callable at 101% of par in the amount necessary to achieve the required debt repayment.



The fair value of the Bonds as of December 31, 2021 and December 31, 2020 is summarized in the table below:

As of December 31	2021	2020
Fair Value of the Bonds		
2022 Bonds	\$ 641,520,165	\$ 1,057,350,000
2027 Bonds	559,919,993	–
2030 Bonds	503,642,500	506,925,000
2031 Bonds	700,889,000	–
2032 Bonds	193,938,000	198,538,000
2039 Bonds	453,416,000	469,480,000
Total Fair Value	\$ 3,053,325,658	\$ 2,232,293,000

In accordance with IFRS 9, the Bonds' carrying value on the statement of financial position as of December 31, 2021 and December 31, 2020, is \$3,009,416,881 and \$2,122,787,844, respectively. Such amount includes \$3,055,718 of original issue discount, if any, and \$35,055,718 of capitalized transaction costs, which are amortized over the life of the Bonds using the effective interest method.

	2021
At December 31, 2020	\$ 2,122,787,844
Write-off of 2030 & 2032 Bonds issue costs	128,853
2022 Bonds cancelled from tender offer	(369,377,000)
2027 & 2031 Bonds issued	1,279,900,000
2027 & 2031 Bonds issue costs	(12,901,799)
2027 & 2031 Bonds original issue discount	(3,069,669)
Unrealized currency (gain)/loss on translation during the year	(10,539,796)
Finance costs for the year	103,900,095
Bonds coupon payments during the year	(101,411,647)
At December 31, 2021	\$ 3,009,416,881

Finance costs for the year:

Bonds coupon expense	\$ 99,901,785
Amortization of Bonds issue costs incurred as finance costs	3,908,950
Amortization of Bonds original issue discount incurred as finance costs	89,360
Interest expense	\$ 103,900,095

	2020
At December 31, 2019	\$ 1,422,883,554
Write-off of 2039 Bonds issue costs	86,988
2030 & 2032 Bonds issued	700,000,000
2030 & 2032 Bonds issue costs	(8,012,215)
Finance costs for the year	82,079,517
Bonds coupon payments during the year	(74,250,000)
At December 31, 2020	\$ 2,122,787,844
Finance costs for the year:	
Bonds coupon expense	\$ 79,602,528
Amortization of Bonds issue costs incurred as finance costs	2,476,989
Interest expense	\$ 82,079,517

19. DEFERRED TAX EXPENSE

As a foreign corporation holding a beneficial ownership in a U.S. real property interest (The Howard Hughes Corporation), the Company will be subject to the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") income tax withholding upon disposition of such investment. Foreign corporations purchasing U.S. real property interests are required to pay the U.S. corporate tax rate (currently 21%) on the gain realized upon the disposition. To accrue for this potential withholding the Company assessed a 21% rate on the unrealized gains on the stock and equity forward contracts purchased, if any, which resulted in a deferred tax expense of \$59,098,133 and \$38,938,005 for the years ended December 31, 2021 and December 31, 2020, respectively.



20. EVENTS AFTER THE REPORTING PERIOD

The Investment Manager has evaluated the need for disclosures and/or adjustments resulting from subsequent events during the period between the end of the reporting period and the date of authorization of the Financial Statements. This evaluation together with the Directors' review thereof did not result in any additional subsequent events that necessitated disclosures and/or adjustments, except as follows.

On March 28, 2022, the Company announced that beginning with the second quarter dividend and for the remainder of the calendar year 2022, the Company will increase its quarterly dividend by 25% to \$0.125 per share. The Company's intended policy in future years will be to pay quarterly dividends in an amount determined by multiplying the average PSH NAV of all trading days in December of the prior year by 0.25%, subject to a cap whereby the total dividend for the year is not to exceed 125% of the average total dividend paid in each of the previous three years so that PSH does not make an excess distribution under the PFIC rules. Once the dividend is set for a specific year, the Company does not intend to decrease it from that level even in the event that NAV were to decline in a future year.



Supplemental U.S. GAAP Disclosures

(Stated in United States Dollars)

CONDENSED SCHEDULE OF INVESTMENTS

Shares/ Notional	Description/Name	Fair Value	Percentage of Net Assets
Investments in Securities			
Equity Securities			
Common Stock			
Canada:			
Restaurant:			
21,389,922	Restaurant Brands International Inc.	\$ 1,297,940,467	11.38%
140,873	Restaurant Brands International Limited Partnership	8,613,082	0.08
	Transportation	100,420,327	0.88
	Total Canada (cost \$933,484,861)	1,406,973,876	12.34
Europe:			
Media:			
105,325,592	Universal Music Group N.V.	2,971,448,761	26.04
	Total Europe (cost \$2,309,571,504)	2,971,448,761	26.04
United States:			
	Financial Services	154,117,893	1.35
Hospitality:			
11,407,293	Hilton Worldwide Holdings Inc.	1,779,423,635	15.60
Real Estate Development and Operating:			
11,759,646	The Howard Hughes Corporation	1,196,896,770	10.49
Restaurant:			
962,452	Chipotle Mexican Grill, Inc.	1,682,606,709	14.75
1,806,402	Domino's Pizza, Inc.	1,019,406,841	8.93
Retail:			
9,056,888	Lowe's Companies Inc.	2,341,024,410	20.52
	Total United States (cost \$3,439,120,628)	8,173,476,258	71.64
	Total Common Stock (cost \$6,682,176,993)	12,551,898,895	110.02
Preferred Stock			
United States:			
	Financial Services (cost \$40,835,283)	32,790,958	0.29
	Total Equity Securities (cost \$6,723,012,276)	12,584,689,853	110.31



CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

Shares/ Notional	Description/Name	Fair Value	Percentage of Net Assets
Investment in Affiliated Entities			
Europe:			
Media:			
	PS VII Master, L.P.		
9,551,416	Universal Music Group N.V., Common Stock	\$ 269,464,835	2.36%
	Foreign Currency Forwards	2,523,725	0.02
	Other Assets and Liabilities	1,056,843	0.01
	Total Europe (cost \$208,714,974)	273,045,403	2.39
United States:			
Special Purpose Acquisition Company:			
Pershing Square TH Sponsor, LLC			
	Sponsor Warrants ⁽¹⁾	170,376,263	1.49
	Class B Common Stock ⁽¹⁾	1,795	0.00
	Special Purpose Acquisition Rights Company ⁽²⁾	–	–
	Total United States (cost \$60,687,696)	170,378,058	1.49
	Total Investment in Affiliated Entities (cost \$269,402,670)	443,423,461	3.88
	Total Investments in Securities (cost \$6,992,414,946)	\$ 13,028,113,314	114.19%
Derivative Contracts			
Equity Forwards			
Canada:			
	Transportation	\$ (12,525,601)	(0.11)%
Foreign Currency Forwards			
	Currencies	(18,257,121)	(0.16)
Forward Purchase Units			
United States:			
Special Purpose Acquisition Company:			
Pershing Square Tontine Holdings, Ltd.			
	Committed Forward Purchase Units ⁽³⁾	(5,923,858)	(0.05)
	Additional Forward Purchase Units ⁽³⁾	1,524,055	0.01
	Total Forward Purchase Units	(4,399,803)	(0.04)
Interest Rate Swaptions Purchased			
3,658,144,000	U.S. 10 Year Treasury Payer Swaption, 1.50%, 07/15/2022	107,888,637	0.95
88,654,000,000	U.S. 2 Year Treasury Payer Swaptions, 0.925% - 1.425%, 07/20/2022 - 08/04/2022	732,212,727	6.42
	Total Interest Rate Swaptions (cost \$156,649,423)	840,101,364	7.37
	Total Derivative Contracts (cost \$156,649,423)	\$ 804,918,839	7.06%

(1) Figures relate to the Company's investment in Pershing Square TH Sponsor, LLC which holds Sponsor Warrants and Class B Common Stock referencing Pershing Square Tontine Holdings, Ltd. Refer to Note 16 for further details.

(2) Figures relate to the Company's investment in Pershing Square SPARC Sponsor LLC and Pershing Square SPARC Sponsor Cayman, LLC. Refer to Note 14 for further details.

(3) Figures relate to the Company's investments in the Committed Forward Purchase Units and the Additional Forward Purchase Units as discussed further in Note 14.



FINANCIAL HIGHLIGHTS

For the year ended 2021

Public Shares

Per share operating performance

Beginning net asset value at January 1, 2021	\$	45.46
Foreign exchange gain/(loss) on bond translation		0.05
Change in net assets resulting from financing:		
Bond extinguishment		(0.06)
Dividends paid		(0.40)
Change in net assets resulting from operations:		
Net investment loss		(3.21)
Net gain from investments and derivatives ⁽¹⁾		15.46
Ending net asset value at December 31, 2021	\$	57.30
Total return prior to performance fees		32.02 %
Performance fees		(5.11)
Total return after performance fees		26.91 %

Ratios to average net assets

Expenses before performance fees	2.70 %
Performance fees	4.58
Expenses after performance fees	7.28 %

Net investment income/(loss) ⁽²⁾	(6.31)%
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(1) Net gain from investments and derivatives includes deferred tax expense. See Note 19 for further details.

(2) Net investment income/(loss) ratio includes dividend income, interest income, performance fees, management fees, interest expense, professional fees, other expenses and withholding tax (dividends) as shown on the statement of comprehensive income.



Certain Regulatory Disclosures

1. None of the Company's assets are subject to special arrangements arising from an illiquid nature.
2. There have been no material changes to the Company's risk profile and risk management system as disclosed in the Prospectus of the Company dated October 2, 2014.
3. a) There have been no changes to the maximum amount of leverage which the Investment Manager may employ on behalf of the Company since the Company's inception. The terms of the Company's Bonds restrict the Company from incurring indebtedness beyond a total debt-to-capital ratio of 33.3%. If a key man event occurs after July 15, 2022, the terms of the Bonds reduce the Company's permitted total debt-to-capital ratio to 25%.

Articles 7 and 8 of the Level 2 Regulations of the Alternative Investment Fund Managers Directive (the "Directive") set forth the methodology of calculating the leverage of the Company in accordance with the gross method and the commitment method. Leverage is expressed as the exposure of the Company. Exposures are calculated using the sum of the absolute values of all positions valued in accordance with Article 19 of the Directive and all delegated acts adopted pursuant to Article 19. For derivatives, exposures are calculated using the conversion methodology set forth in Annex II to the Level 2 Regulations. For all other securities, exposures are calculated using market values. The gross method excludes cash and cash equivalents held in the Company's base currency as per Article 7. The commitment method includes cash and cash equivalents and employs netting and hedging arrangements as per Article 8. The total amount of leverage employed by the Company as per these calculations as of December 31, 2021 is shown below.

Gross method:	\$80,889,935,453
Commitment method:	\$82,659,093,018

The amounts disclosed in the calculation above are substantially higher than in the previous year due to the Company's large notionally sized investments in the ownership of interest rate swaptions.

The Company generally does not expect to use a significant amount of margin financing. In the past, securities purchased by the Company pursuant to prime brokerage services agreements typically, but not always, have been fully paid for. Although it is anticipated that securities purchased in the future typically will be fully paid for, this may not be the case in all circumstances.

In addition, the Company, from time to time, enters into total return swaps, options, forward contracts and other derivatives, some of which have inherent recourse leverage. The Company generally uses such derivatives to take advantage of investment opportunities or manage regulatory, tax, legal or other issues and not in order to obtain leverage. However, depending on the investment strategies employed by the Company and specific market opportunities, the Company may use such derivatives for leverage.

- b) There have been no material changes to the right of the re-use of collateral or any guarantee granted under any leveraging arrangement.

From time to time, the Company may permit third-party banks, broker-dealers, financial institutions and/or derivatives counterparties ("Third Parties"), to whom assets have been pledged (in order to secure such Third Party's credit exposure to the Company), to use, reuse, lend, borrow, hypothecate or re-hypothecate such assets. Typically, with respect to derivatives, the Company pledges to Third Parties cash, U.S. Treasury securities and/or other liquid securities ("Collateral") as initial margin and as variation margin. Collateral may be transferred either to the Third Party or to an unaffiliated custodian for the benefit of the Third Party. In the case where Collateral is transferred to the Third Party, the Third Party pursuant to these derivatives arrangements will be permitted to use, reuse, lend, borrow, hypothecate or re-hypothecate such Collateral. The Third Parties will have no obligation to retain an equivalent amount of similar property in their possession and control, until such time as the Company's obligations to the Third Party are satisfied. The Company has no right to this Collateral, but has



the right to receive fungible, equivalent Collateral upon the Company's satisfaction of the Company's obligation under the derivatives. Collateral held as securities by an unaffiliated custodian may not be used, reused, lent, borrowed, hypothecated or re-hypothecated. From time to time, the Company may offer guarantees to Third Parties with respect to derivatives, prime brokerage and other arrangements. These guarantees are not provided by the Company as a guarantee of the payment and performance by other funds managed by the Investment Manager to such Third Parties. Rather, the guarantees are typically to guarantee the payment and performance by entities that are direct or indirect subsidiaries of the Company. Such entities are typically set up to manage regulatory, tax, legal or other issues. To the extent that a subsidiary is not 100% owned by the Company, the Company will typically only guarantee such subsidiary for the benefit of Third Parties to the extent of the Company's ownership interest in the subsidiary.

4. With respect to the liquidity management procedures of the Company, the Company is a closed-ended investment fund, the Public Shares of which are admitted to trading on Euronext Amsterdam and the LSE. As such, Public Shares have no redemption rights and shareholders' only source of liquidity is their ability to trade Public Shares on Euronext Amsterdam and the LSE.

6. Remuneration

For the Year Ended 2021	Fixed Remuneration ⁽¹⁾	Variable Remuneration ⁽¹⁾	Total	Number of Beneficiaries
Total remuneration of entire PSCM staff ⁽²⁾	\$ 12,540,203	\$ 443,282,500	\$ 455,822,703	45
Remuneration of PSCM staff who are fully or partly involved in the activities of the Company ⁽³⁾	\$ 9,704,724	\$ 440,084,161	\$ 449,788,885	27
Proportion of remuneration of PSCM staff who are involved in the activities of the Company as a percentage of the total PSCM staff remuneration	77.39%	99.28%	98.68%	27 out of 45
Remuneration of senior management and PSCM staff whose actions have a material impact on the risk profile of the Company	\$ 6,777,767	\$ 423,391,457	\$ 430,169,224	13

(1) Fixed remuneration reflects salaries and guaranteed remuneration earned in 2021 by PSCM staff. All other remuneration earned in 2021 is considered to be variable remuneration.

(2) Total remuneration reflects salaries, bonuses and performance fees/allocations earned by PSCM staff in 2021 for services provided to PSCM, the Company and/or other funds managed by PSCM.

(3) Remuneration earned in 2021 by any staff member involved in the activities of the Company for services provided by such staff member to PSCM, the Company and/or other funds managed by PSCM.

5. The Bonds are subject to the following transfer restrictions:

(a) Each holder of the Bonds is required to be either (a) a qualified institutional buyer ("QIB") as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act") who is also a qualified purchaser ("QP") as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 or (b) a non-U.S. person, provided that, in each case, such holder can make the representations set forth in the Listing Particulars, dated June 24, 2015,

(b) The Bonds can only be transferred to a person that is a QIB/QP in a transaction that is exempt from the registration requirements of the Securities Act pursuant to Rule 144A or to a non-U.S. person in an offshore transaction that is not subject to the registration requirements of the Securities Act pursuant to Regulation S, or to the Company, and

(c) The Company has the right to force any holder who is not a QIB/QP or a non-U.S. person to sell its Bonds.



Affirmation of the Commodity Pool Operator

To the best of the knowledge and belief of the undersigned, the information contained in the audited Financial Statements of Pershing Square Holdings, Ltd. for the year ended December 31, 2021 is accurate and complete.

/s/ Michael Gonnella
Michael Gonnella

By: Michael Gonnella
Chief Financial Officer

Pershing Square Capital Management, L.P.
Commodity Pool Operator

Pershing Square Holdings, Ltd.
Commodity Pool



Endnotes and Disclaimers

ENDNOTES TO CHAIRMAN'S STATEMENT

ⁱ Calculated with respect to Public Shares only and as of December 31, 2021. Performance results are presented on a net-of-fees basis. Net returns include the reinvestment of all dividends, interest, and capital gains from underlying portfolio companies and assume an investor has participated in any "new issues" as such term is defined under Rules 5130 and 5131 of FINRA. Net returns also reflect the deduction of, among other things, management fees, brokerage commissions, administrative expenses and performance fees (if any). Performance is based on the dollar return for the specific period, including any and all dividends paid by the Company, calculated from the beginning of such period to the end of such period. Past performance is not a guarantee of future results.

ⁱⁱ Total shareholder return and discount to NAV for 2021 is calculated based on PSH's Public Shares traded on Euronext Amsterdam. The total shareholder return over the same period for Public Shares listed on the LSE in Sterling and USD was 18.7% and 16.4%, respectively. Total shareholder return for Public Shares includes dividends paid with respect to such shares.

ⁱⁱⁱ Please see Endnote 3 in "Endnotes to Company Performance and Investment Manager's Report."

^{iv} Assets reflect the Company's net assets calculated on February 4, 2021 in accordance with IFRS without deducting amounts attributable to accrued performance fees, while adding back the Company's value of its debt outstanding (\$2.1 billion).

^v The Company's total debt to capital ratio is calculated in accordance with the "Total Indebtedness to Total Capital Ratio" under the PSH Bonds' Indentures. Under the Indentures, the Company's "Total Capital" reflects the sum of its NAV and its "Total Indebtedness". Total Indebtedness reflects the total "Indebtedness" of the Company and any consolidated subsidiaries (excluding any margin debt that does not exceed 10% of the Company's total capital), plus the proportionate amount of indebtedness of any unconsolidated subsidiary or affiliated special investment vehicle. As defined in the Indentures, "Indebtedness" reflects indebtedness (i) in respect of borrowed money, (ii) evidenced by bonds, notes,

debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof), (iii) representing capital lease obligations, (iv) representing the balance deferred and unpaid of the purchase price of any property or services (excluding accrued expenses and trade payables in the ordinary course of business) due more than one year after such property is acquired or such services are completed or (v) in respect of the Company's capital stock that is repayable or redeemable, pursuant to a sinking fund obligation or otherwise, or preferred stock of any of the Company's future subsidiaries. Indebtedness does not include, among other things, NAV attributable to any management shares or hedging obligations or other derivative transactions and any obligation to return collateral posted by counterparties in respect thereto.

^{vi} Reflects the discount to NAV of the Company's Public Shares traded on Euronext Amsterdam on April 28, 2017 and March 22, 2022. The discount to NAV of the Company's Public Shares listed on the LSE was 33.8% on March 22, 2022 for both Sterling and USD. The Company did not have an LSE listing as of April 28, 2017.

^{vii} Holdings of affiliates of the Investment Manager have not been aggregated for regulatory reporting purposes.

ENDNOTES TO COMPANY PERFORMANCE AND INVESTMENT MANAGER'S REPORT

1. Performance results are presented on a net-of-fees basis. Net returns include the reinvestment of all dividends, interest, and capital gains from underlying portfolio companies and reflect the deduction of, among other things, management fees, brokerage commissions, administrative expenses and accrued and/or crystallized performance allocation/fees (if any). The Company's performance is based on the dollar return for the specific period, including any and all dividends paid by the Company, calculated from the beginning of such period to the end of such period. Where the Company's performance is presented with that of PSLP, performance results assume that an investor (i) has been invested in PSLP since inception, has not invested in Tranche G, and has participated in any "new issues," as such term is defined under Rules 5130 and 5131 of FINRA and (ii) invested in PSLP at its inception on January 1, 2004 and converted to PSH at its inception on December 31, 2012. Depending on



the timing of an individual investor's specific investment in the Company and/or PSLP, net performance for an individual investor may vary from the net performance as stated herein.

2. PSLP's net 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 presented herein reflect the different fee arrangements in 2004, and subsequently, except that the performance of 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 PSLP's returns. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner of PSLP 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 of PSLP, net returns would have been lower.
3. The S&P 500 Total Return Index ("index") has been selected for purposes of comparing the performance of an investment in the Company or PSLP, as applicable, 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 Pershing Square funds are 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 they 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' portfolios. 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®, are registered trademarks of Standard & Poor's Financial Services LLC. © 2021 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.
4. The performance data presented on page 2 under "Cumulative (Since Inception)" and "Cumulative (Since PSH Inception)" is calculated from January 1, 2004 and December 31, 2012, respectively.
5. NAV performance is presented as net returns. Please also refer to Endnotes i and ii of the Chairman's Statement.
6. Please refer to Endnotes 1, 3 and 4.
7. Stock price performance reflects the Company's NAV performance prior to its IPO and the NAV performance of PSLP prior to the inception of the Company. Please refer to Endnote 1. The Company's share return is calculated based on PSH's Public Shares traded on Euronext Amsterdam.
8. Twelve-year performance data is calculated from January 1, 2004 to July 31, 2015. PSLP performance data is used prior to the inception of the Company. Also refer to Endnote 1.
9. Equity under management reflects the Pershing Square Funds' net assets calculated on July 31, 2015 in accordance with U.S. GAAP without deducting amounts attributable to accrued performance fees.
10. Assets equal the net assets of the Pershing Square Funds' calculated in accordance with U.S. GAAP without deducting amounts attributable to accrued performance fees, while adding back the principal value of the Company's debt outstanding (\$2.43 billion and €500 million translated into USD at the prevailing exchange rate at the reporting date, 1.10).
11. Amount includes investments in the Pershing Square private funds by charitable entities associated with Pershing Square employees and/or affiliates.
12. The contributions and detractions to performance presented are based on net returns. Please refer to Endnote i of the Chairman's Statement.



13. For the purpose of determining the equity portfolio percentages, investments are valued as follows: (a) equity or debt is valued at market value, (b) options referencing equity or debt are valued at market value, (c) long call options and short put options (or vice-versa, short call options and long put options) held on the same underlying issuer and with the same strike and same expiry are grouped together and treated as synthetic equity positions, and are valued at the market value of the equivalent long equity position (or vice-versa, the equivalent short equity position), and (d) swaps or forwards referencing equity or debt are valued at the market value of the notional equity or debt underlying the swaps or forwards, except for positions referencing Pershing Square Tontine Holdings, Ltd., which are valued at market value.
14. Whether and when a distribution of SPARC warrants (“SPARs”) may take place remains subject to the approval of amendments to the stock exchange listing rules permitting the listing of the SPARs and the SEC review process and declaration of effectiveness of an SEC registration statement registering the SPAR distribution under the Securities Act of 1933. The decision to make the SPAR distribution as well as the final terms and conditions of any SPARs is subject to the review and approval of the Board of Directors of Pershing Square SPARC Holdings. The terms, if any, of SPARs that are ultimately distributed may be materially different from those described in or implied in this report. No assurance can be given that SPARC will be ultimately effectuated on the outlined terms in this report or at all. This material is for informational purposes and does not constitute an offer of any securities. The receipt of this document by any recipient is not to be taken as investment advice and all recipients are strongly advised to consult their own independent advisors on any investment, legal, tax or accounting issues relating to these materials.
15. This report reflects the contributors and detractors to the performance of the portfolio of the Company. Other than bond interest expense, positions with contributions or detractions to performance of 50 basis points or more are listed separately, while positions with contributions or detractions to performance of less than 50 basis points are aggregated.

The contributions and detractors to performance presented herein are based on gross returns which do not reflect the 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.

For each issuer, 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. For all other currency derivatives, the long/short classification is determined by the non-USD leg of the derivative. For example, a long USD call/GBP put option position would be considered a short exposure, and a long USD put/GBP call option would be considered a long exposure.

The contributors and detractors to the gross returns presented 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. Past performance is not indicative of future results. Please refer to the net performance figures presented on page 2.



16. While the Pershing Square Funds are concentrated and often take an active, engaged role with respect to certain investments, they will own, and in the past have owned, other investments, including passive investments and hedging-related positions. “Short Positions” includes options, credit default swaps 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 makes in the future will be profitable or will equal the investment performance of the securities discussed herein. Companies shown in this figure are meant to demonstrate Pershing Square’s experience engaging with public companies and the types of industries in which the Pershing Square funds invest, and were not selected based on past performance.

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 2021. 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.



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