Pershing Square Holdings, Ltd.
2020 Annual Report

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Supplemental U.S. GAAP Disclosures

Disclosures

Company Overview

The Company

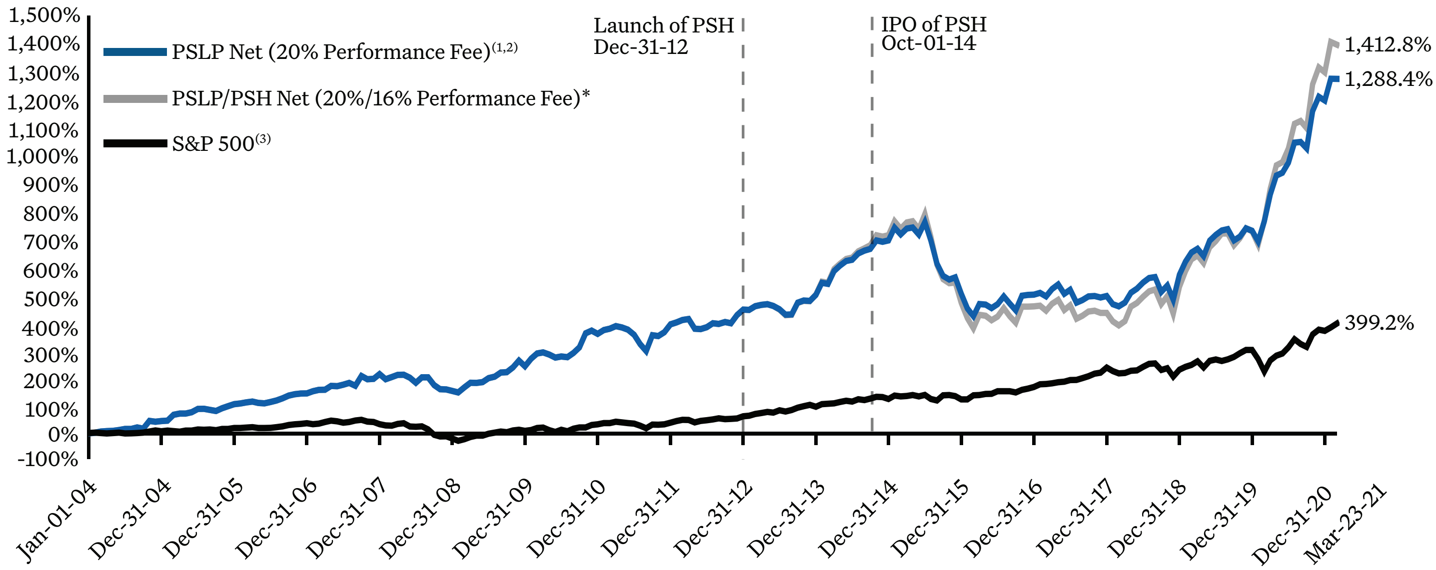
Pershing Square Holdings, Ltd. ("PSH", or the "Company") (LN:PSH) (LN:PSHD) (NA:PSH) is an investment holding company structured as a closed-ended fund that makes concentrated investments in publicly traded, principally North American-domiciled, companies. PSH's objective is to maximize its long-term compound annual rate of growth in intrinsic value per share.

PSH has appointed Pershing Square Capital Management, L.P. ("PSCM," the "Investment Manager" or "Pershing Square"), as its investment manager. 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 30-31 of this Annual Report (the "Investment Policy").

PSCM, a Delaware limited partnership, was founded by William A. Ackman on January 1, 2004. 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").

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 %		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)%	Pershing Square, L.P.	(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 %		36.9 %	13.7 %
2015	(20.5)%		(16.2)%	1.4 %
2016	(13.5)%		(9.6)%	11.9 %
2017	(4.0)%	Pershing Square Holdings, Ltd.	(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 %
Year-to-date through March 23, 2021	5.9 %		4.9 %	4.5 %

January 1, 2004–March 23, 2021[1,4]

Cumulative (Since Inception)	1,412.8 %	1,288.4 %	399.2 %
Compound Annual Return	17.1 %	16.5 %	9.8 %

December 31, 2012–March 23, 2021[1,4]

Cumulative (Since PSH Inception)	185.4 %	161.9 %	223.5 %
Compound Annual Return	13.6 %	12.4 %	15.3 %

* 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 110. 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 110-112.

Chairman's Statement

INTRODUCTION

When I wrote to you last year, we were mere months into what became a year that none of us will ever forget. COVID-19 has infected more than 100 million people around the world and millions have died. Our thoughts continue to be with all those who have lost family members and friends to the virus, or have suffered great hardship due to the impact it has had on their daily lives. It may take years for certain aspects of our lives to return to the way they were before COVID-19, and many things we took for granted have been irrevocably changed.

In 2020, both our portfolio companies and our Investment Manager faced rapidly changing conditions and challenges. They were forced to adapt and pivot in record time to protect their employees and preserve their businesses. You will read more about the actions of our portfolio companies in the Investment Manager's Report. Our Investment Manager's employees have been working remotely for over a year now. Fortunately, they have adapted exceptionally well to the change in circumstances, and the investment team has continued to work efficiently and effectively with great support from the operational team. Amid such a challenging period of time, I am pleased to report that not only did the Investment Manager protect your investment in PSH last year, but it delivered exceptional returns, making 2020 the best year of performance since the inception of the Investment Manager's strategy in 2004.

In addition to successfully navigating the volatile financial markets and tumultuous business conditions, the Investment Manager and the PSH Board were active on a number of fronts throughout the year. To highlight several: PSH issued two tranches of debt totaling $700 million, repurchased $286 million of PSH's outstanding Public Shares, continued PSH's dividend program, welcomed a new Board member, and gained entry to the FTSE 100 in December 2020. The Investment Manager, with oversight from the PSH Board, committed to a new investment by forming Pershing Square Tontine Holdings, Ltd. ("PSTH"). PSTH is a special purpose acquisition company, (or "SPAC") and it listed on the New York Stock Exchange on July 22, 2020. PSTH is expected to combine with a private business in an initial business combination (or de-SPAC transaction) which will result in PSH owning a minority shareholding in a newly listed public company.

I discuss these initiatives, among others, in detail below.

INVESTMENT PERFORMANCE

During the year ended December 31, 2020, PSH's total Net Asset Value ("NAV") return including dividends was 70.2%, ending the year at $45.46 per share.[i] PSH generated a total shareholder return of 84.8% as a result of the narrowing of the discount to NAV at which PSH shares trade.[ii] Over the same period, the S&P 500 increased 18.4%.[iii]

PSH's outperformance was driven by its purchase of index credit default swaps in February 2020, and the subsequent unwinding of those hedges. When we published our 2019 Annual Report in April 2020, I stated that the PSH Board appreciated the Investment Manager's foresight in using the hedges to protect the portfolio from severe declines in the stock market in Q1 2020. Now that we can reflect on the events of the full year of 2020, we also commend the Investment Manager's actions in successfully identifying the optimal moment to reinvest the proceeds from the hedges as the markets recovered.

The Investment Manager continues to engage with PSH's portfolio companies through direct board representation in some situations, and less formal, private engagement in others. PSH's portfolio companies have responded well to the challenges of the pandemic, and the Investment Manager believes that they will continue to recover and thrive over the long term, allowing for significant further share price appreciation. The outlook for PSH's portfolio companies is described further in the Investment Manager's Report.

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. Although the Board does not make individual investment decisions, the Board is ultimately accountable for oversight of the Investment Manager. In 2020, the Board adopted terms of reference describing its principal responsibilities, which are available on the PSH website.

The Investment Manager is a fundamental value investor that utilizes a range of activist strategies to unlock long-term value for shareholders, and seeks to invest in excellent businesses with opportunities for improvement. These businesses tend to be large-cap companies that generate relatively predictable and growing free-cash-flows, with formidable barriers to entry and a compelling value proposition.

PORTFOLIO CHANGES

As mentioned above, PSH invested in index credit default swaps in February 2020 and unwound the positions in March. When faced with the challenge of re-investing the considerable proceeds from the hedges, the Investment Manager prudently chose to primarily invest in existing portfolio companies it knew well, including Agilent ("A"), Hilton ("HLT"), Lowe's ("LOW"), and Restaurant Brands ("QSR"), and to re-establish a core investment in Starbucks ("SBUX").

In the summer of 2020, the Investment Manager initiated a new portfolio investment for PSH by launching a SPAC, PSTH. On July 22, 2020, PSTH raised $4 billion in its IPO on the New York Stock Exchange. The Company, Pershing Square, L.P. and Pershing Square International, Ltd. (collectively, the "Pershing Square Funds") entered into a Forward Purchase Agreement where they committed to contributing an additional $1 billion, with the option to increase their investment up to $3 billion (including capital from Pershing Square co-investment funds) such that in total, PSTH has $5 billion to $7 billion of equity capital for use in its initial business combination.

In addition, the Pershing Square Funds purchased a Sponsor Warrant exercisable at $24 per share to purchase 5.95% of the fully diluted business combination. In typical SPAC transactions, the sponsor is owned by the investment manager. However, the SPAC sponsor for PSTH is 100% owned by the Pershing Square Funds, ensuring that the Investment Manager's incentives are fully aligned with the performance of the funds, and that there is no conflict of interest between the Investment Manager and PSH. The creation of PSTH did not require PSH Board approval, but the Investment Manager kept the Board informed of its actions and processes as they were considered and executed.

In 2020, the Investment Manager also increased PSH's ownership of HHC and exited its investment in Berkshire Hathaway. During the period of heightened volatility last spring, a number of non-core investments were also initiated and sold. Later in the year, smaller notional amounts of CDS were purchased as spreads narrowed. The Investment Manager will provide a more detailed portfolio update in the following pages.

CORPORATE ACTIONS

The PSH Board took several corporate actions in 2020 that we believe will contribute to the long-term success of the Company.

- **Bond Issuances** In 2020, PSH completed two new bond issuances, raising a total of $700 million of additional capital at highly attractive interest rates: $500 million of 3.250% 10-year unsecured Bonds due November 2030 (the "2030 Bonds") and $200 million of 3.000% 12-year unsecured Bonds due July 2032 (the "2032 Bonds"). The Company currently has $2.1 billion of debt in four tranches.

  The 2030 Bonds and 2032 Bonds rank equally in right of payment with PSH's existing $1 billion of 5.500% Bonds due July 2022 (the "2022 Bonds"), and PSH's $400 million of 4.950% Bonds due July 2039 (the "2039 Bonds").

  The Company's total debt to capital ratio was 18.8% as of December 31, 2020, and 18.0% as of March 23, 2021.[iv] PSH maintains conservative leverage levels and investment grade ratings on its debt. PSH's long-term debt management strategy focuses on managing leverage over time by increasing NAV through strong performance and laddering its maturities through new issuances. The Board believes that it is appropriate for PSH to use a prudent amount of debt to enhance our returns to shareholders, and that our laddered maturities from 2022 to 2039 are well matched to our long-term investment horizon.

- **Dividend** Since February 2019, PSH has paid a quarterly dividend of $0.10 per Public Share, a 1.1% yield at the current PSH share price.[v] The dividend represents a return of capital at NAV which can currently be reinvested in PSH shares at a discount to NAV. In 2020, PSH returned $81 million of capital to shareholders via the dividend. The Board has continued the quarterly dividend as it believes that the payment expands PSH's potential investor base to include shareholders who prefer or are required to invest in dividend-paying equities. As PSH's current dividend yield is similar to that of the S&P 500, we believe this further emphasizes that PSH is an attractive alternative to an S&P 500 portfolio.[vi]

- **Share Buyback Programs** As we have discussed in previous letters, when considering potential share repurchase programs, the Board consults with the Investment Manager and considers a number of factors including: the available free cash and the likelihood that such cash would be deployed into an attractive new investment in a given market environment; the level at which our current portfolio holdings trade relative to their intrinsic values; our leverage levels; the discount to NAV at which the shares would be repurchased; and the impact further reductions would have on the free float of PSH shares.

  In 2020, PSH repurchased a total of $286 million of PSH Public shares, representing 13.7 million PSH Public Shares at an average price of $20.81 per share and an average discount of 32%. Since May 2, 2017, when PSH initiated its first share repurchase program, through March 23, 2021, the Company has repurchased 50.8 million PSH Public Shares at a total cost of $837 million at an average price of $16.46 per share and an average discount of 26.5%. PSH buybacks and purchases by PSCM affiliates reduced the free float by 9.9% in 2020 and by 37% since PSH's IPO.[vii] Today, as a result of purchases by PSCM affiliates and the buyback programs, PSCM affiliates now own approximately 25% of PSH on a fully diluted basis.[viii]

FTSE 100 INCLUSION

The FTSE 100 Index represents the 100 largest companies by market capitalization on the London Stock Exchange. I am pleased to report that in December 2020, PSH gained entry to the FTSE 100. This achievement is both symbolic, as it is an honor to be a part of this prestigious group, but also it has materially positive practical implications. Inclusion in the FTSE 100 has led to increased demand for PSH shares by funds who track the index and are required to purchase the shares. The inclusion also provides added global visibility and an opportunity to share our investment story with a wider audience. Over time, we hope investors will realise that PSH is undervalued relative to the other FTSE 100 constituents as PSH's market capitalisation is at a significant discount to its underlying NAV.

DISCOUNT TO NET ASSET VALUE

The Board pays close attention to the discount to NAV at which PSH's Public Shares currently trade. The Board was pleased to see PSH's discount narrowed by 5.9%, from 28.9% in the beginning of 2020 to 23.0% as of December 31, 2020, although it has widened slightly to 24.7% as of March 23, 2021.[ix]

The Board continues to hold the view that PSH shares are undervalued at current levels. The Board believes that the recent narrowing of the discount occurred largely as a result of continued positive NAV performance, increased awareness of PSH, and additional buying demand for PSH shares following our inclusion in the FTSE 100 in December 2020. It is however an anomaly that PSH, which owns almost 91% of the PSTH Sponsor Warrant, trades at a discount to NAV, while PSTH, which does not share in the potential upside of the Sponsor Warrant, trades at a 33.1% premium to its IPO price.[x] We expect that continued strong performance and appreciation of the fact that PSH is undervalued will lead to a further narrowing of the discount over time.

CORPORATE GOVERNANCE / BOARD

The Board continues to work effectively and diligently on behalf of all shareholders. Despite the challenges of 2020, the Investment Manager and the PSH Board have been able to maintain open and productive channels of communication in what has been a very busy year. I would like to thank my fellow directors for all of their contributions and time commitment throughout the year.

Richard Battey and Richard Wohanka will not be offering themselves for re-election to the PSH Board at our Annual General Meeting ("AGM") in April 2021. We will miss their thoughtful insight at our Board meetings and thank them for their many contributions. In September 2020, we welcomed a new independent director, Andrew Henton, to the Board. Andrew will assume the role of Chairman of the Audit Committee upon Richard Battey's departure.

Following a thorough search process for prospective PSH Board candidates, the Nomination Committee (which is comprised of only the independent directors) recommended that the Board submit Tope Lawani, Rupert Morley and Tracy Palandjian for election as non-executive directors at the upcoming AGM. Tope's deep global investing experience, Rupert's extensive operational, entrepreneurial and investing roles, and Tracy's background in social impact investing and alternative investment management will provide valuable perspectives, and will complement the Board's existing expertise. The election of Tope, Rupert and Tracy would expand the board to seven members, six of whom are independent.

EVENTS / SHAREHOLDER ENGAGEMENT

I enjoyed meeting many of our shareholders at the PSH investor meetings in New York and London in February 2020. Since then, COVID-19 has made it much more difficult to meet investors in person, but the widespread adoption of Zoom has allowed me to interact virtually with shareholders around the world. I look forward to returning to in-person meetings at the appropriate time while maintaining the option to meet virtually when that is more convenient.

The Investment Manager operates a robust investor relations program that acts as a resource for existing shareholders, and actively seeks to engage with potential future shareholders. The Board coordinates closely with the Investment Manager to ensure that we remain apprised of shareholder feedback, and the Board regularly reviews the communications we receive from shareholders.

We held a virtual PSH investor meeting on February 18, 2021, and we welcomed more shareholders to that event than to any other previous PSH meeting. The Investment Manager presented a portfolio update. Slides from the presentation are available on PSH's website: www.pershingsquareholdings.com. PSH's 2021 AGM will be held on April 28, 2021. To protect the health of our shareholders and in accordance with public safety measures enacted by the States of Guernsey to reduce the transmission of COVID-19, the Board requests that shareholders not attend the AGM in person, but instead submit proxy votes in electronic form.

Arrangements will be made by the Company to ensure that the minimum number of Shareholders required to form a quorum will attend the AGM so that it may proceed. 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 2021 in August 2021, 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 29, 2021

Investment Manager's Report

LETTER TO SHAREHOLDERS

To the Shareholders of Pershing Square Holdings, Ltd.:

2020 was the best year in the 17-year history of Pershing Square. We generated NAV performance of 70.2% and a total shareholder return (TSR) including dividends of 84.8% due to the reduction in the discount to NAV at which PSH's shares trade.[5] Our NAV performance and TSR exceeded our benchmark's performance, the S&P 500, by 5,180 and 6,640 basis points respectively.[6]

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 have grown their equity investment at a 17.1% compounded annual return as of March 23, 2021, compared with a 9.8% return had one invested in the S&P 500 over the same period. With the magic of compounding, our 17.1% compound annual NAV return translates into a cumulative total NAV return since inception of 1,413% versus 399% for the S&P 500 over the same period.[7] In other words, investors in Pershing Square since inception have multiplied their equity investment by 15 times, versus the 5 times multiple they would have achieved had they invested in a zero-cost S&P 500 index fund.

Our returns to investors using the market value of our common stock rather than NAV are somewhat lower, as PSH currently trades at a 25% discount to NAV. Using PSH's stock market value rather than NAV, investors in Pershing Square since inception have earned a 15.2% compounded return, or an 11.5 times multiple of their original investment.[8] With continued strong performance, we expect that our discount to NAV will narrow, and our NAV and market value returns will be comparable.

2020 was also an excellent year for our portfolio companies, which we discuss in greater detail later in this letter. The well-capitalized, high-quality, durable growth companies that represent nearly all of our holdings comfortably weathered the COVID-19 storm. Each has executed initiatives that have and will likely lead to greater market share, improved long-term profitability, and the acceleration of shareholder value creation.

The majority of our NAV performance last year was driven by our large hedging gain (45% of our net investment gain) and the reinvestment of those proceeds in our portfolio companies from March through the beginning of April of last year (25% of our net investment gains).[9] As a result of the hedge and reinvestment, 70% of our net investment gains were unrelated to our companies' underlying performance. Therefore, despite the large increase in NAV in 2020, our portfolio composition and the inherent investment opportunities in our holdings remain about the same as one year ago, as our companies' share price increases were generally in line with improvements in their underlying intrinsic value.

We also generated a substantial mark-to-market gain on our Forward Purchase Agreement ("FPA") and Sponsor Warrants in Pershing Square Tontine Holdings, Ltd. (NYSE:PSTH) due to the requirement under IFRS for PSH to mark to market these instruments with the benefit of a third-party valuation service. PSTH is trading at a premium to its $20 per share cash in trust, driven, we believe, by PSTH's highly favorable and differentiated shareholder/merger friendly structure, and our investors' expectation that PSTH will create substantial shareholder value from its initial business combination.

Eight months since PSTH's launch, we remain convinced that an investment in PSTH will generate highly attractive long-term returns, even from PSTH's current stock price. While we previously believed that we would be able to announce a potential transaction by the end of this quarter, we will not be in a position to do so. We do not intend to make any announcements about PSTH's transaction progress until we enter into a definitive agreement.

If we are successful in completing such a transaction, we expect that PSTH will be an important contributor to our shorter-term and long-term performance. This is due to our investment expectations from the transaction, the large size of this investment due to the Pershing Square funds' minimum FPA commitment of $1 billion, and the large notional investment underlying the Sponsor Warrants, 91% of which are held by PSH.

We are likely to launch a second SPAC, PSTH2 after PSTH completes a business combination transaction. If we do so, we believe it is appropriate for the right to invest in PSTH2 to be owned by our current PSTH shareholders, including PSH and the Pershing Square private funds.

We like the idea of providing investors who backed us in PSTH with the opportunity to invest in PSTH2 without paying a premium to its cash-in-trust value. We have always believed in giving existing investors the right to participate in new Pershing Square opportunities, and we intend to continue this tradition with PSTH.[a]

Conglomerates

In this year's Berkshire Hathaway annual letter, Warren Buffett writes about the "terrible reputation" that has been "earned" by conglomerates. He explains that this bad reputation is due to the fact that conglomerates: (1) are generally required, for regulatory, tax and other reasons, to own controlling interests in businesses, (2) must pay large premiums for these controlling interests, and (3) find it difficult to buy control of great businesses, as they are rarely available for sale. Berkshire has managed these issues with a more open mandate than a typical conglomerate due to its large insurance company investment portfolios, which have enabled Berkshire to invest a large portion of its assets in non-controlling interests in publicly traded companies.

In last year's letter, I wrote:

> PSH is legally a closed-ended fund, [but] in our view it is best thought of as a tax-efficient investment holding company that owns minority interests in public companies which are of a quality and scale where legal control is often difficult if not impossible to achieve. Our strategy is to acquire smaller pieces of superb businesses over which we have substantial influence, rather than controlling interests in lower quality businesses…
>
> The formal definition of a subsidiary is a corporation controlled by a holding company, where control is typically represented by a 50% or greater ownership interest. In the case of PSH's "subsidiaries," however, we have generally owned less than 20% of shares outstanding, and usually less than 10% of shares outstanding. Even so, we are typically one of the largest shareholders of our investees, and we are an influential and supportive owner whether or not we have board seats, regardless of what percentage of the company we own.

If one were to think of PSH as a conglomerate, one should consider PSH's important distinguishing attributes. Since PSH is structured as a closed-ended fund, there are no securities law, tax or other issues that require any of our assets to be invested in companies we legally control. As a result, there is no limitation on the nature of our ownership stakes; they can be controlling or non-controlling. We did, however, intentionally include an ownership restriction in the investment management agreement which limits PSH's investment universe to publicly traded companies.

a This letter does not constitute an offer of PSTH2 securities.

While it is extremely rare for a controlling interest in a truly outstanding business to be available without the payment of a large control premium, this is not the case for minority interests in the best publicly traded businesses. Just one year ago, we saw all of our holdings, which represent among the best businesses in the world, become available at massive discounts to their intrinsic values, and we took advantage of this, albeit short-term, opportunity.

We have always believed that the common stocks of even the best businesses can trade at almost any price for brief periods. And it is this volatility – often driven by a disappointing short-term event, missed expectations, macro factors, political events, shareholder frustration with management and/or governance, that has enabled us to acquire large minority stakes in great businesses at bargain prices.

In light of the nature of our strategy, and our long-term track record for effectuating corporate change, we have often been able to obtain influence over our portfolio holdings that is similar to that of a control shareholder, but without the need to pay a control premium. This aspect of our strategy has given us the best of both worlds, that is, the ability to own great businesses as an important and influential shareholder, and the occasional opportunity to purchase them at bargain prices in the stock market.

Furthermore, unlike most conglomerates, including Berkshire Hathaway, which are structured as tax-paying C corporations, PSH is a Guernsey closed-ended fund which generally does not pay any corporate taxes.[b] As a result, PSH does not have the same "switching costs" as a tax-paying conglomerate, which must pay corporate taxes if it sells an investment at a price in excess of its tax basis.

Unlike the typical conglomerate which: (1) has an extremely limited universe of opportunities to buy controlling interests in great businesses at sensible prices, (2) must pay corporate taxes when it sells an existing holding, and (3) is limited in the amount of its assets it can invest in non-controlling interests, PSH suffers from none of these constraints.

PSH has another important benefit because of its closed-ended fund structure and the highly liquid nature of our portfolio, which is almost entirely comprised of publicly traded, large capitalization, investment-grade U.S. equities. We have been able to access low-cost, long-term, non-margin debt in the form of publicly traded bonds to finance our investments and reduce our cost of capital, which should enhance our ability to generate high, long-term rates of return. While in recent years, we have been able to issue bonds at attractive long-term rates, we still believe that PSH remains an underappreciated and underrated credit. Our credit remains misunderstood likely because we are a one-of-a-kind company, and it will therefore take time for fixed income investors and analysts to fully appreciate our story.

Discount and Valuation

PSH has traded at a persistently wide discount to NAV in recent years. As a result, the Board and we have taken a number of steps to address the discount including obtaining a premium listing on the London Stock Exchange, repurchasing 21% of our shares outstanding, and initiating a quarterly dividend. In addition, I and other affiliates of the Investment Manager have increased our stake in PSH from 4% to 25% via open market purchases over the last three years. Employees and affiliates of PSCM now have an investment of approximately $2.4 billion in PSH equity, which is one of the largest insider investments of any FTSE 100 or FTSE 250 company.

Despite the above actions, PSH's discount to NAV remains wide. The discount was as high as 35% in September prior to PSH's recent FTSE 100 inclusion, which we believe has contributed to the discount narrowing to 25% today.

b PSH is, however, obligated to pay so-called FIRPTA tax in the event it generates capital gains from ownership stakes of more than 5% in U.S. Real Property Holding Companies. The Howard Hughes Corporation is the only USRPHC we have owned where we have exceeded the 5% FIRPTA ownership threshold. Our reported NAV reflects an accrual for FIRPTA taxes on our HHC shares.

We believe that PSH's discount to NAV or book value is anomalously large, particularly when PSH is compared with our peers in the FTSE 100. In general, companies which earn higher, long-term returns on equity should trade at greater multiples of book value or NAV than companies that earn lower returns on equity.

When our long-term track record's 17% ROE is compared with that of other FTSE 100 companies over the same 17-year period, there is no other company that has earned similar or greater long-term returns on equity that trades at a meaningful discount to NAV or book value.

When compared over the short term, the last three years for example, the disparately low valuation of PSH becomes that much more stark. PSH's ROE of 39% over the last three years compares favorably to the FTSE 100's weighted average, three-year ROE of approximately 8%. Despite earning an ROE nearly five times greater than the FTSE 100 index, PSH trades at only 0.7 times book value, while the FTSE 100 index, weighted by market cap, currently trades at approximately 1.8 times book value.

PSH Replication

Some investors have suggested that PSH should trade at a discount to book value because our portfolio is publicly traded, and copycat investors (let's call them PSH Replicators) can simply purchase our companies in the same proportions as we own them, thereby replicating our portfolio without paying investment management fees.

The problem with this approach is that investors can only replicate changes in our portfolio when we disclose them. By the date on which we are required or choose to disclose a new position, its trading price is typically well above PSH's average cost of acquisition. As a result, investors who attempt to track and replicate the portfolio will likely have a substantially higher cost basis in our investments, and therefore will earn lower returns.

More significantly, there are limited disclosure requirements for the various hedging transactions we have historically executed. For example, had PSH Replicators simply purchased and held PSH's portfolio as of the beginning of last year until the end of the year and paid no fees, they would have realized a 15.4% return.[10] Had they purchased PSH shares instead, they would have earned a 70.2% NAV total return and an 84.8% TSR as the opportunity to realize returns from the credit hedge and reinvest the proceeds in our existing holdings would not have been in the PSH Replicator's portfolio.

As of this writing, in addition to investment grade credit hedges, PSH owns very large notional hedges in the form of interest rate swaptions that we purchased beginning in December through early February. Like our credit hedge, our interest rate swaption position is highly asymmetric; it has a potential payoff that is many multiples of our capital at risk. While this hedge started as a small percentage of the portfolio – at a cost of $157 million it represented 1.4% of assets at that time – it has more than tripled in value, and now represents 4.2% of the portfolio with a market value of $493 million.[11]

There is no requirement that we make timely disclosures of our hedging transactions, and the timing of their purchase and sale. As a result, a PSH Replicator has no ability to participate in these investments, which have historically generated large profits and important hedging benefits for PSH.

Net of fees, long-term PSH investors have earned substantially superior returns than that of the theoretical PSH Replicator. For the above reasons, we believe that PSH is an attractive acquisition at its NAV, and an even better investment when it is trading at a discount to NAV.

ESG

Earlier in my career, I thought business was about making money, and philanthropy was about doing good. To that end, the Pershing Square Foundation has given away hundreds of millions of dollars in an attempt to address U.S. and global problems in income inequality, education, healthcare, social and criminal justice, and other areas. As a result of a successful venture investment I made more than a decade ago, the Foundation and an affiliated donor advised fund now have more than a billion dollars of additional philanthropic resources.

Despite these growing resources and the excellent works of many important organizations the Foundation has supported, over time it has become increasingly clear to us that philanthropy alone cannot save the world. Unfortunately, we cannot rely on governments either.

With the benefit of substantial philanthropic and investing experience, I have come to believe that capitalism is likely the most powerful potential force for good in addressing society's long-term problems. A successful business operating ethically and sustainably can create many thousands of high-paying jobs, deliver high long-term returns for pensioners, long-term savers and other investors, and provide goods and services that materially increase its customers' quality of life, broadly defined. That said, capitalism is far from perfect.

Poorly designed compensation structures can lead management to pursue short-term profits at the expense of long-term sustainability, with negative externalities that are borne by others. On the other hand, with well-aligned incentive structures, supportive corporate values, and strong leadership, a successful business can generate both strong returns for its shareholders, and positively impact the society and environment in which it operates.

Environmental, social and governance ("ESG") issues have emerged into the *Zeitgeist*, with considerable study and discussion in board rooms, and among investors around the world. Companies are evaluating how they interact with their stakeholders and what role they play in society. This self-examination will lead managements and boards to elevate the importance of ESG in how they govern and manage their companies, and implement their long-term strategies.

We believe that good ESG practices are fundamentally aligned with running a successful business. As consumers and other corporate customers have become increasingly educated on matters of ESG, they have begun to avoid companies that contribute to climate change or do not treat their employees well, while rewarding companies with their business that have sustainable and responsible policies. Similarly, a growing number of investors have become increasingly concerned about the risks of companies which do not take ESG issues seriously. These investors avoid investing in companies which do not meet high ESG standards, reducing the valuations and investment returns of these businesses, negatively impacting their cost of capital.

As capital is reallocated away from companies that rate poorly on ESG issues, boards' and managements' likely response will be to pivot their company's business models to ones that are better for the environment and society. As a long-term, concentrated and engaged owner of publicly traded companies, we can help accelerate this process in a manner that is closely aligned with our strategy, which seeks to generate high long-term rates of returns for our shareholders.

The emergence of ESG has provided an additional lens with which to evaluate how companies perform. We therefore thought it would be helpful to share how we think about ESG at Pershing Square, and its role in our investment process.

ESG As Part of Our Investment Process

We believe that good corporate governance, including the management of sustainability risks, creates long-term value for shareholders. We consider ESG issues in our investment selection process, and as part of our ongoing stewardship once we have made an investment.

We do not view ESG as a way to market our funds to investors or to raise additional capital. As you likely are aware, we decided several years ago that we would no longer market our private funds to new investors, and PSH has returned substantial capital through large share buybacks and dividends. Our interest in ESG issues therefore entirely relates to their impact on our investments, and our long-term track record.

The most important criterion in our investment selection process is our assessment of the long-term quality of a business, which is informed by, among other considerations, our assessment of the long-term impact of the company on all of its stakeholders and society at large. As a result, assessing the sustainability risks of a potential investment is a critical component of our investment selection process.

Our focus on business quality has largely enabled us to avoid investments in businesses which make products or deliver services which we do not believe to be desirable, which treat their employees poorly, and/or which have long-term financial and legal risks that are a consequence of their negative externalities. We believe that this approach has helped us to avoid losses and generate profits by identifying great businesses that have contributed to our long-term investment returns, and by avoiding others which would likely have generated losses in the portfolio. We have still made mistakes (you know them well) when in certain cases, we failed to fully consider certain ESG shortcomings in a company's approach to business.

The relevant ESG issues we consider as part of our due diligence process can vary depending on a given company and the sector in which it operates. We therefore do not utilize a uniform set of sustainability factors to evaluate companies that we are considering for potential investment.

In many instances, we have chosen to invest in companies which already have excellent ESG practices, including good governance, robust environmental stewardship programs, and diversity and inclusion initiatives. The majority of the companies in our portfolio today exhibited those characteristics at the time of our initial investment, and all, to varying degrees, do so today.

A few examples from our portfolio:

For the third year in a row, Agilent ranked in the top three of Barron's Most Sustainable Companies in America as it continues to invest in infrastructure improvements to further reduce its environmental impact.

Starbucks has made significant investments in eco-friendly operations, regenerative agricultural practices, and an environmentally friendly menu, and has committed to cut its carbon, water, and waste footprints by half by 2030.

Lowe's is enhancing the sustainability of its products and promoting consumers' ability to reduce their own environmental footprints through the sale of eco-conscious products. During the pandemic, Lowe's invested more than $1 billion in employee support, community donations, and enhanced store safety.

The Howard Hughes Corporation (HHC) has set 10-year goals for energy, water, waste, and carbon emissions, and established an ESG Committee that reports directly to the CEO to guide its sustainability program. HHC has regularly received awards for owning and managing communities and small cities that are considered among the best places to live in the United States.

In some instances, we have used our influence and engagement with boards and management to improve ESG practices that pose sustainability risks to a business in order to catalyze long-term value creation.

For example, Chipotle is a business for which sustainability has been a core value since its founding. For years, the company has earned accolades for sustainably sourcing its food, and for reducing its environmental impact over time. Consumers understand that the company's commitment is genuine and reward it with their business. When we first invested in the company, we recognized that the opportunity to work with the company to improve its governance could create significant shareholder and stakeholder value, while allowing the company to continue to grow rapidly and stay true to its core values.

Following our investment, the Board and management were refreshed, and have since done a remarkable job of turning around and accelerating the growth and profitability of the company. As evidence of the company's continued commitment to good ESG practices, in March 2021, Chipotle announced that 10% of its officers' annual incentive bonus will be tied to the company's progress toward achieving ESG objectives in three categories: Food & Animals, People, and the Environment.

Each of our companies' ESG initiatives generates a materially positive benefit to society, and fosters customer and stakeholder loyalty, which contribute to the creation of shareholder value. The above examples represent a small sample of our portfolio companies' approach to ESG issues. Each of our portfolio companies produces robust sustainability reports which track the initiatives that are most relevant to their businesses. You can learn more about these programs from their respective websites.

Our ability to consider ESG issues in our investment selection is greatly enhanced by the long duration of our capital base. As a public company where the investment manager is the largest shareholder with a more than 25% stake, we do not need to think or act short-term. With a long-term mindset, we can be highly supportive of investments that reduce short-term earnings, but increase a company's long-term net present value.[12] Compared with the entire universe of global investment entities, PSH is extremely advantaged due to our long-term structure and large insider ownership.

We are grateful to you for supporting PSH's long-term approach to investing, and we are very pleased to have delivered the third consecutive year of returns well in excess of our S&P 500 benchmark. We do not believe it is coincidental that our performance over the last three years coincides with the increased stability of our capital base that resulted from management's larger investment in the company several years ago, our decision to no longer market the private funds for investment, and our refocusing the firm on our core investment strategy.

2020 will go down in history as one of the world's most challenging years primarily due to the pandemic, but also because of the political divisiveness that plagues the U.S. and many countries around the world. During this difficult time for all, we are fortunate to have been able to generate strong returns for our shareholders, which include many healthcare, educational, and other institutions that have been at the frontlines dealing with this crisis, and to whom we are very grateful.

Unlike other alternative investment firms, we are pleased that our publicly traded corporate form allows us to have a highly diversified investor base which includes thousands of smaller investors who can invest in PSH at a very low entry price, the less than forty dollars it costs to purchase one share. We take our responsibility for managing our highly disparate investors' savings extremely seriously, and remain focused on delivering outstanding long-term results for all of you.

Lastly, I would like to thank the entire Pershing Square team. This was without question our most productive year. The entire organization transitioned seamlessly to working from home, and executed extraordinarily well under highly challenging circumstances. We are looking forward to the day when we will return to the office, which is hopefully only a few more months from now.

Please contact us if you have questions about any of the above.

Sincerely,

William A. Ackman

2020 PORTFOLIO UPDATE

Performance Attribution

Below are the contributors and detractors to gross performance of the portfolio of the Company for 2020 and year-to-date 2021[13].

January 1, 2020 – December 31, 2020	
Index CDS	36.6 %
Pershing Square Tontine Holdings, Ltd.	13.1 %
Lowe's Companies Inc.	10.7 %
Chipotle Mexican Grill, Inc.	10.2 %
Starbucks Corporation	7.6 %
Agilent Technologies Inc.	7.2 %
Restaurant Brands International Inc.	3.0 %
Hilton Worldwide Holdings Inc.	2.7 %
Share Buyback Accretion	2.4 %
Federal Home Loan Mortgage Corporation	(0.9)%
Bond Interest Expense	(1.5)%
Federal National Mortgage Association	(1.6)%
Berkshire Hathaway Inc.	(3.1)%
All Other Positions and Other Income and Expense	(0.6)%
Net Contributors and Detractors	**85.8 %**

January 1, 2021 – March 23, 2021	
Interest Rate Swaptions	3.8 %
Lowe's Companies Inc.	2.4 %
The Howard Hughes Corporation	1.5 %
Hilton Worldwide Holdings Inc.	1.0 %
Restaurant Brands International Inc.	1.0 %
Chipotle Mexican Grill, Inc.	0.7 %
Bond Interest Expense	(0.3)%
Federal National Mortgage Association	(0.7)%
Federal Home Loan Mortgage Corporation	(0.7)%
Pershing Square Tontine Holdings, Ltd.	(1.8)%
All Other Positions and Other Income and Expense	0.4 %
Net Contributors and Detractors	**7.3 %**

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 share buyback accretion and bond interest expense. 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 110-112.

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 largely because we believed that the hiring of a new high-caliber management team could dramatically improve the business and close the performance gap to its closest competitor, Home Depot. Marvin Ellison became CEO in July 2018, and immediately began working on a multi-year transformation plan to bolster Lowe's retail fundamentals, reduce structural costs, expand distribution capabilities, and modernize systems and the company's online capabilities.

In 2020, Lowe's experienced unprecedented demand driven by consumers nesting at home, higher home asset utilization and a reallocation of discretionary spend. Lowe's earlier decision to modernize the company's online offering allowed it to meet consumers' surging demand. Further, its commitment to improve the company's retail fundamentals allowed Lowe's to showcase its enhanced merchandising, greater in-stock-levels, and excellent customer service. In the fourth quarter, the company completed 95% of its store layout resets which include a more intuitive shopping experience complete with a more Pro-centric layout (by "Pro" we refer to the professional tradesmen that perform repair and maintenance, remodeling and construction services). The company is also rolling out a new Pro CRM tool, which should improve Lowe's Pro market share.

Lowe's experienced comparable sales growth of more than 26% in 2020, while generating significant margin expansion and robust earnings growth. The company shared its success with its employees and the community by investing more than $1.2 billion in special associate support, community donations and enhanced store safety.

Management remains focused on a myriad of operational initiatives designed to improve the customer shopping experience and the company's long-term earnings power. In the near-to-medium-term, these initiatives include improving Lowe's omnichannel capabilities including simplifying search and checkout features, launching three additional ecommerce fulfillment centers, enabling faster mobile order fulfillment, standing up dedicated store fulfillment teams, rolling out touchless Buy-Online-Pick-Up-In-Store lockers to all U.S. stores by April 2021, and reimagining scheduling and modes of delivery for certain large-format order deliveries (notably, appliances). These initiatives are examples of Lowe's "Perpetual Productivity Improvement" program which is designed to improve market share and profit margins.

Lowe's is making important strategic investments to position the business to continue to thrive. The company's long-term outlook implies significant opportunity for continued earnings appreciation and margin expansion as it executes its multi-year business transformation.

Chipotle ("CMG")

Chipotle's superb 2020 performance amid a challenging backdrop was due to the successful business transformation led by CEO Brian Niccol and his team. Improved digital access, which has been a pillar of management's transformation strategy and a growing sales driver in recent years, enabled the company to serve customers with digital pickup and delivery as the pandemic began. Only three months after the onset of COVID-19 in the U.S., Chipotle returned to growth, achieving same-store sales growth of 6% in Q4, or 20% over two years.

The pandemic accelerated a shift in the company's digital sales mix from just under 20% of sales at the end of 2019 to 70% in April, before settling to about 50% in July, a level which has been maintained through the start of 2021. Management believes that the majority of these digital sales are incremental, noting that in the 60% of stores with dining rooms open, 80% to 85% of digital sales gains are being retained while 50% to 60% of in-store sales have been recovered.

Management remains confident that the company will emerge even stronger from the COVID-19 pandemic as it continues to execute on a number of long-term strategic initiatives. Chipotle plans to open 200 new restaurants in 2021, a 24% increase from 2020 opening levels, with more than 70% of these new locations featuring a Chipotlane, the company's high-return, digital drive-thru format.

Chipotle has already launched two new menu innovations in 2021, including cauliflower rice, which was introduced in January and has garnered very favorable early feedback, and the much-anticipated quesadilla, which was launched as a digital-only menu item on March 11th. Chipotle Rewards, a highly effective marketing tool for the company, continues to see enrollment growth with over 19.5 million members as of year-end, compared to 8.5 million members at the end of 2019.

Chipotle is extremely well positioned to execute on the company's long-term strategy, which should drive substantial shareholder value in the future.

Agilent ("A")

Amid a challenging backdrop, Agilent's highly resilient performance throughout 2020 demonstrated the durable and high-quality nature of its business model. Despite the impact of the COVID crisis, the company generated positive revenue growth and improved profitability, with 1% organic growth and 20 basis points of operating profit margin expansion in fiscal year 2020.

The company was able to achieve these results without furloughing a single employee. The resulting organizational stability allowed the Agilent team to remain focused on customer-centric initiatives and new product innovation to drive market share gains. For example, the company launched several new instrument lines designed to improve throughput for high volume testing in the pharmaceutical end market. Likewise, in its CrossLab services segment, the company is capitalizing on the trend of labs increasingly outsourcing multiple services to a single vendor, and has recently won several large, lab-wide, enterprise service contracts.

The pandemic provided the company with a timely opportunity to accelerate its digital transformation. Agilent quickly adopted online engagement channels and digital tools to remotely respond to customer service requests and sales inquiries in a timely and reliable manner. This online service approach yielded record high customer satisfaction scores. As the business emerges from the pandemic, we expect Agilent to remain committed to its digital transformation as it not only supports a higher standard of customer engagement, but also allows for more efficient internal operations and cost savings.

In December, Agilent held an Analyst Day to highlight the acceleration in the company's long-term revenue growth outlook and margin expansion opportunity. Management significantly raised its guidance from its Analyst Day, and the company is now targeting long-term organic growth of 5% to 7%, and margin expansion of up to 100 basis points per annum. Agilent's strong business momentum was clearly reflected in its most recent quarter, where the company delivered 11% organic growth and an impressive 260 basis points of margin expansion.

We believe that Agilent will be a more profitable and competitive company post COVID-19.

Hilton ("HLT")

Hilton is a high-quality, asset light, high-margin business with significant long-term growth potential, led by a superb management team. The hotel industry was one of the most negatively impacted as a result of the COVID-19 pandemic. As the pandemic set in, Hilton's management team deftly navigated a challenging situation and took decisive actions to right size Hilton's cost structure for the current economic environment, and fortify its balance sheet. As a result, Hilton managed through the pandemic and positioned the company to generate enhanced margins, improved cash flows and returns, once the business recovers to pre-COVID-19 demand levels.

Hilton's systemwide occupancy bottomed at 13% in April 2020, but rebounded to approximately 40% during Q3 and Q4 as COVID-19 became better understood and travel restrictions lifted. Positive demand momentum experienced in the summer and early fall were disrupted in November and December due to rising COVID-19 cases and tightening travel restrictions.

Hilton management expects a more pronounced and sustained recovery to commence in the second half of 2021, particularly as the COVID-19 vaccine is rolled out more broadly, driven by increased leisure demand and a rebound in business travel. Management's conviction is driven by a number of factors which include: (1) pent-up leisure travel demand, (2) large amounts of unspent consumer savings, (3) large corporations indicating a desire to resume business travel, (4) improving business transient booking trends, (5) proprietary survey work in which 80% of respondents express a desire to travel, and a substantially better second half of 2021 group booking calendar.

Despite significant headwinds, Hilton continued to execute on its long-term strategy, and opened 47,400 net new rooms in 2020 (+5%). Hilton's pipeline expanded 3% year-over-year to 397,000 rooms, or 39% of the existing room footprint, 51% of which are currently under construction. We believe Hilton will continue to grow its market share over time given independent hotels' increased interest in seeking an affiliation with global brands, particularly in the wake of the pandemic.

Hilton is well positioned to thrive as the recovery sets in due to its best-in-class management team, portfolio of great brands, dominant market position, capital-light economic model, deep development pipeline and strong balance sheet. Hilton is in the early stages of a multi-year recovery, which we believe will deliver long-term earnings that are meaningfully greater than pre-2020 levels.

Restaurant Brands International ("QSR")

QSR's franchised business model is a high-quality, capital-light, growing annuity that generates high-margin brand royalty fees from three leading brands: Burger King, Tim Hortons and Popeyes. The company nimbly navigated difficult market conditions in 2020 by assisting franchisees, while maintaining its long-term growth potential.

As the COVID-19 pandemic began, management undertook a series of steps to secure and strengthen the business. The company quickly bolstered safety procedures and shifted marketing spend to highlight the off-premise options available to customers, while supporting its franchisees with fee/cap ex deferrals and liquidity programs. Throughout the year, the company accelerated its digital investments by expanding its delivery footprint, modernizing its drive-thru experience, increasing mobile ordering adoption, and improving its loyalty programs.

While the company's sales were negatively impacted by the pandemic, comparable sales have already recovered or are well on their way to recovery. Burger King U.S. returned to growth in January; Tim Hortons improved to a high-single-digit decline in Canada during the fourth quarter, and Popeyes U.S. grew 16% in 2020. To accelerate the recovery at Tim Hortons in Canada, the company has committed additional funds to bolster its advertising, and support continued enhancements to its Tim's Rewards program.

We continue to believe each of Restaurant Brands' concepts will emerge stronger from this crisis as their business models are competitively advantaged in a socially distant and more budget-conscious consumption environment, and as the company continues to invest in drive-thru, delivery, and digital. We believe QSR's long-term unit growth opportunity is still intact, and we expect unit growth to return to its mid-single-digit growth rate this year. As investors begin to see the results of these efforts, and underlying sales trends at each of its brands continue to improve, QSR's share price should more accurately reflect our view of its business fundamentals.

The Howard Hughes Corporation ("HHC")

In 2019, HHC's Board of Directors announced a strategic transformation plan to streamline the company's organizational structure, sell $2 billion of non-core assets, and accelerate growth in its core master planned community ("MPC") business. In 2020, David O'Reilly, formerly HHC's CFO and President, became the company's new CEO, and Jay Cross, formerly President of Hudson Yards, became the new President. This transformation into a leaner and more focused organization allowed the company to successfully navigate the impact of COVID-19.

When the pandemic began, it was clear that it would have a draconian effect on the company's assets. Management acted quickly and decisively to stabilize the business by raising $600 million of equity in March 2020 to strengthen the company's balance sheet. The Pershing Square funds invested $500 million in that offering. Additionally, HHC's transition to a decentralized operating model significantly reduced overhead expenses and enabled each MPC to more nimbly react to challenging local market conditions.

Since the second quarter of 2020, the company has experienced a robust recovery across all of its assets, which we expect will continue into 2021. Despite the impact of the pandemic, new home sales across HHC's MPCs grew an impressive 10% in 2020. Demand for residential land in HHC's MPCs continues to accelerate, benefiting from out-of-state migration from higher cost-of-living and higher tax states. New homebuyers are drawn to HHC's walkable communities, expansive open spaces, and amenity-rich urban cores in Summerlin, Bridgeland and the Woodlands Hills, the three MPCs which own the substantial majority of HHC's remaining unsold land.

Within HHC's portfolio of income-producing commercial properties, office and multi-family assets have remained highly resilient. The company has collected 97% of office and 98% of multi-family rents from the beginning of Q2 2020 to year-end. Retail and hospitality fundamentals are steadily improving with phased re-openings and a gradual rebound in foot traffic. Highlighting management's conviction in the recovery, in February 2021, the company announced the acceleration of plans for approximately two million square feet of commercial development across the company's MPCs.

In Ward Village, the company experienced strong condo sales activity with the help of an innovative digital sales platform which provides homebuyers with a completely online experience, including virtual 3D condo tours and live chat capabilities. The company's latest luxury condo project, Victoria Place, is already 77% pre-sold after launching sales in December 2019. At the Seaport, which has begun to reopen after being impacted by New York City's stay-at-home orders, the company has found creative ways to activate the property with innovative new offerings like "The Greens," a rooftop dining venue.

We believe that the impact of the COVID-19 pandemic is largely transitory, and expect Howard Hughes's uniquely well positioned MPCs and portfolio of high-quality operating assets to deliver substantial growth for years to come.

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

Fannie and Freddie continue to move towards the ending of their conservatorships. While the progress made during the Trump administration fell short of its articulated goals, there were a number of positive developments in 2020.

The Preferred Stock Purchase Agreement ("PSPA") modification announced in January 2021 suspended the net worth sweep, allowing the GSEs to increase their maximum capital retention from $45 billion to over $300 billion. The amended PSPA, however, did not provide recognition that Treasury's Senior Preferred investment has been repaid and the balance due to Treasury continues to increase for every dollar of capital retained. We were not surprised that the Treasury's Senior Preferred remains unresolved in light of existing shareholder litigation.

In July, the U.S. Supreme Court agreed to hear appeals by both the plaintiff and the Federal Government from the Fifth Circuit Court of Appeals' decision in the Collins case. The Fifth Circuit, sitting en banc, ruled in favor of the plaintiff shareholders. On appeal to the Supreme Court, the parties argued about the legality of FHFA's structure, and the lawfulness of the net worth sweep, and the scope of various provisions under the HERA statute under which the Fannie and Freddie conservatorships were created.

We expect a decision by the Court by June 2021, which if a ruling is issued in shareholders' favor, would be a game-changing event. Regardless of the decision by the Court, we continue to believe that our investment in the GSEs is a valuable perpetual option on their eventual exit from conservatorship due to their widely acknowledged irreplaceable role in the U.S. housing finance system.

Starbucks ("SBUX")

We exited our initial investment in Starbucks in January 2020, and opportunistically repurchased a stake in the company at a highly attractive valuation during the March market downturn. Management has handled the COVID-19 crisis incredibly well, which we believe will enable the company to emerge even stronger following the pandemic. At the company's current valuation, about twice the price we paid one year ago, our expected returns from owning Starbucks are below our long-term targets. As a result, we recently sold our stake. Below we summarize our thoughts on the company. Despite the sale, we expect that Starbucks will continue to be a good, long-term investment.

Starbucks was well-prepared for the arrival of COVID-19 in the U.S. given the company's large presence in China. As a result, the company quickly shifted to a drive-thru and delivery-only model at the beginning of the pandemic. As management reopened locations and in-store ordering, Starbucks began to experience a robust sales recovery.

Today, the company is already nearing a full sales recovery, and should be a major beneficiary of a reopened global economy in 2021. By January 2021, same-store sales in the U.S. only declined by 2%. By the second quarter of 2021, Starbucks expects same-store sales in the U.S. to grow by 5% to 10% year over year, implying cumulative two-year comps of 2% to 7% with average-unit volumes above pre-COVID-19 levels.

Starbucks is continuing to experience robust growth in China, following the demise of its closest competitor in the region, Luckin Coffee, and plans to open 600 stores in China in 2021.

We expect Starbucks to benefit from a number of post-COVID-19 tailwinds including pent-up consumer demand for the "third place" experience as many consumers who prefer to enjoy their beverages in store with friends and colleagues have not been able to do so for the past year. Starbucks has historically generated 50% of its sales from breakfast, a daypart geared towards work and school commuting, which should benefit from a return of consumers to their pre-COVID-19 routines.

In addition to managing the COVID-19 crisis, management continues to invest in important growth initiatives including digital, new store formats, and menu innovation. In December 2020, Starbucks' management underscored their confidence in the company's future and increased its long-term outlook for revenue growth, margins, and earnings growth.

Other Positions

As discussed in detail in the 2020 Interim Financial Statements, we invested in index credit default swaps in February 2020 and unwound the positions in March. In the summer of 2020, we initiated a new portfolio investment by launching a SPAC, PSTH. On July 22, 2020, PSTH raised $4 billion in its IPO on the New York Stock Exchange. The SPAC sponsor for PSTH is 100% owned by the Pershing Square Funds.

Other Exited Investments

As previously disclosed in our Interim Financial Statements, we exited our investment in Berkshire Hathaway ("BRK.B") in 2020.

PUBLIC ACTIVIST INVESTMENTS SINCE INCEPTION (14)

Long Activist Positions

Wendy's	Sears	Plains Resources	Atlantic Realty Trust	SPI	McDonald's	Sears Canada
2004	2004	2004	2004	2004	2005	2005
Borders	Ceridian	Target	GGP	Longs Drugs	EMC²	Landry's Restaurants, Inc.
2006	2006	2007	2008	2008	2008	2009
Howard Hughes	Fortune Brands	Beam	Alexander & Baldwin, Inc.	jcp	Canadian Pacific	Justice Holdings Ltd.
2010	2010	2010	2010	2010	2011	2011
P&G	Platform Specialty Products Corporation	Air Products	FannieMae	Freddie Mac We make home possible	zoetis	Allergan
2012	2013	2013	2013	2013	2014	2014
Valeant Pharmaceuticals North America	Nomad Foods	Mondelēz International	Chipotle	ADP	Starbucks Coffee	United Technologies
2015	2015	2015	2016	2017	2018	2018
Lowe's	Hilton	Agilent Technologies	Starbucks Coffee	rbi restaurant brands international	Pershing Square Tontine Holdings	
2018	2018	2019	2020	2020	2020	

Short Activist Positions*

mbia Wisdom in Action	Ambac	FannieMae	Freddie Mac We make home possible	FSA	Herbalife
2004	2005	2007	2007	2007	2012

* Short Activist Positions includes options, credit default swaps and other instruments that provide short economic exposure.

The companies on this page reflect all of the portfolio companies, long and short, as of March 23, 2021, in respect of which (a) PSCM 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) PSCM 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 110-112.

Principal Risks and Uncertainties

The Board has ultimate responsibility for the Company's risk management. The Board believes 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 has carried 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 43 existing risks relevant to the Company's business in 2020, 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 Risk Committee identified the effect of the Covid-19 pandemic on the Company and the Investment Manager, and risks relating to remote operations, such as cybersecurity and service provider concerns, as 2020 emerging risks. The effect of these emerging risks is discussed as part of each applicable principal risk below.

Risk	Description	Mitigating Factors
Investment Risk	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. Failure to appropriately integrate risks into investment decisions or to manage risks to which the Company's investments are exposed, including ESG risks, may have a material negative impact on the Company's performance.	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. 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 long-term impact of the company on all of its stakeholders and society at large, and how its management and board manage ESG risks. 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 ongoing monitoring to deeply understand each business and the industry in which it operates. As discussed in the Chairman's Statement and the Investment Manager's Report, the Investment Manager's early implementation of a hedging program in response to the Covid-19 pandemic successfully mitigated the impact of Covid-19 on the Company's investments. The Board receives quarterly updates on the performance of the Company's portfolio positions. 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.

Risk	Description	Mitigating Factors
Investment Manager's Authority	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. In addition, the Company's strategy depends on the ability of the Investment Manager to successfully identify attractive investment opportunities.	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, activist engagements, financial instruments used in the portfolio and the portfolio composition as a whole. The Board receives a daily summary of media reports regarding the activities of the Investment Manager and the Company's underlying portfolio positions. 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.
Portfolio Concentration	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 investment results over time 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.	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. The Board reviews portfolio concentration and receives a detailed overview of the portfolio positions no less than quarterly, but more frequently as necessary. 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.
Activist Strategies	The Investment Manager may pursue an activist role with respect to an investment, which may involve substantial use of time, resources and capital and litigation by or opposition of the target company's management, board or shareholders.	The Investment Manager has significant experience conducting activist campaigns. The Board reviews the Investment Manager's activist engagements at each Board meeting, or more frequently as necessary.
Portfolio Liquidity Risk	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. Stressful market conditions may prevent the Company from having sufficient liquidity to meet its liabilities when due.	The Investment Manager actively monitors positions with trading restrictions to identify future selling opportunities. The Investment Manager may sell securities subject to restrictions through block sales, during open trading windows or pursuant to automatic trading plans. 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 stressful market conditions.

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.	For a summary of actions the Company has taken to address the discount, please see "Discount to NAV" in the Report of the Directors. 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 consider other potential measures to reduce the discount of share price to NAV.
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.	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 monitors regulatory changes on an ongoing basis and informs the Board of emerging risks. 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 any updates thereto. 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.
Key Man	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.	The investment team and other senior personnel of the Investment Manager are experienced, longstanding employees. The Investment Manager maintains a contingency plan to facilitate an orderly transition in the management of the Company's affairs upon the occurrence of a key man event. Until October 2021, if a key man event occurs, provisions in place in the Company's Articles of Incorporation will trigger a continuation vote.
Tax Risk	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. Investments in the Company may not be tax efficient for certain shareholders. Although the investment decisions of the Investment Manager are based primarily on economic considerations, the Investment Manager may make an investment decision which is tax efficient for some shareholders but which may result in adverse tax or economic consequences for other shareholders.	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.	The Investment Manager monitors emerging risks to global markets that may impact the Company's portfolio. In order to mitigate market-related downside risk, the Company may acquire put options, short market indices or baskets of securities and/or purchase index or single-name credit default swaps or engage in other hedging strategies, but the Company is not committed to maintaining market hedges at any time. The Investment Manager identified Covid-19 as an emerging market risk in early 2020 and entered into a series of large hedging transactions in the credit default swap market that offset the stock price declines of the Company's investment holdings due to Covid-19.
Business Continuity	An incident significantly disrupts the business operations of the Investment Manager or another key service provider to the Company.	The Investment Manager maintains and regularly tests a business continuity plan that emphasizes incident preparedness and anticipates responses to a variety of potential disruptions, including natural disasters, pandemics and equipment failures. The Investment Manager has invested in systems that allow its personnel to work remotely for an indefinite period of time. The Investment Manager reviews the business continuity planning of service providers whose disruption in service would impact the Investment Manager's operations and has confirmed that the Company's prime brokers, the Administrator, and trading systems have well-documented plans that are tested on a regular basis. The Investment Manager has identified alternate means of conducting critical functions provided by service providers and can perform many critical functions internally. The Board receives quarterly operational updates from the Investment Manager regarding upgrades to systems and any operational issues. The Investment Manager and other service providers activated business continuity plans and transitioned to remote operations in response to the threat of the Covid-19 pandemic. The Company did not experience any service disruptions as a result of the transition and all key service providers continue to perform well.

Risk	Description	Mitigating Factors
Cybersecurity	An information security breach results in the disclosure of the Company's sensitive information.	The Company's sensitive information is maintained by the Investment Manager, which has implemented robust information security controls and 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. The Cybersecurity Committee of the Investment Manager meets quarterly or more frequently as needed to evaluate cybersecurity risks and to review the effectiveness of Investment Manager's cybersecurity controls. The Board receives quarterly updates on cybersecurity and an annual overview of the Investment Manager's cybersecurity program. The Investment Manager has adopted additional precautions to mitigate the additional cybersecurity risks presented by its transition to remote operations, including additional monitoring of network traffic and user activity as well as employee training to prevent successful phishing/ ransomware attacks.
Service Providers	Key service providers perform inadequately or expose Company to risk.	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. The Investment Manager monitors key service providers through frequent contact and reports to the Board as needed. The Management Engagement Committee reviews key service providers at least annually. 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.
Insurance	The Company is liable for claims due to the failure of an insurance underwriter or inadequate insurance coverage.	The Company and the Investment Manager maintain insurance policies with reputable insurance underwriters. Insurance arrangements and limits are reviewed annually by the Board to ensure they remain appropriate.

Directors

ANNE FARLOW

Independent Director
Chairman of the Board
Chairman of the Nomination Committee

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 since 2005 she has been an active investor in and non-executive director of various unlisted companies.

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.

RICHARD BATTEY

Independent Director
Chairman of the Audit Committee

Mr Battey, a Guernsey resident, has been an independent Director of the Company since 2012 and also serves as a non-executive director of a number of investment companies and funds. He is Chairman of the Board of Princess Private Equity Holding Limited, which is listed on the London Stock Exchange.

From 2005 to 2006, Mr Battey was Chief Financial Officer of CanArgo Energy Corporation. Mr Battey also worked for the Schroder Group from 1977 to 2005, first in London with J. Henry Schroder Wagg & Co. Limited and Schroder Investment Management, then in Guernsey as finance director and chief operating officer of Schroders (C.I.) Limited, and retired as a director of his last Schroder Group Guernsey company in 2008.

Mr Battey received his Bachelor of Economics from Trent Polytechnic Nottingham in 1973 and is a chartered accountant having qualified with Baker Sutton & Co. in 1977.

Directors

NICHOLAS BOTTA

Chairman of the Risk Committee

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.

BRONWYN CURTIS, OBE

Senior Independent Director
Chairman of the Management Engagement 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.

Directors

ANDREW HENTON

Independent Director

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 as the Chair of the Board of Boussard & Gavaudan Holding Limited, a listed closed-ended investment company. Mr Henton also 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 Butterfield Bank Guernsey Limited, Longview Partners (Guernsey) Limited and Close Brothers Asset Management (Guernsey) Limited.

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, specializing as a corporate tax consultant.

RICHARD WOHANKA, CBE

Independent Director

Chairman of the Remuneration Committee

Mr Wohanka, a U.K. resident, has been an independent Director of the Company since April 2018. He currently chairs the Nuclear Liabilities Fund and the Pension Super Fund. He is a trustee of the James Neill pension fund.

He previously served as a non-executive director of BTG, the Embark Group, Julius Baer International, Old Mutual Global Investors and Union Bancaire Privée Japan. Mr Wohanka was the Chief Executive Officer at Union Bancaire Privée Asset Management from 2009 to 2012. Prior to that, he was the Chief Executive of Fortis Investments from 2001 to 2009 and Chief Executive of West LB Asset Management from 1998 to 2001.

He joined Baring Asset Management in 1996 and became the Chief Executive Officer of the Institutional and Mutual Fund Division in 1997. He worked at Banque Paribas from 1983 to 1996, where he was the Chief Executive of Paribas Asset Management and a Banque Paribas Board Member from 1993 to 1996, and in the Asset Management division from 1990 to 1993.

He held various positions in Investment Banking from 1983 to 1990. Mr Wohanka was also employed at European Banking Corporation from 1975 to 1983. He graduated from Cambridge University with a BA in History in 1974 and subsequently studied modern economic history at Harvard University as a Kennedy scholar.

Report of the Directors

We present the Annual Report and Financial Statements of the Company for the year ended December 31, 2020.

PRINCIPAL ACTIVITY

The Company was incorporated in Guernsey, Channel Islands on February 2, 2012. It became a registered open-ended investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 and the Registered Collective Investment Scheme Rules 2008 (issued by the Guernsey Financial Services Commission ("GFSC")) 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 under the Protection of Investors Law and the 2008 Rules.

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. Treasurys 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.

Any material change to this Investment Policy will 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, 2020 of $3.70 billion (2019: gain of $2.15 billion). The net assets attributable to all shareholders at December 31, 2020 were $9.05 billion (2019: $5.72 billion). For the Company's performance returns, please see the Company Performance and Financial Highlights sections on pages 2 and 105, 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 28, 2020 relating to the first half of 2020. The Company intends to release semi-annual financial statements for the first half of 2021 in the third quarter.

DISCOUNT TO NAV

The Board notes that the discount to NAV at which the Company's Public Shares trade narrowed to 23.0% as of December 31, 2020 from 28.9% as of December 31, 2019, although a wide discount persists despite the Company's strong performance. The Board monitors the discount closely and seeks opportunities to narrow it.

In addition to its Euronext Amsterdam listing, the Company has added a listing on the Main Market of the LSE and a U.S.-Dollar denominated LSE quotation, allowing investors access to the Company's shares in multiple markets and currencies. On December 21, 2020, the Company was admitted into the FTSE 100 index, comprising the 100 largest companies by market capitalization listed on the LSE, which may have the effect of further narrowing the discount by increasing demand for the Company's shares by index funds, and by enhancing the Company's visibility to potential investors.

In 2019, the Company announced that it had initiated a quarterly dividend of $0.10 per Public Share, in order to expand the Company's potential shareholder base to include those who prefer or require dividend-paying equities.

The Board also evaluates whether the discount provides opportunities for accretive share repurchases. The Company repurchased 13,732,785 Public Shares in 2020 through share buyback programs authorized by the Board for a total of $286 million at an average discount to NAV at the time of purchase of 32.0%. 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%. The Company intends to propose that shareholders renew the Company's general share buyback authority at the Company's 2021 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 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.

The Board continues to be satisfied that the interests of PSH shareholders and the Investment Manager are closely aligned. Since 2018, members of the PSCM management team and their affiliates have substantially increased their ownership of, or exposure to, the Company. Assuming full exercise of option contracts, affiliates of the Investment Manager beneficially owned approximately 25% of the Company at December 31, 2020 on a fully diluted basis (December 31, 2019: 22%). The Board believes the continued investment in the Company by the Investment Manager's team has increased alignment and created an even stronger incentive for it 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. In addition, all Management Shares were converted to Public Shares as of December 31, 2020 and will therefore now be included in the Company's public share capital by the FTSE Indices.

The Board is encouraged by the Company's progress over the course of 2020, and believes that sustained positive performance over the long-term will lead to further reduction in the discount.

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" and together with the 2022 Bonds, 2039 Bonds and 2032 Bonds, "the Bonds"). The 2030 Bonds were issued at par with a coupon rate of 3.25% per annum.

The Bonds rank equally in right of payment and contain substantially the same covenants. The Bonds' coupons are paid semi-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. A proportionate quarterly dividend will be paid to the Special Voting Share, based on their respective net asset values per share. 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 2021 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.

The Company's Investment Management Agreement (the "IMA") has been amended to account for the effect of a dividend on fees paid to the Investment Manager. Further details regarding this amendment are included in Notes 15 and 16.

In the year ended December 31, 2020, the Company paid dividends in the amount of $81,137,646, a lesser amount than in 2019 ($87,746,208), due to the decrease in the number of Public Shares outstanding.

DIRECTORS

The present members of the Board, all of whom are non-executive Directors, are listed on pages 27-29. 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 39-40.

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.
- Effective August 1, 2020, Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust") replaced Elysium Fund Management Limited ("Elysium"), the Company's former Administrator, and Morgan Stanley Fund Services (Cayman) Ltd., the Company's former Sub-Administrator ("Morgan Stanley"). 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.
- Effective September 1, 2020, Northern Trust replaced Elysium as the Company's Secretary.
- Link, the Company's registrar. The Company has also appointed an affiliate of Link to administer the Company's dividend reinvestment program.
- Goldman Sachs & Co. LLC and UBS Securities LLC ("UBS"), the Company's Prime Brokers and custodians. UBS also provided investor relations consulting services to the Company until that service was terminated on December 31, 2020.
- Jefferies International Limited ("Jefferies"), a corporate broker for the Company and the Company's buyback agent. Jefferies also served as the adviser for the Company's tender offer and was the Company's sponsor in connection with its LSE listing.

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. In addition, the Investment Manager, the material service providers and certain other providers of professional services to the Company were reviewed formally by the Management Engagement Committee during 2020. For further details of the review conducted by the Management Engagement Committee, please see "Management Engagement Committee" in the Corporate Governance Report.

Although the Board had been pleased with the services of the Company's previous Administrator and Sub-Administrator, the Board believes that the engagement of Northern Trust to replace both Elysium and Morgan Stanley as the Company's new Administrator and Secretary will result in significant efficiencies and cost savings.

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 conclusions. In the opinion of the Board, the continued appointment of the Investment Manager and the other material service providers is in the interests of the Company's shareholders as a whole. The Board will continue to monitor the performance of the Company and the Investment Manager closely and will take further action as appropriate.

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 is committed to responsible investing practices and has encouraged the Investment Manager to consider ESG best practices within its own organization, and to actively engage with these issues with its portfolio companies when appropriate.

The Company's investment objective is to generate long-term capital appreciation commensurate with reasonable risk. It is a crucial part of the risk assessment process for the Investment Manager to evaluate the effect of ESG risks on our portfolio companies.

The Investment Manager's approach to ESG issues is described in the Investment Manager's Report. The Board is pleased to note that nearly 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. In addition, the Investment Manager showed strong commitment to diversity initiatives internally and in connection with the PSTH offering. 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 2021.

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, 2020 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 "Relations with Shareholders".
- 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 whether the appointment of Northern Trust as Administrator was in the long-term best interest of the Company and its stakeholders.
- The Board has approved the issuance of the 2030 Bonds and the 2032 Bonds, which allow the Company to responsibly manage and ladder the maturities of its debt obligations at low interest rates, and which we believe, will enhance the Company's returns over the long-term.
- Additional share buyback programs authorized by the Board in April and June 2020 have permitted the Company to repurchase a total of $159 million of PSH Public Shares at a discount to NAV of 32.5% for the benefit of shareholders.
- The appointment of Andrew Henton as a non-executive Director in September 2020 as part of the Board's long-term succession planning ensures a smooth transition in connection with the anticipated departure of the Chairman of the Audit Committee in 2021.
- The Board instructed 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 Report.

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 has met regularly with shareholders over the past several years, and the Chairman and other Directors plan to continue this practice.

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 generally 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 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 2020, the Investment Manager was able to take advantage of the efficiency of connecting with shareholders virtually and communicated with holders of a majority of the Company's Public Shares representing a variety of regions, types and investment strategies, including a number of the Company's largest shareholders.

Jefferies acted as the corporate broker to the Company during 2020 to support communications with shareholders and advise the Company on shareholder sentiment. Investor feedback from meetings conducted by Jefferies is reported to the Board on a regular basis.

In 2020, shareholders had the opportunity to meet the Directors in person at the Company's investor meetings in London and New York in February. A record number of shareholders, representing approximately 47% of NAV (excluding affiliate ownership), attended the Company's 2021 virtual investor event on February 18, 2021. 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 22-26 and in Note 13.

The Board has considered the financial prospects of the Company through April 30, 2022 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, 2020 of $9,052,536,502;
- The liquidity of the Company's assets (at December 31, 2020, 85.8% of its assets comprised of cash and cash equivalents and Level 1 assets); and
- The Company's total indebtedness to total capital ratio of 18.8% at December 31, 2020.

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 — and has determined that they 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, 2023.

The Board has also evaluated the sustainability of the Company's business model, taking into account its investment objective, 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 objectives in a variety of market conditions. In particular, the Board notes the Investment Manager's success at managing the effects of severe market disruptions due to Covid-19 on the Company in the first quarter of 2020, and the Company's strong 2020 performance despite the Covid-19 pandemic.

The Board has also evaluated quantitative data as of December 31, 2020 including net assets attributable to shareholders, the liquidity of the Company's assets, and the Company's total liabilities, and 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 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, 1987, 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	/s/ Richard Battey
Anne Farlow Chairman of the Board	Richard Battey Chairman of the Audit Committee
March 29, 2021	March 29, 2021

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 the independent Directors of the Company who are not affiliated with the Investment Manager. Mr Wohanka 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 shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly 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, 2020 was:

	2020	2019
Anne Farlow	£75,000	£75,000
Richard Battey	£55,000	£55,000
Nicholas Botta	–	–
Bronwyn Curtis	£50,000	£50,000
Andrew Henton[1]	£13,587	–
William Scott[2]	£15,797	£50,000
Richard Wohanka	£50,000	£50,000

[1] Appointed September 23, 2020
[2] Retired on April 27, 2020

Ms Farlow and Mr Battey were paid higher fees to reflect the additional responsibilities required of the Chairman of the Board and of the Audit Committee. Mr Botta did not receive a fee for his services as a Director.

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.

As the Directors' remuneration had remained unchanged since 2014, the Remuneration Committee collected and reviewed peer remuneration data and consulted with a global leadership advisory firm to develop a benchmark for the Directors' remuneration in 2021. Its evaluation found that the Directors' remuneration should be increased to reflect market comparatives and in consideration of the Company's complex structure, unique regulatory requirements and additional Board meetings as compared to its peers. In addition, the Committee recommended that the Chairman of the Board, the Senior Independent Director and the Chairman of the Audit Committee be paid a premium reflecting the increased workload of their respective roles.

The Board has accepted the recommendation of the Remuneration Committee and the Directors will receive the following remuneration for 2021:

	2021 Remuneration
Chairman of the Board	£125,000
Chairman of the Audit Committee	£75,000
Senior Independent Director	£70,000
Non-Executive Directors	£65,000

Following the Company's 2021 AGM, the Audit Committee's size will be reduced to three members. Members of the Audit Committee will receive additional remuneration of £5,000.

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, 2020, the Directors' interests in the Company were as follows:

	Class of Shares Held	Number of Shares
Anne Farlow	Public Shares	15,139
Richard Battey	Public Shares	4,000
Nicholas Botta	Public Shares	2,065,822
Bronwyn Curtis	Public Shares	7,400
Andrew Henton	Public Shares	4,775
Richard Wohanka	Public Shares	42,654

During the year ended December 31, 2020, Anne Farlow, Bronwyn Curtis, Andrew Henton and Richard Wohanka purchased 5,000, 7,400, 4,775 and 26,350 Public Shares, respectively. Nicholas Botta converted 1,726,083 Management Shares into 2,065,822 Public Shares on December 31, 2020. There have been no changes in the interests of the Directors between December 31, 2020 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. Except as set forth in the Report of the Audit Committee, 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 is also pleased to report the following enhancements to the Company's corporate governance:

- The Board adopted terms of reference in February 2020 setting forth its principal responsibilities, which are available on the Company's website.
- The Board has established a Risk Committee and has appointed Mr Botta as its Chairman. The Risk Committee had its first meeting in July 2020.
- The Board has adopted a travel and expense policy.
- The Board has adopted procedures for the coordination of shareholder interactions with the Investment Manager.

THE BOARD COMPOSITION AND DELEGATION OF FUNCTIONS AND ACTIVITIES

The Board consists of six non-executive Directors, five 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 and Ms Curtis serve as Chairman and Senior Independent Director of the Board, respectively. William Scott, who had served as non-executive Director since 2012, retired on April 27, 2020. Andrew Henton was appointed as a non-executive Director on September 23, 2020.

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 focus on creating a culture that will contribute to the success of the Company. The Board believes that the Investment Manager's investments in operational infrastructure and personnel has contributed to the Company's positive performance during the Covid-19 pandemic.

DIVERSITY

The Board recognizes that Board diversity contributes to the success of the Company by enhancing the Board's effectiveness through good corporate governance. Furthermore, in accordance with the AIC Code, the Board believes that Board diversity is an important component of a Board that reflects the balance 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.

The Board currently comprises two female and four male Directors. The Board acknowledges the targets set by the Hampton-Alexander and Parker Reviews for female and ethnic minority board representation, respectively, and intends to maintain or exceed such representation 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 Company and the Investment Manager have made progress in increasing their diversity. The Board has recommended that shareholders elect Tope Lawani and Tracy Palandjian as non-executive Directors at the Company's upcoming Annual General Meeting. The Investment Manager's last three analyst and last six operational hires are from ethnic minority groups, and it has hired a female analyst who will join its investment team later this year. In addition, a majority of the co-managers for the 2030 Bonds were female and minority-owned banks. The Investment Manager continues to seek opportunities to do business with firms owned by under-represented groups and to expand the diversity of candidates it considers for future open positions. The Investment Manager has formed a Diversity & Inclusion Committee to monitor its progress in this area and provide further strategic direction as appropriate.

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.

William Scott and Richard Battey joined the Company's Board at inception in December 2012. As part of the Board's policy for its regular refreshment, Mr Scott resigned as non-executive director on April 27, 2020, and Mr Battey has decided not to offer himself for re-election at the 2021 Annual General Meeting. Mr Wohanka, having served as a non-executive director of the Company for three years, has also decided not to offer himself for re-election at the 2021 Annual General Meeting due to other commitments.

Andrew Henton was appointed as a non-executive Director on September 23, 2020. Mr Henton will replace Mr Battey as the Chairman of the Audit Committee.

The Board has accepted the recommendation of the Nomination Committee that it increase the size of the Board to seven directors. Accordingly, following a thorough search process conducted by the Nomination Committee, the Board has submitted Tope Lawani, Rupert Morley, and Tracy Palandjian for shareholder approval at the 2021 Annual General Meeting as independent non-executive Directors of the Company.

Further details regarding the selection of Mr Henton and the search process undertaken by the Nomination Committee are provided under "Nomination Committee" on pages 45-46.

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, 2020:

	Scheduled Quarterly Board Meetings (attended/eligible)	Ad-hoc Board and Subcommittee Meetings (attended/eligible)
Richard Battey	4/4	12/12
Nicholas Botta[1]	4/4	11/11
Bronwyn Curtis	4/4	11/11
Anne Farlow	4/4	12/12
Andrew Henton[2]	1/1	2/2
William Scott[3]	1/1	3/3
Richard Wohanka	4/4	11/11

[1] 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.
[2] Appointed September 23, 2020
[3] Retired on April 27, 2020

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. Other than the Risk Committee, each of the Committees is comprised of the independent Directors of the Company who are not affiliated with the Investment Manager.

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 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. Mr Wohanka is the Chairman of the Remuneration Committee. Further details regarding the Directors' remuneration are provided in the Directors' Remuneration Report.

	Remuneration Committee Meetings (attended/eligible)
Richard Battey	2/2
Bronwyn Curtis	2/2
Anne Farlow	2/2
Andrew Henton[1]	1/1
Richard Wohanka	2/2

[1] Appointed September 23, 2020

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 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. Ms Curtis is the Chairman of the Management Engagement Committee.

	Management Engagement Committee Meetings (attended/eligible)
Richard Battey	2/2
Bronwyn Curtis	2/2
Anne Farlow	2/2
Andrew Henton[1]	1/1
Richard Wohanka	2/2

[1] Appointed September 23, 2020

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 performed a formal review of the Company's key service providers, including the Investment Manager, in April 2020.

The Committee's review of the Investment Manager included a discussion of, among other items, the Company's annual and long-term investment performance, and shareholder feedback regarding the Company's fee structure. The Committee noted the Company's performance in 2019 and 2020 and the Investment Manager's foresight in identifying Covid-19 as a material risk to the portfolio in early 2020 and taking steps to mitigate potential losses. Accordingly, the Committee recommended that the Board continue to engage PSCM as the Investment Manager while monitoring performance closely.

The Management Engagement Committee also reviewed the large performance fee earned by the Investment Manager in 2020. 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. In addition to fees paid by the Company, the Investment Manager has taken separate steps, such as the implementation of a long-term equity program, to retain key personnel.

The Committee noted that the performance fee was calculated in accordance with the terms of the IMA which is further discussed in "Significant Reporting Matters" in the Report of the Audit Committee.

The Committee also reviewed the performance of and fees paid to the Company's other key service providers and made recommendations to the Board and the Investment Manager.

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 Nomination Committee, of which Ms Farlow is the Chairman, 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.

	Nomination Committee Meetings (attended/eligible)
Richard Battey	4/4
Bronwyn Curtis	4/4
Anne Farlow	4/4
Andrew Henton[1]	1/1
William Scott[2]	1/1
Richard Wohanka	3/3

[1] Appointed September 23, 2020

[2] Retired on April 27, 2020

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

The Nomination Committee undertook a targeted search process to identify Mr Henton as Mr Scott's replacement. The Nomination Committee prioritized the need to prepare for Mr Battey's departure and therefore determined that the new Director should be a Guernsey-resident with the skills necessary to succeed Mr Battey as Chairman of the Audit Committee. Given the specific requirements for the new director, the Committee concluded that the best candidates could be identified by the Company's Guernsey-based service providers, and therefore it was not necessary to engage an external search consultant. Following a review of the recommended candidates by a senior member of the Investment Manager, the Nomination Committee reviewed a shortlist of candidates. After consideration of the results of the interviews and the qualifications of these candidates to chair the Audit Committee, Mr Henton was interviewed by the remaining members of the Nomination Committee and Mr. Ackman, and was appointed a non-executive Director by the Board on September 23, 2020.

The Nomination Committee also reviewed 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. While the Committee believes that each Director has sufficient time to meet their responsibilities to the Company, in light of the significant increase in the number of ad-hoc/subcommittee meetings of the Board and corporate actions in 2019 and 2020, the Committee recommended that the Board increase its size to seven directors and reduce the size of the Audit Committee to three members.

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 highly qualified candidates, of which three were interviewed by the remaining members of the Committee. Following this process, the Nomination Committee recommended that the Board submit Tope Lawani, Rupert Morley, and Tracy Palandjian for shareholder approval at the 2021 Annual General Meeting as independent non-executive Directors of the Company.

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 will 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.

Risk Committee

A Risk Committee consisting of all the Directors of the Company was established by the Board on February 11, 2020. Mr Botta 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.

	Risk Committee Meetings (attended/eligible)
Richard Battey	2/2
Nicholas Botta	2/2
Bronwyn Curtis	2/2
Anne Farlow	2/2
Andrew Henton[1]	1/1
Richard Wohanka	2/2

[1] Appointed September 23, 2020

The Risk Committee conducted its annual business risk assessment in November 2020 and identified 43 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 before and after considering the controls in place to mitigate them. Risks with the highest inherent risk or the highest residual risk have been included in "Principal Risks and Uncertainties".

The Risk Committee identified the effect of the Covid-19 pandemic on the Company and risks relating to remote operations, such as cybersecurity, service provider and culture concerns, as emerging risks in 2020. It reviewed the controls of the Investment Manager and the Administrator to address these risks and found them to be appropriate.

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; a 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 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 2020 was performed internally. Each Director completed a questionnaire assessment of the effectiveness of the Board, its committees, the individual directors 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. No material weaknesses in performance were identified in the assessment, and the Board has concluded that it operated effectively in 2020. The Board will use the findings of its assessment to further 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, or earlier as the Board deems appropriate.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 29, 2021

Report of the Audit Committee

The Audit Committee consists of the independent Directors of the Company. Mr Battey is the Chairman of the Audit Committee. As Ms Farlow is an independent non-executive Director, the Directors consider it appropriate for her to be a member of the Audit Committee. In consideration of Mr Battey's and 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.

From the date of the 2021 Annual General Meeting, Mr Henton will become the Chairman of the Audit Committee, and the size of the Committee will be reduced to three Directors.

All members of the Audit Committee are expected to attend each Board and Audit Committee meeting and to arrange their schedules accordingly, although non-attendance may be unavoidable in certain circumstances. The following table details the number of formal meetings attended by each Director in the year ended December 31, 2020:

	Audit Committee Meetings (attended/eligible)
Richard Battey	7/7
Bronwyn Curtis	7/7
Anne Farlow	7/7
Andrew Henton[1]	1/1
William Scott[2]	1/1
Richard Wohanka	7/7

[1] Appointed September 23, 2020
[2] Retired on April 27, 2020

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 Statements, 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, 2020 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 2020 meeting was devoted to discussing the audit plan and timelines, including the extensive coordination undertaken by the Investment Manager and the Company's new 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 2020, the Audit Committee reviewed the auditors' process for confirming the Investment Manager's calculation of the performance fee and the disclosure of 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 assets, such as 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 14), 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, in particular the disclosures regarding the effect of Covid-19 and other emerging risks on the Company, 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 risks facing the

Company as described in Principal Risks and Uncertainties on pages 22-26. 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.

Members of the Audit Committee met with the auditor a number of times during the audit process and, after considering the audit process and various discussions with the auditor, Investment Manager and Administrator, are 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 system of internal controls, 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, 2020, 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 2021 Annual General Meeting. In recognition of the auditor's long tenure, the Audit Committee intends to put the audit services contract out to tender no later than for the period ending December 31, 2022.

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, 2020. 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 $224,000 (2019 Actual: $176,000) for the audit of the Annual Report and Financial Statements. The Audit Committee notes that the increase in the 2020 fee is attributable to the additional audit work undertaken in relation to the Company's investment in Pershing Square Tontine Holdings, Ltd. During the year ended December 31, 2020, the Company also paid $66,000 (2019: $55,000) for fees related to the semi-annual review.

The table below summarizes the amounts expensed for other non-audit services during the years ended December 31, 2020 and December 31, 2019.

	Year Ended 2020		Year Ended 2019	
Tax Services	$	86,034	$	57,563
Other Services[1]		192,749		–
Total Non-Audit Fees	$	278,783	$	57,563

[1] Ernst & Young LLP was engaged to provide a comfort letter relating to the financial information of the Company in the offering memorandum for the 2030 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.

In addition, any engagement of the auditor to provide non-audit services to the Company must 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 2030 Bonds, including a comfort letter for 2017, 2018 and 2019 financial statements and the 2020 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 issuance. 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, 2021.

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 53-59. The Annual Report also includes on page 60 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/ Richard Battey

Richard Battey
Chairman of the Audit Committee
March 29, 2021

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 2020 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 adopted by the European Union ("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 2020 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 below. 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Investment Manager's going concern assessment process by engaging with the 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 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 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 31 December 2023.

- 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 $90.5m 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. All audit work was performed directly by the audit engagement team.

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
Misstatement of the valuation of the Company's investments (2020 – assets: $9,697.0 million and liabilities: $573.6 million; 2019 – assets: $5,865.2 million and liabilities: $7.6 million) Refer to the Audit Committee Report (pages 48-52); Accounting policies (pages 68-72); and Note 7 of the Financial Statements (pages 76-80) The fair value of the investment portfolio may be misstated due to the application of inappropriate methodologies or inputs to the valuations. 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. There has been no change in this risk from the previous year.	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. 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. 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. For level 3 investments we 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. The audit team also considered the credentials and qualifications of management's independent valuation agents. Obtained values for all remaining quoted equities from independent sources and agreed these to the client proposed values. Assessed whether the valuation determined is in accordance with IFRS by comparing the valuation methodology to the requirements of IFRS 13.	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. 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.

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 $90.5 million (2019: $55.7 million), which is 1% (2019: 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% (2019: 75%) of our planning materiality, namely $67.9 million (2019: $41.8 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 $4.5 million (2019: $2.8 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 there is 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

The Listing Rules require us to review 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.

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 36;
- 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 pages 36-37;
- Directors' statement on fair, balanced and understandable Financial Statements, set out on page 37;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 46;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, set out on page 50; and
- The section describing the work of the audit committee, set out on pages 48-52.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 37, 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. Our approach was as follows:

- 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.
- 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 whom are 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. For the period up to 31 July 2020, the books and records were maintained by Morgan Stanley Fund Services Inc ("MSFS"). The same procedures, as described above were performed in connection with MSFS for that period with no contradictory evidence noted.
- 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.

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, 2021

(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.

We have audited the accompanying Financial Statements of the Company, which comprise the Statement of Financial Position as of December 31, 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 year then ended, and the related notes to the Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in conformity with International Financial Reporting Standards. This includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Financial Statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of Pershing Square Holdings, Ltd. at December 31, 2020, and the results of its operations, changes in net assets attributable to management shareholders and equity, and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Financial Statements as a whole. The accompanying Supplemental U.S. GAAP Disclosures and Certain Regulatory Disclosures are presented for the 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.

/s/ Ernst & Young LLP
Ernst & Young LLP
Guernsey
March 29, 2021

Audited Financial Statements

STATEMENT OF FINANCIAL POSITION

As of December 31, 2020 and December 31, 2019
(Stated in United States Dollars)

	Notes		2020		2019
Assets					
Cash and cash equivalents	10	$	1,879,639,109	$	1,222,846,586
Due from brokers	13		955,676,624		114,975,502
Trade and other receivables	9		8,865,622		7,124,045
Financial assets at fair value through profit or loss					
Investments in securities	6		9,093,461,819		5,734,336,025
Derivative financial instruments	6, 8		603,563,999		130,860,803
Total Assets		**$**	**12,541,207,173**	**$**	**7,210,142,961**
Liabilities					
Due to brokers	13	$	46,004,594	$	–
Trade and other payables	9		693,840,621		45,497,324
Deferred tax expense payable	19		52,446,850		13,508,846
Financial liabilities at fair value through profit or loss					
Derivative financial instruments	6, 8		573,590,762		7,607,415
Bonds	18		2,122,787,844		1,422,883,554
Liabilities excluding net assets attributable to management shareholders			3,488,670,671		1,489,497,139
Net assets attributable to management shareholders(1)	11		–		152,364,909
Total Liabilities		**$**	**3,488,670,671**	**$**	**1,641,862,048**
Equity					
Share capital	11	$	5,722,349,692	$	5,568,360,539
Treasury shares	11		(242,956,239)		(80,153,606)
Retained earnings			3,573,143,049		80,073,980
Total Equity(2)			**9,052,536,502**		**5,568,280,913**
Total Liabilities and Equity		**$**	**12,541,207,173**	**$**	**7,210,142,961**
Net assets attributable to Public Shares		$	9,052,247,442	$	5,568,109,388
Public Shares outstanding			199,120,882		206,677,784
Net assets per Public Share		$	45.46	$	26.94
Net assets attributable to Management Shares		$	–	$	152,364,909
Management Shares outstanding			–		5,160,225
Net assets per Management Share		$	–	$	29.53
Net assets attributable to Special Voting Share		$	289,060	$	171,525
Special Voting Share outstanding			1		1
Net assets per Special Voting Share		$	289,060.26	$	171,524.95

(1) Net assets attributable to management shareholders are comprised of the aggregate net asset values of all Management Shares as of December 31, 2019. On December 31, 2020, all outstanding Management Shares were converted to Public Shares. See Note 11 for further discussion.

(2) Total equity of the Company is comprised of the aggregate net asset values of all Public Shares and the Special Voting Share as of December 31, 2020 and December 31, 2019.

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

These Financial Statements on pages 61-102 were approved by the Board of Directors on March 29, 2021, and were signed on its behalf by

/s/ Anne Farlow	/s/ Richard Battey
Anne Farlow	Richard Battey
Chairman of the Board	Chairman of the Audit Committee
March 29, 2021	March 29, 2021

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and December 31, 2019
(Stated in United States Dollars)

	Notes	2020	2019
Investment gains and losses			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		$ 2,512,130,911	$ 2,274,474,001
Net realized gain/(loss) on commodity interests (net of brokerage commissions and other related fees of (2020: $1,305,482, 2019: $521,138))		2,057,091,477	(1,732,785)
Net change in unrealized gain/(loss) on commodity interests		(8,908,581)	–
	6	4,560,313,807	2,272,741,216
Income			
Dividend income		84,418,343	84,148,405
Interest income	12	1,062,148	3,033,126
		85,480,491	87,181,531
Expenses			
Performance fees	15	(695,694,558)	(38,979,640)
Management fees	15	(95,794,204)	(64,422,781)
Interest expense	12	(83,482,818)	(66,384,642)
Professional fees		(9,186,732)	(7,314,830)
Other expenses		(2,028,302)	(1,526,381)
		(886,186,614)	(178,628,274)
Profit/(loss) before tax attributable to equity and management shareholders		**3,759,607,684**	**2,181,294,473**
Withholding tax (dividends)		(21,794,811)	(18,714,011)
Deferred tax expense	19	(38,938,005)	(13,508,846)
Profit/(loss) attributable to equity and management shareholders		**3,698,874,868**	**2,149,071,616**
Amounts attributable to management shareholders		127,038,913	51,430,312
Profit/(loss) attributable to equity shareholders[1]		**$ 3,571,835,955**	**$ 2,097,641,304**
Earnings per share (basic & diluted)[2]			
Public Shares	17	$ 18.12	$ 9.78
Special Voting Share	17	$ 115,896.15	$ 61,933.12

All the items in the above statement are derived from continuing operations. There is no other comprehensive income for the years ended 2020 and 2019.

(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 2020 and 2019 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, 2020 and December 31, 2019
(Stated in United States Dollars)

		Net Assets Attributable to Management Shareholders
As of December 31, 2019	**$**	**152,364,909**
Total profit/(loss) attributable to management shareholders		127,038,913
Dividend distribution to management shareholders		(2,370,760)
Conversion from Management Shares to Public Shares[(1)]		(280,762,795)
Accretion from share buybacks[(2)]		3,729,733
As of December 31, 2020	**$**	**–**
As of December 31, 2018	**$**	**86,046,388**
Total profit/(loss) attributable to management shareholders		51,430,312
Dividend distribution to management shareholders		(2,043,108)
Conversion from Management Shares to Public Shares		(4,725,042)
Conversion from Public Shares to Management Shares		20,026,591
Accretion from share buybacks[(2)]		1,629,768
As of December 31, 2019	**$**	**152,364,909**

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

(2) Since June 20, 2019, the Company has been engaged in an ongoing share buyback program whereby its buyback agent has repurchased Public Shares subject to certain limitations. Any repurchased Public Shares are 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, 2020 and December 31, 2019
(Stated in United States Dollars)

	Share Capital	Treasury Shares	Retained Earnings	Total Equity
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[3]	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**
As of December 31, 2018[1]	**$ 5,678,775,664**	**$ –**	**$ (1,931,864,224)**	**$ 3,746,911,440**
Total profit/(loss) attributable to equity shareholders	–	–	2,097,641,304	2,097,641,304
Share buybacks[2]	(95,113,359)	(80,153,606)	–	(175,266,965)
Dividend distribution to equity shareholders	–	–	(85,703,100)	(85,703,100)
Conversion from Management Shares to Public Shares	4,724,997	–	–	4,724,997
Conversion from Public Shares to Management Shares	(20,026,763)	–	–	(20,026,763)
As of December 31, 2019[1]	**$ 5,568,360,539**	**$ (80,153,606)**	**$ 80,073,980**	**$ 5,568,280,913**

(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 page 72 for further details.

(2) Since June 20, 2019, the Company has been engaged in an ongoing share buyback program whereby its buyback agent has repurchased Public Shares subject to certain limitations. Any repurchased Public Shares are subsequently retired or held in Treasury. As of December 31, 2020 and December 31, 2019, 11,835,868 and 4,278,966 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, 2020 and December 31, 2019
(Stated in United States Dollars)

	Notes	2020	2019
Cash flows from operating activities			
Profit/(loss) for the year attributable to equity and management shareholders		$ 3,698,874,868	$ 2,149,071,616
Adjustments to reconcile changes in profit/(loss) for the year to net cash flows:			
Bond interest expense	18	82,079,517	65,765,676
Bond interest paid[1]	18	(74,250,000)	(55,000,000)
(Increase)/decrease in operating assets:			
Due from brokers		(840,701,122)	246,671,489
Trade and other receivables	9	(1,741,577)	(353,782)
Investments in securities	6	(3,359,125,794)	(1,259,295,954)
Derivative financial instruments	6	(472,703,196)	(68,946,858)
Increase/(decrease) in operating liabilities:			
Due to brokers		46,004,594	(67,510,000)
Due to Pershing Square, L.P.		–	(24,783,576)
Due to Pershing Square International, Ltd.		–	(18,145,672)
Trade and other payables	9	653,217,441	38,905,255
Deferred tax expense payable	19	38,938,004	13,508,846
Derivative financial instruments	6	565,983,347	(137,093,923)
Net cash from operating activities		**336,576,082**	**882,793,117**
Cash flows from financing activities			
Purchase of Public Shares[2]	11	(291,177,639)	(168,305,743)
Dividend distributions	11	(81,137,646)	(87,746,208)
Proceeds from issuance of the Bonds[3]	18	700,000,000	400,000,000
Expenses relating to issuance of the Bonds[4]	18	(7,468,274)	(5,140,756)
Net cash from financing activities		**320,216,441**	**138,807,293**
Net change in cash and cash equivalents		656,792,523	1,021,600,410
Cash and cash equivalents at beginning of year		1,222,846,586	201,246,176
Cash and cash equivalents at end of year	10	**$ 1,879,639,109**	**$ 1,222,846,586**
Supplemental disclosure of cash flow information			
Cash paid during the year for interest		$ 75,483,434	$ 55,770,197
Cash received during the year for interest		$ 1,232,136	$ 3,359,520
Cash received during the year for dividends		$ 81,637,693	$ 83,410,482
Cash deducted during the year for withholding taxes		$ 21,045,969	$ 18,271,732

(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.
(3) Proceeds from issuance of the 2030 and 2032 Bonds are reflected in the year ended 2020 and proceeds for the 2039 Bonds are reflected in the year ended 2019.
(4) Expenses from issuance of the Bonds for the year ended 2020 pertain to the 2030, 2032 and 2039 Bonds. Expenses for the year ended 2019 pertain to the 2039 Bonds.

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 the Protection of Investors (Bailiwick of Guernsey) Law, 1987 and the Registered Collective Investment Scheme Rules 2008 (issued by the Guernsey Financial Services Commission, the "GFSC"), 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 under the Protection of Investors Law and the 2008 Rules.

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.

Bond Offering

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 closed on the offering of $500 million Senior Notes that mature on November 15, 2030 (the "2030 Bonds" and together with the 2022 Bonds, 2039 Bonds and 2032 Bonds, "the Bonds"). The 2030 Bonds were issued at par with a coupon rate of 3.25% per annum.

The Bonds' coupons are paid semi-annually. The Bonds are listed on the Euronext Dublin with a trading symbol of PSHNA.

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, Richard Battey, Bronwyn Curtis, Anne Farlow, Andrew Henton and Richard Wohanka, 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

Effective August 1, 2020, Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") replaced both Elysium Fund Management Limited, the Company's prior administrator, and Morgan Stanley Fund Services (Cayman) Ltd., the Company's prior sub-administrator. Effective September 1, 2020, Northern Trust replaced Elysium as 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, 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, 2022 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 discussed below.

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 plus any directly attributable incremental costs of acquisition or issue, 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 coupon interest accrued as well as amortization of the transaction costs from the bond offerings.

(v) Derecognition

The Company will derecognize its liability associated with each of the Bonds upon maturity 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. When dealer quotes are being used to assess the value of a holding, an attempt is made to obtain several independent quotes. 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 and/or values such instruments after considering, among other factors, the mark-to-market price provided by the dealer with which the Company established the position or other 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.

For investments where no external pricing sources are available (i.e. Level 3 investments), they 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.

Amounts Due To and Due From Brokers

Due from brokers includes cash balances held at the Company's prime brokers, cash held and collateral pledged at the 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. 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.

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 comprise cash held at banks and money market funds which are invested in U.S. Treasurys and obligations of the U.S. government.

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 and rebate expense and borrowing costs on securities sold not yet purchased 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 three 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 the 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. 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 newly organized 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, 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.

Pershing Square VI, L.P. ("PS VI LP") and Pershing Square VI International, L.P. ("PS VI Intl"), each feeder funds to Pershing Square VI Master, L.P. ("PS VI Master Fund"), all of which operated collectively as a co-investment vehicle invested primarily in securities of (or otherwise seeking to be exposed to the value of securities issued by) Automatic Data Processing, Inc. ("ADP"), were affiliated investment funds (collectively "PS VI"). PS VI commenced operations on July 24, 2017 and ceased operations as of July 31, 2019 (the "PSVI Cessation Date"). During its operation, the Company held investments in PS VI LP and PS VI Intl. See Note 16 for further detail.

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

All realized and unrealized gains and losses from the Company's investments in PS VI and PSTH Sponsor are reflected in the statement of comprehensive income for the years ended 2019 and 2020, respectively. 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 PS VI and PSTH Sponsor.

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, current and projected financial performance, volatility of the underlying securities' stock prices, 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.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Company has assessed the impact of amendments made to IFRS 3, IFRS 7, IFRS 9, IFRS 16, IAS 39, IAS 1, IAS 8 and the Conceptual Framework for Financial Reporting, 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 9, IFRS 17, IAS 41 IAS 1, IAS 3, 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	2020	2019
Investments in securities	$ 9,093,461,819	$ 5,734,336,025
Derivative financial instruments	603,563,999	130,860,803
Financial assets at fair value through profit or loss	**$ 9,697,025,818**	**$ 5,865,196,828**

Financial liabilities at fair value through profit or loss:

As of December 31	2020	2019
Derivative financial instruments	$ 573,590,762	$ 7,607,415
Financial liabilities at fair value through profit or loss	**$ 573,590,762**	**$ 7,607,415**

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

For the years ended December 31	2020			2019		
	Realized	**Unrealized**	**Total Gains/(Losses)**	**Realized**	**Unrealized**	**Total Gains/(Losses)**
Financial assets at fair value through profit or loss	$ 142,989,921	$ 2,056,431,944	$ **2,199,421,865**	$ 260,672,692	$ 1,776,919,372	$ **2,037,592,064**
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–
Derivative financial instruments	1,829,627,106	531,264,836	**2,360,891,942**	(9,180,025)	244,329,177	**235,149,152**
Net changes in fair value	$ 1,972,617,027	$ 2,587,696,780	$ **4,560,313,807**	$ 251,492,667	$ 2,021,248,549	$ **2,272,741,216**

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, Treasurys (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, 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	2020				2019			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:								
Equity Securities:								
Common Stock:								
Financial Services	$ 346,991	$ –	$ –	$ 346,991	$ 399,340	$ –	$ –	$ 399,340
Hospitality	1,269,175	–	–	1,269,175	945,704	–	–	945,704
Insurance/Industrials	–	–	–	–	734,632	–	–	734,632
Life Science Tools/Industrials	1,238,920	–	–	1,238,920	116,508	–	–	116,508
Real Estate Development and Operating	681,387	–	–	681,387	221,782	–	–	221,782
Restaurant	3,545,817	–	–	3,545,817	2,392,970	–	–	2,392,970
Retail	1,700,141	–	–	1,700,141	833,161	–	–	833,161
Preferred Stock:								
Financial Services	94,265	–	–	94,265	90,239	–	–	90,239
Investment in Affiliated Entity								
Special Purpose Acquisition Company	–	–	216,765[(3)]	216,765	–	–	–	–
Derivative Contracts (Held for Trading):								
Currency Call/Put Options	–	243[(1)]	–	243	–	–	–	–
Equity Forwards:								
Life Science Tools/Industrials	–	–	–	–	–	58,972[(2)]	–	58,972
Real Estate Development and Operating	–	–	–	–	–	43,028[(2)]	–	43,028
Foreign Currency Forwards	–	223[(1)]	–	223	–	–	–	–
Forward Purchase Units:								
Special Purpose Acquisition Company	–	–	536,441[(4)]	536,441	–	–	–	–
Interest Rate Swaptions	–	61,101[(1)]	–	61,101	–	–	–	–
Total Return Swaps:								
Financial Services	–	5,557[(2)]	–	5,557	–	28,861[(2)]	–	28,861
Total	**$ 8,876,696**	**$ 67,124**	**$ 753,206**	**$ 9,697,026**	**$ 5,734,336**	**$ 130,861**	**$ –**	**$ 5,865,197**

Recurring Fair Value Measurement of Assets and Liabilities (continued)

(in thousands)

As of December 31	2020				2019			
	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:								
Restaurant	–	–	–	–	–	2,180[2]	–	2,180
Equity Options Written:								
Real Estate Development and Operating	–	47,712[1]	–	47,712	–	–	–	–
Foreign Currency Forwards	–	–	–	–	–	5,427[1]	–	5,427
Index Credit Default Swaps	–	524,618[2]	–	524,618	–	–	–	–
Total	**$ –**	**$ 573,591**	**$ –**	**$ 573,591**	**$ –**	**$ 7,607**	**$ –**	**$ 7,607**

(1) Level 2 financial instruments may 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 are included within Level 2. Additionally, the Investment Manager employs an independent third-party pricing service to conduct valuations. The independent third-party pricing service uses widely recognized valuation models for determining fair values of OTC derivatives. The most frequently applied valuation techniques include forward pricing and option models, using present value calculations.

(2) Level 2 financial instruments may 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) This figure relates to the Company's investment in PSTH Sponsor as of the year ended 2020. Refer to Note 16 for further details. Substantially all of the instruments underlying the Company's investment in PSTH Sponsor are Level 3.

(4) This figure includes the Company's investments in the Committed Forward Purchase Units and the Additional Forward Purchase Units. Refer to Note 14 for further details.

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 proportion of the Company's portfolio. If such investments were sold or covered in their entirety, it might not be possible to sell 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 that it is difficult to accurately estimate the potential discount or premium to quoted market prices that the Company would receive or realize.

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 include the Company's investment in PSTH Sponsor (as disclosed in Note 16) and the Committed Forward Purchase Units and Additional Forward Purchase Units (as disclosed in Note 14). 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, current and projected financial performance, probability assessments, volatility of the underlying securities' stock price, dividend yields and/or interest rates. In addition, the Investment Manager employs an independent third-party valuation firm to conduct valuations. 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. The following table summarizes the change in the carrying amounts associated with Level 3 investments for the year ended 2020. The Company did not hold Level 3 securities as of December 31, 2019.

	Forward Purchase Units	Investment in Affiliated Entity	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 gain of $694,217,768 from Level 3 securities held directly with/referencing PSTH. The most significant input driving the valuation of these investments is the appreciation of PSTH stock which closed on December 31, 2020 at $27.72 as compared to its July 22, 2020 IPO price of $20.00.

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:

Financial Asset	Year Ended	Fair Value	Valuation Techniques	Unobservable Input	Input
Forward Purchase Units:					
Committed Forward Purchase Units	2020	$ 387,563,628	Black-Scholes pricing model	Discount for Lack of Marketability	3%
Additional Forward Purchase Units	2020	$ 148,876,614	Black-Scholes pricing model	Discount for Lack of Marketability	8%
				Discount for Probability of Exercise	79.8%
Investment in Affiliated Entity:					
Sponsor Warrants	2020	$ 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 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 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 of the Additional Forward Purchase Units up to $2 billion. This additional feature, combined with the FPA Lock-Up, resulted in a DLOM of 8%. The Discount for Probability of Exercise is a direct result of the embedded option component previously stated. It is modelled to reflect the possible exercise of values between nil and $2 billion, resulting in a discount of 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% 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 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 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 are shown as follows:

Financial Asset	Year Ended	Unobservable Input	Sensitivity Used	Effect on Fair Value
Forward Purchase Units:				
Committed Forward Purchase Units	2020	Discount for Lack of Marketability	+2%/-2%	$(7,983,360) / $7,983,360
Additional Forward Purchase Units	2020	Discount for Lack of Marketability	+3%/-3%	$(4,808,160) / $4,808,160
Additional Forward Purchase Units	2020	Discount for Probability of Exercise	+3%/-3%	$(22,055,795) / $22,055,795
Investment in Affiliated Entity:				
Sponsor Warrant	2020	Volatility	+5%/-5%	$31,752,000 / $(32,659,200)
Sponsor Warrant	2020	Illiquidity Discount	+5%/-5%	$(12,700,800) / $12,700,800
Sponsor Warrant	2020	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 primarily for investment purposes, and periodically for 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.

The Company's derivative trading activities are primarily the purchase and sale of OTC and listed equity options, equity forward contracts, index and single-name credit default swaps, total return swap contracts and foreign currency options and forward contracts. 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.

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 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. While there is no credit event, 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, 2020, the Company had a maximum potential loss of $564,492,880 relating to written equity put options, assuming the underliers 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). At December 31, 2019, the Company had no written options.

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).

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, 2020 and December 31, 2019, together with their average notional amounts (or shares, when applicable) 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	2020		2019	
	Fair Value	Average Notional	Fair Value	Average Notional
Derivatives primarily held for trading purposes				
Assets				
Currency Call/Put Options	$ 243,466	$ 265,360,922	$ –	$ –
Equity Forwards	–	102,380,104	101,999,533	1,126,077,944
Forward Purchase Units	536,440,242	719,088,197	–	–
Interest Rate Swaptions	61,101,294	304,845,333	–	–
Total Return Swaps	5,556,245	69,711,494	28,861,270	96,605,710
Total Assets	**$ 603,341,247**	**$ 1,461,386,050**	**$ 130,860,803**	**$ 1,222,683,654**
Liabilities				
Equity Forwards	$ –	$ 119,308,042	$ 2,180,511	$ 60,442,290
Equity Options	47,711,572	174,732,049	–	–
Total Liabilities	**$ 47,711,572**	**$ 294,040,091**	**$ 2,180,511**	**$ 60,442,290**
Derivatives primarily held for risk management purposes				
Assets				
Foreign Currency Forwards	**$ 222,752**	**$ 299,142,964**	**$ –**	**$ –**
Liabilities				
Credit Default Swaps	$ 1,260,780	$ 4,351,500	$ –	$ –
Foreign Currency Forwards	–	–	5,426,904	305,682,837
Index Credit Default Swaps	524,618,410	8,284,621,212	–	–
Total Liabilities	**$ 525,879,190**	**$ 8,288,972,712**	**$ 5,426,904**	**$ 305,682,837**

The table below summarizes gains or losses from the Company's derivative trading activities for December 31, 2020 and December 31, 2019 that are included in investment gains and losses.

Derivatives for Trading Activities	Year Ended 2020 Net Gain/(Loss)	Year Ended 2019 Net Gain/(Loss)
Credit Default Swaps	$ (43,081)	$ –
Currency Call/Put Options	(6,097,741)	(1,732,784)
Equity Forwards	(320,069,585)	99,819,022
Equity Options	121,246,522	25,440,446
Foreign Currency Forwards	(1,560,028)	(11,638,315)
Forward Purchase Units	536,440,242	–
Index Credit Default Swaps	2,057,013,956	–
Interest Rate Swaptions	(2,733,319)	–
Total Return Swaps	(23,305,024)	123,260,783
Total Net Gain/(Loss)	**$ 2,360,891,942**	**$ 235,149,152**

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, 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)[2]	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**	**$ –**

As of December 31, 2019	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	$ 130,860,803	$ –	$ 130,860,803	$ (2,180,511)	$ (122,334,209)	$ 6,346,083
Total	**$ 130,860,803**	**$ –**	**$ 130,860,803**	**$ (2,180,511)**	**$ (122,334,209)**	**$ 6,346,083**
Derivative Liabilities	$ (2,180,511)	$ –	$ (2,180,511)	$ 2,180,511	$ –	$ –
Total	**$ (2,180,511)**	**$ –**	**$ (2,180,511)**	**$ 2,180,511**	**$ –**	**$ –**

(1) The gross amounts include derivative assets and liabilities which the Company has entered into with an ISDA counterparty and are collateralized. Derivative assets and liabilities not subject to ISDA Master Agreements totaled $536,662,994 and $525,879,190, respectively.

(2) The Company has also received collateral of approximately $633,000 and posted collateral of approximately $157.4 million 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 Agreements.

(3) The Company has also received collateral of approximately $34,000 and posted collateral of approximately $230.1 million (net of pending settlements) 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.

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	2020	2019
Trade and other receivables		
Dividends receivable	$ 8,436,729	$ 6,404,920
Prepaids and other receivables	414,478	184,403
Interest receivable	14,415	534,722
	$ 8,865,622	**$ 7,124,045**

As of December 31	2020	2019
Trade and other payables		
Performance fees payable	$ 692,206,795	$ 38,707,174
Other payables	1,463,960	1,458,367
Interest payable	169,866	–
Settlement of share buybacks	–	5,331,783
	$ 693,840,621	**$ 45,497,324**

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	2020	2019
Cash and cash equivalents		
Cash at banks	$ –	$ 799
U.S. Treasury money market funds	1,879,639,109	1,222,845,787
	$ 1,879,639,109	**$1,222,846,586**

As of December 31, 2020, money market fund investments in Goldman Sachs Financial Square Treasury Instruments Fund and BlackRock Liquidity Funds Treasury Trust Fund had fair values of $1,135,121,890 (2019: $968,816,432) and $744,517,219 (2019: $254,029,355), respectively.

11. SHARE CAPITAL

Authorized and Issued Capital

The Board of the Company is authorized to issue an unlimited number of shares, classes of shares or series, as determined by the Board. 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.

The Company had 199,120,882 Public Shares (2019: 206,677,784) and the Special Voting Share outstanding as of December 31, 2020. All Management Shares converted to Public Shares on December 31, 2020 (2019: 5,160,225 Management Shares outstanding). In addition, the Company holds 11,835,868 Public Shares in Treasury (2019: 4,278,966) for a total of 210,956,750 Public Shares in issue as of December 31, 2020 (2019: 210,956,750).

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 2020 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 20,044,933 Public Shares and up to 516,022 Management Shares (equal to 10% of the Public Shares and 10% of the Management Shares outstanding as at the latest practicable date prior to the date of publication of the Notice of the 2020 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 with regards to Public Shares at the 2021 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, which 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 other members of the PSCM's investment and management teams 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 ten 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, so long as they hold at least as many shares of the class such Management Shares were converted into). As of December 31, 2020, 7,950,974 Public Shares were subject to the Lock-Up Deed (2019: 7,891,079).

Share Conversion

Subject to the terms of the lock-up agreements, holders of Management Shares are entitled to convert into Public Shares at the current NAV as of the last day of each calendar month upon such days' prior written notice to the Company as the Board may determine.

As a result of amendments to the Articles approved by shareholders at the 2018 Annual General Meeting, 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 as at each month end. The Management Shares resulting from these conversions are not subject to the lock-up described in "Lock-up."

During the year ended December 31, 2020, holders of Management Shares converted 5,160,225 Management Shares into 6,175,883 Public Shares. During the year ended December 31, 2019, holders of Management Shares converted 783,086 Public Shares into 719,357 Management Shares and converted 185,949 Management Shares into 200,343 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 Management Share 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 as discussed below.

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. Please see "Dividends" in the Report of the Directors for further information regarding the dividend. For the year ended December 31, 2020, the Company paid dividends of $81,137,646 (2019: $87,746,208).

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 2020 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.

The Company announced share buyback programs in June, October and December of 2019 and 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. The Company repurchased 13,732,785 (2019: 9,355,567) Public Shares for a total of $286 million (2019: $174 million) at an average discount of 32.0% (2019: 28.3%) for the year ended December 31, 2020. Beginning on October 24, 2019, all Public Shares repurchased were held in Treasury. Public Shares repurchased prior to this date were cancelled. 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% as of December 31, 2020.

As presented in "Supplemental U.S. GAAP Disclosures - Financial Highlights", the Company's 2020 share repurchases provided accretion to the Public Shares of $0.66 per share for the year ended December 31, 2020 (2019: $0.31).

The Company intends to propose that shareholders renew its general share buyback authority at the 2021 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 86 under "Lock-up", the Investment Manager imposed a ten-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, 2020 and December 31, 2019 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**

	Management Shares	Public Shares	Special Voting Share
Shares Outstanding as of December 31, 2018	**4,626,817**	**216,616,094**	**1**
Share Buybacks*	–	(9,355,567)	–
Conversion Out	(185,949)	(783,086)	–
Conversion In	719,357	200,343	–
Shares Outstanding as of December 31, 2019	**5,160,225**	**206,677,784**	**1**

* Beginning on October 24, 2019, all Public Shares repurchased were held in Treasury. Public Shares repurchased prior to this date were cancelled. The Company holds 11,835,868 Public Shares in Treasury which are excluded from Public Shares outstanding.

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 2020	Year Ended 2019
Interest earned on collateral balances	$ 1,030,739	$ 2,828,170
Cash	31,409	204,956
	$ 1,062,148	**$ 3,033,126**

Interest Expense	Year Ended 2020	Year Ended 2019
Bonds coupon expense	$ 79,602,528	$ 63,592,033
Amortization of Bonds issue costs incurred as finance costs	2,476,989	2,173,643
Interest expense on collateral balances	1,401,786	618,641
Cash	1,515	325
	$ 83,482,818	**$ 66,384,642**

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 – 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.

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.

The Company's derivative trading activities are discussed in detail in Note 8 and a portfolio of the derivatives held as of December 31, 2020 is presented in the Condensed Schedule of Investments on pages 103-104 (which is explicitly incorporated by reference into these Notes to Financial Statements).

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, generally, believe that hedging interest rate risk is a prudent use of capital. The Company did however, initiate a position in interest rate swaptions in December 2020 as it believes the potential portfolio hedging benefits and asymmetric profit opportunity provided an attractive opportunity.

The following table shows the Company's exposure to U.S. interest rates as of December 31, 2020 as a result of its investment in an interest rate swaption. The analysis calculates the effect of a reasonably possible percentage change to the rate and its effect on the Company's profit or loss with all other variables are held constant. The Company did not hold interest rate swaptions as of December 31, 2019.

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

The Company's investments in cash and cash equivalents have limited exposure to interest rate risk because the duration of these investments is less than 90 days. As of December 31, 2020 and December 31, 2019 cash and cash equivalents equaled $1,879,639,109 and $1,222,846,586, respectively. The Bonds have no interest rate risk as the interest rate is 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 is exposed to risks that the exchange rate of the USD relative to other foreign currencies may change in a manner that has an adverse effect on the fair value of future cash flows of that portion of the Company's financial assets or liabilities denominated in currencies other than USD.

The Company primarily utilizes forward exchange contracts and currency options to hedge foreign currency denominated investments, though it may invest in such instruments for other purposes. The primary purpose of the Company's foreign currency economic hedging activities is to protect against the foreign currency exposure associated with investments denominated in foreign currencies. Increases or decreases in the fair value of the Company's foreign currency denominated investments are partially offset by gains and losses on the economic hedging instruments. Also refer to the Condensed Schedule of Investments on pages 103-104 (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 direct exposure at December 31, 2020 and December 31, 2019 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 (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)

Currency (2019)		Net Foreign Currency Exposure	Change in Currency Rate		Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$	11,206,411	+8%	$	(15,644,761)
CAD	$	11,206,411	-8%	$	(2,174,972)

Equity Price Risk

The Company's portfolio is highly concentrated, and may invest 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 15-20 and the Condensed Schedule of Investments on pages 103-104 (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 (2020)	
+10%	+12%
-10%	-12%

	% Change in Net Assets Attributable to all Shareholders
Change in Equity Price (2019)	
+9%	+11%
-9%	-11%

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	2020	2019
North America	100%	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	2020	2019
Restaurant	37%	40%
Retail	18%	14%
Hospitality	13%	16%
Life Science Tools/Industrials	13%	3%
Special Purpose Acquisition Company	8%	–
Real Estate Development and Operating	6%	5%
Financial Services	5%	9%
Insurance/Industrials	–	13%
Total	**100%**	**100%**

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, 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	536,440,242**	603,563,999
Total Assets	**$ 9,405,905,900**	**$ 1,754,450,722**	**$ 352,455,425**	**$ 274,868,256**	**$ 753,526,870**	**$ 12,541,207,173**
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	–	573,590,762
Total liabilities excluding net assets attributable to shareholders	1,316,962,827	22,519,794	42,753,356	80,600,323	2,723,650,000	4,186,486,300
Net assets attributable to shareholders	–	–	–	–	–	–
Total Liabilities	**$ 1,316,962,827**	**$ 22,519,794**	**$ 42,753,356**	**$ 80,600,323**	**$ 2,723,650,000**	**$ 4,186,486,300**

* 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.

** Represents the fair value of the Forward Purchase Units, which is the value that would be received to sell these assets in an orderly transaction between market participants at the measurement date. Pursuant to the Forward Purchase Agreement, the Company has an obligation to purchase Committed Forward Purchase Units and the option to purchase Additional Forward Purchase Units no later than simultaneously with the closing of PSTH's IBC. The Committed Forward Purchase Units and Additional Forward Purchase Units each have a purchase price of $20.00. See Note 14 for further details.

As of December 31, 2019	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	$ 1,222,846,586	$ –	$ –	$ –	$ –	$ 1,222,846,586
Due from brokers	114,975,502	–	–	–	–	114,975,502
Trade and other receivables	7,124,045	–	–	–	–	7,124,045
Financial assets at fair value through profit or loss:						
Investments in securities	4,703,594,767	726,462,406	249,674,918	54,603,934	–	5,734,336,025
Derivative financial instruments*	51,792,308	48,447,390	26,965,946	3,655,159	–	130,860,803
Total Assets	**$ 6,100,333,208**	**$ 774,909,796**	**$ 276,640,864**	**$ 58,259,093**	**$ –**	**$ 7,210,142,961**
Liabilities						
Due to brokers	$ –	$ –	$ –	$ –	$ –	$ –
Trade and other payables	45,497,324	–	–	–	–	45,497,324
Deferred tax expense payable	3,025,184	5,912,860	4,570,802	–	–	13,508,846
Bonds	36,850,000	–	–	37,400,000	1,886,200,000	1,960,450,000
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments*	7,607,415	–	–	–	–	7,607,415
Total liabilities excluding net assets attributable to management shareholders	92,979,923	5,912,860	4,570,802	37,400,000	1,886,200,000	2,027,063,585
Net assets attributable to management shareholders	–	134,828,916	–	–	17,535,993	152,364,909
Total Liabilities	**$ 92,979,923**	**$ 140,741,776**	**$ 4,570,802**	**$ 37,400,000**	**$ 1,903,735,993**	**$ 2,179,428,494**

* 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.

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 in U.S. Treasurys 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, 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 103-104 (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 credit exposure to be $156,794,838 and $236,389,446 at December 31, 2020 and December 31, 2019, 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 may purchase credit default swap contracts to hedge against a portion of the Company's credit exposure to certain derivative counterparties. At December 31, 2020 and December 31, 2019, the Company held no credit default swap contracts on its counterparties. The Company did however, utilize index credit default swaps and credit default swaps referencing unrelated counterparties during 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, 2020 and December 31, 2019, 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. 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 for a significant period of time. 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 (2020: $1,879,639,109, 2019: $1,222,846,586), due from brokers (2020: $955,676,624, 2019: $114,975,502) and financial assets portfolio (2020: $9,697,025,818, 2019: $5,865,196,828) based on the underlying custodians' and counterparties' credit rating, with the exception of the Company's investments in 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"), the Company has exposure to both the FCM and the clearing house which securities are cleared. This calculation only considers the credit rating of the FCM.

As of December 31	2020	2019
AAA	16%	17%
A	83%	81%
BBB+	1%	2%
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	2020	2019
Due from brokers		
Cash held at prime brokers	$ 1,418,813	$ 8,475,934
Gross ISDA collateral posted	199,340,019	228,867,416
Cash/collateral held at FCM	770,647,811	–
Netting of collateral allowable under ISDA agreements	(15,730,019)	(122,367,848)
	$ 955,676,624	**$ 114,975,502**

As of December 31	2020	2019
Due to brokers		
Gross ISDA collateral received	$ (61,734,613)	$ (122,367,848)
Netting of collateral allowable under ISDA agreements	15,730,019	122,367,848
	$ (46,004,594)	**$ –**

14. COMMITMENTS AND CONTINGENCIES

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 have agreed to purchase an aggregate of $1,000,000,000 of units (the "Committed Forward Purchase Units"), which will have a purchase price of $20.00 and consist of one share of PSTH Class A common stock and one-third of one warrant. The purchase of the 50,000,000 Committed 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 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.

The forward purchase agreement also provides that the Pershing Square Funds (and/or affiliated co-investment funds) may elect to purchase up to an additional aggregate amount of $2,000,000,000 of units (the "Additional Forward Purchase Units" and collectively with the Committed Forward Purchase Units, the "Forward Purchase Units"), which will also have a purchase price of $20.00 and consist of one share of Class A common stock and one-third of one warrant. Any elections to purchase Additional Forward Purchase Units will also take place in one or more private placements, in such amounts and at such time or times as the Pershing Square Funds determine, but no later than simultaneously with the closing of PSTH's IBC. 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 PSI at 90.72%, 5.73% and 3.55%, respectively.

Other than disclosed above, there were no other commitments or contingencies as of December 31, 2020 and December 31, 2019.

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.

For the years ended December 31, 2020 and 2019, the Investment Manager earned management fees from the Company of $95,794,204 and $64,422,781, respectively.

The Investment Manager chose to reduce the management fees paid by the Company and three affiliated entities managed by the Investment Manager for eight consecutive quarters beginning with the management fee payable on April 1, 2018 by a total of $32.2 million. This amount is equal to the amount by which performance fees would have been reduced had Allergan-related settlement expenses been incurred in 2014 contemporaneously with gains from the Allergan investment. The reduced fees were allocated among the Company and three affiliated entities based upon the amount of settlement reserves previously recognized at the years ended 2016 and 2017. As a result, the Company's management fees were reduced by a total of $14.4 million.

The Investment Manager reduced the management fees paid by the Company and three affiliated entities on March 1, 2019 as a result of the Investment Manager's sale of its investment in IEX Group, Inc. ("IEX"). The Company's portion of the reduction was $2,477,980. See Note 16 for further details.

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 $30.1 million in 2020, the Potential Offset Amount was reduced to $52.4 million as of December 31, 2020 (2019: $82.5 million).

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. For the year ended December 31, 2019, the Investment Manager earned performance fees of $275,219 in connection with the payment of the quarterly dividend and an annual performance fee of $38,704,421.

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

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.

The Investment Manager effected rebalancing transactions among the Company, PSLP and PSINTL in relation to certain of the Company's investments. The aggregate fair value of these rebalancing transactions was $8,119,333 and $105,934,754 for the years ended 2020 and 2019, respectively. Rebalancing transactions pertaining to the Company's investment in PSVI are discussed in "Pershing Square VI Investments".

Pershing Square VI Investments

During the period from January 1, 2019 to July 31, 2019, the Company held investments in each of PS VI Intl and PS VI LP. As of the PS VI Cessation Date, the Company had ownership percentages in PS VI Intl and PS VI LP of 49.70% and 19.84%, respectively. On the PS VI Cessation Date, PS VI transferred to the Company its ownership of 1,392,332 ADP common shares (with a value of $228,342,448), as a partial redemption in kind of its indirect ownership interests in the PS VI Master Fund. Immediately following the ownership transfer, the PS VI Master Fund sold such ADP shares through a block sale as agent to the Company. On August 8, 2019, the remainder of the Company's ownership was paid out in cash except for cash held back for any adjustments required to be made pursuant to the PS VI final audits. The final distribution was made on October 17, 2019.

The Investment Manager had determined that the Company's investments in PS VI were fair valued in accordance with IFRS and the Company's accounting policy. No fair value adjustments were made for trading restrictions. The Company was not charged a management fee or performance fee in relation to its investments in PS VI.

All realized and unrealized gains and losses from the investments in PS VI were reflected in the statement of comprehensive income for the year ended December 31, 2019. The Company did not recognize gains or losses of any kind subsequent to the final distribution date of October 17, 2019.

During 2019, the Investment Manager effected rebalancing transactions in PS VI on April 1, 2019 and July 1, 2019 among the Company, PSLP and PSINTL. On April 1, 2019, the Company purchased $21,532,957 and $23,146,526 of PSINTL's interests in PS VI Intl and PSLP's interest in PS VI LP, respectively. On July 1, 2019, the Company purchased $18,715,681 and $17,691,431 of PSINTL's interests in PS VI Intl and PSLP's interest in PS VI LP, respectively. The Company's purchases were completed at the fair market values of PS VI LP and PS VI Intl based on the closing prices of the PS VI Master Fund's underlying securities on the date prior to the transactions. In connection with each rebalancing transaction, the Company sold certain direct interests it owned in ADP so that after the rebalancing transactions the Company's delta-adjusted exposure to ADP reached the intended percentage of its adjusted net assets.

Pershing Square Tontine Holdings, Ltd.

The Pershing Square Funds wholly own PSTH Sponsor, an affiliate of the Investment Manager, and are its only source of funding. PSTH Sponsor is the sponsor entity for PSTH, which is a newly organized 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.

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 a share. The Company's portion of the contribution was $21,076. The number of votes carried by each share of Class B common stock will be such that, the 100 shares of Class B common stock will, in the aggregate, hold 20.0% of the voting power of the Class A common stock and Class B common stock issued and outstanding immediately following PSTH's IPO and will not be adjusted following PSTH's IBC or upon the issuance of any Forward Purchase Units.

In addition to the Pershing Square Funds' initial capital contribution, PSTH Sponsor agreed to loan PSTH up to $1,500,000 to cover certain expenses pursuant to a promissory note. The loan was unsecured, accrued interest on a monthly basis at the applicable federal rate, and was payable no later than the end of the 24-month (or 30-month, as applicable) period from the PSTH IPO in which PSTH must complete its IBC.

From May 26, 2020 to July 2, 2020, the Company made additional 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 Pershing Square Funds.

On July 21, 2020, PSTH Sponsor agreed to purchase the Sponsor Warrants from PSTH for an aggregate purchase price of $65,000,000. The Company's pro-rata portion of the Sponsor Warrants' purchase price was $58,967,000. The Sponsor Warrants will generally not be salable, transferable or exercisable until three years after the date of PSTH's initial business combination (the "IBC"), and 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 the PSTH's IBC, as more fully described in the PSTH S-1. The Sponsor Warrants will have a term of 10 years from the consummation of PSTH's IBC.

As of December 31, 2020, the market value of PSTH Sponsor's investment in the Sponsor Warrants and Class B common stock of PSTH was $238,940,673 and $2,772, respectively, and $238,943,445 in total. Based on the Company's 90.72% ownership of PSTH Sponsor, the market value of the Company's investment in PSTH Sponsor was $216,765,432 as of December 31, 2020. All realized and unrealized gains and losses from the Company's investment in PSTH Sponsor are reflected in the statement of comprehensive income for the year ended December 31, 2020. See Note 7 for the discussion on the fair value measurement.

In addition to the Company's investment in PSTH Sponsor, the Company agreed to purchase the Committed Forward Purchase Units from PSTH and may elect to purchase Additional Forward Purchase Units. See Note 14 for further details regarding these investments.

Director's Fees

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. For the year ended December 31, 2019, the Company's independent Directors' fees in relation to their services for the Company were $357,559 of which none were payable as of December 31, 2019.

Management and Performance Fees

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

The IMA was amended February 12, 2019 to account for the effect of a dividend on fees paid to the Investment Manager. This amendment constituted a small transaction for the purposes of Chapter 11 of the Listing Rules and was therefore exempt from the requirements thereof.

In January 2013, PSCM invested $1 million in IEX, a private alternative trading system company. IEX's business objective is to create an execution alternative to reduce the trading costs of large investors (including the Company). The Pershing Square Funds were prohibited from investing in IEX due to restrictions on investments in private companies. Because PSCM believed that the success of the IEX platform would benefit all funds managed by PSCM and that the funds would likely trade on the IEX platform, in order to eliminate any potential for conflicts of interest, PSCM chose to invest in IEX effectively on behalf of the funds, including the Company.

At the time of PSCM's $1 million investment in IEX, PSCM committed to bear 100% of any losses from its investment in IEX. In the event the investment in IEX was profitable, PSCM committed to reduce the aggregate management fees that the Pershing Square Funds and Pershing Square II, L.P. paid by an amount equal to any profit realized in respect of the disposition, as adjusted in its sole discretion, for any fees, costs, taxes, or expenses incurred by PSCM from the investment.

PSCM sold its investment in IEX in March 2019 and realized $3.7 million in net profits after adjusting for taxes and other expenses. As previously agreed by PSCM, the profits were used to reduce the management fees payable by the Pershing Square Funds and Pershing Square II, L.P. The reduction was allocated pro-rata among these funds based on each fund's respective net asset value as of March 1, 2019. As a result, the 2019 management fees payable by the Company were reduced by $2,477,980.

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.

As of December 31, 2020 and December 31, 2019, the Company and its affiliates beneficially owned in excess of 10% of the outstanding common equity securities of The Howard Hughes Corporation. Additionally, as of December 31, 2020, assuming full election of the Forward Purchase Units, the Company and its affiliates beneficially owned in excess of 10% of PSTH.

William A. Ackman is the chairman of the board of The Howard Hughes Corporation, and Ryan Israel, a member of PSCM's investment team, was a board member of Platform Specialty Products Corporation until his resignation on February 4, 2019.

PSH Ownership

During the year ended December 31, 2020, William Ackman and other affiliates of PSCM purchased and sold Public Shares as well as option contracts referencing the Public Shares. As a result of these transactions, assuming full exercise by their terms of all such call option contracts, which Mr. Ackman intends to exercise in 2021, the share ownership of the Company held by William Ackman, Nicholas Botta and other affiliates of PSCM would be approximately 25% at December 31, 2020 on a fully diluted basis (December 31, 2019: 22%).

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 197,168,930 and 1, respectively, for the year ended December 31, 2020 and 214,402,994 and 1, respectively, for the year ended December 31, 2019.

18. BONDS

The Company has issued the following Senior Notes as follows:

Bond	Date of Issuance	Bond Face	Fixed Rate Coupon	Maturity Date
2022 Bonds	June 26, 2015	$ 1,000,000,000	5.50% per annum	July 15, 2022
2039 Bonds	July 25, 2019	$ 400,000,000	4.95% per annum	July 15, 2039
2032 Bonds	August 26, 2020	$ 200,000,000	3.00% per annum	July 15, 2032
2030 Bonds	November 2, 2020	$ 500,000,000	3.25% per annum	November 15, 2030

The Bonds are listed on the Euronext Dublin with a trading symbol of PSHNA.

The fixed rate coupon of each Bond is paid semi-annually. The proceeds from each offering of Bonds were in U.S. Dollars and were used to make investments or hold assets in accordance with the Company's Investment Policy. 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 2039, 2032 and 2030 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 the 2039 Bonds is July 15, 2034, for the 2032 Bonds is July 15, 2030 and for the 2030 Bonds is August 15, 2030.

Until July 15, 2022, the 2039, 2032 and 2030 Bonds each have the same key man provision as the 2022 Bonds, which requires the Company to make an offer to acquire the 2022 Bonds and 2039 Bonds at 101% of par plus accrued interest if a key man event occurs. After July 15, 2022 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, 2020 and December 31, 2019 is summarized in the table below:

As of December 31	2020	2019
Fair Value of the Bonds		
2022 Bonds	$ 1,057,350,000	$ 1,059,430,000
2039 Bonds	469,480,000	440,160,000
2032 Bonds	198,538,000	–
2030 Bonds	506,925,000	–
	$ 2,232,293,000	**$ 1,499,590,000**

In accordance with IFRS 9, the Bonds' carrying value on the statement of financial position as of December 31, 2020 and December 31, 2019, is $2,122,787,844 and $1,422,883,554, respectively. The Bonds' carrying value includes $27,721,656 of capitalized transaction costs which are amortized over the life of the Bonds using the effective interest method.

		2020
At December 31, 2019	**$**	**1,422,883,554**
Write-off of 2039 Bonds issue costs		86,988
2032 Bonds issued		200,000,000
2032 Bonds issue costs		(1,936,379)
2030 Bonds issued		500,000,000
2030 Bonds issue costs		(6,075,836)
Finance costs for the year		82,079,517
Bonds coupon payments during the year		(74,250,000)
At December 31, 2020	**$**	**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**

		2019
At December 31, 2018	**$**	**1,017,411,979**
2039 Bonds issued		400,000,000
2039 Bonds issue costs		(5,294,101)
Finance costs for the year		65,765,676
Bonds coupon payments during the year		(55,000,000)
At December 31, 2019	**$**	**1,422,883,554**

Finance costs for the year:		
Bonds coupon expense	$	63,592,033
Amortization of Bonds issue costs incurred as finance costs		2,173,643
Interest expense	**$**	**65,765,676**

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 $38,938,005 and $13,508,846 for the years ended December 31, 2020 and December 31, 2019, 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.

Supplemental U.S. GAAP Disclosures

(Stated in United States Dollars)

CONDENSED SCHEDULE OF INVESTMENTS

Shares	Description/Name	Fair Value	Percentage of Net Assets
	Investments in Securities		
	Equity Securities		
	Common Stock		
	Canada:		
	Restaurant:		
21,389,922	Restaurant Brands International Inc.	$ 1,307,138,133	14.44%
140,873	Restaurant Brands International Limited Partnership	8,617,944	0.10
	Total Canada (cost $837,417,419)	1,315,756,077	14.54
	United States:		
	Financial Services	346,990,611	3.83
	Hospitality:		
11,407,293	Hilton Worldwide Holdings Inc.	1,269,175,419	14.02
	Life Science Tools/Industrials:		
10,455,906	Agilent Technologies Inc.	1,238,920,302	13.69
	Real Estate Development and Operating:		
8,632,800	The Howard Hughes Corporation	681,386,904	7.53
	Restaurant:		
962,452	Chipotle Mexican Grill, Inc.	1,334,641,813	14.74
8,369,971	Starbucks Corporation	895,419,498	9.89
	Retail:		
10,592,116	Lowe's Companies Inc.	1,700,140,539	18.78
	Total United States (cost $4,138,439,763)	7,466,675,086	82.48
	Total Common Stock (cost $4,975,857,182)	8,782,431,163	97.02
	Preferred Stock		
	United States:		
	Financial Services (cost $87,085,587)	94,265,224	1.04
	Total Equity Securities (cost $5,062,942,769)	8,876,696,387	98.06
	Investment in Affiliated Entity		
	United States:		
	Special Purpose Acquisition Company:		
	Pershing Square TH Sponsor, LLC		
	Sponsor Warrants(1)	216,762,909	2.39
	Class B Common Stock(1)	2,523	0.00
	Total Investment in Affiliated Entity (cost $58,988,076)	216,765,432	2.39
	Total Investments in Securities (cost $5,121,930,845)	**$ 9,093,461,819**	**100.45%**

(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.

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

Shares	Description/Name	Fair Value	Percentage of Net Assets
	Derivative Contracts		
	Currency Call/Put Options Purchased		
	Currency Put Options, U.S. Dollar Call Options (cost $6,341,207)	$ 243,466	0.00 %
	Credit Default Swaps, Buy Protection		
	United States:		
	Financial Services (premiums received $1,221,906)	(1,260,780)	(0.01)
	Equity Options Written		
	United States:		
	Real Estate Development and Operating:		
6,925,000	The Howard Hughes Corporation, Put Options, $75.08 - $91.63, 01/06/2021 - 08/11/2021 (premiums received $168,958,095)	(47,711,572)	(0.53)
	Foreign Currency Forwards		
	Currencies	222,752	0.00
	Forward Purchase Units		
	United States:		
	Special Purpose Acquisition Company:		
	Pershing Square Tontine Holdings, Ltd.		
	Committed Forward Purchase Units(2)	387,563,628	4.28
	Additional Forward Purchase Units(2)	148,876,614	1.65
	Total Forward Purchase Units	536,440,242	5.93
	Index Credit Default Swaps, Buy Protection		
	Europe	(308,616,726)	(3.41)
	United States	(216,001,684)	(2.39)
	Total Index Credit Default Swaps, Buy Protection (premiums received $511,487,493)	(524,618,410)	(5.80)
	Interest Rate Swaptions Purchased		
	Interest Rate Swaptions (cost $63,834,613)	61,101,294	0.68
	Total Return Swaps, Long Exposure		
	United States:		
	Financial Services	5,556,245	0.06
	Total Derivative Contracts (net cost/premiums received $611,491,674)	**$ 29,973,237**	**0.33 %**

(2) 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 2020	Public Shares
Per share operating performance	
Beginning net asset value at January 1, 2020	$ 26.94
Change in net assets resulting from financing:	
Accretion from share buyback	0.66
Dividends paid	(0.40)
Change in net assets resulting from operations:	
Net investment loss	(4.19)
Net gain from investments and derivatives[1]	22.45
Ending net asset value at December 31, 2020	$ 45.46
Total return prior to performance fees	83.54 %
Performance fees	(13.31)
Total return after performance fees	70.23 %
Ratios to average net assets	
Expenses before performance fees	2.68 %
Performance fees	9.94
Expenses after performance fees	12.62 %
Net investment income/(loss)[2]	(1.80)%

(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, 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, 2020 is shown below.

Gross method:	$34,889,040,780
Commitment method:	$36,679,119,432

   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 index credit default swaps and 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.

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.

6. Remuneration

For the Year Ended 2020	Fixed Remuneration(1)	Variable Remuneration(1)	Total	Number of Beneficiaries
Total remuneration of entire PSCM staff (2)	$ 10,444,400	$ 669,022,621	$ 679,467,021	36
Remuneration of PSCM staff who are fully or partly involved in the activities of the Company (3)	$ 8,545,250	$ 662,614,763	$ 671,160,013	24
Proportion of remuneration of PSCM staff who are involved in the activities of the Company as a percentage of the total PSCM staff remuneration	81.82%	99.04%	98.78%	24 out of 36
Remuneration of senior management and PSCM staff whose actions have a material impact on the risk profile of the Company	$ 5,902,600	$ 636,186,117	$ 642,088,717	12

(1) Fixed remuneration reflects salaries and guaranteed remuneration earned in 2020 by PSCM staff. All other remuneration earned in 2020 is considered to be variable remuneration.
(2) Total remuneration reflects salaries, bonuses and performance fees/allocations earned by PSCM staff in 2020 for services provided to PSCM, the Company and/or other funds managed by PSCM.
(3) Remuneration earned in 2020 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.

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, 2020 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, 2020. 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 for 2020 is calculated based on PSH's Public Shares traded on Euronext Amsterdam. Over the same period, the total shareholder return for Public Shares listed in Sterling and USD on the London Stock Exchange was 78.5% and 84.2%, 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] 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), 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.

[v] As of March 23, 2021 for PSH's Shares traded on Euronext Amsterdam.

[vi] The weighted average dividend yield of the S&P 500 was 1.5% as of March 23, 2021.

[vii] Free float refers to the number of Public Shares not owned by affiliates of Pershing Square.

[viii] Holdings of affiliates of the Investment Manager have not been aggregated for regulatory reporting purposes.

[ix] Calculated based on the Company's Public Shares traded on Euronext Amsterdam. Over the same periods, the discount to NAV of Public Shares listed in Sterling on the London Stock Exchange narrowed from 28.5% to 22.8% as of December 31, 2020 and widened to 25.6% as of March 23, 2021 and the discount for Public Shares listed in USD narrowed from 28.7% to 23.1% as of December 31, 2020 and widened to 24.8% as of March 23, 2021.

[x] PSTH units were issued on July 22, 2020 at $20. Each unit consisted of one share of PSTH Class A common stock and one-ninth of one redeemable warrant. On September 11, 2020, the redeemable warrants began trading separately (NYSE: PSTH/WS) from the PSTH Class A common stock (NYSE: PSTH). The premium to the PSTH IPO price reflects the closing price of one share of PSTH Class A common stock and one-ninth of the price of one redeemable warrant on March 23, 2021.

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) investor 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 PSH (Since Inception)" is calculated from January 1, 2004 and December 31, 2012, respectively.
5. NAV performance is presented as net of all fees and is compared to Pershing Square Funds with substantially the same investment strategy to the Company. Please also refer to endnotes i and ii of the Chairman's Statement.
6. Please refer to Endnote 3.
7. Refer to Endnotes 1 and 4.
8. Please refer to Endnote 1. The Company's share return is calculated based on PSH's Public Shares traded on Euronext Amsterdam. The return using Public Shares listed in Sterling and USD on the London Stock Exchange was 15.1% and 15.2%, respectively. The return for Public Shares includes dividends paid with respect to such shares.

9. Net investment gain reflects total investment gains and losses, dividend income, withholding tax on dividends and deferred tax expense on the statement of comprehensive income.

10. Calculated based on the dollar change of the Company's portfolio from January 1, 2020 to December 31, 2020, including dividends received.

11. Assets reflect the Company's net assets calculated on February 4, 2021 and March 23, 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).

12. Ownership stake on a fully diluted basis, includes PSCM affiliates and assumes the exercise of all call option contracts.

13. This report reflects the contributors and detractors to the performance of the portfolio of the Company. Other than share buyback accretion and 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. Since June 20, 2019, the Company has engaged in share repurchases whereby its buyback agent has repurchased Public Shares subject to certain limitations. The accretion from the share buyback program is reflected herein.

    The contributions and detractions 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.

14. While the Pershing Square funds are concentrated and often take an active role with respect to certain investments, they will own, and in the past have owned, other investments, including passive investments and hedging-related positions. "Short Activist 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 active investment style 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 2020. 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.

Pershing Square Holdings, Ltd.
pershingsquareholdings.com