













































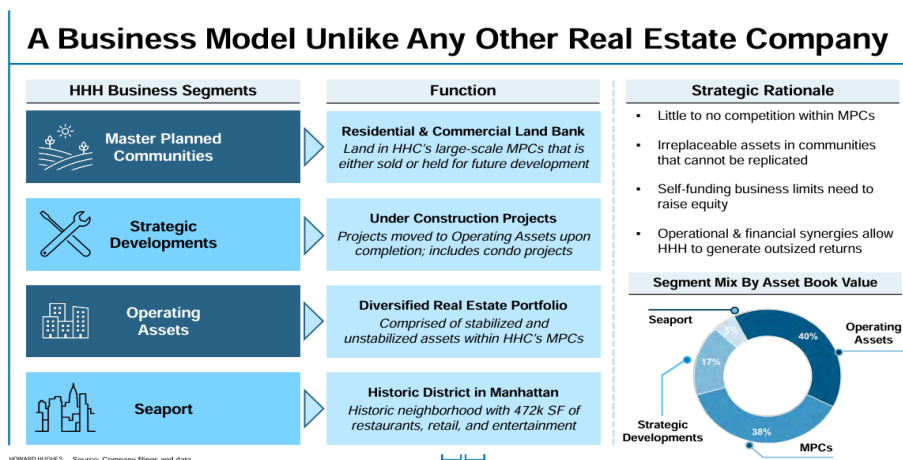
## Where to from here? Why do we still Hold?

It is clear to most, and there have been several clues given by Ackman himself, that Ackman/PSCM are wedded to the “permanent capital” structure. PSH’s assets under management of \$14.7billion leave only \$2.1billion with other investors in the “core” strategy, and the residue of the firm’s managed assets (~\$1.5billion) are in special purpose vehicles such as PS VII Master which holds ~76million UMG shares and of which PSH itself owns 28%<sup>42</sup>. So PSCM has nearly fully converted to this format.

The logical next step is to turn PSH into an operating company - which would fulfill Ackman’s wishes of a “Berkshire” type structure<sup>43</sup> - but would require the “onshoring” of PSH. That would only be possible by PSH becoming an operating company<sup>44</sup> with (say) 40% of the assets being public investments. This is not going to happen overnight, but moves towards it may be seen in the further increase in shareholding of Howard Hughes Holdings to 37.6% of the property company<sup>45</sup>. Even a full acquisition of HHH would likely not satisfy the onshoring idea since, on a pro-forma basis, securities would still be ~54% of total assets of ~\$21billion.

The calculation above assumes a sale of Chipotle, which we view as being a possibility given the forward P/E of 41x; Ackman has shown a willingness to divest retail food franchises of strength in the past through the sale of Starbucks in January 2020. In the meantime, PSH gives us another discount exposure – in tandem with Bolloré and Vivendi – to UMG.

So, is an investment in Howard Hughes Holdings desirable with its equity market capitalisation of \$4.3billion and enterprise value estimated at \$9billion (subject to working capital) desirable?



<sup>42</sup> PSH owns ~105.3million UMG shares directly

<sup>43</sup> Interview with Fifth Avenue Synagogue May 2021 (<https://youtu.be/mU0DrHB6u9s>) containing, for example “If you follow him (Buffett) from the mid-1950s to the late 1960s he managed what is best described as an activist hedge fund and then he gave his investors the option in effect... he basically said look I’m going to return all the assets but if you’d like you can go along with me in a company called Berkshire Hathaway. Sort of merged his hedge fund into what became this... what was a textile company at the time, and became a conglomerate that he’s managed over time. The benefit... what was interesting is he gave up the right to receive a share of the profits in exchange for permanent capital which tells you how he valued it, or how highly he valued it. We started about 12 years in at Pershing Square. We launched a public entity, structured as a European closed-end fund with a business plan to get to the same place ultimately as Buffett.”

<sup>44</sup> Hedge funds cannot be listed on US public exchanges

<sup>45</sup> 18,851,725 shares held of issued capital of 50,078,903



