

Bill Ackman – Investing Strategy, Performance, Interview & Stocks To Buy + Pershing Square Stock - HOW IS BILL PLAYING THE INVESTING GAME!

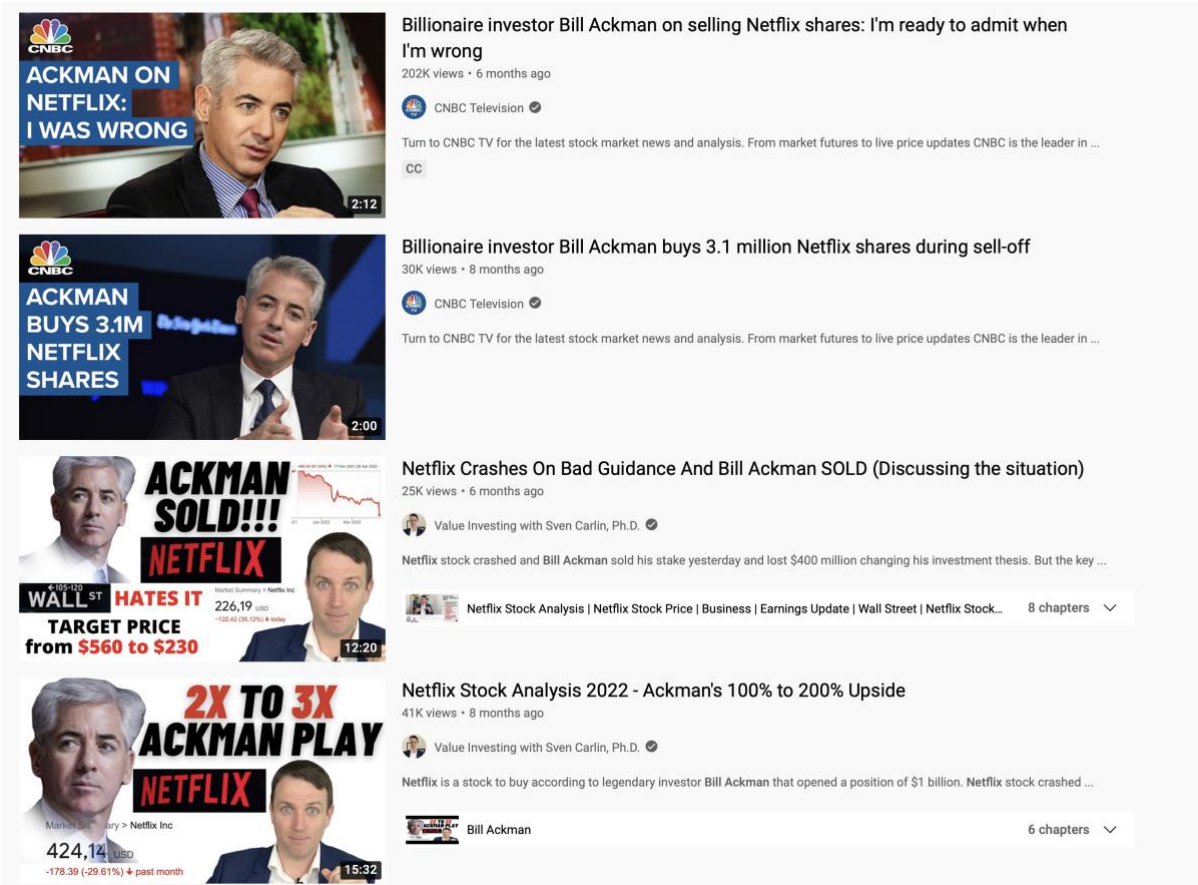
THIS REPORT IS NOT POLISHED, JUST NOTES, NO TIME NOR WILL TO MAKE IT NICER ☹️, BETTER TO FOCUS ON OTHER THINGS THAT ARE MORE VALUABLE THAN IMPROVED ENGLISH OR SOMETHING>>>

Table of Contents

Bill Ackman Performance	1
Bill Ackman Investing Strategy	3
Bill Ackman Pershing Square Portfolio & Stocks Analyses	4
Lowe's Companies - NYSE: LOW – Medium Risk For Medium Reward Now	7
Chipotle NYSE: CMG 21.7% of the Portfolio	17
Restaurant Brands QSR Stock	19
Hilton Worldwide Holdings HLT	22
Howard Huges Corporation HHC	23
Canadian Pacific Railways	25
Universal Music Group	28
Bill's Stocks Conclusion	31
Pershing Square Holdings – Best Buy and You Get Bill Working For You At A Discount	33
Conclusion	36

Bill Ackman Performance

You probably know Bill Ackman from his investing mistakes as in the rare occasions he makes one, it usually gets all over the news. He lost big on Valeant, on his extremely public Herbalife attack and the brawl with Icahn. The last example being Netflix that he bought and consequently quickly sold at a \$400 million dollar loss.



Billionaire investor Bill Ackman on selling Netflix shares: I'm ready to admit when I'm wrong
202K views · 6 months ago
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Billionaire investor Bill Ackman buys 3.1 million Netflix shares during sell-off
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Value Investing with Sven Carlin, Ph.D.

Netflix stock crashed and Bill Ackman sold his stake yesterday and lost \$400 million changing his investment thesis. But the key ...

Netflix Stock Analysis | Netflix Stock Price | Business | Earnings Update | Wall Street | Netflix Stock... 8 chapters

Netflix Stock Analysis 2022 - Ackman's 100% to 200% Upside
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Value Investing with Sven Carlin, Ph.D.

Netflix is a stock to buy according to legendary investor Bill Ackman that opened a position of \$1 billion. Netflix stock crashed ...

Bill Ackman 6 chapters

Bill's notorious Netflix mistake gets views - ['Bill Ackman Netflix' YouTube search query](#)

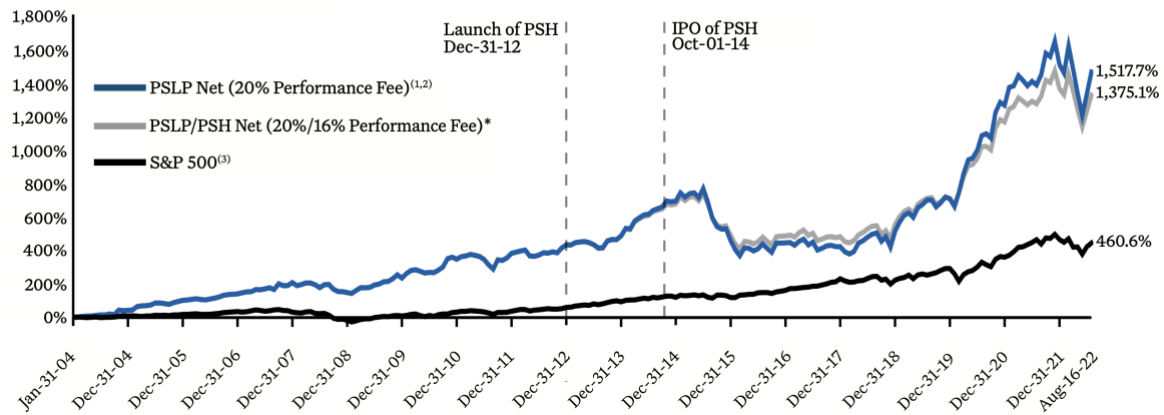
However, in defense of Bill Ackman, his performance speaks for itself, and he is open about the fact that mistakes are a given within his concentrated strategy.

Plus, something very important to think about when it comes to investing, to quote Bill: "I love changing my mind". I feel that one of the hardest things with investing is to rationally analyze the situation from a current perspective, despite the sunk costs, investment loss that could be realized etc. Bill Ackman can be unemotional about investing, even with the whole world watching him.

In spite of the notorious mistakes, he has been beating the market for a very long period of time, and did especially well the last few years.

Company Performance

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



Pershing Square Holdings historical performance – Source: [Pershing Square Semiannual Letter](#)

Given his performance, focused investment strategy and the fact that most of what he does is public, it is a great opportunity to learn from Bill Ackman by analyzing his investment process, portfolio, and investment ideas. Let’s start with a quick overview of his strategy, followed by an in-depth portfolio review and a conclusion on what we as retail investors can apply to improve our long-term investing returns.

Bill Ackman Investing Strategy

In a recent [interview \(September 2022\)](#), Bill Ackman summarized his investment strategy:

- I. Predictable business: “Our business is finding companies where we can predict with a very high degree of confidence what a business looks like over a very long period of time”.
- II. Predictable cash flows: “Find a business where you can predict with a high degree of confidence what the cash flows will be in many, many years and build them up”.
- III. Pricing Power and what would Buffett call a Moat - “We own businesses that can protect themselves from inflation... and can withstand the test of time”
- IV. High concentration (currently just 7 positions in his portfolio): “this is a high return strategy, and we can afford to lose” on mistakes.
- V. Sophisticated asymmetric macro instruments - hedges: “We are spending a lot more time looking at interesting asymmetric macro type instruments and that has been a very profitable place for us”.

Out of the 5 strategic points above, I feel that points I,II and III should be applicable and extremely beneficial to all retail investors while IV depends on how much risk you can personally take and I would leave number V to Ackman as I don’t believe my retail investors can make deals with investment banks on credit default swaps or other insurance/hedging options. Let’s dig into his portfolio.











Bill Ackman Pershing Square Portfolio & Stocks Analyses

Bill Ackman employs an extremely concentrated portfolio strategy with his portfolio having only 7 positions in the last reporting period. Since he has disposed of Dominos and maybe not reported below, there is also Universal Music.

Stock	% of Portfolio	Average Buy Price		Current Price	Last Transaction
 Home Centers Lowe's Cos., Inc.	23.6%	\$98.22	— +85.7% →	\$182.37	Q1 2022 Sold 0.3% shares
 Food Service Contractors Chipotle Mexican Grill	21.7%	\$404.18	— +283.4% →	\$1,549.82	May 03, 2022 Sold 0.9% shares
 Food Service Contractors Restaurant Brands International Inc	17.1%	\$40.90	— +38.7% →	\$56.71	Q2 2022 Sold 0.2% shares
 Hotels (except Casino Hotels) and Motels Hilton Worldwide Holdings Inc	16.5%	\$78.40	— +67.4% →	\$131.23	Q2 2022 Sold 0.4% shares
 Other Financial Vehicles Howard Hughes Corporation	10.1%	\$83.23	— -29.8% →	\$58.44	Sep 03, 2021 Increased shares by 1.1%
 Food Service Contractors Dominos Pizza Inc	8.4%	\$372.60	— -13.7% →	\$321.56	Q2 2022 Sold 0.3% shares
 Line-Haul Railroads Canadian Pacific Railway Ltd	2.6%	\$73.14	— -3.1% →	\$70.86	Q1 2022 Increased shares by 4.6%

Pershing Square Holdings Portfolio – Source: [Stockcirle](#)

A look at what Bill Ackman sold recently shows how his strategy works most of the time but there are mistakes here and there. The last one being Netflix. Fortunately, most positions have been closed at a profit.

	Coffee and Tea Manufacturing Starbucks Corp.	Sold	\$67.79	→ +30.7% →	\$88.61	Q1 2021 Sold -10.1 Million shares	∨
	Frozen Specialty Food Manufacturing Nomad Foods Limited	Sold	\$8.43	→ +55.3% →	\$13.09	Q3 2017 Sold -33.3 Million shares	∨
	Footwear Manufacturing Nike, Inc. - Class B	Sold	\$57.49	→ +53.9% →	\$88.50	Q1 2018 Sold -5.84 Million shares	∨
	Other Snack Food Manufacturing Mondelez International Inc. - Class A	Sold	\$42.88	→ +33.7% →	\$57.35	Q3 2018 Sold -16.4 Million shares	∨
	Offices of Other Holding Companies Berkshire Hathaway Inc. - Class B	Sold	\$208.32	→ +35.6% →	\$282.51	Q2 2020 Sold -5.45 Million shares	∨
	Data Processing, Hosting, and Related Services Automatic Data Processing Inc.	Sold	\$106.09	→ +119.4% →	\$232.74	Q3 2019 Sold -4.03 Million shares	∨
	Testing Laboratories Agilent Technologies Inc.	Sold	\$78.39	→ +65.7% →	\$129.88	Q3 2021 Sold -11.7 Million shares	∨
	Investment Advice Blackstone Inc	Sold	\$55.31	→ +54.4% →	\$85.43	Q2 2020 Sold -549 Thousand shares	∨
	Hotels (except Casino Hotels) and Motels Park Hotels & Resorts Inc	Sold	\$18.79	→ -33.0% →	\$12.60	Q2 2020 Sold -678 Thousand shares	∨
	Internet Publishing and Broadcasting and Web Search Portals Netflix Inc.	Sold	\$416.32	→ -30.4% →	\$289.57	Q2 2022 Sold -3.11 Million shares	∨

Pershing Square Holding recently closed positions – Source: [Stockcircle](https://www.stockcircle.com/)

On top of the long investment positions, Bill Ackman has been getting more and more active with various hedges and the best performer of his portfolio in 2022 have been interest rate swaptions. Unfortunately, those positions don't have to be disclosed so we can't know exactly what he owns at this moment in time.

January 1, 2022 – August 16, 2022

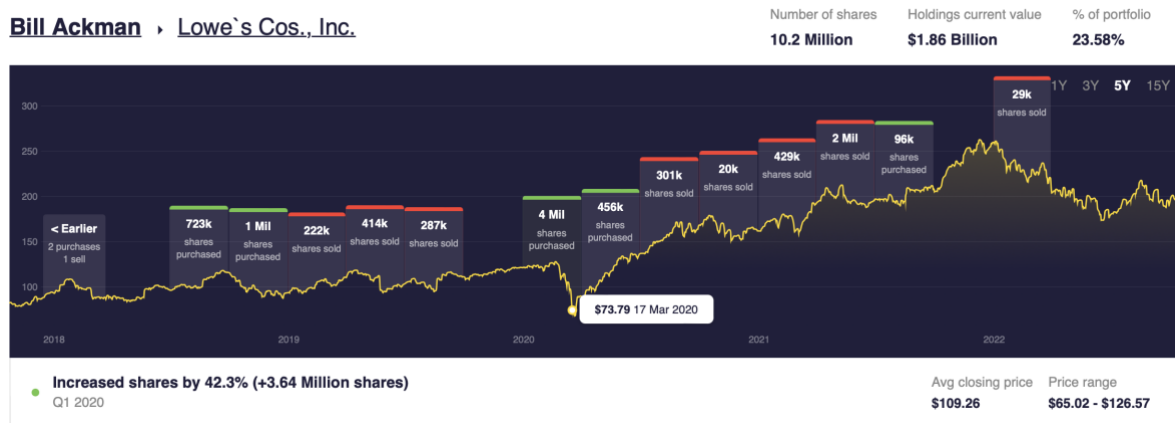
Interest Rate Swaptions	9.9 %
Canadian Pacific Railway Limited	1.2 %
Share Buyback Accretion	0.4 %
Bond Interest Expense	(0.6)%
Hilton Worldwide Holdings Inc.	(1.3)%
Pershing Square Tontine Holdings, Ltd.	(1.3)%
The Howard Hughes Corporation	(2.4)%
Domino's Pizza Inc.	(2.8)%
Lowe's Companies Inc.	(3.3)%
Netflix, Inc	(3.9)%
Universal Music Group N.V.	(4.9)%
All Other Positions and Other Income/Expense	(0.9)%
Net Contributors and Detractors	(9.9)%

Pershing Square Holdings performance attribution – Source: [Pershing Square](#)

Let's focus on what retail investors can learn and maybe even take advantage from, the 7 individual holdings. Here is my investment analysis of each holding starting with the largest portfolio position.

Lowe’s Companies - NYSE: LOW – Medium Risk For Medium Reward Now

LOW stock is the largest position in Ackman’s portfolio but a look at his activity shows how he has been mostly trimming the position since the 4 million shares purchased in March of 2020. As the current stock price is \$183 and given his public statements during the pandemic about first shorting the market, then closing those shorts in the last week of the crash, he most likely bought closer to the March 2020 lows. From a price perspective the risk and reward of investing in LOW stock now is much different than when Ackman made his investment at half the current stock price.



Pershing Square Holdings LOW stock – Source: [Stockcircle](https://www.stockcircle.com)

However, it is still his largest position and therefore should still be a rational investment because if not, I assume Bill would not still hold such a position.

LOW Stock Price Action

The stock is down 30% from the December 2021 peak, but still a 3x from the March 2020 lows. The PE ratio is 14.38 and the dividend yield 2.3%.

Market Summary > Lowe's Companies Inc

182,37 USD

+ Follow

+101.76 (126.24%) ↑ past 5 years

Closed: 21 Oct, 19:51 GMT-4 • Disclaimer

After hours 182,37 0,00 (0,00%)

1D | 5D | 1M | 6M | YTD | 1Y | **5Y** | Max



Open	178,14	Mkt cap	113,20B	CDP score	B
High	182,67	P/E ratio	14,38	52-wk high	263,31
Low	176,50	Div yield	2,30%	52-wk low	170,12

LOW stock price

Lowe's business – retail challenge

Most of you probably visited a Lowe's store but for those that live outside of the US or Canada, it is a home improvement sector retailers with 2,200 stores in the United States and Canada.



Find A Lowe's Store Near You

United States

Canada

The business has been around for [more than 100 years](#) and therefore Lowe's is a perfect example of Ackman's focus on businesses that can withstand the test of time.

<https://corporate.lowes.com/who-we-are/our-history> (make in video show)

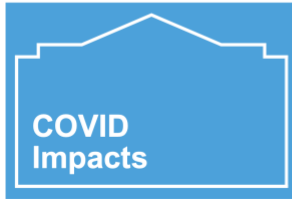
Retailers have been under pressure recently as life went back to normal and retail isn't 100% of the wallet anymore as it was the case during the lockdowns. On the other hand, remote work and other new trends still benefit Lowe's. However, if I look at Lowe's traditional drivers from their [December 2021 outlook presentation](#); home appreciation trends have slowed down, consumer balance sheets aren't as healthy as those were a year ago and mortgage rates are far from all-time lows.

Home Improvement market outlook

SECULAR TAILWINDS DRIVING HOME IMPROVEMENT DEMAND



- Strong **home price appreciation** trends
- **Aging housing** stock
- **Healthy consumer** balance sheets
- Mortgage rates **near all-time lows**

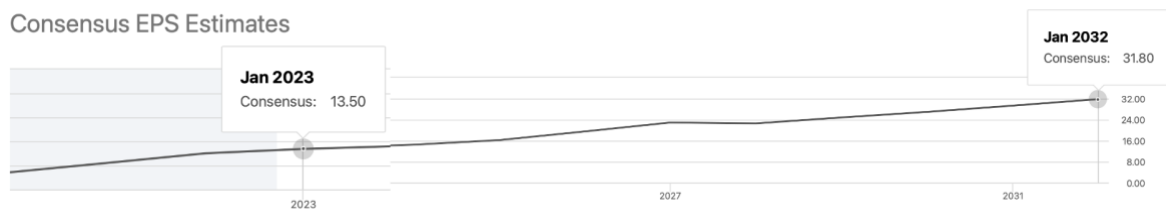


- Increased **wear and tear** due to **remote work**
- **Consumer mindset** focused on the home
- Accelerated **millennial** household formation
- Baby Boomers choosing to **age in place**



Lowe's 2021 financial outlook presentation – Source: [Lowe's investor relations](#)

If we check analysts estimates on SeekingAlpha we can see how analysts expect earnings to keep growing at double digits over the next 10 years. (By the way, if you want a 60% discount on SA Premium, [please use the following link](#) – it is a great site to gather information, read conference call transcripts and look at 10 year financials).



Analysts' consensus EPS Estimates – Source: SeekingAlpha

The success of investing in LOW stock now will mostly depend on whether the company meets the above expectations. From Lowe's last earnings, we have the CEO saying how the 3 most important factors impacting the business are:

Now I'd like to address some concerns that I've heard from our shareholders about the home improvement market. I want to begin by clarifying that the market dynamics that pressure the home builder are not necessarily the same market dynamics that pressure the home improvement retailer. At Lowe's, the three highest correlating factors of home improvement demand are home price appreciation, the age of the housing stock and disposable personal income.

Q2 2022 Conference call transcript – Source: SA

In general, the CEO sees many positives ahead as houses build in the 2000s are approaching an age where big ticket repairs are needed, and he mentions the mid 1990s when the housing market slowed but home repairs increased.

The goal of the company is to continue to scale on its growth path. Their goal is to increase their market penetration from the current 23 to 25% in the PRO segment over time and take more share out of the \$900 billion fragmented home improvement market.

Total Home Strategy

MARKET SHARE ACCELERATION



Providing a full complement of products and services for Pros and consumers alike, enabling a Total Home solution for every need in the home

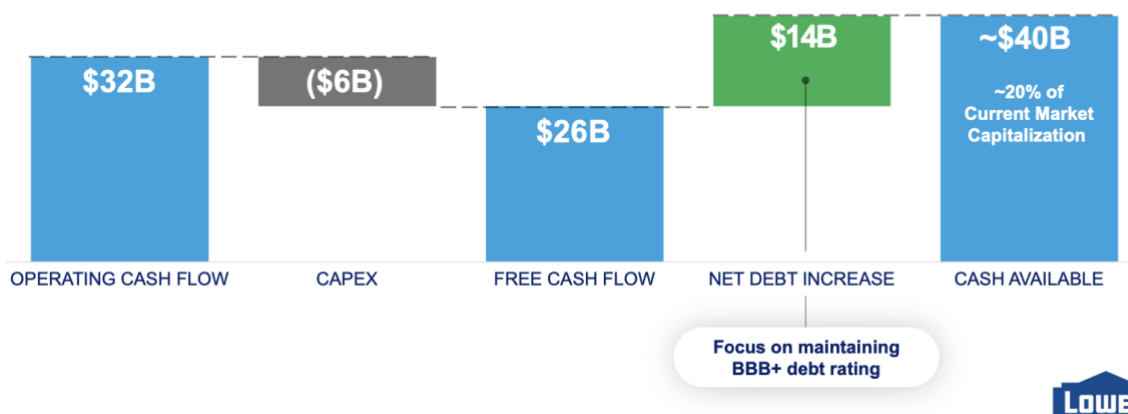


Lowe's growth strategy – Source: [Lowe's investor relations](#)

On top of the business growth focus, Lowe's is also focused on financial engineering to increase the share price and EPS.

Expecting to return nearly \$40B in capital over next 3 years

CASH GENERATION & CAPITAL ALLOCATION ARE MAJOR CONTRIBUTORS TO VALUE CREATION



Lowe's buybacks strategy focus – Source: [Lowe's investor relations](#)

The strong buybacks strategy has worked greatly over the past years. Revenues went up almost two times, from \$50 billion to \$95 billion, while revenues per share went up more than 3 times, from \$43.93 to \$143.45 thanks to buybacks.

Supplemental Items												
Revenue Per Share		\$43.93	\$50.44	\$56.91	\$63.73	\$73.88	\$81.79	\$87.93	\$92.85	\$119.78	\$138.29	\$143.45
Basic EPS		\$1.69	\$2.14	\$2.71	\$2.73	\$3.48	\$4.10	\$2.84	\$5.49	\$7.77	\$12.08	\$12.63
Basic EPS - Continuing Ops		\$1.69	\$2.14	\$2.71	\$2.73	\$3.48	\$4.10	\$2.84	\$5.49	\$7.77	\$12.08	\$12.63
Basic Weighted Average Shares Outst.		1,150.0	1,059.0	988.0	927.0	880.0	839.0	811.0	777.0	748.0	696.0	665.0
Diluted EPS		\$1.69	\$2.14	\$2.71	\$2.73	\$3.47	\$4.09	\$2.84	\$5.49	\$7.75	\$12.04	\$12.59
Diluted EPS - Continuing Ops		\$1.69	\$2.14	\$2.71	\$2.73	\$3.47	\$4.09	\$2.84	\$5.49	\$7.75	\$12.04	\$12.59
Diluted Weighted Average Shares Outst.		1,152.0	1,061.0	990.0	929.0	881.0	840.0	812.0	778.0	750.0	699.0	668.0
Normalized Basic EPS		\$1.75	\$2.20	\$2.73	\$3.36	\$3.73	\$4.43	\$3.35	\$4.61	\$8.39	\$10.21	\$10.68
Normalized Diluted EPS		\$1.75	\$2.20	\$2.73	\$3.35	\$3.72	\$4.43	\$3.35	\$4.60	\$8.37	\$10.17	\$10.63
Dividend Per Share		\$0.62	\$0.70	\$0.87	\$1.07	\$1.33	\$1.58	\$1.85	\$2.13	\$2.30	\$3.00	\$3.45

Lowe's financials – Source: SA

However, there is also a risk side to the above financial engineering, long-term debt levels went up from \$9 billion to the current \$28 billion and the biggest jump in debt has happened over the last two years, when the stock price was at the highest level.

Long-Term Liabilities												
Long-Term Debt		9,030.0	10,086.0	10,806.0	11,545.0	14,394.0	15,564.0	13,682.0	16,156.0	20,104.0	23,317.0	28,176.0
Unearned Revenue Non-Current		715.0	730.0	730.0	729.0	763.0	803.0	827.0	894.0	1,019.0	1,127.0	1,169.0
Def. Tax Liability, Non-Curr.		455.0	291.0	-	-	-	-	-	-	-	-	-
Capital Leases		-	-	-	-	-	-	709.0	4,555.0	4,454.0	4,584.0	4,712.0
Other Non-Current Liabilities		901.0	896.0	869.0	846.0	843.0	955.0	1,149.0	712.0	991.0	760.0	744.0
Total Liabilities		18,809.0	20,879.0	21,753.0	23,612.0	27,974.0	29,418.0	30,864.0	37,499.0	45,298.0	49,456.0	55,167.0

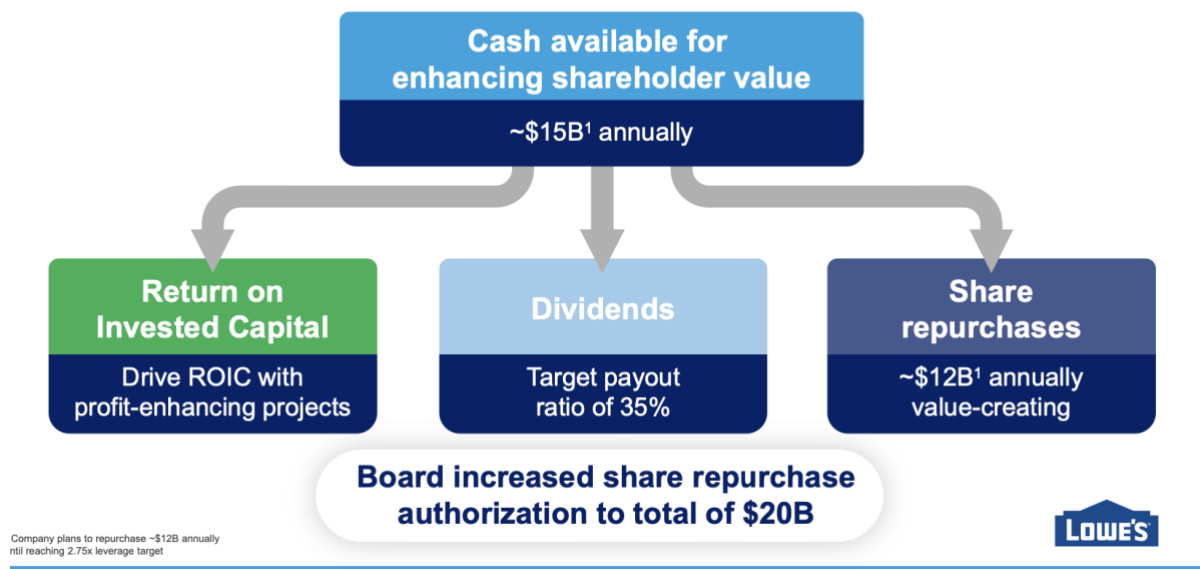
Lowe's financials – Source: SA

Mark Cuban recently [stated how](#) 'buybacks are everything wrong with what companies do' these days and it is funny how Lowe's states above how it plans to return over \$40 billion to shareholders over the next 3 years. The \$40 billion will be spend on buybacks and the money will go to those shareholders that sell the stock, not to those that hold and invest in it.

LOW stock valuation and investing risk vs. reward

Lowe's current PE ratio is 14.79 while the forward PE ratio is 13.90. As I am writing this, the market cap is \$113 billion. If the business isn't hit by the possibly coming recession and growth expectations are met while they keep doing \$12 billion of buybacks per year, it is likely the stock will go up over time because the number of shares will decrease.

Continue to enhance shareholder value



Lowe’s shareholder value strategy – Source: [Lowe’s investor relations](#)

Even if the business doesn’t grow at all over the next 5 years and they just keep spending \$13 billion on buybacks per year, EPS should double, all else equal.

Unfortunately, there is also a risk part in the above equation. With operating cash flows of around \$10 billion per year, capex of \$2 billion, taxes and other, the real free cash flows per year are closer to \$7 billion.

	Feb 2013	Jan 2014	Jan 2015	Jan 2016	Feb 2017	Feb 2018	Feb 2019	Jan 2020	Jan 2021	Jan 2022	TTM
Cash from Operations	3,762.0	4,111.0	4,929.0	4,784.0	5,617.0	5,065.0	6,193.0	4,296.0	11,049.0	10,113.0	9,212.0
Unlevered Free Cash Flow	2,808.0	3,528.8	4,661.3	3,969.4	3,984.1	3,888.3	4,196.3	2,549.8	9,010.5	7,545.4	7,361.9

Lowe’s financials – Source: SA

The company is taking on debt to financial engineer higher stock prices. When it comes to financial engineering where you delay the costs (debt) and take the benefits immediately (buybacks), my feeling is that it is a strategy that works, until it doesn’t.

2022 financial outlook

OUTPERFORM RELEVANT MARKET BY 300-400 BPS

\$94-97B

Sales¹
Comparable Sales
(-3% to Flat)

12.5-12.8%

Operating Margin^{2,3}

\$12.25-\$13.00

Diluted EPS³

~\$2B

Capital Expenditures

~\$12B

Share Repurchases

~35%

ROIC⁴

¹ Sales include 53rd week for Fiscal 2022 and comparable sales excludes 53rd week
² Operating income as a percentage of sales
³ Does not include impact from proposed excise tax for share repurchases
⁴ Return on Invested Capital is a non-GAAP financial measure



I also assume Bill Ackman knows that very well, and that is the reason why he trimmed his position, and I wouldn't be surprised to see him sell it all completely if the financial engineering stops working. As long as the company can take on debt, has good operating cash flows, the buybacks will keep on working, but if there is a hit to the business, growth estimations are lowered, the stock price will fall and all that will be left is a pile of debt because the company spent the most on buybacks when the stock price was higher than it is now.

Market Summary > Lowe's Companies Inc

187,61 USD

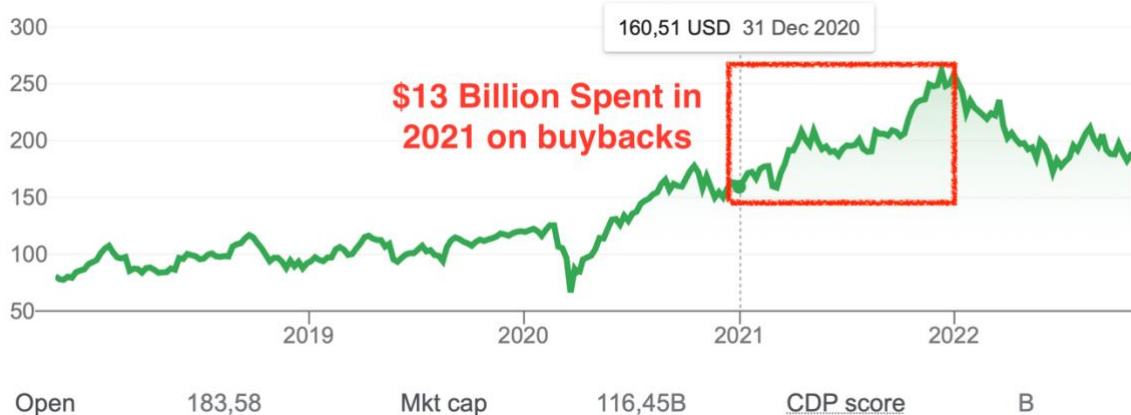
+ Follow

+107.00 (132.74%) ↑ past 5 years

Closed: 24 Oct, 17:12 GMT-4 • Disclaimer

Pre-market 186,77 **-0,84 (0,45%)**

1D | 5D | 1M | 6M | YTD | 1Y | **5Y** | Max



Lowe's buyback strategy rewarding shareholders that sell at peak prices

LOW Stock Investment Conclusion

LOW has what Bill Ackman seeks:

- A very profitable business with good cash flows,
- A positive secular trend in home improvement needs,
- A business that will withstand the test of time given you have to fix your home sooner or later,
- A catalyst in the form of financial engineering through buybacks that builds on the operating business growth and pushes the stock higher.

However, LOW is also at risk from macro developments, higher rates, cheap debt availability and temporary business cash flow creation. If I look at operating cash flows, those have boomed recently as we all were mostly at home over the past two years.

	Feb 2013	Jan 2014	Jan 2015	Jan 2016	Feb 2017	Feb 2018	Feb 2019	Jan 2020	Jan 2021	Jan 2022	TTM	
Cash from Operations		3,762.0	4,111.0	4,929.0	4,784.0	5,617.0	5,065.0	6,193.0	4,296.0	11,049.0	10,113.0	9,212.0

If that trend steams off and cash flows return to 2019 levels, it would change the valuation, the earnings base for future growth estimations and consequently significantly impact the stock price in spite of possible buybacks.

It is Bill Ackman's largest position, but we don't know whether and how he is hedged for the above risks developing. As long as the financial engineering continues and the business grows, Lowe's will do well, but if that trend stalls for a while, the negatives will emerge, and things could get ugly.

As an example of Bill's possible hedges, a 3-month out of the money put at a strike price 10% below the current stock price costs around \$5 or around 2.7% of the stock price but if the stock crashes 20%, such an option can triple your money.

Strike	Price	Change	% Change	Bid	Ask	Volume	Open Int	Last Trade Time
155.00	3.50	0.00	0.00%	3.40	3.55	1	328	4:15 PM 10/24/22
160.00	4.50	0.00	0.00%	4.20	4.40	8	482	3:53 PM 10/24/22
165.00	5.50	0.00	0.00%	5.20	5.45	44	654	4:15 PM 10/24/22
170.00	6.80	0.00	0.00%	6.35	6.60	9	1298	4:15 PM 10/24/22
175.00	8.20	0.00	0.00%	7.75	8.05	6	1373	4:15 PM 10/24/22
180.00	9.95	0.00	0.00%	9.45	9.80	10	2499	4:00 PM 10/24/22
185.00	11.30	0.00	0.00%	11.35	11.75	22	1731	4:15 PM 10/24/22

LOW stock option chain – puts – Source: SA

Thus, we could assume Bill Ackman has some kind of hedge where whatever happens he will end up ok. Without being hedged at this moment in time, you are taking a lot of risk if there comes to a temporary pause in the financial engineering due to business headwinds and increased debt costs that could significantly pressure Lowe's stock price.

When Bill Ackman purchased his stocks, Lowe's was a low risk/high reward value investment because the downside was limited and what was left was only upside. Now, I would categorize this as a medium risk, medium reward investment. Plus, Lowe's went from spending approximately \$4 billion per year in buybacks to spending now more than 3 times that. We cannot know whether this is under the influence of activist Bill Ackman but that could be very possible.

	Feb 2013	Jan 2014	Jan 2015	Jan 2016	Feb 2017	Feb 2018	Feb 2019	Jan 2020	Jan 2021	Jan 2022	TTM
Repurchase of Common Stock	(4,393.0)	(3,710.0)	(3,905.0)	(3,925.0)	(3,595.0)	(3,192.0)	(3,037.0)	(4,313.0)	(4,971.0)	(13,012.0)	(14,966.0)

He already made his money on this, only time will tell how will he move next. I don't think retail investors should have any reassurance by the fact LOW is Bill's largest position – you never know with Bill, what is his real hedged position.

Chipotle NYSE: CMG 21.7% of the Portfolio

I remember when the company had sanitation issues and when Bill Ackman entered as an activity investor. It has been nothing but up for the stock since.

Market Summary > Chipotle Mexican Grill, Inc.

1.567,74 USD

+ Follow

+1,525.54 (3,615.02%) ↑ all time

25 Oct, 13:24 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max

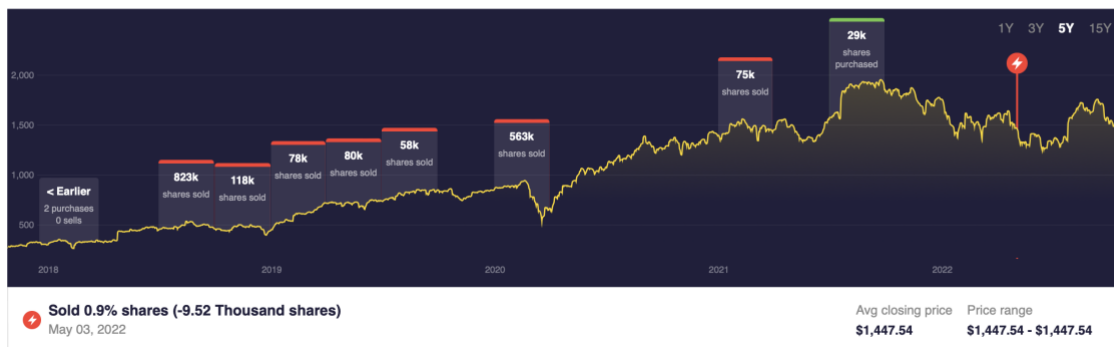


Open	1.561,00	Mkt cap	43,53B	52-wk high	1.895,99
High	1.582,36	P/E ratio	58,69	52-wk low	1.196,28

Similarly to the LOW situation, Bill Ackman has been mostly selling CMG stock over the last years.

Bill Ackman > Chipotle Mexican Grill

Number of shares: **1.11 Million**
 Holdings current value: **\$1.71 Billion**
 % of portfolio: **21.52%**



Bill Ackman CMG stock activity – Source: [Stockcirle](#)

There has been no significant activity lately, but Bill Ackman was promoting Chipotle in his last letter to shareholders. In summary:

- Chipotle continued its impressive performance in 2022.
- Chipotle continued to lead the restaurant industry in growth for both same-store sales.
- Chipotle’s economic model remains firmly intact, with restaurant-level margins in excess of 25% in the second quarter.

- We believe Chipotle is one of the best-positioned consumer companies for the current inflationary world.

That all sounds great, but Bill has been mostly selling in the past, and when it comes to investing; risk is a function of price paid.

CMG Stock Valuation

Yes, CMG is likely a great business, but the best time to buy great businesses is when those are in temporary trouble because that is when, if you are patient, you'll get the best return on your investment. Buying now, when the market cap is \$38 billion while operating cash flows for the last 12 months have been around \$1 billion, seems risky for an uncertain reward.

Valuation Grade and Underlying Metrics

CMG Valuation Grade

F

	Sector Relative Grade	CMG	Sector Median	% Diff. to Sector	CMG 5Y Avg.	% Diff. to 5Y Avg.
P/E Non-GAAP (TTM)	F	46.41	9.61	382.87%	76.37	-39.23%
P/E Non-GAAP (FWD)	D-	41.79	12.86	225.01%	63.70	-34.40%
P/E GAAP (TTM)	D-	48.71	12.80	280.46%	84.31	-42.22%
P/E GAAP (FWD)	D-	42.28	14.61	189.39%	68.21	-38.01%
PEG GAAP (TTM)	F	3.23	0.21	1,423.57%	-	NM
PEG Non-GAAP (FWD)	C-	1.81	1.21	49.34%	3.02	-40.18%
EV / Sales (TTM)	D-	4.95	1.10	349.05%	4.91	0.94%
EV / Sales (FWD)	D-	4.79	1.07	346.17%	4.55	5.39%
EV / EBITDA (TTM)	F	31.42	8.90	253.08%	42.05	-25.28%
EV / EBITDA (FWD)	F	27.79	8.66	220.82%	34.96	-20.51%
EV / EBIT (TTM)	D-	39.78	11.97	232.32%	64.06	-37.90%
EV / EBIT (FWD)	D-	34.38	12.27	180.31%	51.17	-32.82%
Price / Sales (TTM)	D-	4.64	0.83	456.60%	4.69	-1.14%
Price / Sales (FWD)	D-	4.45	0.83	435.07%	4.35	2.39%
Price / Book (TTM)	F	16.65	2.02	724.80%	15.43	7.94%
Price / Book (FWD)	F	16.17	2.45	558.86%	14.25	13.50%
Price / Cash Flow (TTM)	D	28.46	12.28	131.84%	36.37	-21.75%
Price / Cash Flow (FWD)	D-	29.93	10.69	180.06%	34.51	-13.28%
Dividend Yield (TTM)	-	-	2.30%	-	-	-

All the valuation metrics say the stock is expensive: Source: Seekingalpha – Valuation

Plus, any kind of headwinds, from cost pressures, labor issues or just a small change in customer preferences, could impact profit margins and change the perspective of everlasting growth the market currently has on the company.

	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	TTM
Net Income											
Net Income	278.0	327.4	445.4	475.6	22.9	176.3	176.6	350.2	355.8	653.0	808.8

CMG net income – Source: SA

But, the same as with LOW, CMG has significantly increased its repurchasing activity by spending \$904 million over the last 12 months.

Cash Flow From Financing Activities											
Long-Term Debt Repaid	-	-	-	-	-	-	-	-	-	-	-
Total Debt Repaid	-	-	-	-	-	-	-	-	-	-	-
Issuance of Common Stock	0.3	0.2	-	-	1.4	0.0	-	-	-	-	-
Repurchase of Common Stock	(217.1)	(138.9)	(88.3)	(460.7)	(837.7)	(285.9)	(166.3)	(201.0)	(103.0)	(546.3)	(904.3)
Other Financing Activities	73.2	38.4	21.6	74.2	-	-	(0.2)	(0.7)	(1.9)	(2.3)	(0.5)
Cash from Financing	(143.5)	(100.4)	(66.7)	(386.4)	(836.3)	(285.9)	(166.5)	(201.7)	(104.9)	(548.6)	(904.8)

CMG repurchase of common stock – Source: SA

That is just not much and just 2.3% of the market capitalization so in my eyes this is a higher risk for lower reward investment. Bill Ackman is likely in the same situation as with LOW, he made his money already, sold quite a bit and possibly hedged.

Restaurant Brands QSR Stock

Bill Ackman bought most of his QSR position at the bottom of the pandemic lows in March of 2020. He has been selling since but the stock still makes 18.09% of his portfolio.



Bill Ackman QSR stock activity – Source: [Stockcirle](#)

I already [looked at QSR 4 months](#) ago and my conclusion was that that it looked good as the price to free cash flow was around 10.

10 Stocks To Buy Analysis / Risk & Reward
61K views · 4 months ago
Value Investing with Sven Carlin, Ph.D.

Everybody wants stocks to buy! Well, every stock is a buy at some level which depends on what do you expect from an investment!

Stocks To Buy | Apple Stock | Berkshire Stock | Intel Stock | Google Stock | QSR Stock | Starbucks... 12 chapters

RBI Stock Analysis – [Sven Carlin](#)

The stock is up significantly since, despite the overall market declining but still the price to free cash flow is still in the mid teens.



Restaurant Brands International Inc

NYSE: QSR

Overview

Com

Market Summary > Restaurant Brands International Inc

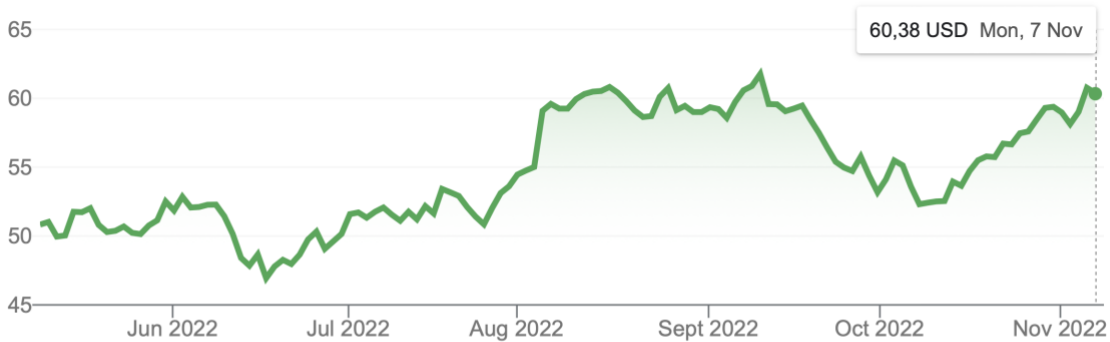
60,38 USD

+ Follow

+9.55 (18.79%) ↑ past 6 months

7 Nov, 16:00 GMT-5 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	-	Mkt cap	18,47B	CDP score	B-
High	-	P/E ratio	19,62	52-wk high	61,79
Low	-	Div yield	3,58%	52-wk low	46,68

QSR is paying a significant dividend, it started doing buybacks over the last two years as did the two previous companies we discussed that Bill Ackman owns and there is significant debt.

	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	TTM
Revenues											
Revenues	1,970.9	1,146.3	1,198.8	4,052.2	4,146.0	4,576.0	5,357.0	5,603.0	4,968.0	5,739.0	6,362.0
Other Revenues	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	1,970.9	1,146.3	1,198.8	4,052.2	4,146.0	4,576.0	5,357.0	5,603.0	4,968.0	5,739.0	6,362.0
Operating Income											
Operating Income	510.8	582.1	656.3	1,393.2	1,662.0	1,895.0	1,947.0	2,027.0	1,590.0	1,924.0	2,025.0
Net Income											
Net Income to Company	117.7	233.7	(269.3)	511.7	956.0	1,235.0	1,144.0	1,111.0	750.0	1,253.0	1,408.0
Minority Interest	-	-	430.7	(136.6)	(340.0)	(587.0)	(532.0)	(468.0)	(264.0)	(415.0)	(450.0)
Net Income	117.7	233.7	161.4	375.1	616.0	648.0	612.0	643.0	486.0	838.0	958.0
Basic EPS	\$0.34	\$0.67	(\$1.16)	\$0.51	\$1.48	\$2.64	\$2.46	\$2.40	\$1.61	\$2.70	\$3.09
Repurchase of Common Stock	-	(7.3)	-	-	-	-	-	-	-	(551.0)	(695.0)
Common Dividends Paid	(14.0)	(84.3)	(105.6)	-	-	-	(728.0)	(901.0)	(959.0)	(974.0)	(972.0)
Common & Preferred Stock Dividends Paid	(14.0)	(84.3)	(105.6)	(362.4)	(538.0)	(664.0)	(728.0)	(901.0)	(959.0)	(974.0)	(972.0)
Long-Term Liabilities											
Long-Term Debt	2,905.1	2,880.2	8,852.1	8,503.2	8,465.3	11,843.0	11,895.0	11,934.0	12,827.0	13,136.0	12,853.0

QSR stock 10 year financials – Source: SA

Bill Ackman discussed the opportunity in his latest letter and concluded the following:

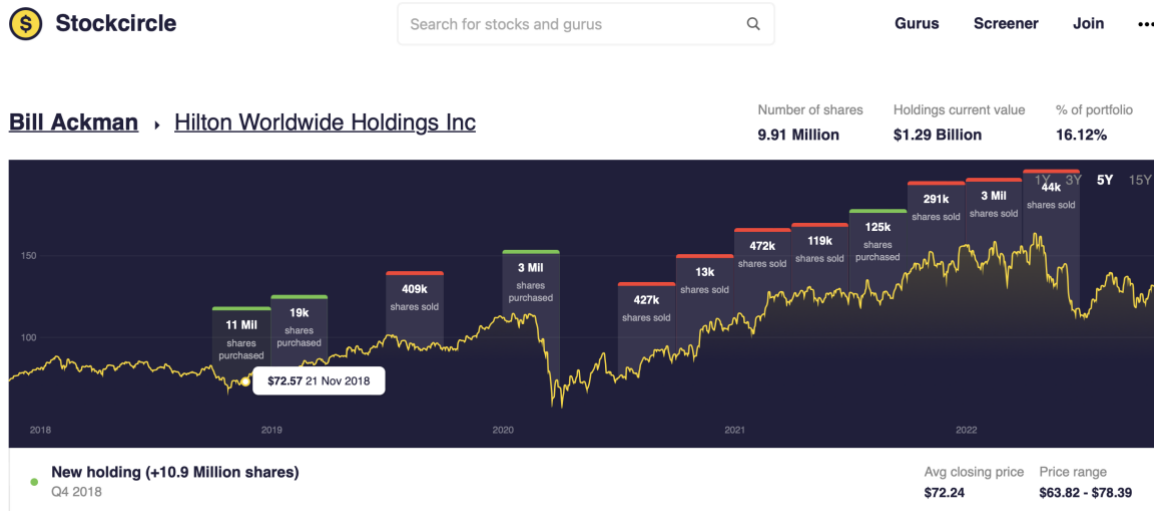
- Restaurant Brands Intl.'s franchised business model generates high-margin brand royalty fees from its four leading brands.
- QSR is focused on executing the next phase of its “Back to Basics” plan.
- QSR’s earnings are now greater than prior to COVID and are growing at an attractive rate.
- QSR continues to trade at a discount to its peers and its intrinsic value.

The inflation part is very interesting, to quote: “QSR’s franchised-based royalty model is particularly attractive in an inflationary environment. QSR’s revenues benefit when its franchisees increase prices, but its cost structure is not subject to the same inflationary pressures. QSR can continue to grow its business with minimal capital required as its franchisees open new units. Despite delayed permitting, higher material costs, and inflationary headwinds, QSR’s unit growth returned to its historic mid-single-digit growth rate last year.”

All in all, a 4% buyback yield, a 3% dividend yield for a total shareholder yield of 7% with famous and stable brands. The PE ratio is at 20, thus not cheap, but then again not even too expensive. In line with the other Bill Ackman positions we have discussed at this moment in time: medium risk and medium reward but maybe on the cheaper side compared to Lowe's and Chipotle, but then again, slower growth here.

Hilton Worldwide Holdings HLT

HLT stock is another one where Bill has been mostly trimming his position after the initial much lower purchases. His initial largest purchase was in 2018 at prices around \$72.



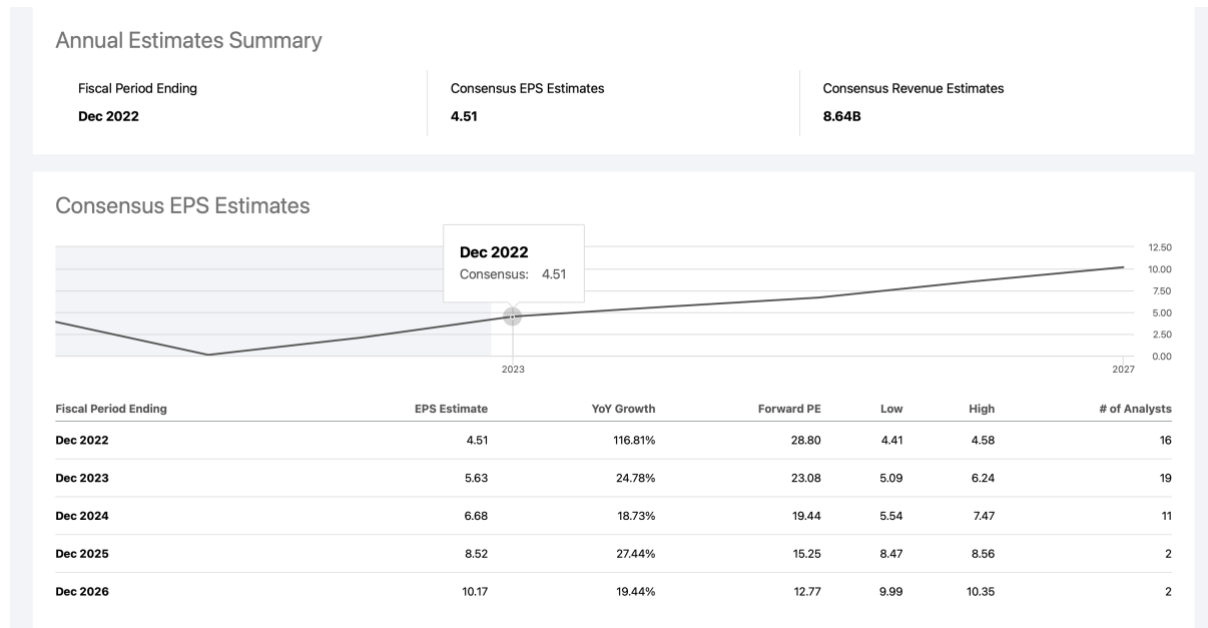
Source: [Stockcircle](#)

HLT stock is now around \$130, so another one where Bill made his money already.

This is the summary of Bill's thesis from [August 2022](#):

- We increased our investment in Hilton during the pandemic as we believed the economic dislocation from COVID-19 would prove to be transient.
- Hilton's experience with COVID-19 affirmed the co.'s unique business model.
- We expect Hilton to continue to deliver accelerated earnings growth for the foreseeable future.

The core of the HLT investment is the expectation of higher earnings in 2023 and a further continuation of earnings growth where those double over the next 4 years.



HLT earnings estimations – Source: SA

As with all the other holdings, HLT is also spending all available free cash flows on buybacks.

	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	TTM
Repurchase of Common Stock	" "	-	-	(31.0)	(15.0)	(922.0)	(1,765.0)	(1,582.0)	(354.0)	(49.0)	(1,149.0)

HLT buybacks – Source: SA

Bill’s idea is that “Hilton is well positioned to benefit from inflation as its fee-based business model benefits from rising ADRs while its cost base is largely fixed“ but that also implies no recession. On the other hand, if a recession happens, Bill is hedged.

For me, yes the growth is there, but paying 30 times free cash flows is a bit stretched for my style.

Howard Hughes Corporation HHC

Bill has been owning HHC since 2010, he presented the idea at the 2017 [Sohn conference](#) and he increased his position significantly during the pandemic crash.



Unfortunately for Bill, only his first purchase from 2010 is above water, the rest doesn't look as good as the other stocks Bill bought.

Market Summary > Howard Hughes Corp

60,25 USD

+ Follow

+22.25 (58.55%) ↑ all time

Closed: 9 Nov, 16:00 GMT-5 • Disclaimer

Pre-market 60,25 0,00 (0,00%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	62,40	Mkt cap	3,01B	52-wk high	105,51
High	62,66	P/E ratio	12,40	52-wk low	50,90

HHC stock price

Investors that followed his 2017 Sohn presentation are now down more than 50%. But, Bill is still bullish and here is his summary on the company:

- The Howard Hughes Corp.'s advantaged business model of owning MPCs (master planned communities) enables it to take a long-term approach to maximizing the value of its portfolio.
- HHC's MPCs are attractively located in low cost-of-living, low-tax states like Texas and Nevada that are benefiting from significant in-migration.
- HHC's balance sheet is well insulated from the impact of rising interest rates.
- We believe HHC is extremely well positioned for the current inflationary environment.

Over the last 12 months, the company has significantly increased buybacks where they spent 15% of the market cap.

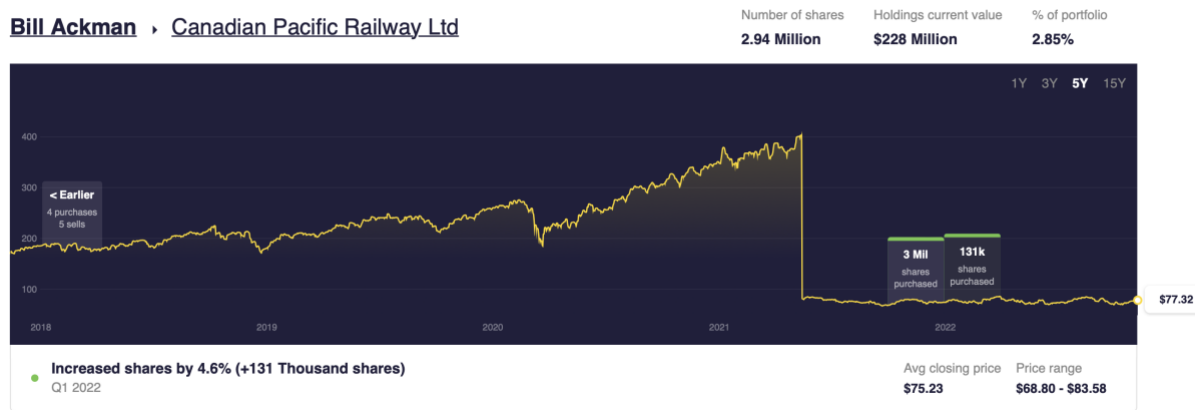
	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	TTM
Stock											
Repurchase of Common Stock		-	-	-	(1.2)	(11.7)	(62.7)	(59.4)	(2.2)	(83.6)	(487.6)

Further, HHC is trading close to book value now. But keep in mind the book value is in the form of properties. With interest rates higher, it is logical that property values can decline, so I wouldn't take this on face value.

Long-Term Assets											
Gross Property, Plant & Equipment	2,746.6	3,047.5	4,139.2	4,797.3	5,002.7	5,379.3	6,187.1	7,337.7	7,375.4	7,833.6	8,014.2
Accumulated Depreciation	(112.5)	(112.4)	(159.6)	(236.9)	(251.1)	(328.8)	(389.2)	(507.9)	(634.1)	(743.3)	(841.4)
Net Property, Plant & Equipment	2,634.1	2,935.1	3,979.7	4,560.4	4,751.6	5,050.5	5,797.9	6,829.8	6,741.3	7,090.3	7,172.9
Long-Term Investments	32.2	61.0	53.7	57.8	76.4	76.6	102.3	121.8	377.1	369.9	291.3
Goodwill	-	-	-	-	-	1.3	1.3	1.3	1.3	1.3	-
Other Intangibles	37.5	34.1	60.6	49.1	41.5	64.6	58.5	87.0	80.4	72.7	68.1
Deferred Charges	12.9	36.6	60.4	61.8	64.5	80.9	95.7	133.2	112.1	119.8	123.8
Other Long-Term Assets	28.2	19.0	153.6	61.1	207.1	4.8	18.4	9.3	12.1	7.9	7.4
Total Assets	3,503.0	4,567.9	5,105.3	5,721.6	6,367.4	6,729.1	7,355.8	8,413.8	9,140.3	9,581.7	9,508.7

Canadian Pacific Railways

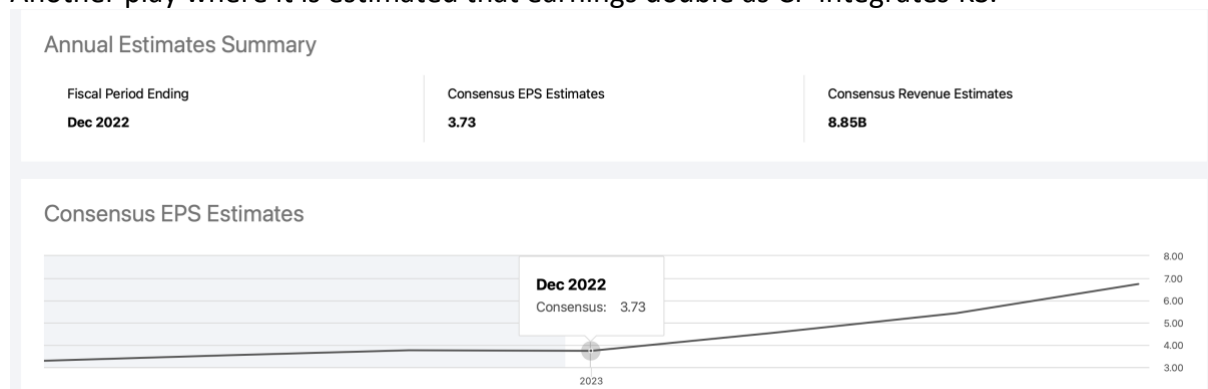
A recent purchase but still the smallest position in his portfolio.



Bill's summary:

- With an improving volume and pricing outlook combined with the upcoming transformational acquisition of Kansas City Southern (KCS), we believe that Canadian Pacific Railway's prospects are bright.
- CP's pending acquisition of KCS remains on track as the Surface Transportation Board's likely approval approaches.
- We believe CP's current valuation represents a meaningful discount to intrinsic value in light of the company's high-quality business model and long-term growth potential.

Another play where it is estimated that earnings double as CP integrates KS.



So, if they manage to grow earnings, then this will be a PE ratio of 10 stock.



Canadian Pacific Railway Ltd

NYSE: CP

Overview

Compare

Market Summary > Canadian Pacific Railway Ltd

75,29 USD

+ Follow

+71.08 (1,688.36%) ↑ all time

Closed: 9 Nov, 16:00 GMT-5 • Disclaimer

Pre-market 75,29 0,00 (0,00%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open 76,77 Mkt cap 94,71B CAD CDP score A

I don't know, to me this looks expensive. It is funny, when you Google Kansas City Southern, SA is promoting my article on that search where I stated that they were prepping KCS for a sale by financial engineering buybacks to push the stock higher.

Ad · <https://www.seekingalpha.com/>

Kansas City Southern Stock Will Outperform Thanks To Buybacks

Don't Get Blind-Sided By The **Stock** Market. Use Quant & **Stock** Ratings To Time Your Moves.

The Widest **Stock** Coverage In The World. Read The Bull & Bear Cases Before...

I did analyze railroads in 2020, those were too expensive for me already as I am an absolute, not a relative investor.

svencarlin.com > railroad-stocks-list

Railroad stocks list with detailed analyses (Stock by Stock)



If you prefer enjoying a coffee and listening to the content, here is the video on rail stocks, article continues below. Value...

Sven Carlin · Value Investing with Sven Carlin, Ph.D. · 29 Sept 2020

I think this is another medium risk, medium reward play for Bill where he is also likely hedged if the economy tanks.

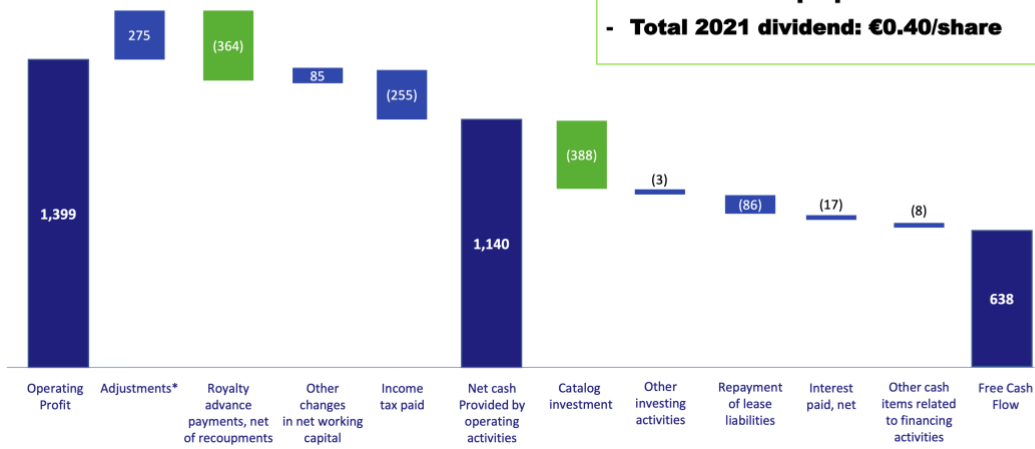
Universal Music Group

Now, his most recent buy and here is his summary:

- Universal Music Group's business can be best thought of as a rapidly growing royalty on the greater global consumption and monetization of music.
- UMGNF can grow revenues at an annual rate of 10% or so for more than a decade.
- UMGNF has maintained a high-teens growth rate year-to-date.
- We believe that UMG's current valuation represents a significant discount to intrinsic value.



FREE CASH FLOW (€ MILLION)



- **Dividend policy: 50% of net income**
- **2021 interim dividend: €0.20/share**
- **Final dividend proposal 2021: €0.20/share**
- **Total 2021 dividend: €0.40/share**

50 times cash flows! Bill's EGO still there?

The New York Times

Bill Ackman drops SPAC deal with Universal Music.

The chief of Pershing Square said the proposed transaction was drawing concerns from the Securities and Exchange Commission.

 Give this article



This article is part of our [Daily Business Briefing](#)



Bill Ackman in 2018. He said the Universal Music deal's "complexity and structure" had concerned some investors in his special purpose acquisition company, or SPAC. Krista Schlueter for The New York Times

Pershing Square Tontine Holdings, Ltd. Will Redeem Its Public Shares and Will Not Consummate an Initial Business Combination

July 11, 2022 05:45 PM Eastern Daylight Time

NEW YORK--(BUSINESS WIRE)--Pershing Square Tontine Holdings, Ltd. (the “Company”) (NYSE: PSTH, PSTH.WS), a special purpose acquisition company, today announced that it will redeem all of its outstanding shares of Class A common stock (the “public shares”), effective as of July 26, 2022, because the Company will not consummate an initial business combination within the time period required by its Second Amended and Restated Certificate of Incorporation (the “Charter”).

As stated in the Company’s Form S-1 and in the Company’s Charter, if the Company is unable to complete an initial business combination within 24 months from the closing of its initial public offering on July 24, 2020 (subject to certain inapplicable exceptions), the Company will:

- cease all operations except for the purpose of winding up,
- as promptly as reasonably possible but not more than ten business days thereafter, subject to lawfully available funds therefor, redeem 100% of the public shares in consideration of a per-share price, payable in cash, equal to the quotient obtained by dividing (A) the aggregate amount then on deposit in the trust account (“Trust Account”) entered into in connection with the Company’s initial public offering (less up to \$100,000 of such net interest to pay dissolution expenses), including interest, if any, not previously released to the Company to pay taxes, by (B) the total number of then outstanding public shares, which redemption will completely extinguish rights of the public stockholders (and, therefore, the public shares will have no right to receive further liquidating distributions, if any), subject to applicable law, and
- as promptly as reasonably possible following such redemption, subject to the approval of the remaining stockholders and the board of directors of the Company in accordance with applicable law, dissolve and liquidate,

subject in each case to the Company’s obligations under the General Corporation Law of the State of Delaware, to provide for claims of creditors and other requirements of applicable law. The Company has decided not to withhold any amounts to pay dissolution expenses (which were permitted to be withheld in an amount up to \$100,000).

Bill’s Stocks Conclusion

All are good businesses but also fairly priced. There is the positive coming from buybacks that all have implemented, where I assume there is a strong influence from Bill.

On a sidenote, the buyback focus his companies suddenly have, leads me to believe the Netflix sale wasn’t because suddenly they figured Netflix’s room for growth has plateaued, but likely because the management didn’t want to do what Bill told them.

Every business is in line with Bill’s stated strategy:

- I. Predictable business: “Our business is finding companies where we can predict with a very high degree of confidence what a business looks like over a very long period of time”.
- II. Predictable cash flows: “Find a business where you can predict with a high degree of confidence what the cash flows will be in many, many years and build them up”.
- III. Pricing Power and what would Buffett call a Moat - “We own businesses that can protect themselves from inflation... and can withstand the test of time”
- IV. High concentration (currently just 7 positions in his portfolio): “this is a high return strategy, and we can afford to lose” on mistakes.

- V. Sophisticated asymmetric macro instruments - hedges: “We are spending a lot more time looking at interesting asymmetric macro type instruments and that has been a very profitable place for us”.

However, he isn't as focused on the current price of his holdings because he is more of a relative than absolute return investor.

What is the importance of the focus on price? Well, Bill's goal is to beat the market, to do that you need to own the market and then somehow do better. His intention is to do that by being hedged on one side, while owning good businesses that should do well. As long as there is asymmetry in both his long and short holdings, he should beat the market. Keep in mind he trimmed most of his largest portfolio positions significantly over the last two years so he plays a bit on price, but not 100%. He is paid to be invested and he does that very well.

So, if his holdings are fairly priced and there is nothing spectacular there, let's see if the stock he considers the best buy at the moment, his own stock of Pershing Square Holdings, and the stock he spends the most money on to do buybacks, is something interesting to invest in, plus you get Bill to work for you, at a fee of course.

Pershing Square Holdings – Best Buy and You Get Bill Working For You At A Discount

Now if you like the above discussed businesses and like Bill’s investment strategy, you can simply have him invest for you. Plus, you can get all the above at a discount given that his stock trades at a significant discount to net asset value.

However, let me immediately debunk the discount to NAV (net asset value) story. Bill goes on and on in his letter about closing that discount to NAV and how he doesn’t know why it is there while other closed end funds have much lower discounts.

Appendix A to the Investment Manager’s Report

100 Largest Equity Closed-End Funds by Market Capitalization | As of August 16, 2022 | Source: Bloomberg

Rank	Bloomberg Ticker	Name	Primary Exchange	Market Capitalization (USD in mm)	Net Asset Value (USD in mm)	% Premium/ (Discount) to NAV ^(a)	Latest NAV Estimate Date	Annualized NAV Return (Incl. Dividends) ^(b)		
								1 Year	3 year	5 Year
1	SMT LN Equity	SCOTTISH MORTGAGE INV TR PLC	London	\$15,670	\$16,599	(6%)	8/16/2022	(29%)	23%	18%
2	AFI AU Equity	AUSTRALIAN FOUNDATION INV CO	ASE	\$6,883	\$6,106	13%	7/29/2022	(3%)	7%	9%
3	PSH NA Equity	PERSHING SQUARE HOLDINGS LTD	EN Amsterdam	\$6,464	\$9,969	(35%)	8/16/2022	6%	27%	24%
4	FCIT LN Equity	F&C INVESTMENT TRUST PLC	London	\$5,796	\$6,165	(6%)	8/16/2022	5%	12%	10%
5	ARG AU Equity	ARGO INVESTMENTS LTD	ASE	\$5,088	\$4,667	9%	7/29/2022	2%	6%	7%
6	RCP LN Equity	RIT CAPITAL PARTNERS PLC	London	\$4,724	\$4,846	(3%)	7/29/2022	(3%)	10%	9%
7	DNP US Equity	DNP SELECT INCOME FUND INC	New York	\$3,935	\$3,527	12%	8/16/2022	12%	7%	7%
8	BION SW Equity	BB BIOTECH AG-REG	SIX Swiss Ex	\$3,675	\$3,130	17%	8/16/2022	(18%)	5%	3%
9	ATST LN Equity	ALLIANCE TRUST PLC	London	\$3,652	\$3,906	(6%)	8/16/2022	2%	11%	9%
10	PCT LN Equity	POLAR CAPITAL TECHNOLOGY TR	London	\$3,570	\$3,895	(8%)	8/16/2022	(7%)	18%	19%
11	SSON LN Equity	SMITHSON INVESTMENT TRUST	London	\$3,098	\$3,265	(5%)	8/16/2022	(17%)	8%	N.A.
12	MNKS LN Equity	MONKS INVESTMENT TRUST PLC	London	\$2,951	\$3,190	(8%)	8/16/2022	(14%)	11%	11%
13	EXG US Equity	EATON VANCE TAX-MANAGED GLOB	New York	\$2,744	\$2,692	2%	8/16/2022	(8%)	10%	6%
14	WWH LN Equity	WORLDWIDE HEALTHCARE TRUST P	London	\$2,708	\$2,900	(7%)	8/16/2022	2%	11%	9%
15	UTF US Equity	COHEN & STEERS INFRASTRUCTUR	New York	\$2,658	\$2,650	0%	8/16/2022	9%	8%	8%
16	CSQ US Equity	CALAMOS STRAT TOT RETURN FD	NASDAQ GS	\$2,503	\$2,468	1%	8/16/2022	(7%)	15%	11%
17	CLDN LN Equity	CALEDONIA INVESTMENTS PLC	London	\$2,475	\$3,247	(24%)	7/29/2022	22%	13%	11%
18	UTG US Equity	REAVES UTILITY INCOME FUND	NYSEAmerican	\$2,398	\$2,396	0%	8/16/2022	2%	5%	5%
19	FP RO Equity	SC FONDUL PROPRIETATEA SA	Bucharest	\$2,344	\$3,390	(31%)	7/29/2022	62%	28%	23%
20	CTY LN Equity	CITY OF LONDON INVESTMENT TR	London	\$2,334	\$2,289	2%	8/16/2022	9%	6%	3%
21	PNL LN Equity	PERSONAL ASSETS TRUST PLC	London	\$2,315	\$2,291	1%	8/16/2022	3%	6%	5%
22	FGT LN Equity	FINSBURY GR&INC TRUST-ORD	London	\$2,301	\$2,405	(4%)	8/16/2022	(2%)	2%	6%
23	CLM US Equity	CORNERSTONE STRATEGIC VALUE	NYSEAmerican	\$2,205	\$1,707	29%	8/12/2022	0%	14%	11%
24	BIGZ US Equity	BLACKROCK INNOV & GROW TR	New York	\$2,169	\$2,591	(16%)	8/16/2022	(35%)	N.A.	N.A.
25	TEM LN Equity	TEMPLETON EMERGING MARKETS-O	London	\$2,137	\$2,471	(14%)	8/16/2022	(11%)	4%	3%
26	RQI US Equity	COHEN & STEERS QUAL INC RLTY	New York	\$2,124	\$2,155	(1%)	8/16/2022	3%	9%	9%
27	GDV US Equity	GABELLI DIVIDEND & INCOME TR	New York	\$2,088	\$2,353	(11%)	8/16/2022	(6%)	11%	7%
28	ETY US Equity	EATON VANCE TAX-MANAGED DIVE	New York	\$2,065	\$1,956	6%	8/16/2022	(4%)	10%	8%
29	ADX US Equity	ADAMS DIVERSIFIED EQUITY	New York	\$2,049	\$2,402	(15%)	8/16/2022	(2%)	14%	11%
30	WTAN LN Equity	WITAN INVESTMENT TRUST PLC	London	\$1,978	\$2,148	(8%)	8/16/2022	(3%)	7%	6%
31	BMEZ US Equity	BLACKROCK HEALTH SCI TR II	New York	\$1,976	\$2,246	(12%)	8/16/2022	(25%)	N.A.	N.A.
32	EVT US Equity	EATON VANCE TAX-ADV DVD INC	New York	\$1,975	\$1,936	2%	8/16/2022	(2%)	11%	9%
33	HBMN SW Equity	HBM HEALTHCARE IVST-A	SIX Swiss Ex	\$1,957	\$2,228	(12%)	8/15/2022	(6%)	19%	19%
34	MYI LN Equity	MURRAY INTERNATIONAL TR-O	London	\$1,937	\$1,970	(2%)	8/16/2022	15%	8%	5%
35	MRC LN Equity	MERCANTILE INVESTMENT TRUST	London	\$1,917	\$2,246	(15%)	8/16/2022	(22%)	5%	4%
36	GAB US Equity	GABELLI EQUITY TRUST	New York	\$1,895	\$1,657	14%	8/16/2022	(6%)	11%	7%
37	GOF US Equity	GUGGENHEIM STRATEGIC OPPORTU	New York	\$1,869	\$1,490	25%	8/16/2022	(5%)	5%	5%
38	JAM LN Equity	JPMORGAN AMERICAN INVEST-ORD	London	\$1,838	\$1,869	(2%)	8/16/2022	13%	19%	15%
39	USA US Equity	LIBERTY ALL STAR EQUITY FUND	New York	\$1,818	\$1,735	5%	8/16/2022	(10%)	12%	9%

Pershing has the largest discount to NAV of the above closed end funds.

So, if something trades at a 35% discount to net asset value, that should be the best bargain, right? Well, not that fast, unfortunately there is static and dynamic discount to NAV.

Static discount to NAV

Yes, if Bill would liquidate Pershing Square Holdings today, the discount is 32% and thus shareholders paying \$33.35 per share now would get \$49.62 for a 48% return.

2022 Net Asset Values and Returns

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As of Date	Period	USD NAV/Share	Euronext Px/Share	GBP NAV/Share	LSE GBP Px/Share	LSE USD Px/Share	MTD Return	QTD Return	YTD Return
8 November	Weekly	\$49.62	\$33.35	£43.02	£28.80	\$33.25	-0.9%	9.0%	-12.8%
31 October	Monthly	\$50.05	\$32.65	£43.65	£28.35	\$32.63	9.9%	9.9%	-12.0%
25 October	Weekly	\$51.01	\$32.60	£44.47	£28.45	\$32.63	12.0%	12.0%	-10.4%
18 October	Weekly	\$47.81	\$30.25	£42.22	£26.70	\$30.23	5.0%	5.0%	-15.9%
11 October	Weekly	\$44.96	\$29.35	£40.93	£26.35	\$29.55	-1.3%	-1.3%	-20.9%
30 September	Monthly	\$45.55	\$30.00	£40.79	£27.00	\$30.25	-4.5%	8.2%	-19.9%

Source: [Pershing NAV page](#)

Of course, Bill will not liquidate because Pershing is his job and he thinks that over time he will create more value than to just give a final 48% quick one-time return to his shareholders (don't know if there would be tax issues, probably...).

Plus, his incentive in the form of a 1.5% management fee and a 20% performance fee on the NAV is much more interesting to him. The manager earned \$462 million for 2021 and \$692 million for 2020 in performance fees.

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

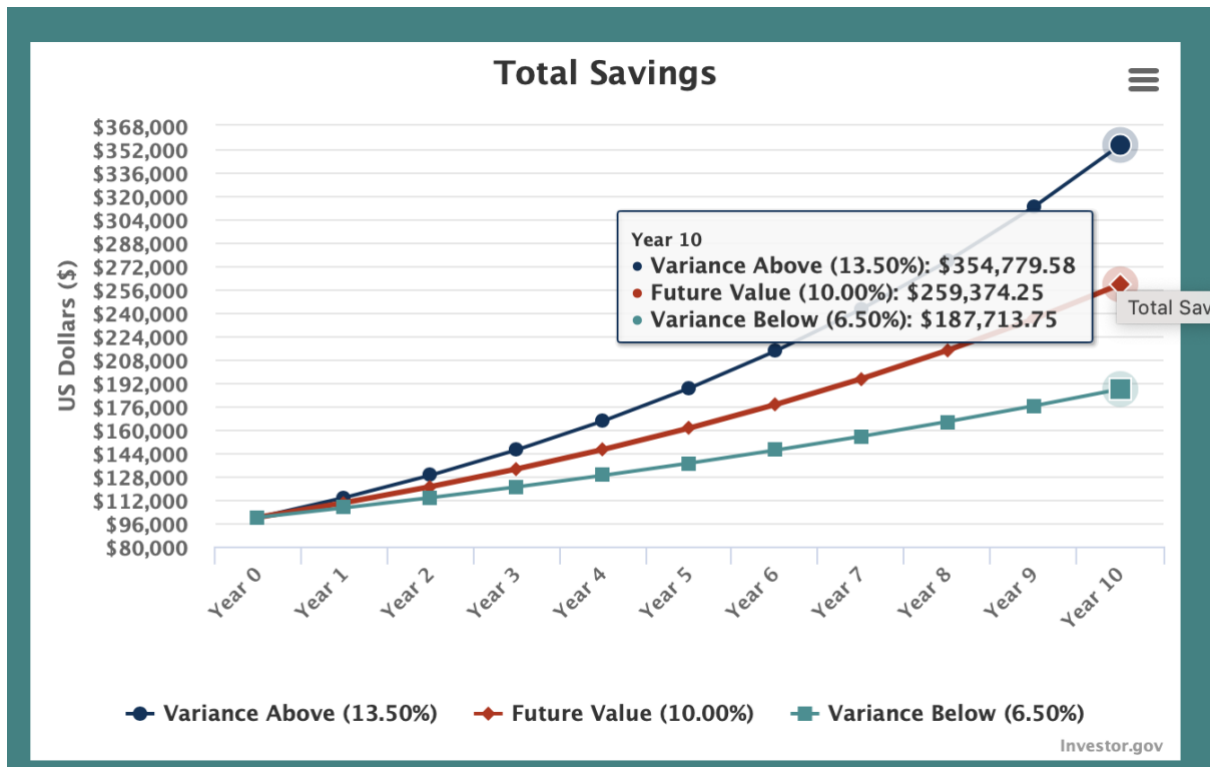
Source: [Pershing Annual Report](#)

And that fee, year after year, will also explain the discount from a dynamic, longer term investing perspective.

Dynamic discount to NAV

If you invest \$100,000 with Bill and he gets 1.5% of that every year no matter what the NAV does, plus he gets a 20% fee on NAV increase for the year, you quickly see that on a 10% return, Bill gets 3.5%, thus 35% of the performance which explains the discount to NAV.

If I invest \$100,000 and Bill compounds NAV at 10% for 10 years, your actual return will not be 10%, but 6.5% and after 10 years, you will not have \$259,374 but \$187,713, or 28% less than without fees.



As closed end funds, Bill’s strategy and all is set up in the long-term investing form, the fees compound over time and I think also explain the discount to NAV. And if you scroll down on his [NAV page](#), the discount has been there constantly since the inception of the fund.

2017 Net Asset Values and Returns

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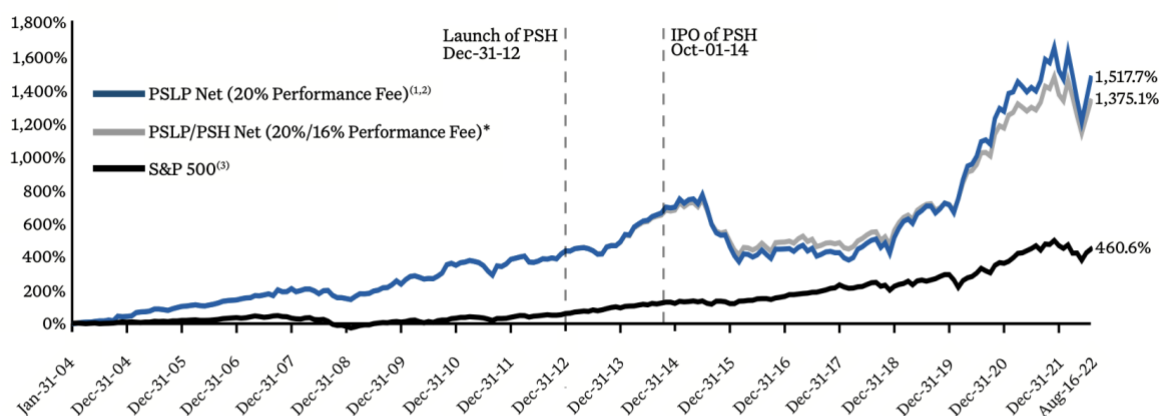
As of Date	Period	USD NAV/Share	Euronext Px/Share
31 December	Monthly	\$17.41	\$13.67
26 December	Weekly	\$17.71	\$13.72
19 December	Weekly	\$17.91	\$13.86
12 December	Weekly	\$17.69	\$13.89
5 December	Weekly	\$17.68	\$13.90

22% discount at the end of 2017

Yes, you can have bill work for you but that comes at a cost of 1.5% of your money no matter the performance and then a 20% fee on top of it. Those that invested with him did very well no matter the fees so the hope is that he will continue doing so.

Company Performance

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



	PSLP/PSH Net Return*		PSLP Net Return ^(1,2)	S&P 500 ⁽³⁾
2004	42.6 %	Pershing Square, L.P.	42.6 %	10.9 %
2005	39.9 %		39.9 %	4.9 %
2006	22.5 %		22.5 %	15.8 %
2007	22.0 %		22.0 %	5.5 %
2008	(13.0)%		(13.0)%	(37.0)%
2009	40.6 %		40.6 %	26.5 %
2010	29.7 %		29.7 %	15.1 %
2011	(1.1)%		(1.1)%	2.1 %
2012	13.3 %		13.3 %	16.0 %
2013	9.6 %		9.7 %	32.4 %
2014	40.4 %		36.9 %	13.7 %
2015	(20.5)%		(16.2)%	1.4 %
2016	(13.5)%	(9.6)%	11.9 %	
2017	(4.0)%	(1.6)%	21.8 %	
2018	(0.7)%	(1.2)%	(4.4)%	
2019	58.1 %	44.1 %	31.5 %	
2020	70.2 %	56.6 %	18.4 %	
2021	26.9 %	22.9 %	28.7 %	
Six-month period ended June 30, 2022	(26.0)%	(21.5)%	(20.0)%	
Year-to-date through August 16, 2022	(10.8)%	(9.3)%	(8.8)%	
		Pershing Square Holdings, Ltd.		

Conclusion

I feel a bit disappointed, I hoped to find something spectacular to share with you within Bill’s portfolio, something that we can buy, forget about it and be much richer after a few years. But, unfortunately investing isn’t that simple at all and it also shows how difficult is Bill’s job, especially if you need to constantly beat the market. If Pershing hadn’t been a close end fund in the 2015-2016 period when he lost more than 40%, most clients would have probably left and he would be out of a job.

So, I am happy because you always learn something when you dig deeper into what somebody is doing. With the hedges, buybacks and quality businesses that are fairly priced, Bill will likely continue to outperform the market and deserve his fees.

On, my personal investing journey, the hedges are the takeaway for me personally. If one could always force oneself to look for asymmetrically priced hedges to get more protection from a retail long-term investing performance, it isn’t stupid at all. I will not make any promises because I don’t like making promises, so stay tuned, maybe I’ll surprise you one day, maybe I won’t... that is a risk you have to take with me...



Bogdan Bmm · 21 minutes ago (edited)

thank you Sven, bit lost with the tickers related to Bill A.: which one is the main one or so if a retail investor wants to invest? PSH, PSHZF, PSHD ? Thank you!

REPLY

1 reply



1



Bill Ackman Interview (BEST STOCK TO BUY, INFLATION, RECESSION & MORE)



Value Investing with Sven Carlin, Ph.D. · 0 seconds ago

thanks, will discuss this when we discuss the stocks in the soon future.

REPLY

