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Bill Ackman's Permanent-Capital Gamble: How a Combat Investor Tried to Rebuild Himself as a Compounder



The Pershing Square founder made his name by turning research into public pressure. His later career asks a harder question: can an activist built for confrontation become a durable allocator of permanent capital?

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In brief

William Ackman remains one of the most consequential and contested investors of his generation. His record includes early wins, a famous short of MBIA, a celebrated Canadian Pacific turnaround, bruising failures in J.C. Penney and Valeant, a costly Herbalife short campaign, a lucrative 2020 credit hedge, and a strategic pivot toward concentrated ownership of high-quality companies through permanent-capital vehicles. This profile examines how Ackman's method evolved, where it worked, where it broke down, and why his attempt to turn Pershing Square into a public, Berkshire-like investment platform is still one of the most closely watched experiments in modern asset management.

- Ackman's core method combines concentrated value investing, public-company engagement, and a willingness to use publicity as a tool of pressure.
- Pershing Square's long-term record is strong from its 2004 private-fund inception, but the public PSH vehicle has had periods of meaningful underperformance against the S&P 500.
- The Valeant, J.C. Penney, and Herbalife episodes exposed the dangers of overconfidence, reputational attachment, and public campaigns that leave little room for graceful revision.
- After the 2015 to 2017 drawdown, Ackman recast Pershing Square around simpler, cash-generative companies, permanent capital, and more selective activism.
- The 2026 Pershing Square USA and Pershing Square Inc. listings made Ackman's firm more public just as investors were still weighing fees, closed-end fund discounts, leverage, and the difference between Berkshire-style permanence and external management.

Performance markers

PSH 2025 NAV performance	20.9% Pershing Square Holdings reported NAV performance of 20.9% for 2025, compared with 17.9% for the S&P 500 total return.
PSH 2025 total shareholder return	33.9% The 2025 shareholder return exceeded the NAV return because the discount to NAV narrowed during the year.
Day-one investor annualized NAV return	16.2% Annualized NAV return from Pershing Square, L.P.'s January 1, 2004 inception through December 31, 2025 for investors who transferred into PSH at launch.
S&P 500 comparable annualized return	10.7% Comparable S&P 500 annualized total return for the same 2004 through 2025 period cited by Pershing Square.
PSLP/PSH cumulative NAV return through February 10, 2026	2,506.1% Cumulative return from January 1, 2004 through February 10, 2026 in Pershing Square's annual report table.
PSH positions as of March 31, 2026	13 The March 2026 fact sheet listed 13 long positions and no short positions.
PSH discount to NAV as of March 31, 2026	26.9% Dollar share-price discount to NAV reported in the March 2026 fact sheet.
2020 credit hedge proceeds	\$2.6 billion Pershing Square reported exiting credit hedges in March 2020 for \$2.6 billion of proceeds, versus \$27 million of premiums and commissions.

Charts and timelines

Risk		Timeline	
Concentration risk	13 positions, 124% net exposure	Gotham Partners founded	Co-founded with David Berkowitz
Discount risk	26.9% discount to NAV	Pershing Square formed	Investment adviser formed, first fund commenced investing
Manager and structure risk	External manager, fees, controlled strategy	PSH begins investing	Permanent-capital path begins
Thesis rigidity	Valeant, Herbalife, J.C. Penney	PSH admitted to trading	Euronext Amsterdam, then London Stock Exchange
		Permanent-capital era	Return to core principles
		PSUS and Pershing Square Inc. list	NYSE listings under PSUS and PS

Philosophy		Performance	
Quality first	Simple, predictable, free-cash-flow generative	2004	42.6% PSLP/PSH net return
Concentration	8 to 12 typical core holdings, 13 positions in March 2026	2015	-20.5% PSLP/PSH net return
Catalyst optionality	Governance, managerial, operating, and capital-allocation levers	2019	58.1% PSLP/PSH net return
Asymmetric protection	Opportunistic hedges	2020	70.2% PSLP/PSH net return
		2024	10.2% PSH NAV return vs 25.0% S&P 500
		2025	20.9% PSH NAV return vs 17.9% S&P 500

The investor who turned conviction into theater

Bill Ackman's investing career has often looked less like quiet capital allocation than like a public cross-examination. At his best, he takes a large stake, assembles a thesis with prosecutorial force, and insists that boards, regulators, management teams, and other shareholders confront what he says the market is missing. At his worst, the same confidence can harden into a position that becomes too public to abandon without damage. Few investors have made the virtues and dangers of certainty so visible.

That is why Ackman matters beyond the returns of Pershing Square. He sits at the junction of value investing, shareholder activism, hedge-fund showmanship, and permanent capital. He is not simply a buyer of mispriced securities. He is a builder of arguments, a designer of vehicles, and a practitioner of pressure. The modern boardroom has absorbed many of his tactics: the long presentation, the highly detailed operating critique, the appeal to other shareholders, and the threat that private disagreement can become public combat.

His later career has been a deliberate attempt to civilize that force. Pershing Square now describes itself around permanent capital, high-quality companies, predictable free cash flow, strong management, and the ability to hold through volatility. The question hanging over Ackman's 2026 profile is not whether he can win a fight. It is whether the same investor who built a reputation in open conflict can compound capital over decades while running vehicles that ask public shareholders to trust both his judgment and his structure.

Why Ackman matters to modern markets

Ackman belongs to a narrow group of investors whose careers changed the vocabulary of shareholder power. The older corporate raider sought control, used leverage, and often relied on asset sales. The later activist often wanted board seats, better capital allocation, improved margins, divestitures, or a sale process. Ackman helped make the activist presentation an instrument of market persuasion. In his world, a stock position could become a campaign, a campaign could become a media event, and a media event could force a board to answer publicly for years of operational drift.

His influence is also structural. Pershing Square Holdings, the London-listed and Amsterdam-listed closed-end vehicle, gave public-market investors a way to buy into a version of a hedge-fund strategy that historically would have been restricted to private fund investors. Pershing Square USA and Pershing Square Inc., which began trading on the New York Stock Exchange in April 2026, extended that ambition. Ackman has tried to convert a hedge-fund franchise into a public investment platform with permanent or semi-permanent capital.

That conversion is important because it tests one of the central tensions in asset management. Investors like permanence when it lets a manager buy during panic, avoid forced selling, and hold illiquid or unpopular positions. They are less forgiving when permanence comes with fees, leverage, complex structures, and market prices that can

trade below net asset value. Ackman's relevance therefore lies not only in the companies he buys, but in the wrapper he has built around his own judgment.

Gotham, Harvard, and the education of a young absolutist

Ackman's professional origin story begins before Pershing Square. After Harvard College and Harvard Business School, he co-founded Gotham Partners with David Berkowitz in 1992. The firm began as a relatively small investment partnership and grew rapidly during the 1990s. It also taught Ackman the costs of illiquidity, complexity, and investor impatience. Gotham's later years included hard-to-sell private holdings, disputes, and a wind-down that left Ackman with experience more valuable than flattering.

That early setback matters because Ackman's later discipline often reads like an answer to it. Pershing Square's mature checklist favors simple, predictable, free-cash-flow-generative businesses with limited dependence on capital markets. The criteria are not accidental. They are the scars of an investor who learned that a theoretically cheap asset is less useful when it cannot be financed, sold, explained, or governed under pressure. Gotham gave Ackman a template of what not to repeat.

The other formative event was MBIA, the bond insurer Ackman challenged before the financial crisis. He argued that the company's structured-finance exposures undermined the safety implied by its rating and business model. The campaign became a test of patience, documentation, and institutional resistance. It also created the Ackman persona that would follow him: unusually prepared, confrontational, sure that a detailed thesis could defeat consensus, and willing to look obsessive long before the market agreed.

The Pershing Square machine

Pershing Square was formed in the early 2000s after Gotham, and it quickly became a vehicle for concentrated public-equity campaigns. The model was simple to describe and hard to practice. Buy a meaningful stake in a company with an identifiable gap between price and value. Develop a plan that could close the gap. Use the rights of ownership, including board representation and public argument, to increase the probability that the plan would happen.

Ackman's best campaigns showed the power of the model. Canadian Pacific became the cleanest example. Pershing Square pushed for a leadership change and the installation of railroading veteran Hunter Harrison. The campaign was contentious, but the railroad's subsequent performance turned the investment into one of Pershing Square's defining successes. Reuters later reported that the first Canadian Pacific investment earned Pershing Square about \$2.6 billion, a result that helped establish Ackman as more than a critic of bad companies. He could also identify an underperforming good asset and help change its trajectory.

The Pershing Square machine was built for such moments: deep research, large position size, a narrative other shareholders could understand, and a willingness to take the reputational risk of being wrong in public. That last feature is often the hidden cost. Concentration increases the payoff when a thesis is right. Public engagement increases the pressure on management. Together, they also increase the penalty when a thesis is incomplete, late, or emotionally defended.

From public brawler to permanent-capital architect

Ackman's post-2017 reinvention is central to understanding him today. Pershing Square had endured a difficult period driven by high-profile mistakes and a broader loss of investor confidence. Rather than present the episode as a normal drawdown, the firm later framed its history in distinct chapters, with a challenging period followed by what it calls a permanent-capital era. That wording is revealing. Ackman did not merely change holdings. He changed the institutional story of Pershing Square.

The new story emphasizes durability. Pershing Square Inc. says it invests through permanent-capital vehicles including Pershing Square Holdings, Pershing Square USA, and Howard Hughes. Its public description focuses on high-quality businesses, dominant and defensive positions, predictable free cash flow, attractive valuation, and the ability to act opportunistically with asymmetric hedges. The rhetoric is closer to long-term ownership than to old-style activist insurgency.

Yet the brawler has not disappeared. Ackman still favors concentrated portfolios and still believes that governance, structure, and capital allocation can create value. The difference is that the campaign is now more likely to be embedded in a long-term ownership thesis rather than launched as a scorched-earth proxy fight. His ambition is to be seen less as a seasonal activist and more as a compounder who occasionally uses activism as a tool.

The checklist: simple, dominant, cash-rich, mispriced

Pershing Square's current investment language is intentionally plain. It looks for businesses that are simple and predictable, generate free cash flow, have formidable barriers to entry, carry strong financial profiles, require limited capital-market access, and trade at attractive valuations. The list could sound conventional until one notices how sharply it rejects parts of Ackman's own past. Valeant was complicated. J.C. Penney was operationally fragile. Herbalife was a public short that depended not only on business analysis but on regulatory and market outcomes.

That checklist has led Pershing Square toward large-cap companies that can withstand public scrutiny and prolonged holding periods. By early 2026, the portfolio included mega-cap technology and platform companies such as Alphabet, Amazon, and Meta, as well as financial, restaurant, real-estate, hospitality, and media exposures. The firm's annual letter described purchases of Alphabet in early 2023, Amazon in April 2025, and Meta late in 2025 as opportunistic entries after share-price dislocations.

The shift is significant. Ackman once became famous for forcing change in companies that were failing to meet their potential. He now also buys companies where the central intervention may be patience. That does not mean he has become passive. It means the activism is often directed at the terms of entry, the structure of ownership, or a governance lever rather than a daily public fight with management.

Portfolio construction as concentrated journalism

Pershing Square's portfolio construction reflects Ackman's appetite for being meaningfully right rather than broadly diversified. The March 2026 fact sheet showed 13 positions, no short positions, and net exposure of 124 percent. PSH reported \$16.1 billion of assets under management, total firm AUM of \$26.7 billion, and a portfolio whose substantial majority was still organized around a small number of core holdings. This is not index-hugging with letters attached. It is a small newsroom of investment theses, each expected to carry weight.

Concentration gives Pershing Square analytical intensity. A manager with 100 holdings can be approximately right about many companies. Ackman's approach requires being unusually right about a few. That enables deeper engagement with management, board issues, capital allocation, incentives, and industry structure. It also makes the investor's psychology part of the risk model. The fewer the names, the more each thesis becomes a test of judgment.

The permanent-capital structure is designed to support that concentration. Closed-end funds do not face daily redemptions, so a manager can hold through volatility without selling to meet withdrawals. But a closed-end fund creates a different problem: the share price can diverge from net asset value. PSH's March 2026 fact sheet showed the shares trading at a discount of roughly 27 percent to NAV. For shareholders, Ackman's judgment is only one variable. The market's price for access to that judgment is another.

Activism as a form of operating leverage

Ackman's activism is often described as confrontational, but the deeper idea is operating leverage. When Pershing Square owns a large minority stake, it can use research, board pressure, and shareholder persuasion to try to change

the path of a company without buying the whole company. If the campaign works, a minority owner can benefit from a control-like improvement without paying a control premium. That is why the strategy can produce outsized returns.

Canadian Pacific demonstrated the appeal. Pershing Square did not invent the railroad's assets. It argued that better leadership and operating discipline could unlock their value. The campaign helped bring Hunter Harrison to the company, and the subsequent operating improvements became a case study in activist influence. Ackman's skill was not simply seeing that the stock was cheap. It was identifying a credible executive solution that other shareholders could support.

The weakness is that activism can mistake a plan for a capability. Not every business can be fixed by a presentation. Not every management change creates durable value. Not every boardroom fight is worth the distraction it imposes. Ackman's strongest campaigns matched a clear value gap with a feasible operational remedy. His weaker ones overestimated how much persuasion, status, or urgency could do against a deteriorating business model.

The record: impressive compounding with uncomfortable footnotes

The headline record remains formidable. In its 2025 annual report, Pershing Square reported that investors who began in Pershing Square, L.P. at its January 1, 2004 inception and transferred into PSH at its December 31, 2012 launch had earned a 16.2 percent compound annual NAV return over 22 years through the end of 2025, compared with 10.7 percent for the S&P 500. The same presentation translated that into a cumulative NAV return of 2,644 percent, versus 836 percent for the index.

The year-by-year record is less smooth. Pershing Square posted strong early returns, suffered consecutive losses in 2015, 2016, and 2017, then rebounded sharply with 58.1 percent in 2019 and 70.2 percent in 2020 on the PSLP/PSH net-return series. In 2025, PSH generated NAV performance of 20.9 percent and a total shareholder return of 33.9 percent, beating the S&P 500's 17.9 percent total return for that year. But 2024 showed the other side: PSH's 10.2 percent NAV return trailed a 25.0 percent S&P 500 gain.

The public-vehicle comparison is also humbling. Through February 10, 2026, the annual report table showed PSLP/PSH net returns from the 2004 start at 15.9 percent annualized versus 10.7 percent for the S&P 500. But from PSH's December 31, 2012 inception through February 10, 2026, PSH's annualized NAV return was 12.9 percent against 14.9 percent for the S&P 500. Ackman's full career record looks much stronger than the public vehicle's index-relative record from its launch date.

Valeant, Penney, Herbalife, and the danger of certainty

The hardest critique of Ackman is not that he has been wrong. All concentrated investors are wrong in size at times. The critique is that his public method can make error more expensive. Valeant was the central example. Pershing Square sold its stake in 2017 after a collapse in the drugmaker's shares, with Reuters reporting a loss of more than \$3 billion. Ackman later apologized to clients for the investment. It was a failure not just of valuation but of business-quality judgment.

J.C. Penney exposed a different risk: the activist's belief that a retailer's problems can be solved quickly by strategy, leadership, and brand repositioning. The department-store investment became a public embarrassment, and Ackman left the board after tensions over leadership and governance. The episode reinforced a lesson that later appears in Pershing Square's checklist: avoid businesses whose survival depends on a fast operational turn under adverse industry conditions.

Herbalife was stranger and more theatrical. Ackman launched a major short campaign alleging the company was a pyramid scheme. The Federal Trade Commission later required Herbalife to pay \$200 million and restructure its business, but the company avoided being shut down or formally labeled in the way Ackman sought. The campaign

produced regulatory consequences for Herbalife, but it did not produce the clean investment outcome Ackman had argued for. It showed that being partly vindicated on conduct can still be insufficient for a profitable short.

Risk management after public pain

Pershing Square's post-crisis risk management is best understood as a response to those failures. The firm's stated preference for predictable cash flows, low capital-market dependence, strong balance sheets, and dominant franchises is not decorative. It is an attempt to reduce the number of variables that can kill a concentrated thesis. Ackman's mature method tries to make the central question less about survival and more about time, governance, and price.

That does not make the portfolio low risk. Concentration, leverage, closed-end fund discounts, public reputation, and manager dependence remain real hazards. PSH's March 2026 fact sheet showed debt to total capital of 22.5 percent and net long exposure above 100 percent. Those figures are not extreme for an opportunistic investment company, but they remind investors that Pershing Square's returns come from amplified judgment, not from a diversified low-volatility allocation.

The firm's hedge philosophy is one answer to that tension. Pershing Square says it may use asymmetric hedges to protect the portfolio against macroeconomic and geopolitical risk while preserving long-term ownership of core companies. The appeal is clear: keep the businesses, hedge the shock. The limitation is equally clear: hedges are timing-dependent, can expire worthless, and may create their own behavioral temptations when a manager becomes known for spectacular macro trades.

The 2020 hedge and the restoration of mystique

Ackman's 2020 credit hedge restored much of the aura that Valeant had damaged. In March 2020, Pershing Square told investors it had exited credit hedges that generated \$2.6 billion of proceeds for the Pershing Square funds, including \$2.1 billion for PSH, compared with premiums and commissions totaling \$27 million. The trade was powerful because it did not require liquidating the core equity portfolio into a panic. It turned insurance into buying power.

The hedge also revived criticism of Ackman's public style. Around the same period, he made a dramatic televised warning about the economic consequences of the pandemic. Pershing Square later defended the firm's actions and said it had reinvested much of the hedge proceeds into existing and new holdings. The financial result was exceptional. The optics were more contested, because Ackman had become both a market participant and a public voice in a moment of fear.

Still, from an investment-process perspective, the trade illustrated the best version of Pershing Square's current risk framework. Own durable businesses. Identify a cheap hedge against an external shock. Monetize the hedge when panic reprices risk. Redeploy into companies whose long-term value remains intact. It is a difficult sequence to repeat, but it explains why Ackman's mistakes have not erased his following. He is capable of highly asymmetric, career-defining trades.

Fees, discounts, and the problem of selling permanence

Ackman's permanent-capital ambition faces a market-pricing problem. PSH gives public shareholders access to Pershing Square's strategy, but it is externally managed and carries fees. The March 2026 fact sheet listed a 1.5 percent management fee and a 16 percent performance fee. It also showed the shares trading at a discount of about 26.9 percent to NAV in dollars. That discount is more than a technical footnote. It is the market's running vote on structure, liquidity, fees, taxes, governance, and investor appetite.

The 2026 U.S. listings were designed to broaden the platform. Pershing Square USA's final prospectus described a non-diversified closed-end management investment company managed by Pershing Square Capital Management, with a strategy of concentrated, long-term stakes in high-quality large-cap growth companies and the possible use of

asymmetric hedges. In the same period, Pershing Square Inc. became the public parent of the manager. The structure asked investors to understand both the fund economics and the management-company economics.

This is where Ackman's Berkshire comparison becomes complicated even when it is implicit. Berkshire Hathaway is internally managed and built around operating businesses, insurance float, and a distinctive governance culture. Pershing Square is an external manager with public funds and fee streams. Permanent capital helps Ackman invest through volatility, but public shareholders still have to decide how much of the compounding belongs to them after fees and how much belongs to the asset-management company.

The Berkshire ambition meets the 2026 test

By 2026, Ackman's ambitions had moved beyond buying stocks. Pershing Square Inc.'s public materials frame the firm around permanent capital and a royalty on compounding. That phrase captures the asset-manager dream: if the firm can generate attractive long-term returns on permanent or long-duration capital, the manager earns fees on an expanding base while shareholders in the manager own a claim on that economics. It is a powerful model if performance persists and investors accept the structure.

The strategy is visible in Howard Hughes as well. Pershing Square's official timeline says it invested \$900 million in newly issued Howard Hughes shares in May 2025, bringing Pershing Square's ownership to 47 percent and marking a step in Howard Hughes's transformation into a diversified holding company. Ackman also became executive chairman of Howard Hughes. The move looks like an attempt to create something closer to an operating platform, not merely a stock position.

Universal Music showed that Ackman still thinks in transactions. In April 2026, Universal Music Group confirmed receiving an unsolicited, non-binding proposal from Pershing Square, and in May 2026 UMG said its board had determined the proposal was not in the best interests of the company and its stakeholders. The episode fit Ackman's pattern: a large stake, a structural argument, and a public bid to change valuation. Even in his permanent-capital era, he remains a dealmaker with activist instincts.

What remains useful, and what remains dangerous

The useful part of Ackman's method is discipline under a magnifying glass. He insists that a serious investor should know a business deeply enough to explain why the market is wrong, what could close the value gap, and how governance or capital allocation might improve the outcome. His best investments join analysis with a catalyst and a structure that allows time to work. That combination remains valuable in a market where many investors own companies without ever thinking like owners.

The dangerous part is the seduction of the complete thesis. Ackman's failures show that the more elegant an argument becomes, the harder it can be to revise. A short campaign can become a moral crusade. An activist investment can become a referendum on the investor's identity. A public presentation can create a level of certainty that the business itself has not earned. For concentrated managers, the biggest risk is often not ignorance. It is conviction that arrives too soon and stays too long.

Ackman's continuing relevance comes from that unresolved tension. He is a genuinely skilled analyst of quality, incentives, and structure. He is also a public fighter whose style can amplify both insight and error. Pershing Square's next decade will test whether the permanent-capital platform can turn a volatile, charismatic investment career into a durable compounding institution. The answer will matter not only to Ackman's shareholders, but to every investor trying to decide whether activism can age into stewardship.

Disclosure

Educational financial journalism and market research only. Not financial, investment, trading, tax, or legal advice. Market data and analysis may be delayed, incomplete, or inaccurate.

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