

Markets

## Ackman's Pershing Square USA Pulls IPO After Slashing Target

- Fund was set to raise \$2 billion, below \$25 billion target
- Billionaire-backed fund had expected to price offering Aug. 5

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Billionaire Bill Ackman's [Pershing Square](#) has withdrawn an initial public offering for a US closed-end fund, after sharply downsizing a \$25 billion fundraising target and facing difficult questions from investors.

[Pershing Square USA Ltd.](#) will reevaluate its structure based on investor feedback, Ackman wrote in a [statement](#) □□ Wednesday. "We will report back once we are ready to launch a revised transaction," Ackman wrote.

The withdrawal comes after Pershing Square slashed the anticipated size twice in just over a week. The hedge fund manager had floated a potential size of \$25 billion during the marketing of the offering earlier this month, which took place in a series of one-on-one meetings and larger town halls. Pershing Square USA was scaled back to a range of \$2.5 billion to \$4 billion in a July 24 [letter](#), and [finally](#) \$2 billion – a hefty drop off from what would've been the biggest US closed-end fund ever.

The pulled offering also follows Seth Klarman's [Baupost Group](#) deciding against investing in the fund, Bloomberg News [reported](#). Baupost had submitted a \$150 million order, Ackman wrote in the letter to investors.

### Better Served Waiting

Ackman's pitch for a \$25 billion closed-end fund came at a difficult time for the sector.

Closed-end funds – portfolios listed on stock exchanges consisting of cash-generating assets like junk bonds and debt – are typically pitched to retirees looking for regular income. But with interest rates jumping in recent years, many have traded well below the value of their underlying assets.

Ackman's US closed-end fund would mirror Pershing Square Holdings Ltd., Pershing's European fund, he told investors during a town hall. Pershing Square USA was set to target long-term equity stakes in 12 to 15 positions in large capitalization, investment grade, free-cash-flow-generating North American growth companies, according to its filings.

Read More: [Ackman Touts Berkshire as Model for Closed-End Fund Ahead of IPO](#)

The European fund trades at a discount of more than 20% to the underlying value of its assets, Bloomberg data show. In the July 24 letter, Ackman said he expected the US offering would trade at a premium to the underlying value of its assets, and noted its fees.

The US fund was set to feature a 2% management fee, which would have been waived for the first 12 months, and no incentive fee, the filings showed. Its European-listed peer charges a 1.5% annual management fee as well as a 16% performance fee.

Concerns about the after-market performance proved to be a factor. In meetings with institutions and family offices, investors questioned whether they'd be better served waiting for the fund to trade rather than purchase shares in the IPO, Ackman said in the statement.

Traditionally, US funds had a distribution component  which helped reduce discounts and give capital back to investors at the net asset value, according to John Cole Scott, president of CEF Advisors.

"It might sound silly, but he should offer 2% – a quarter of NAV – to investors," Scott said. "It's what most other equity funds do. This tends to lead to narrower discounts."

### **Return to the Market**

Kim Flynn, president at Chicago-based XA Investments, which has a closed-end fund consulting practice, believes Pershing Square USA will return in September, given the time and effort that has gone into developing the offering.

Listed closed-end funds are syndicated and sold to various financial advisers, and commissions are paid at month end, Flynn explained, so it

makes sense not to do the deal in early August.

“Pershing Square’s patience will be rewarded in waiting for a better IPO month,” she said.

It remains to be seen what effect the withdrawal may have on Ackman’s other ventures. Pershing Square, the management firm that oversees the closed-end funds and hedge funds, sold a 10% stake in itself ahead of a potential IPO down the road, according to a statement June 3. The management company’s IPO could come as soon as late 2025 or 2026, Ackman has said.

Pershing Square USA had expected to price an aggregate offering of 40 million shares priced at \$50 each, according to a filing on July 30. It was originally set to price on July 29 after the close, according to terms of the deal seen by Bloomberg News. That was later delayed, with a new pricing date set for August 5, subsequent terms showed.

A roster of more than 25 banks were working on the IPO, led by global coordinators and bookrunners Citigroup Inc., UBS Group AG, Bank of America Corp. and Jefferies Financial Group Inc. Wells Fargo & Co., Royal Bank of Canada, Banco BTG Pactual SA, Barclays Plc and Deutsche Bank AG were acting as bookrunners for the IPO.

*(Updates with context in first three paragraphs and second-last paragraph.)*

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