

Fourth Quarter 2023 Investor Letter

February 13, 2024

Dear Investor:

During the Fourth Quarter, Third Point returned 7.6% in the flagship Offshore Fund.

	Q4 ¹	YTD ¹	ANNUALIZED NET RETURN ²
TP OFFSHORE FUND, LTD.	7.6%	3.4%	12.9%
CS HF EVENT-DRIVEN INDEX	3.4%	9.3%	6.7%
S&P 500 INDEX (TR)	11.7%	26.3%	9.0%
MSCI WORLD INDEX (TR)	11.5%	24.4%	7.5%

¹Through December 31, 2023.

² Annualized Return from inception (December 1996 for TP Offshore and quoted indices).

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The top five winners for the quarter were Bath & Body Works Inc, Microsoft Corp, Pacific Gas and Electric Co, Amazon.com Inc., and United States Steel Corp. The top five losers for the quarter, excluding hedges, were Regal Rexnord Corp, Hertz Global Holdings Inc, Option Care Health Inc, Veralto Corp, and Global Blue Group Holding AG.

Performance Review and Portfolio Outlook

During the Fourth Quarter, the funds had strong performance that resulted in overall gains for 2023, with contributions from equity longs, risk arbitrage, and corporate credit offset modestly by equity shorts and hedges. Most of our major detractors during the first and second quarters rebounded in the back half of the year, which, along with successful risk-arbitrage investments in Activision Blizzard and US Steel, resulted in equity returns above the indices for the period. For the second half of the year, the funds' long equity portfolio delivered an ROIC of 11.8% (9.8% net) vs the S&P 500's 8.8% and the S&P 500 Equal

Weighted index return of 5.3%. Absolute returns and alpha generation in our equity portfolio (longs and shorts) improved significantly as the year progressed. Corporate credit generated excellent risk-adjusted returns throughout the year, helped by active trading of the book, which turned over completely two times. Structured credit generated positive returns each month, thanks in part to aggressive hedging of rate risk.

Our efforts in 2023 to improve performance involved significant analysis and scrutiny of not just *what* we invest in, but *how* we invest. When we think about Third Point's competitive advantages in today's investing landscape, duration, concentration, and our event-driven focus are top of mind. We have found that the long side of the equity portfolio, our best outcomes have tended to be in deeply researched names that represent a large portion of firm capital. Some of these investments have involved significant engagement with the company to improve performance and enhance returns. Having deep fundamental conviction has afforded us patience to see these investments through, even when markets or factors cause temporary underperformance. On the long side, going forward, we expect to further concentrate our long equity portfolio in our highest conviction names.

We applied a similar analytical framework to single name short-selling – focusing more on the *how* than the *what*. Analysis of historical results in recent years revealed some telling data on shorts: namely, with the exception of 2020, our hit rate on identifying alpha generating shorts has been excellent, but our monetization of those ideas has been suboptimal, in part due to the extreme volatility in heavily shorted stocks that caused us to shorten duration. As discussed in our Q2 letter, we addressed this by restructuring our single name short portfolio to be far more diversified across industry, market cap, and factor profile, while tightly limiting risk in names with high short interest. This revised strategy has not only yielded alpha since inception, but returns have also come with far less volatility, even during the major short squeezes we saw in July and December of 2023.

Credit remained a consistent driver of returns, and this year was a strong one for both corporate and structured strategies. Corporate credit generated ~18% gross returns (16% net) in 2023, outperforming the HY market by ~350 bps, driven by opportunistic trading in

the wake of volatility, resulting in a book that turned over 2x during the year. Since 2009, corporate credit has generated an average annual ROIC of 21.5% gross (16.8% net), double the 8.4% return for the IBOXHY TR. Structured credit generated ~8% gross returns (6% net) in 2023. Almost 40% of portfolio exposure today is split between structured and corporate credit. We announced in Q4 that we will be adding private credit as a complement to our existing strategies and expect to begin investing in this new sector in the next few months.

Pulling back the lens, we see a constructive backdrop for both equities and credit in 2024. While assets have certainly priced in some of the good macroeconomic news on inflation and rates, we still believe headline equity market multiples exaggerate the valuation most companies are trading for and continue to find high-quality companies trading at reasonable valuations. We expect returns to be driven by 1) a more stable interest rate environment that creates opportunities in event-driven situations, including those where active engagement can help catalyze value; 2) our duration as a holder, which will continue to be a benefit in both complex event-driven situations, and mispriced, high-quality companies; 3) executing on our playbook in opportunistic credit investing, with increasing opportunities to act as a liquidity provider during times of heightened stress.

Corporate Credit

First half performance was driven by successful investments in cruise lines and by taking advantage of the March market selloff by buying regional banks and CS/UBS debt securities, a joint venture with our equity team that led to our successful UBS equity investment. Second half performance was driven by exposure to healthcare and telecom credits, as well as a significant tailwind from the “everything rally” during the last two months of the year, when the high yield market generated 9% of its total 13.5% annual performance. While it was more difficult to generate alpha during this period, we had increased our net exposures to our 2023 peak near the October lows and so generated excellent returns on that basis.

The telecom sector is one of the largest in the credit markets and lately one of the most dynamic. During 2023, we initiated sizeable positions in several names, with our total

exposure exceeding about 5% of total fund NAV. We find the sector is interesting because of a significant valuation derating due to concerns about competition with fixed wireless products (offered by wireless phone providers) and fiber upgrades by legacy and other carriers. This will impact credits differently depending on their technology, geography, and pre-existing competitive picture, creating a wealth of opportunities.

These telecom positions were important drivers of performance. For example, Frontier second lien bonds were up +24% on a price basis from the summer lows in addition to generating a 10% current yield in 2023. However, we think the largest opportunities lie ahead. We expect continued aggressive roll outs of fixed wireless and ongoing fiber upgrades, along with challenges due to higher costs of capital, to continue to pressure the sector. In addition, there is a reasonable probability that significant federal support for the sector under the FCC's Affordable Connectivity Program (ACP) is reduced or removed. Using proprietary data sources as well as a granular analysis of markets has enabled us to predict the losers and winners in the sector, generating long and short opportunities in both mid-sized and extremely large capital structures.

Looking ahead to 2024, on the technical side, the market has been supported over the last few years by favorable supply and demand drivers that we believe are fading. The post-Covid recovery generated a significant volume of upgrades to credits that had been downgraded to high-yield during Covid, resulting in a net negative supply. Nearly all these names have been upgraded and returned to investment grade, so this impact is behind us. Second, new issue volumes have slowed to a relative trickle in the face of interest rate volatility as issuers were hesitant to look foolish locking in high rates or were holding out in hopes rates would decline. We are seeing interest rates stabilize and private equity is adjusting to the new environment, which should lead to higher new issuance. Third, we have seen larger private credit firms compete very aggressively with public markets for new deals, making loans that would be very challenging to complete in the public markets and even offering issuers the ability to pay interest in kind. We expect this source of capital to begin to dry up, as the vast sums of money raised in the last two years are spent and these investors begin to face widespread credit issues in their existing portfolios, which were largely created

during a period of trough interest rates and peak economic activity. Much like private equity, we would expect vintage year to be an important driver of private credit performance.

On a fundamental basis, the impact of higher rates has the potential to create widespread credit stress in high yield. BAML recently produced an interesting piece¹ that illustrated that fully 40% of all B/CCC issuers (roughly half the market) will be free cash flow negative as they refinance maturing debt with more expensive debt due to higher interest rates. It is also worth noting that this analysis assumes the Fed cuts rates by 250bps, as projected by the market. It is obviously possible the Fed cuts do not match expectations or, if they do, they are accompanied by economic weakness, which would hamper corporate cash generation. This may or may not lead to large increases in defaults, but it is difficult to see how there will not be increasing credit stress. We are equally happy to invest in stressed performing debt as we are to invest in distressed credits – our returns in both are relatively similar, so we expect to be busy either way. We believe credit will remain attractive for an extended period, with continuing periods of volatility generating good entry points.

Structured Credit

Third Point's structured credit portfolio outperformed the market in 2023, generating a ~8% gross return (6% net) versus the BBG US Aggregate index's 5.5% return. Each of the individual strategies within the portfolio were positive except marketplace loans, which were only 1.5% of main fund NAV. Our largest segments – reperforming mezz and senior securities in the residential mortgage space, delivered performance of 7.3% and 7.2% gross return (5.3% net), respectively. We have roughly 10% of NAV in reperforming mortgage securities across 23 distinct deals. Hedges were also a positive contributor, and we actively traded the portfolio throughout the year.

We remain constructive on the residential mortgage sector, and it comprises 65% of our exposure in this asset class. The US mortgage market encompasses housing with a \$43 trillion of market value with only \$13 trillion of mortgage debt. House prices were up close

¹ Bank of America Merrill Lynch, "High Yield Strategy" 1/2/24

to 5% last year. While we expect some price declines if rates fall and housing turnover increases, there is a significant amount of equity in borrowers' hands.

Looking ahead to 2024, the banking crisis last March caused banks to try to optimize their portfolios and sell the easiest, short duration assets that are capital intensive. We estimate there are \$65 billion of consumer loans that banks want to sell over the next few years where unlevered loans are yielding 15% with capital appreciation upside. Spreads in structured credit look appealing versus public corporate credit and so we expect that with more investors looking at structured credit for yield, we will see spread tightening across many collateral types, particularly CMBS, where real estate security selection is critical. The long-awaited opportunity in commercial real estate looks more promising this year, as lower rates and a maturity wall of CRE debt should shake loose distressed CMBS.

Business Updates

Our Chief Compliance Officer, William Song, left the firm earlier this month. Over the past fifteen years, Will created and oversaw a robust compliance program, drawing on his prior experience at the Securities & Exchange Commission. His wise counsel and good judgment will be missed, and we wish him the best of luck in his new endeavors. Will stayed on through February to transition his responsibilities to his Deputy, Jana Tsilman, who has served in that role since 2017. Prior to joining Third Point, Jana served as the Deputy CCO of Conatus Capital Management LP and Head of the Core Compliance Team at Two Sigma Investments LP. She holds a B.A. from New York University.

Chief Marketing Officer Jenny Wood left the firm at the end of 2023, marking the culmination of an orderly transition following her decision to leave earlier in the year. During the four years she was with us, Jenny led fundraising efforts, investor relations, and launched our first two standalone funds – Third Point Structured Credit Opportunities and Third Point Ventures. She brought a wealth of expertise to the role, and we are grateful for her time at the firm. Jenny's IR responsibilities have been assumed by Ryan Holland, Head of Investor Relations, who joined us in 2020. On the Marketing side, Rich Arbucci, who has led private wealth marketing for us since 2019, has taken on the role of Co-Head of Marketing.

We are delighted to report that Marc Zwebner, has returned to Third Point as Co-Head of Marketing. Marc was Co-Head of Marketing and a Managing Director at Third Point from 2009-2013. Most recently, he was the Global Head of Business Development at Avenue Capital Group. His prior experience includes leading Marketing and Business Development efforts and serving in senior leadership roles at Cerrano Capital Management, York Capital Management, EnTrust Capital, and CARE Capital Group. We are thrilled to welcome him back.

Finally, Stoyan Hadjivaltchev has rejoined Third Point. Stoyan was on the equities team from 2006-2008 and returned as a Managing Director from 2012 to 2020. For the past several years, he ran his own fund, Snowhook Capital. He started his career in the M&A Group of Morgan Stanley and then in private equity at Hellman & Friedman, after graduating from Princeton University. Stoyan will have a senior role across the equities portfolio, helping to oversee idea generation, research, portfolio construction, and talent development.

Although performance in 2023 did not meet our expectations, we have begun 2024 with optimism, buoyed by our second half performance, solid start to this year, and our team's enthusiasm. We are grateful for your partnership and excited for what is to come.

Sincerely,

A handwritten signature in dark ink, appearing to read "Daniel S. Loeb". The script is fluid and cursive, with the first name "Daniel" and last name "Loeb" clearly distinguishable.

Daniel S. Loeb

CEO

The information contained herein is being provided to the investors in Third Point Investors Limited (the "Company"), a feeder fund listed on the London Stock Exchange that invests substantially all of its assets in Third Point Offshore Fund, Ltd ("Third Point Offshore"). Third Point Offshore is managed by Third Point LLC ("Third Point" or "Investment Manager"), an SEC-registered investment adviser headquartered in New York. Third Point Offshore is a feeder fund to the Third Point Offshore Master Fund L.P. in a master-feeder structure. Third Point LLC, an SEC registered investment adviser, is the Investment Manager to the Funds.

Unless otherwise specified, all information contained herein relates to the Third Point Offshore Master Fund L.P. inclusive of legacy private investments. P&L and AUM information are presented at the feeder fund level where applicable. Sector and geographic categories are determined by Third Point in its sole discretion.

Performance results are presented net of management fees, brokerage commissions, administrative expenses, and accrued performance allocation, if any, and include the reinvestment of all dividends, interest, and capital gains. While performance allocations are accrued monthly, they are deducted from investor balances only annually or upon withdrawal. From the inception of Third Point Offshore through December 31, 2019, the fund's historical performance has been calculated using the actual management fees and performance allocations paid by the fund. The actual management fees and performance allocations paid by the fund reflect a blended rate of management fees and performance allocations based on the weighted average of amounts invested in different share classes subject to different management fee and/or performance allocation terms. Such management fee rates have ranged over time from 1% to 2% per annum. The amount of performance allocations applicable to any one investor in the fund will vary materially depending on numerous factors, including without limitation: the specific terms, the date of initial investment, the duration of investment, the date of withdrawal, and market conditions. As such, the net performance shown for Third Point Offshore from inception through December 31, 2019 is not an estimate of any specific investor's actual performance. For the period beginning January 1, 2020, the fund's historical performance shows indicative performance for a new issues eligible investor in the highest management fee (2% per annum) and performance allocation (20%) class of the fund, who has participated in all side pocket private investments (as applicable) from March 1, 2021 onward. The inception date for Third Point Offshore Fund Ltd is December 1, 1996. All performance results are estimates and past performance is not necessarily indicative of future results.

The net P&L figures are included because of the SEC's new marketing rule and guidance. Third Point does not believe that this metric accurately reflects net P&L for the referenced sub-portfolio group of investments as explained more fully below. Specifically, net P&L returns reflect the allocation of the highest management fee (2% per annum), in addition to leverage factor multiple, if applicable, and incentive allocation rate (20%), and an assumed operating expense ratio (0.3%), to the aggregate underlying positions in the referenced sub-portfolio group's gross P&L. The management fees and operating expenses are allocated for the period proportionately based on the average gross exposures of the aggregate underlying positions of the referenced sub-portfolio group. The implied incentive allocation is based on the deduction of the management fee and expense ratio from Third Point Offshore fund level gross P&L attribution for the period. The incentive allocation is accrued for each period to only those positions within the referenced sub-portfolio group with i) positive P&L and ii) if during the current MTD period there is an incentive allocation. In MTD periods where there is a reversal of previously accrued incentive allocation, the impact of the reversal will be based on the previous month's YTD accrued incentive allocation. The assumed operating expense ratio noted herein is applied uniformly across all underlying positions in the referenced sub-portfolio group given the inherent difficulty in determining and allocating the expenses on a sub-portfolio group basis. If expenses were to be allocated on a sub-portfolio group basis, the net P&L would likely be different for each referenced investment or sub-portfolio group, as applicable.

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