

18 May 2023

Third Point Publishes Q1 2023 Investor Letter

Preserving liquidity and buying power to take advantage of markets when they “break”

Highlights:

- The First Quarter of 2023 was characterized by volatility across investment classes, as well as the failure of Silicon Valley Bank and the contagion that followed
- Positions in LVMH, Disney and Microsoft gained while Fidelity National Information Services, Bath & Body Works, and Colgate experienced losses
- New positions in UBS and Alphabet highlighted where catalysts for value creation have emerged
- Updates on Corporate Credit and Structured Credit, which now comprise more than 40% of NAV due to the compelling investment opportunity presented

Third Point LLC, the Investment Manager of Third Point Investors Limited (“**TPIL**” or the “**Company**”) announces it has published its quarterly investor letter for Q1 2023. The full letter can be accessed at the Company’s website: <https://www.thirdpointlimited.com/resources/portfolio-updates>

Performance Key Points:

- Third Point LLC (“**Third Point**” or the “**Investment Manager**”) returned -4.2% in the flagship Offshore Fund (the “**Master Fund**”) during the first quarter of 2023, compared with the S&P 500 Index return of 7.5% and the MSCI World Index return of 7.9% in the same period.
- The top five positive contributors for the quarter were Salesforce Inc., Advanced Micro Devices, LVMH, The Walt Disney Co., and Microsoft Corp.
- The top five negative contributors for the quarter were Fidelity National Information Services, American International Group Inc., Bath & Body Works Inc., Glencore International PLC, and Alphabet Inc. FIS, Bath & Body Works, and Colgate have both since “beat and raised” guidance, indicating that many management teams are adopting very conservative tones in this uncertain macro environment.

Outlook and Market Commentary:

- For the First Quarter of 2023, the Investment Manager’s returns lagged the indices despite strong performance from several new investments including Salesforce and AMD.
- While Third Point were on the right side of some of the sector dispersion during the quarter, losses on the short equity portfolio and in some Financials long positions more than offset these gains, leading to disappointing results.
- Looking ahead, the Investment Manager sees encouraging signs that inflation is moderating. At the same time, labour markets remain stubbornly tight. With monetary and fiscal policy essentially pushing in opposite directions, monetary policy is likely to remain tight for longer than would otherwise be necessary.
- Third Point’s strategy is to preserve liquidity and buying power to take advantage of markets when they “break”. While overall indices remain elevated, the Investment Manager is finding more chances to provide liquidity across all three asset classes in which it invests – credit, structured credit, and equity – opportunities which have been key drivers of performance for the fund.
- The portfolio is currently balanced across industries with a focus on event-driven names including companies involved in spin-offs, significant cost-cutting, or other types of under-appreciated business transformation.

Portfolio Updates

- **New Position in UBS**
 - Third Point initiated a position in the debt of Credit Suisse prior to the takeover announcement by UBS. As one of the few funds remaining with the mandate to pick the “fulcrum security” across the capital structure, the Investment Manager determined once the emergency rescue acquisition was announced, the equity of UBS presented the more compelling way to invest in the situation and rotated from CS bonds into UBS stock.
 - Third Point views the rescue of CS as a transformative deal for UBS at a highly compelling price and with downside-protected terms.
- **New position in Alphabet (GOOGL)**
 - Third Point believes that fears around the potentially negative impact that AI and ChatGPT/Microsoft may have on Google’s business created a unique entry point into one of the best consumer internet assets and businesses of our generation.
 - The Investment Manager believes the market underestimates GOOGL’s own capabilities and opportunities in the emerging field of generative AI, which can drive product improvements across its Search, Maps, Gmail, Workspace, and Cloud offerings.
 - Third Point is also encouraged by GOOGL’s commitment to “durably reengineer its cost base” to deliver sustainable and consistent margin expansion for investors.
- **Update on Corporate and Structured Credit**
 - Both areas of credit (corporate and structured) contributed positively to First Quarter performance. While corporate credit spreads have been relatively range-bound, Third Point continues to see periods of higher volatility that are creating appealing entry points.
 - Third Point took advantage of the broader market volatility created by the banking sector turmoil in March to add to existing positions on weakness and initiate new positions. The Credit Suisse investment was the result of a fruitful collaboration between the equity and credit teams.
 - Within structured credit, residential mortgages and consumer credit outperformed to start the year, while commercial mortgage-backed securities (CMBS) underperformed given the well-publicised cracks finally emerging in the CRE sector.
 - Third Point remains constructive on its residential mortgage exposure, because of the historically low loan to values where borrowers have 40-50% equity in their homes locked at a fixed rate below 5%. Given the credit support at the asset level in residential mortgages and the potential path for rate cuts over the next 12 months, this exposure is attractive from a credit and rate perspective.

- Ends -



Press Enquiries

Third Point

Elissa Doyle, Chief Communications Officer and
Head of ESG Engagement

edoyle@thirdpoint.com

Tel: +1 212-715-4907

Buchanan

Charles Ryland

charlesr@buchanan.uk.com

Tel: +44 (0)20 7466 5107

Henry Wilson

henryw@buchanan.uk.com

Tel: +44 (0)20 7466 5111

Notes to Editors

About Third Point Investors Limited

www.thirdpointlimited.com

Third Point Investors Limited (LSE: TPOU) was listed on the London Stock Exchange in 2007 and is a feeder fund that invests in the Third Point Offshore Fund (the Master Fund), offering investors a unique opportunity to gain direct exposure to founder Daniel S. Loeb's investment strategy. The Master Fund employs an event-driven, opportunistic strategy to invest globally across the capital structure and in diversified asset classes to optimize risk-reward through a market cycle. TPIL's portfolio is 100% aligned with the Master Fund, which is Third Point's largest investment strategy. TPIL's assets under management are currently \$600 million.

About Third Point LLC

Third Point LLC is an institutional investment manager that actively engages with companies across their lifecycle, using dynamic asset allocation and an ethos of continuous learning to drive long-term shareholder return. Led by Daniel S. Loeb since its inception in 1995, the Firm has a 39-person investment team, a robust quantitative data and analytics team, and a deep, tenured business team. Third Point manages approximately \$12.2 billion in assets for sovereign wealth funds, endowments, foundations, corporate & public pensions, high-net-worth individuals, and employees.