

Fourth Quarter 2022 Investor Letter

February 8, 2023

Dear Investor:

During the Fourth Quarter, Third Point returned 1.2% net in the flagship Offshore Fund.

	Q4*	YTD*	ANNUALIZED NET RETURN†
THIRD POINT OFFSHORE FUND, LTD.	1.2%	-21.7%	13.3%
CS HF EVENT-DRIVEN INDEX	1.7%	-6.8%	6.6%
S&P 500 INDEX (TR)	7.5%	-18.1%	8.4%
MSCI WORLD INDEX (TR)	9.9%	-17.7%	6.9%

* Through December 31, 2022.

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

The top five winners for the quarter were Pacific Gas and Electric Co., Bath & Body Works, Inc., Twitter, Inc., DuPont de Nemours, Inc., and TJX Companies, Inc. The top five losers for the quarter were SentinelOne, Inc., Private A, Cano Health, Inc., Amazon.com, Inc., and The Walt Disney Co.

Quarterly Portfolio Review and Outlook

Results for the Fourth Quarter lagged performance of relevant indices largely due to our defensive portfolio orientation, weakness in several large positions, and write-offs/markdowns in crypto-related private investments. On the positive side, our largest position, Pacific Gas & Electric Co., appreciated 30%. Bath & Body Works, a new activist position, rose 30%, and the Twitter risk arbitrage position was held to close. These and other winners more than offset losses, resulting in gains of a little over 1%.

While these results were lackluster, we used market weakness to bring up our exposures, initiate several new positions, and add to others that traded to attractive levels. Notwithstanding the recent rally in risk assets, which we view as a technical phenomenon, the current environment seems favorable for an investment approach that focuses on companies trading at attractive valuations with catalysts to realize full value. These include companies undergoing radical transformation because of outside engagement or those having found “religion”. We are looking for companies making significant share repurchases, planning to unlock value via a spin-off, or improving a muddled narrative after being born out of bankruptcy. If these strategies seem familiar, it is because this style of event-driven investing is our core competency and the foundation upon which our firm was built. Credit remains a mainstay of the portfolio, and both our asset-backed and corporate credit strategies will benefit in the environment we see ahead.

We entered a new year with better trends in geopolitics and macroeconomics. Europe has sidestepped the worst fears related to the Ukraine war, high energy prices, and recession, leading to strong performance in equity markets. China has accepted the course of herd immunity and, despite its extremely high Covid caseload, is already showing signs of strength in its reopening, leading us to expect significant pent-up demand for luxury goods and commodities. China seems to understand that restoring economic strength is central to its political ambitions but, we have learned time and again – most recently with the balloon brouhaha – that any enthusiasm about China must be tempered by realism about geopolitical risks.

As market fears have shifted from rates and inflation to economic growth, margins, earnings, and the possibility of a steep recession, we believe that bears have become overly concerned with near-term results. Our earnings outlook for 2024 is more favorable. Conditions are ripe for many types of event-driven and activist investing thanks to the unique set of circumstances that converged over the past few years:

- The stock market decline created attractive valuations;

- Covid lockdowns created aberrations in growth and a reluctance to let go of underperforming or redundant employees;
- The delusion around ESG and “stakeholder capitalism” allowed boards and management to take their eye off the ball in managing margins and returns on invested capital.

Many companies have been reminded more recently of the importance of efficient operations and that, while of course “stakeholders” matter, a focus on shareholder returns is essential. For companies that have not addressed these issues themselves or have been slow to the draw, activists have surfaced in a broad range of businesses, reminding them, as well as others, of the vulnerability of underperforming and bloated corporate entities.

Below are some updates on existing positions and several new positions we are excited about. We hope they give our investors a sense of the wide range of event-driven investment ideas available in the current market.

New Equity Position: American International Group Inc. (AIG)

Third Point initiated a position in AIG during the Fourth Quarter. AIG is a global P&C insurer that, until recently, held a life insurance subsidiary, Corebridge. AIG has undergone a massive overhaul since the global financial crisis. The current executive team, who started in 2017, has made significant progress turning around the P&C insurance operations that previously suffered from unprofitable underwriting, significant loss volatility, and inadequate reserving. Over the past five years, AIG has professionalized the underwriting team, meaningfully reduced gross limits, restructured its reinsurance programs, and pruned the portfolio for profitable growth. As a result, AIG’s P&C operations have gone from an unprofitable 117% combined ratio in 2017 to a 92% combined ratio in 2022 and have seen seven consecutive quarters of favorable reserve development.

Alongside the operational turnaround, AIG is repositioning itself as a pure-play P&C insurer via the IPO of Corebridge which was completed in September 2022. This is an important

catalyst for the business. First, we expect that \$11 billion of proceeds from the sell-down of AIG's remaining Corebridge stake will be primarily redeployed towards share repurchases, resulting in an ability to buy back a quarter of the company over the next two years. Second, there is an opportunity to streamline the corporate expense base with the simplification of AIG's business as AIG no longer operates within the conglomerate structure that historically governed its operations.

Today, AIG trades at 1.1x book value (excluding Corebridge) compared to pure-play global P&C insurance peers which trade at a 50% multiple premium. AIG's strong fundamental operating results coupled with the catalysts following the separation of Corebridge position should help AIG close that substantial valuation discount.

Equity Position Update: Bath & Body Works Inc.

We initiated a position in Bath & Body Works earlier in the year that we added to significantly in the Fourth Quarter. The company, which sells personal care and home fragrance products, separated from Victoria's Secret in late 2021 and has struggled to find its footing in the public markets. Bath & Body Works was challenged by the normalization of trends following the pandemic, but also suffered from execution hiccups that made matters worse. On the operations front, the company spent much of 2022 without a permanent CEO, cut guidance multiple times given inventory and cost pressures, and did a poor job communicating meaningful increases in the company's cost structure as a standalone business. On the capital allocation front, the execution of an accelerated share repurchase program was sloppy at best.

Despite these recent struggles, we believe BBWI can change its equity story, improve its earnings power, and earn a more premium valuation. The recent appointment of a new CEO, Gina Boswell from Unilever, is an encouraging first step.

Simply getting the core business back on track has the potential to deliver significant upside, especially given the current low double-digit P/E multiple. The company should generate substantial earnings growth driven by recharged sales, margin recovery to more normalized

levels, and the deployment of excess cash to continued share repurchases. The real prize, however, would be if Ms. Boswell can seize on the potential to transform the business from a largely US retailer of soaps, lotions, fragrances, and candles into a more global direct-to-consumer home and personal care brand.

We filed a 13-D Amendment to permit us to engage in a wide-ranging dialogue with the Board and management. We see an opportunity to work constructively with the company to address its apparent governance issues and help it realize its significant potential.

Equity Position Update: Colgate-Palmolive Co.

Colgate remains one of the firm's largest equity positions. The company offers defensive growth at a reasonable valuation, and we continue to see the potential for shares to deliver attractive risk adjusted returns over the next several years.

Fourth Quarter results were disappointing. The company missed on gross margins, guided 2023 well below the Street, and took another large impairment charge on its portfolio of skin care brands. The price action on the day of the print (down 5%) was extreme and perhaps reflective of growing investor frustration that the company has failed to sustainably grow earnings over the past decade.

We believe some of this "miss" was beyond the company's control and that Colgate is on the road to delivering more predictable results. Organic growth remains strong and we expect it to start translating into earnings growth as execution improves, margins recover, and external pressures calm down.

Since we became involved, there have been several welcome changes at the Board level. The company elevated a new Lead Director and added a new director, who brings relevant consumer products and portfolio management experience. There is further room for Board refreshment, but it is encouraging to see a start.

There are many appealing paths to additional value creation at Colgate and we hope the Board and management team will now devote more attention to portfolio management. The Hill's pet food business is firing on all cylinders and the flagship oral care business seems to be performing well. We can't say the same about the company's household and personal care businesses. Those segments collectively generate about 35% of group sales and come from a long tail of brands that don't have the same equity as Hill's and Colgate. Management has assured shareholders that, despite setbacks, its strategy is working. We believe that with a little more self-help, Colgate has enormous potential to quiet its skeptics and reward its shareholders in the coming quarters.

Equity Position Update: DuPont de Nemours Inc.

We recently increased our investment in DuPont, a specialty chemical company run by legendary value creator Ed Breen, who is leading a corporate transformation. In November, DuPont divested its most cyclical and lowest margin business segment, Mobility & Materials, to Celanese for \$11 billion, or 14x 2023e EV/EBITDA. Following the divestiture, the improved DuPont trades at 11x 2023e EV/EBITDA, which represents a ~30% discount to its peer group.

We believe the company is laser-focused on closing this gap. First, \$5 billion of the proceeds are being deployed to repurchase nearly 15% of its outstanding shares. The next significant catalyst for the stock is a potential settlement of PFAS-related multidistrict litigation in South Carolina, which remains an overhang on the stock even though DuPont's PFAS liability was largely ring-fenced by the 2021 settlement with Chemours and Corteva. DuPont's strong management team is eager to demonstrate the business quality of the new portfolio during the current period of economic volatility. We expect the combined catalysts of increased share repurchases, the pending resolution of legal claims, and the new business structure to drive meaningful value for shareholders.

Equity Position Update: Pacific Gas & Electric Co.

As we enter our fifth year as investors in PCG, first as bondholders and then as shareholders, we remain as enthusiastic as ever about the company's potential. Even with a 63% increase

in the share price over the past six months, we believe the Company remains significantly undervalued with a risk-reward skewed almost entirely to the upside. Patti Poppe is one of the most talented CEOs in America today and we expect her team will be able to consistently deliver on their 10% medium term earnings growth forecast. In addition to improved management execution, this trajectory is significantly de-risked by supportive legislative initiatives (a 10-year undergrounding plan and extension of Diablo Canyon) and improving regulatory certainty via positive cost of capital adjustments and the 2023 General Rate Case.

By 2024, earnings should grow to at least \$1.34. Using a conservative 16x multiple on forward earnings (vs. 18x for the group) implies a \$21.50 target price by the end of this year. Shareholders will also benefit from an expected reinstatement of a dividend in the middle of 2023. This should serve as a catalyst for increased institutional ownership, similar to the dynamics around the Company's inclusion in the S&P 500 Index in September 2022. Finally, investors are becoming more comfortable with the reduction in the Fire Victims' Trust ownership stake, which now accounts for only 9% of shares outstanding. The reduction from an original position of 24% occurred with limited market impact and we expect the remainder of the position will be exited by the end of this year, clearing that overhang.

Credit Update

Credit markets struggled in 2022 as increasing interest rates caused sharply lower bond prices, and duration – long the bondholder's friend – became an enemy. The 30-year US Treasury declined 35%. Spreads were volatile during the year as the hard landing/soft landing debate raged and AAA spreads in particular blew out during the year as high-quality buyers stood down in the face of rate volatility. The higher AAA spreads hurt the economics of leveraged structured credit products and temporarily froze the CLO market, the largest buyer of leveraged loans.

Our credit book was positioned based on the fundamental view that the consumer was (and remains) in good shape. The huge increase in housing prices over the last few years combined with mortgage amortization provides significant credit support to the RMBS market. By contrast, corporate debt levels are high. As result, our structured credit exposure is at a relatively high level while our corporate exposure is much lower. We hedged most of the duration in both books.

As we start a new year, corporate credit spreads appear tight given the uncertain outlook. The Fed may be close to finishing rate increases but we expect increasing stresses in the credit markets as the impact of higher interest rates cycles through balance sheets. Investment and business models predicated on cheap money are no longer economic and while much of this lies hidden in private markets, we expect an increasing number of opportunities to bubble up.

Our structured credit portfolio's current yield is now approximately 18%, with an aggregate duration of three years. The portfolio is split roughly 50/50 between residential mortgage-backed securities and consumer asset-backed securities. The largest source of detraction from performance in 2022 was our reperforming mortgage portfolio, however it remains one of the most compelling parts of our portfolio and represents risk that cannot be re-created today given the historically tight cost of funds. Our reperforming mortgage exposure coupled with short duration consumer ABS and senior mortgage tranches represents a strong potential risk-adjusted return profile with the ability to re-invest in a higher rate environment. We have remained focused on active portfolio turnover, trading over 50% of our portfolio last year, with a focus on reducing subordinate risk and re-investing capital into higher yielding senior exposure.

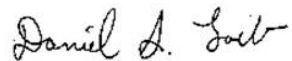
When we examine today's opportunity set, we see significantly higher yields than in 2020, and in some cases higher than in the past 15 years, and more credit protection for these bonds. We can invest at the senior portion of the capital structure at yields hedge funds would traditionally get only from the bottom-most portion of the capital structure. We expect it will be an active year in structured credit.

Business Updates

We recently welcomed one new team member to Third Point.

Melanie Schwagerl: Melanie Schwagerl joined Third Point in 2022 with a focus on structured credit. Prior to joining Third Point, Ms. Schwagerl spent three years at Credit Suisse on the Mortgage Finance team. Before joining Credit Suisse, she worked at Moody's Investors Service. Ms. Schwagerl graduated from Wake Forest University with a B.S. in Mathematical Economics.

Sincerely,

A handwritten signature in cursive script that reads "Daniel S. Loeb".

Daniel S. Loeb

CEO & CIO

Third Point Investors Limited (the "Company") is 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.

Unless otherwise stated, information relates to the Third Point Offshore Master Fund L.P. Exposures are categorized in a manner consistent with the Investment Manager's classifications for portfolio and risk management purposes 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 Fund inception 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 the Fund 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.

While the performance of the Fund has been compared here with the performance of a well-known and widely recognized index, the index has not been selected to represent an appropriate benchmark for the Fund whose holdings, performance and volatility may differ significantly from the securities that comprise the index. Investors cannot invest directly in an index (although one can invest in an index fund designed to closely track such index).

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