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Third Point Publishes Q3 2022 Investor Letter

- *New position announced in Colgate-Palmolive, adding defensive stock with attractive valuation and earnings growth potential*

Third Point LLC, the Investment Manager of Third Point Investors Limited (“**TPIL**” or the “**Company**”) has published its quarterly investor letter for Q3 2022. The full letter can be accessed at the Company’s website: <https://thirdpointlimited.com/portfolio-updates>

Performance Key Points:

- Third Point (or the “**Investment Manager**”) returned -3.2% in the flagship Offshore Fund (the “**Master Fund**”) during the third quarter of 2022, outperforming the S&P 500 Index (-4.9%) and the MSCI World Index (-6.1%) in the same period.
- The top five positive contributors for the quarter were Pacific Gas & Electric Co., Ventyx Biosciences Inc., Cano Health Inc., SentinelOne Inc. and a short position.
- The top five negative contributors for the quarter were Colgate-Palmolive Co., The Walt Disney Co., a short position, a private position and Ferguson PLC.

Outlook and Market Commentary:

- During the third quarter, Third Point focused primarily on preserving capital and lost 3% versus a 5-6% reduction in global indices. After July’s ebullient “bear market rally” sparked by promising signs of inflation reduction, rate containment, and hopes of a soft landing, the mood in August and September became increasingly dour.
- While the Investment Manager is sympathetic to many of these economic and geopolitical concerns, it is seeing very attractive valuations, particularly assuming an economic scenario short of financial Armageddon.
- Third Point remains cautious but is looking to deploy capital into both world class companies trading at reduced multiples, as well as event driven situations that will be somewhat protected from market moves.
- Should the economy deteriorate further, and the recession hit hard, the Investment Manager has short positions and market hedges to dampen the blow as it waits for opportunities that would emerge in credit.

Position and Asset Class Updates

- New Position in **Colgate-Palmolive Co.**
 - The investment fits several important criteria in the current investment environment:
 - The business is defensive and has significant pricing power in inflationary conditions.
 - There is meaningful hidden value in the company’s Hill’s Pet Nutrition business, which Third Point believes would command a premium multiple if separated from Colgate’s consumer assets.
 - There is a favourable industry backdrop in consumer health, with new entrants via spin-offs and potential for consolidation.
 - Third Point believes the valuation is attractive both because earnings growth is poised to inflect higher, and because shareholders are paying little for the optionality around Hill’s or Colgate’s ability to participate in further consolidation in the consumer health sector.

- **Update on The Walt Disney Co.**
 - The company remains early in its Direct to Consumer (“DTC”) transition with a leading market position, however the current stock price ascribes negligible value to the streaming business. However, recent developments provide Third Point with confidence that the DTC business is nearing an inflection point in profitability.
 - Third Point has come to agree with Disney’s management team that ESPN belongs with the company at this time. The cash flow from ESPN funds the streaming losses and supports the balance sheet ahead of the upcoming Hulu purchase.
 - Third Point has signed a support agreement with Disney and is pleased that the company appointed Carolyn Everson to the board, who will bring expertise in advertisement sales, media and digital technology to round out the current board’s skills.
- **Update on Pacific Gas & Electric Co.**
 - The company has continued to close the valuation gap with its regulated utility peer group. Over the third quarter, PCG’s stock rose 25% versus a 6% decline in the XLU index (a proxy for the S&P 500 Utilities sector). Outperformance was driven by the S&P 500 indexing announcement and continued execution by recently hired CEO Patti Poppe and her team.
 - Despite the recent move, Third Point is optimistic about the company’s prospects with industry-leading 10% EPS growth and likely dividend reinstatement in 2023.
- **Update on Ventyx Biosciences Inc. (Private to Public Position)**
 - Third Point initially invested in this biotechnology company targeting auto-immune diseases in 2016 as a Series B private investment. In 2021, Third Point agreed to merge its investment into another company to consolidate all auto-immune treatments run by the same management team.
 - The company went public on the NASDAQ index in late 2021, and in Q3, two events caused Ventyx’s share price to jump more than 185%. First the company presented human data for its Tyk2 inhibitor, which demonstrated a superior drug profile versus an existing Bristol Myer’s drug. Second, Bristol Myer’s drug was approved by the U.S. Food and Drug Administration last month with a clean safety label, which increases potential peak sales for this class of compounds across several auto-immune disorder indications.
- **Corporate Credit**
 - The Corporate Credit book was -5.3% lower for the quarter and detracted about 70 basis points from overall fund performance. The largest losses were the result of exposure to long duration investment grade situations where Third Point was underhedged, and a distressed investment where the improving underlying fundamentals were overwhelmed by a poor market technical and declining comparable valuations.
 - While the Investment Manager does not anticipate a quick rebound in either rates or spreads, it finds the current opportunity set in high yield attractive given higher yields and proximity to levels that have not been sustained in previous cycles.
- **Structured Credit**
 - The Structured Credit book was up 1.3% for the quarter and contributed about 40 basis points to overall fund performance. The outperformance in August and

September, driven by interest rate hedges, occurred in the midst of dramatic moves in both rate and credit spreads.

- Despite the increased uncertainty, fundamental performance in asset backed securities was resilient. The current yield in Third Point's structured credit portfolio is in the high teens, accounting for recessionary loss scenarios.
- The Investment Manager's structured credit strategy has been informed by: reducing junior tranches where the fundamentals are still outperforming into senior tranches with more credit support and higher current yields; focusing on loans backed by hard collateral; and keeping duration short.

- Ends -

Press Enquiries

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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 \$700 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 37-person investment team, a robust quantitative data and analytics team, and a deep, tenured business team. Third Point manages approximately \$12.9 billion in assets for sovereign wealth funds, endowments, foundations, corporate & public pensions, high-net-worth individuals, and employees.