



15 February 2024

## Third Point Q4 2023 Investor Letter

Third Point LLC, the Investment Manager of Third Point Investors Limited (“**TPIL**” or the “**Company**”) announces it has published its quarterly investor letter for Q4 2023. The full letter can be accessed at the Company’s website: <https://www.thirdpointlimited.com/resources/portfolio-updates>.

### Highlights:

- The Master Fund generated a 7.6% gain in the Fourth Quarter, with contributions from equity longs, risk arbitrage, and corporate credit offset modestly by equity shorts and hedges.
- Most of the major detractors during the first and second quarters rebounded in the second half of the year, which, along with successful risk arbitrage positions in Activision Blizzard and US Steel, resulted in equity returns above the benchmark indices for the period.
- The Investment Manager sees a constructive backdrop for both equities and credit in 2024, as it continues to find high-quality companies trading at reasonable valuations.

### Performance Key Points:

- Third Point LLC (“**Third Point**” or the “**Investment Manager**”) returned 7.6% in the flagship Offshore Fund (the “**Master Fund**”) during the fourth quarter of 2023.
- The top five positive contributors for the quarter were Bath & Body Works Inc., Microsoft Corp., Pacific Gas & Electric Co., Amazon.com Inc., and United States Steel Corp.
- The lowest five contributors 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.

### Outlook and Market Commentary:

- Third Point’s actions in 2023 to improve performance involved significant analysis and scrutiny of not just what it invests in, but how it invests. On the long equity side, deep fundamental conviction has enabled the Investment Manager to see investments through, even when markets or factors cause temporary underperformance. This conviction grounded Third Point as some of its main long positions were underperforming earlier in the year but contributed to the strong performance in the second half of the year and Q4.
- On the short side, Third Point identified that its hit rate on identifying alpha shorts was excellent, but that its monetisation of those ideas had been suboptimal, in part due to extreme volatility which caused the manager to shorten duration. Third Point addressed this by restructuring its single name short portfolio to be far more diversified across industry, market capitalisation, and factor profile, while tightly limiting risk in names with high short interest. This revised strategy yielded significantly better and lower volatility returns in the second half of the year.
- Credit, meanwhile, remained a consistent driver of returns, with strong results from both corporate and structured credit.
- While assets have certainly priced in some of the good macroeconomic news on inflation and rates, Third Point still believes headline equity market multiples exaggerate the valuation most companies are trading for. The manager expects returns to be driven by:
  - 1) a more stable interest rate environment, which should create more event-driven opportunities;

- 2) Third Point's duration as a holder, which will continue to be a benefit in complex event-driven situations and mispriced quality companies; and
- 3) executing on its playbook in opportunistic credit investing, with increasing opportunities to act as a liquidity provider during times of heightened stress.

### **Portfolio Updates**

- **Corporate Credit Update**
  - First half performance was driven by successful investments in cruise lines and in regional banks and CS/UBS debt securities during the March selloff. Second half performance was driven by exposure to healthcare and telecom sectors.
  - Looking ahead to 2024, Third Point believes that technical and fundamental factors are conspiring to increase supply in high yield at a time when companies will experience more balance sheet stress, making credit an attractive asset class for an extended period.
- **Structured Credit Update**
  - Third Point's structured credit portfolio also delivered quality, risk-adjusted returns in 2023, with each of the individual strategies within the portfolio positive except marketplace loans.
  - The largest contributor to performance was the Master Fund's exposure to residential mortgage securities, and the Investment Manager remains constructive on the asset class. While the manager expects some price declines if rates fall and housing turnover increases, there is still a significant amount of home equity in borrowers' hands.
  - Looking forward, Third Point expects to be able to take advantage of bank stress, as these financial institutions look to offload loans to shore up balance sheets. Spreads in structured credit also look attractive versus public corporate credit, and Third Point expects to see a strong bid for these assets as more investors seek them out.

### **Business Update - Senior Appointments at the Investment Manager**

- Third Point's Chief Compliance Officer, William Song, left the firm earlier in February. Over the past fifteen years, Will created and oversaw a robust compliance program, drawing on his prior experience at the Securities & Exchange Commission. Will stayed on through February to transition his responsibilities to his Deputy, Jana Tsilman, who has served in that role since 2017. We welcome Jana to her new role as Chief Compliance Officer.
- 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. 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 since 2019, has taken on the role of Co-Head of Marketing.
- 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.
- Finally, Stoyan Hadjivalchev has rejoined Third Point. Stoyan was on the equities team from 2006-2008 and returned as a Managing Director from 2012 to 2020. Stoyan will have a senior role across the equities portfolio, helping to oversee idea generation, research, portfolio construction, and talent development.

### **Press Enquiries**

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**Notes to Editors****About Third Point Investors Limited**

[www.thirdpointlimited.com](http://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 45-person investment team, a robust quantitative data and analytics team, and a deep, tenured business team. Third Point manages approximately \$10.6 billion in assets for sovereign wealth funds, endowments, foundations, corporate & public pensions, high-net-worth individuals, and employees.