

First Quarter 2021 Investor Letter

May 6, 2021

Dear Investor:

During the First Quarter, Third Point returned +11.0% in the flagship Offshore Fund. For the month of April, the Offshore Fund returned +1.7.

	Q1*	ANNUALIZED RETURN†
THIRD POINT OFFSHORE FUND, LTD.	11.0%	15.1%
CS HF EVENT-DRIVEN INDEX	6.3%	7.1%
S&P 500 INDEX (TR)	6.2%	9.1%
MSCI WORLD INDEX (TR)	5.0%	7.6%

* Through March 31, 2021.

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

The top five winners for the quarter were Upstart Holdings, SentinelOne, Social Finance, Inc. (“SoFi”), Intel Corp. and Prudential plc. The top five losers for the quarter, excluding hedges, were IAA Inc., Pacific Gas & Electric Co., Short A, Paysafe Ltd, and Short B.

Our three top winners in Q1 were born out of our private investing efforts – Upstart, which went public last December; SentinelOne, which is still private but was marked up based on recent secondary transactions and an independent valuation; and SoFi, which agreed to go public via a SPAC transaction in January. These investments were made approximately six years ago, when the companies had relatively new products and scant revenues. It has been gratifying to see each of them grow and their management teams evolve and mature as they innovated, met customer needs, and added significant returns and alpha to our portfolio.

These companies also highlight our approach to lifecycle investing. Entering early allows us to acquire significant ownership in great companies at an entry price that is a small fraction

of their ultimate public valuations. We own approximately 15% of Upstart and 10% of SentinelOne. We initially invested in Upstart at a \$145 million valuation (currently a \$7 billion market cap) and SentinelOne at a \$73 million valuation (still privately held). We sat on their boards throughout their journey from start-ups to mature businesses, adding value in a variety of areas from talent acquisition to go-to-market strategies to navigating capital markets. Unlike a traditional VC firm, we see an IPO as just another stage in the company's lifecycle and can continue both our board involvement and financial investment in these world-class companies following their public listings.

Given that these companies are still at the hyper-growth stage, they also command high valuations commensurate with their expansion and future potential, something we are comfortable with given our intimate knowledge of their management teams, strategy, and promise. However, owning such investments, notwithstanding our low basis, does add significant volatility to our portfolio. We can mitigate a portion of this volatility by thoughtfully constructing hedges with similar factor characteristics but there is no "free lunch" in this game and so we are learning to live with some increased volatility in the fund as these types of high-growth companies appreciate and become a greater proportion of the portfolio. For example, Upstart, in which we invested approximately \$66 million and added 1.2 million shares at its IPO is now our largest position, representing a market value of approximately \$1.2 billion today. Beyond Upstart and SentinelOne, we are incubating several new companies in our private portfolio that show promise for future significant appreciation.

Our venture capital experience has informed other strategies – leveraging our knowledge of semiconductors for our activist investment in Intel, for example; or sourcing loan pools from Upstart for our structured credit portfolio; or helping lead a PIPE that created a liquidity event for a private investment in GRAB. Many of our most profitable ideas over the past few quarters blurred the lines that previously delineated our investment strategies, particularly public versus private investing. Similarly, the "activism" we have historically applied to public equity investments has brought valuable experience in being an engaged shareholder that has allowed us to add value in other strategies like venture capital, negotiated event-

driven transactions, distressed credit workouts, and structured credit offerings. As these different sources of return show, our longtime event-driven approach, applied in innovative ways, is creating compelling new means to generate alpha.

We have also developed investment expertise throughout the SPAC lifecycle. In Q1, SPAC announcements hit a record in number and in size, with a value of over \$275 billion, double last quarter's total and greater than all deals announced since 2019, before the market corrected for some of the excesses evident in speculative deals and new SEC Chairman Gary Gensler took some of the wind out of the SPAC market's sails. The SEC's recent commentary suggesting that de-SPAC's may receive treatment similar to IPOs, including more detail around risk factors and projections and increased legal liability to investors, combined with their guidance surrounding the accounting and reporting of warrants, seem to have curtailed the deluge of SPACs for the moment while sponsors re-orient, allowing for a more rational medium-term backdrop. The rationalization of the SPAC market plays to our strengths as investors who can underwrite assets, sponsors, and management teams who are compounding value through a cycle. Despite recent bumps, we think SPACs are here to stay; they give companies in earlier growth stages access to public markets and capital, and are expanding the market for listed companies, which had become smaller and more concentrated in recent years.

Notably, over the past few quarters, we led a private placement investment in eToro's business combination with FinTech Acquisition Corp V (FTCV) and Paysafe, our largest SPAC PIPE investment to date, successfully completed its de-SPAC and begin publicly trading as a standalone entity. Both eToro and Paysafe are examples of quality companies meeting our investment criteria – companies with leading positioning in their respective verticals, strong growth driven by industry tailwinds, and excellent management teams with the backing of experienced SPAC sponsors.

eToro is the global leader in retail social trading platforms and has diversified income streams across equities, commodities, currencies and crypto. Today, eToro is dominant across Europe, where retail trading penetration is nascent and accelerating and where there

is far less competition than the US. Dan recently visited the company's headquarters in Israel which further solidified our belief that eToro has a long growth runway in its core markets, as well as a significant call option from its entry into the US this year.

Paysafe is the foremost payments facilitator for online gambling, with a two-sided consumer and merchant offerings via its digital wallet (Skrill and Neteller brands) and processing solutions, respectively. We believe the US is poised to become the largest online gambling market globally as it begins to deregulate state by state and Paysafe is exceptionally positioned to capitalize as the global market leader.

As we move deeper into Q2, we remain constructive on the backdrop for risk assets. Financial conditions remain loose and policy, both monetary and fiscal, remains conducive. We expect the Fed to remain focused on reinvigorating labor markets and expect investors to start debating the nature and timing of tapering well in advance of its actual implementation. Corporate and personal tax changes (and their eventual mix as the policy process winds through Congress) remain top of mind for the portfolio, as do the impact of stretched supply chains, rising input costs and, in certain areas, shortages of labor.

PORTFOLIO UPDATE

Grab

Grab was founded in 2012 as a taxi-booking app for Southeast Asia by Anthony Tan and Hooi Ling Tan, students at Harvard Business School who wanted to make taxi rides in Malaysia safer for customers. Ridesharing has been a broader theme in our portfolio, also expressed through investments in Lyft (exited) and Didi (current). When Grab Taxi was expanded and rebranded as "Grab" in January 2016, the company decided to raise capital to fund an ambitious plan to rapidly grow its new businesses in mobility, food delivery, and financial services across Southeast Asia. During a Series F fundraise in the summer of 2016, Anthony Tan's college roommate, a former Third Point analyst and friend of the firm, Sheetal Sharma, connected him with Dan and that meeting was the beginning of a long partnership.

Grab has built a remarkable business in mobility (taxi, rideshare, bikes, scooters), finance (including payments and lending), and food (including delivery, groceries, shopping, and ghost kitchens). The company has been well-managed and efficiently operated as it has steadily grown. The Covid-19 pandemic demonstrated Grab's resilience – as the ride sharing business slowed down due to restrictions, the food business blossomed and counterbalanced the effects of lockdowns. For 2020, the company reported \$12.5 billion in GMV, 214 million downloads (10x since we invested in 2016), and the creation of Singapore's first digital bank.

Grab has a proven track record of successful execution. Across Southeast Asia, Grab overcame Foodpanda's six-year head start in food delivery to reach a dominant #1 position in the region after just two years. In Indonesia, Grab also came from behind versus a well-positioned Gojek to achieve superior positions in all categories – ridesharing, food delivery, and payments. We think much of this is due to Anthony and Hooi Ling's leadership and the high-performing culture they have created, with every employee able to recite the 4 H's: Heart, Hunger, Honor, and Humility.

Southeast Asia still has very low digital penetration but we think the region's future will look more like China than the US in terms of digital penetration because lower existing offline development means digital can leapfrog existing services (ecommerce leapfrogs retail, e-money payments leapfrog cards, ride-hailing leapfrogs car ownership, etc.). The opportunity in financial services is enormous. 70% of the region is unbanked or underbanked; only a single digit percentage of the population has a credit card. Lending, insurance, and investment management are the three big areas of potential, of which lending is the biggest. Through its businesses, Grab has superior data on merchants, drivers, and consumers which it can use to derive a sustainable underwriting advantage layered on top of a customer acquisition cost advantage through cross-selling.

Third Point's investment in Grab is an excellent example of our ability to "lifecycle invest" by being a thought and financial partner from growth capital stages to IPO. We owned Grab shares as a venture capital position, were owners of both shares and warrants in the

Altimeter SPAC (the organization that sponsored the announced transaction) and are committed to participating in the PIPE transaction for its ultimate de-SPAC later this year. The transaction will be the largest de-SPAC on record and the largest offering by a Southeast Asian company through this type of transaction. We would be remiss not to congratulate Brad Gerstner and his team for this significant accomplishment. Since our first meeting with Grab, we have sought to be partners with Anthony Tan and Grab's President, Ming Maa and five years later, we are more excited about the company than ever.

Costar Group

We took advantage of the volatility in growth stocks during Q1 to establish a new long position in CoStar Group – the leading technology vendor serving the commercial real estate (CRE) industry. We think CoStar is an exceptionally high-quality “compounder” in the early innings of a transformational new opportunity which could meaningfully accelerate earnings growth. We also believe the business will be a direct beneficiary of the impending wave of COVID-induced disruption in the CRE market. CoStar's opportunity is best understood in two parts, which we refer to as Act 1 and Act 2.

During ‘Act 1’ of its journey (the past 30 years), CoStar pioneered a new product category to create the “Bloomberg of CRE” – a suite of proprietary data, software, and advertising tools which has become the unquestioned industry standard. Industry participants describe CoStar as table stakes for doing business in CRE – a mission-critical product with powerful network effects and roughly 65% share across its core markets. Led by its visionary founder/CEO Andy Florance, CoStar has also consistently leveraged its extraordinary core franchise to penetrate adjacent markets, both organically and via acquisition. Looking forward, we believe a combination of growing market penetration (with CoStar's markets still only 20% penetrated today) and continued margin expansion (with <35% EBITDA margins vs. peers at 55% or better) will allow CoStar to sustain mid-teens revenue growth and 20% EBITDA growth in its core franchise for many years to come.

A few months ago, CoStar embarked on ‘Act 2’ of its journey with a vision to build the “Nasdaq of CRE” – a transactional marketplace where properties can be bought and sold online. To

enable that vision, CoStar recently acquired Ten-X, the world's largest CRE auction website with 90% market share. We believe Ten-X unlocks a transformational revenue opportunity for CoStar. Real estate is the US' largest spending category but has been the slowest to move online (nearly \$1 trillion of CRE transaction volume annually, 98% of which is done offline). As online penetration grows, Ten-X's dominant share suggests it will be the largest beneficiary, with a revenue opportunity 3x-4x larger than CoStar's entire business today. And while Ten-X's auction platform has always offered a compelling value proposition for owners and brokers (particularly in the underserved long tail of smaller CRE transactions), its penetration was historically constrained by weak distribution. Encouragingly, though, our research suggests it has experienced dramatic traffic growth during the past few months as CoStar has started to cross-sell the Ten-X platform into its much larger installed base. As Ten-X scales, we believe CoStar should be able to accelerate revenue growth from mid-teens to 20% and drive EBITDA growth from 20% to 30% over time.

Finally, we believe CoStar will be a material beneficiary of impending COVID-induced disruption in the CRE market. As has been well-publicized, COVID is expected to drive unprecedented changes in demand for office space (via relocation & de-densification), hospitality/retail real estate (due to tenant distress), and other CRE sectors. However, the resultant market impact has been delayed by a combination of government stimulus and long-duration commercial leases. As underlying demand disruption becomes more evident, we believe CRE arms vendors like CoStar will benefit from the increased need for property advertising (to lease vacant spaces) and transactional platforms (to buy/sell distressed properties).

Credit Update

Corporate Credit and Structured Credit contributed +1.3% and +1.0%, respectively, to the funds' Q1 gross return.

Third Point's corporate credit book continued its strong performance, returning 10.5% for the first quarter of 2021, comparing favorably to the JPM high yield index (+1.4%) and the

JPM investment grade index (-4.4%) as higher interest rates drove the worst quarterly investment grade index performance since the 2008 Financial Crisis. US 10-year and 30-year rates have recovered to 2019 levels as confidence in the economic reopening has increased and the Fed has repeatedly indicated a desire to see inflation > 2% for a sustained period. Our corporate credit book was fully hedged for durations beyond seven years and thus was protected from this move.

Third Point's credit performance benefitted from our wide range of positions, from distressed debt to investment grade credit. About 60% of 2021's credit profits have been from distressed credit and the rest have come from improving performing credit situations. We are rotating the book actively in response to the rapidly changing opportunity set and traded over \$2.2 billion in bonds during Q1.

While there are a limited number of attractive distressed situations, our biggest profit contributors year-to-date are distressed investments where we have played an active role in the restructuring. In Callon Petroleum, we helped structure an up-tier exchange from unsecured notes to secured notes, which enabled the company to repair its balance sheet out of court. We also served on ad hoc bondholder groups in Gulfport Energy and Mallinckrodt. Gulfport is in the later stages of restructuring its balance sheet in bankruptcy, and the newly recapitalized business will allow Gulfport to fully take advantage of its excellent reserve footprint. Mallinckrodt, a pharma manufacturer, is our largest single credit winner year-to-date. Our bondholder group is helping the company to complete an innovative restructuring solution which will help satisfy its Opioid-related liabilities and shift its focus to the rest of its portfolio of non-pain drugs.

Profits in performing credit came from a wide range of credits with ratings from CCC, the lowest tier of high yield, to solid investment grade credits enjoying a single A rating. While many of these names were in "reopening" industries such as airlines, movie theaters, and cruises, our largest winner was Dell International. We purchased Dell bonds based on the view that it was an improving credit unfairly suffering from uncertainty surrounding the

possible separation of the VMware business. Subsequent to quarter end, the company laid out a credit positive separation structure, as we expected, adding to our gains in the position.

While credit spreads are relatively low, these spreads appropriately reflect both the relatively high quality of the high yield market (large component of higher-rated “fallen angels”) as well as the extraordinarily supportive environment of fiscal and monetary largess in an economy that is recovering at a record pace. Given this backdrop, we expect near term defaults to be relatively low; however, we expect volatility to increase given the unevenness in the global recovery, supply chain stress, and ongoing changes in consumer behavior. It is interesting to note that certain credits in highly impacted service industries now carry debt loads greater than their total market capitalization pre-Covid. While we expect a strong economy near term, the combination of higher interest rates, higher debt burdens and uneven growth will generate a growing number of “dented” or stressed credits as the economic baton is handed from the Fed and Congress to the private economy.

Business Updates

Heath Terry has joined Third Point to focus on later stage investments in private technology companies. Heath spent a decade at Goldman Sachs, where he was most recently the business unit leader for the Technology, Media and Telecom Group in Global Investment Research as well as the senior equity research analyst covering the Internet Sector. He has strong ties to the venture capital, founder, and innovation communities. We are excited to welcome him to the team.

Please contact Investor Relations at ir@thirdpoint.com or at 212.715.6707 with questions.

Sincerely,



Daniel S. Loeb

CEO & CIO

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