THIRD POINT

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Fourth Quarter 2021 Investor Letter

February 16, 2022

Dear Investor:

During the Fourth Quarter, Third Point returned -5.3% in the flagship Offshore Fund, bringing year to date returns to +22.7%.

	Q4*	YTD*	ANNUALIZED RETURN†
THIRD POINT OFFSHORE FUND, LTD.	-5.3%	22.7%	15.1%
CS HF EVENT-DRIVEN INDEX	0.1%	14.2%	7.2%
S&P 500 INDEX (TR)	11.0%	28.7%	9.6%
MSCI WORLD INDEX (TR)	7.9%	22.4%	8.0%

* Through December 31, 2021.
† Annualized Return from inception (December 1996 for TP Offshore and quoted indices.

The top five winners for the quarter were Rivian Automotive, Inc., Cie Financiere Richemont SA, Pacific Gas & Electric Co., Intuit, Inc., and Accenture PLC. The top five losers for the quarter were Upstart Holdings, Inc., Prudential PLC, Paysafe Ltd., The Walt Disney Co., and Restoration Hardware Holdings.

The fourth quarter marked the beginning of a market rotation from growth to value that accelerated into January of 2022. Our largest loser for the quarter, Upstart, was down 52% but remained our biggest winner for the year and in our firm's history, up a remarkable 271% over the twelve-month period. One of the most stinging losses for the quarter was our investment in Paysafe Ltd, which was down 49% in Q4 and 74% for the year due to its failure to execute the plan articulated in its 2020 IPO (via a SPAC transaction, in which we

participated.) We exited the position in its entirety following the company's Q3 earnings report, and the shares have languished since then.

Offsetting these losses were significant gains in Rivian, a company we invested in as a private later stage growth company that went public in November. After a sharp increase in value following its IPO, we reduced our position and have since bought back shares as they dropped below the IPO price of $78, still well above our cost. Richemont was another winner, benefitting from strong sales of "hard luxury" goods like jewelry and watches, as well as a potential transaction for its loss-making online business.

We anticipate that 2022 will be a year of normalization across supply chains, public health, and consumer spending. This is happening as central banks globally (ex-China) begin to remove excess liquidity from the system through rate hikes and, at some point, quantitative tightening. A steep decline in Covid cases is beginning to provide relief from supply chain bottlenecks and inventory restock continues. We anticipate the goods component of inflation to begin to see second derivative slowing as capacity comes online, port congestion eases and people return to work. The US consumer, who contributes roughly two-thirds of GDP, still seems on solid footing although we are watching closely the pace of wage and rent inflation.

Inflation and the U.S. Federal Reserve's policy around it remains the key driver of risk assets. The year had just started when markets panicked that the Fed was behind the curve on price control, perhaps reflecting a potential policy error that could lead to a recession (e.g. yield curve flattening). This is premature in our view; we expect the Fed to be flexible and data dependent. As markets corrected, we mitigated some of our losses by reducing exposure in late January, then used this buying power to add exposure opportunistically in both new names and existing positions where IRRs became increasingly compelling early in February. Although conditions will continue to be volatile, this environment offers exciting opportunities, particularly in event-driven and value investing, which was our bread and butter for many years. We are focused currently on catalyst-driven opportunities including: 1) M&A that is revealing hidden value in previously overlooked stocks; 2) value-oriented,

"old" tech stocks like Intel that deserve a second look; and 3) opportunities in merger arbitrage. Our corporate credit exposure is low, focused on higher-grade paper in energy and reopening trades, and well hedged from a rate perspective. Credit markets have shown some minor signs of stress and we remain ready to deploy capital if the opportunity set meets our criteria. Structured credit continues to add uncorrelated exposure to the portfolio, with compelling yields.

Private markets are undergoing a re-rating similar to public markets. They have relied on cheap funding to subsidize growth as their core business model for many years, so there is likely to be a meaningful revaluation in many private companies as money becomes more expensive. We believe that our focus on specific areas of technological innovation and preference for Series B investing should insulate the portfolio from substantial shock. As detailed below, we continue to find superb investment opportunities in early-stage privates, one of which we discuss in this letter.

Amazon

We have long admired Amazon as investors (and appreciated its myriad benefits as consumers) and have owned shares several times in the past. We acquired a sizable position during the early innings of the pandemic ahead of what we believed would be a structural acceleration in revenue for the group. After lagging tech peers for most of last year, we significantly increased the size of our investment, reflecting our conviction that Amazon is at an important crossroads as new management considers its long-term strategic plan to move the company forward, which may include several bold initiatives that are the subject of wide market speculation at the proverbial investor water cooler.

Amazon's most recent quarterly results bolstered our view that the company is now at an inflection point that should usher in an improvement in various metrics, as well as an upturn in the company's share price. The long-term secular growth drivers for the company—cloud adoption and eCommerce penetration—remain firmly intact. Sales growth ought to reaccelerate as revenue comps ease. Fixed cost leverage should improve after a large investment cycle that effectively doubled the fulfillment capacity of the company over the past two years. Excess costs associated with the Covid pandemic, labor shortages, and

supply chain disruption should start to disappear as the external environment normalizes. And, shares are still trading at the lower end of the company's historical multiple range. It's not often that you get to buy shares in a high-quality company at the low end of its valuation range ahead of a meaningful reacceleration in growth at a 30%-40% discount to its present intrinsic value with an almost unlimited runway of potential to compound in value.

While the fundamental outlook for shares looks bright, we were encouraged by two additional developments this quarter. First, we noted the Board repurchased shares in January 2022 for the first time in a decade. It is not hard to imagine that Amazon, like some of its peers, may start returning more capital to shareholders, especially as the balance sheet approaches a net cash position and free cash flow improves. Second, we noted the introduction of additional disclosure from management, specifically breaking out advertising revenue and detailing capital expenditures by category. Amazon is a large and complex company and greater financial disclosure will no doubt help investors better understand the various parts of the business and significant sum-of-the-parts value. We expect these shareholder-friendly moves may be just the tip of the iceberg as Amazon's talented and focused new CEO Andy Jassy sets out his plan for the Company's future.

Accenture

Accenture, the gold standard in IT Services, is a high-quality compounder at the nexus of two post-Covid megatrends: the acceleration of digitization across industries globally and an emerging IT talent war. It specializes in the highest value work and is the leader in digital and cloud transformations. For the past two decades, Accenture has compounded free cashflow per share at 12% per year on a fully unlevered basis. It has been able to sustain these high rates of compounding due to rising IT spend, rising IT outsourcing, and consistent market share gains.

Accenture is positioned to benefit from skyrocketing demand for IT services, partially due to the coronavirus pandemic, which dramatically accelerated the need for digitization across industries. As companies urgently undertake large scale digital and cloud transformations,

tech laggards with historically poor IT hiring capabilities must digitize to survive. We believe that as IT services demand accelerates and shifts towards digital transformation projects (where Accenture is particularly well-positioned), Accenture's market share gains will sustainably accelerate.

Accenture's growth will also be supported by an increasingly constrained supply of IT talent. Remote work is decoupling employment from location, globalizing the IT talent pool and enabling leading technology companies to compete for talent outside their home markets much more proactively than in the past. That dynamic is making it increasingly difficult for companies in other industries to hire IT professionals at a time of their greatest need. This IT talent "supply shock" is a tremendous opportunity for Accenture, whose best-in-class brand and talent recruiting give the company a growing supply-side advantage which we believe should translate into further market share gains going forward.

Taken together, we believe these concurrent demand and supply shocks should enable Accenture to sustainably accelerate its growth algorithm going forward. We expect revenue growth to accelerate from high single-digit historical levels to mid-teens in the coming years, while free cashflow per share growth accelerates from low-teens to roughly 20% or better. Accenture's recent guidance for a material acceleration in fiscal year 2022 is the first evidence of this dynamic unfolding. We expect elevated growth to persist for years to come, and are excited to be long-term owners of the stock.

Intel

2021 was a highly productive year for Intel's new CEO, Pat Gelsinger. Despite the stock's tepid results, we see a compelling, underappreciated fundamental story. Intel's "brain drain" – a key part of our thesis when we first sought to help the company confront its long-time underperformance – appears to be reversing. Since joining Intel, Mr. Gelsinger has not only brought back prominent Intel former employees but has also attracted talents from competitors such as AMD, Nvidia, Apple, and, most recently, Micron's stellar Chief Financial Officer, David Zinsner.

We are encouraged by Intel's aggressive investment plan, including a recently announced fabrication plant in Ohio and acquisition of Tower Semiconductors. We knew from the start that Intel's turnaround would be complex and lengthy, and we have been pleased to see Mr. Gelsinger sacrifice near-term earnings for long-term growth.

Finally, after a series of blunders across its PC and Server product lines, Intel is finally receiving good reviews for one of its upcoming processors: Alder Lake. Tom's Hardware, a preeminent hardware publication, called Alder Lake "a cataclysmic shift in Intel's battle against AMD's potent Ryzen 5000 chips." While this is just one product across a broad lineup, and given it will take time to achieve leadership across them all, we are encouraged by these tangible signs of progress under Mr. Gelsinger's leadership. With talent returning, an improving product suite, and a willingness to invest for growth, we believe Intel's prospects have turned the corner. We expect that the company's upcoming analyst day will be an ideal time for Mr. Gelsinger to articulate the progress he has made and begin to reset expectations for the company.

Verbit (Ventures Investment)

During the Fourth Quarter, Third Point Ventures led a $200 million Series E round in Israel-based Verbit, a leading AI-powered transcription and captioning platform company led by founder Tom Livne. Both the recently raised dedicated ventures fund and our main hedge funds participated in the transaction. Verbit leverages a modern AI-powered automation stack to disrupt the highly fragmented $30 billion transcription market. Verbit's proprietary technology and significant data moat allow levels of automation that smaller companies cannot match. The Company offers customers a higher quality product with faster delivery and lower prices, thanks to this higher degree of automation.

Since its inception in 2017, Verbit has been growing by more than 100% year-over-year organically and has recently started augmenting its growth through carefully selected and executed acquisitions. The opportunity in transcription services is substantial, with growth driven by the proliferation of audio/video content and available data insights in Verbit's key verticals: legal, education, media, corporate, and healthcare.

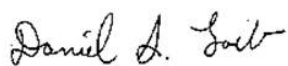
One of TPV's core strategies is investing in the transformation of the digital enterprise via modern AI and automation. Verbit is a perfect expression of this theme, as the Company and its founder, Tom Livne, disrupt a mature industry ripe for automation with a superior tech stack and a commitment to move the industry into the future.

Verbit was among 27 new private investments made by Third Point in 2021. The year was also a milestone as TPV closed its first dedicated fund with a mix of new and old investors, grew the team, and several positions went public and were the year's biggest portfolio winners. We are excited about the new investments we have made and see compelling current opportunities, which we have already started to capitalize on in Q1 2022.

Business Updates

We recently welcomed a new analyst to the team. Reed Tyson will focus on structured credit. From 2017 to 2021, Reed worked at Credit Suisse on the Asset Backed Securities desk, trading esoteric securities and whole loans. Prior to Credit Suisse, he was a derivatives analyst at MetLife. Mr. Tyson graduated cum laude from Connecticut College with a B.A. in Biochemistry.

Sincerely,



Daniel S. Loeb
CEO & CIO

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