

First Quarter 2024 Investor Letter

April 30, 2024

Dear Investor:

During the First Quarter, Third Point returned 7.8% in the flagship Offshore Fund.

	Q1 ¹	ANNUALIZED NET RETURN ²
TP OFFSHORE FUND, LTD.	7.8%	13.1%
CS HF EVENT-DRIVEN INDEX	4.2%	6.8%
S&P 500 INDEX (TR)	10.6%	9.3%
MSCI WORLD INDEX (TR)	9.0%	7.8%

¹ Through March 31, 2024.

² Annualized Return from inception (December 1996 for TP Offshore and quoted indices).

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The top five winners for the quarter were Meta Platforms Inc., Vistra Corp., Amazon.com Inc., Bath & Body Works Inc., and Microsoft Corp. The top five losers for the quarter, excluding hedges, were Pacific Gas & Electric Co., DuPont de Nemours Inc., Humana Inc., Marvell Technology Inc., and a Short Position.

Quarterly Review and Outlook

Third Point funds delivered solid results in the First Quarter, driven in part by the strong performance of large cap tech companies as well as continued gains from Bath & Body Works and Vistra. Just as during COVID when everyone became an expert in virology, today you would be hard pressed to find an investor who does not have a complex view on “macro.” Last week was a good example of equity investors’ currently mercurial nature, with the market experiencing sharp swings based on interpretations of noisy and inconclusive

reports of economic data. While we don't attempt to make short-term "macro" forecasts, our current framework is to look at three important dynamics—two economic and one structural—to guide our current allocations and where to look for new opportunities.

- 1) Rates and inflation: We believe that we are no longer in an inflationary economy based on our analysis of labor, rents, and other key components of inflation and thus, absolute and real rates are near the top of their ranges.
- 2) Economic growth and earnings: We are in the soft-landing camp and see some impending weakness in labor which could impact demand in certain sectors, but expect that future Fed action will temper the extent of future economic declines.
- 3) Artificial Intelligence and Energy Transition: We shared our views on AI's transformational potential in recent letters and it is a key element of the thesis for nearly half of our equity positions today. Unlike in past periods of technological paradigm shifts, this new technology favors incumbents who are deploying their financial and intellectual war chests to win the AI arms race. Right now, what we see as the best-run "legacy" companies like Microsoft and Amazon (both of which we own) have built enormous competitive advantages and seen their growth vectors accelerate. Below, we discuss London Stock Exchange Group, Alphabet and TSMC, positions whose catalysts for further value creation are primarily "AI-driven".

We also see the energy transition and growth in data centers affecting scores of industrial, materials and energy companies as demand for infrastructure and certain commodities surges. In the category of "better to be lucky than smart," below we also share how a deep value name we acquired for its capital allocation and attractive valuation became an AI darling.

Vistra

Vistra is one of the largest independent power producers ("IPPs") and retail electricity providers in the country. In 2023, Vistra's natural gas, nuclear and coal plants generated over 20% of electricity consumed in Texas.

Unlike regulated utilities, where profits are determined by capital invested, Vistra operates in deregulated markets (primarily ERCOT and PJM), where they generate and sell electricity at market prices. Historically, Vistra has been valued at a steep discount to both the regulated utility sector and the broader market in part due to the challenging fundamentals of merchant power. Stagnant domestic electricity demand combined with an oversupply of natural gas has made US electricity prices among the lowest in the world. Meanwhile, significant growth in subsidized renewable generation has created major intraday price volatility in Vistra's core markets, with power prices sometimes going negative during periods of abundant sunshine or wind. Bankruptcies, including Vistra's former parent company TXU in 2014, have become commonplace in the sector over the last decade.

In response to this challenging environment, we believe Vistra's capital allocation strategy has been brilliant. The company shut down unprofitable coal plants to improve its carbon footprint and mitigate oversupply. Given the market was valuing its remaining gas assets at pennies on the dollar relative to the cost of new builds, management patiently invested in maintaining the existing fleet and deployed excess cash flow into share purchases, reducing its share count by ~33% from 2018 to 2023 at an average purchase price of about 1/3 of current trading levels.

In March of 2023, Vistra made its latest smart capital allocation move, acquiring the nuclear generation assets of Energy Harbor (yet another bankrupt IPP), which served as the catalyst for Third Point acquiring shares. The timing of this deal was prescient, as nuclear is finally being recognized for its merits as the only carbon-free source of 24/7 power generation. Unfortunately, onerous regulatory requirements make it very difficult to build nuclear plants economically outside of China. Vistra seems to have channeled Mark Twain and thought: "buy nuclear generation, they're not making it anymore".

After our investment, the market started to focus on two trends that we think will have profoundly positive impacts on Vistra's future value: increased penetration of intermittent generation (renewables), and an inflection in power demand from AI/data centers and electric vehicles.

While increased renewable generation is clearly a positive for reducing CO₂ emissions, many supporters of green energy are naïve to the impacts of solar and wind on the reliability of grids (lower) and volatility of electricity prices (higher). Price signals have become so distorted that rather than building new dispatchable (gas) power generation, we are shuttering capacity. However, when the wind stops blowing or the sun stops shining, we are increasingly reliant on huge amounts of dispatchable generation to turn on quickly, even though it may have been losing money an hour prior. Counterintuitively, electricity generated by gas in Texas has grown 30% since 2016 despite a twenty-fold increase in solar and a three-fold increase in wind. Texas recently created a \$10 billion fund to incentivize new gas generation to strengthen the grid. We believe the only way to incentivize new capacity is to improve the long-term profit outlook for dispatchable gas assets via market reforms or other legislation and expect this to benefit those like Vistra who already own existing dispatchable generation.

We also believe US electricity demand is poised for significant growth for the first time in decades, and Vistra's fleet of baseload power (both nuclear and natural gas) is uniquely positioned to benefit. As the AI arms race commences, McKinsey estimates new data center build could drive an incremental 800 TWh of global electricity demand by 2030, with 40% of this driven by Generative AI¹. The US is expected to capture roughly half of this demand, as bargain-basement power prices make it the world's leading destination for new data centers despite higher labor and real estate costs. We expect data centers to drive domestic demand growth to accelerate 1-2% per annum over the next five years against a baseload supply backdrop that continues to decline as coal is phased out. Rising electric vehicle penetration is subsequently expected to add an additional 1% to annual growth (Pacific Gas & Electric, who serves a region with over 20% EV penetration, highlights that every two new EVs is equivalent to a new household in terms of demand).

¹McKinsey, March 2024, "Impact of data centers on US energy consumption"

Because many data centers require 24/7 power (which cannot easily be provided by renewables) and connection timelines for utility grids exceed three years in some cases, hyperscalers have shown growing interest in contracting directly with nuclear plants behind the meter to ensure speedy, consistent access to electricity. For example, Amazon recently signed a 20-year agreement with nuclear operator Talen to buy power at a ~60% premium to market prices. Despite this premium, nuclear remains by far the cheapest direct source of clean energy for a hyperscaler; the estimated levelized cost of electricity for a renewables system fit to provide 24/7 power is an eye-watering \$200 per MWh, roughly triple what Amazon will pay Talen².

Vistra is in the pole position to capitalize on these trends, and we expect the discount applied to their assets to continue to narrow as their business becomes increasingly essential to serving domestic power demand.

London Stock Exchange Group (LSEG)

During Q1, we added to our position in LSEG, a mission-critical capital markets data provider that will be a beneficiary of GenAI adoption in financial services. LSEG is the No. 1 real-time data provider in capital markets with the greatest data depth, breadth, and history. LSEG has powerful network effects, as the largest global banks and asset managers have each built hundreds of applications using LSEG's proprietary data taxonomy and standards. Over the past five years, LSEG has embraced its strength in direct data feeds and its weakness in desktop terminals (Eikon) to counter-position itself as the only scale vendor that operates an open commercial model allowing clients to freely use data outside the confines of desktop terminals and co-mingle it with other data sources. We expect far greater consumption of LSEG's data as GenAI democratizes data interrogation.

LSEG is now the only scale vendor working with Microsoft to democratize access to financial data and embed it directly into Office365 at a much lower cost than alternatives, and about to produce applications that automate simple tasks previously performed by users (e.g.

² McKinsey, January 2023, "Investing in the rising data center economy"

Meeting Prep). We expect that LSEG/MSFT will co-develop a powerful Research Assistant application sitting on top of both LSEG's and clients' data estates that will meaningfully reduce the time and manpower needed to analyze data.

As the financial services industry transitions from manual data processing via clunky desktop terminals to machine-assisted data processing, we believe LSEG is ideally positioned to benefit.

Alphabet

During Q1, the funds made a substantial investment in Alphabet as the market worried about the impact of LLMs, personal assistants, and answer engines such as Perplexity AI on Google Search. We have owned Alphabet in the past and have long admired its exceptional business model and its proven ability to maintain a leading position across an array of preeminent products such as Search, Gmail, Android, GCP, and YouTube.

The concern that in an AI world, changes in the way consumers will eventually interact with their personal devices and with the internet can result in risks to Alphabet's core business Search is not entirely unfounded. Alphabet, however, has both a substantial distribution and technology advantage over competitors and is positioned to use its AI capabilities to unify, enhance, and better monetize the entire suite of its products.

In early March, Gemini's initial blunders further contributed to the narrative that Alphabet will end up an AI loser. Assigning primacy to a small operational misstep while demoting the fact that the company has been building world-class capabilities in AI for over a decade, created an attractive entry point for a long-term investor. While it is easy to forget that the original paper on Transformers which paved the way for the rise of LLMs was published by Google engineers, and that it was Alphabet that built two of the leading AI research organizations (Google Brain and DeepMind), when news reports previewed Apple's intentions to embed Gemini into iOS, investors paid attention. We believe the moment when Gemini takes a seat at the economic table is approaching.

As to the question of disruption of Google Search, it is important to imagine that generative AI is likely to take content creation costs to zero, not unlike when the internet took distribution costs to zero. The post-AI internet will have lower barriers to entry in a lot of content- and information-dependent industries while at the same time increasing customer acquisition costs. Google stands to benefit from this megatrend. We envision the eventuality of a world of greatly reduced content creation costs and a proliferation of information, a lot of it in the form of ad-supported content full of AI fakes. Against that backdrop, Google Search will be increasingly important as a source of truth.

Despite recent efforts to contain expense growth, Alphabet full-time employees have grown at a 14% CAGR since 2017 and the median total compensation per employee, at \$280,000, is the second highest among major technology companies. This excessive increase in the company's employee base, combined with a slowdown in revenue growth, has resulted in Alphabet achieving significantly lower revenue per employee than companies like Netflix, Apple, Meta and Nvidia. However, we are encouraged by improvements evident in the most recent quarter as well as management's decisive handling of employee unrest, in sharp contrast to its prior capitulation to a mob of angry employees in its cancellation of Project Maven in 2018.

TSMC

During the quarter, we added to our TSMC investment, which we initiated in May of last year. TSMC is coming off its worst year since the Global Financial Crisis, and in the years to come we see a combination of cyclical recovery plus structural growth in AI demand fueling substantial earnings growth for the company.

We view TSMC as the "toll road" of the semiconductor industry, particularly for AI compute. TSMC holds more than 90% market share for leading edge semiconductor manufacturing, where all AI silicon is being processed. Beyond their reliable execution producing some of the most complex products on earth in volume, TSMC has spent decades optimizing for and building ecosystems around their 500+ customers, an advantage that cannot be replicated overnight.

Today, TSMC derives a relatively small percentage of its revenues from AI processors, largely from NVDA, but we see that percentage quickly rising as AI compute broadens from just the GPU to custom accelerators. With Nvidia's GPUs costing tens of thousands of dollars, the bulk of which go to Nvidia's gross profit, hyperscalers are doubling down on their efforts to develop in-house silicon to alleviate AI compute's economic burden. Google was the first mover to custom accelerators with the TPU almost 10 years ago, and today this is already a multi-billion dollar business for TSMC. Amazon, Microsoft, and Meta have all followed Google's lead and have announced (and in Amazon's case already mass producing) their own chips. As these products scale, we see TSMC's AI revenue growing by multiples in the coming years.

While TSMC's fundamental outlook looks bright, the market has concerns which are reflected in the stock's 10x+ discount to the SOX, the widest in TSMC's history. The main concern is Intel's entry into the foundry market. While we commend Intel's efforts to diversify the global semiconductor supply chain and have admiration for the company's rich IP and manufacturing expertise, we think it will be difficult for Intel to challenge TSMC's dominance in foundry. Putting aside the onerous capital requirements necessary to stand up a foundry business (TSMC's capital budget stands at ~2x Intel's projected EBITDA), we believe the transition from internal manufacturing to an external foundry will be a difficult one. Intel has spent the past 40+ years tailoring its manufacturing process and transistor design to suit its own narrow product suite. Broadening to a multitude of customized external customer designs across a variety of end markets, in particular mobile, we believe will prove challenging.

We believe TSMC has significant untapped pricing power which can be levered to offset (if not expand) its already admirable returns on capital.

Advance Auto Parts

We initiated a position in Advance Auto Parts in Q4 2023 at an attractive entry point, after the third consecutive guidance cut of the year overshadowed new CEO Shane O'Kelly's

strategic plans to course correct the business. Advance operates in the highly attractive auto aftermarket industry, which has proven resilient in various consumer cycles and is currently supported by increasing vehicle complexity, a growing and aging carpark, and supply and affordability challenges.

While Advance has significantly underperformed peers across key KPIs over the past several years, our work suggests that many of these shortcomings aren't structural. Feedback has been consistent that while the Advance brand is strong, a lack of relevant industry experience in key roles has led to years of inconsistent execution that has snowballed over time. We are confident that a portion of the performance gap vs. peers can be closed with new leadership and advisors in place.

Key to the turnaround is CEO Shane O'Kelly, who is known as a disciplined, motivated, and proven leader with experience in similar industries. Following engagement with Third Point, the company recently added three new directors, who each bring unique and highly relevant industry experience that the former Board lacked. Tom Seboldt spent over 30 years at O'Reilly, the gold standard in the industry, as a merchandising leader and is a perfect addition given Advance can win business if they have the right parts in the right place at the right time. Brent Windom has also spent over 30 years in the auto aftermarket industry including as CEO of multiple large organizations, bringing critical operational expertise as well as experience with large-scale business transformations. Finally, Greg Smith has led complicated supply chain rationalizations at several large corporations and is a timely addition given the company's announced plans to finally consolidate and unify its supply chain.

While the long-term opportunity here lies in fixing the core retail business, the upcoming sale of Worldpac is a near-term catalyst that should unlock significant shareholder value. We believe this asset has tremendous interest from both strategic and financial buyers and is worth more than the Street is currently assuming. Proceeds from the sale will allow Advance to essentially eliminate all its outstanding net debt and likely improve its standing with credit

rating agencies, accelerate the already outlined decisive actions to position the business for long term success, and return capital to shareholders.

Post the Worldpac sale, RemainCo's blended box model will look like O'Reilly and AutoZone, but at fraction of the valuation. At today's prices, RemainCo is valued well below \$2 million per store vs. O'Reilly and AutoZone that are closer to \$10 million per store. We believe even minor operational improvements at the core will drive considerable upside to shares and we are confident the company now has the right leadership in place to deliver.

Business Updates

Jennifer Cotton joined the Private Credit team as a Managing Director in Q1. Prior to joining Third Point, Ms. Cotton served as a Managing Director for Apogem Capital, a subsidiary of New York Life formed by the merger of three boutique investment firms, including Madison Capital Funding. Before the merger with Apogem Capital, she served nearly 15 years in positions of increasing responsibility for Madison Capital, a middle market lender to private equity-backed companies. Ms. Cotton began her career in commercial lending at National City Bank. She earned a Master of Business Administration from the Simon Business School at the University of Rochester and a B.A. from the State University of New York College at Geneseo.

Sincerely,

A handwritten signature in dark ink, appearing to read "Daniel S. Loeb". The signature is fluid and cursive, with the first name "Daniel" and last name "Loeb" clearly distinguishable.

Daniel S. Loeb

CEO

The information contained herein is being provided to the investors in Third Point Investors Limited (the “Company”), 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. Third Point Offshore is a feeder fund to the Third Point Offshore Master Fund L.P. in a master-feeder structure. Third Point LLC, an SEC registered investment adviser, is the Investment Manager to the Funds.

Unless otherwise specified, all information contained herein relates to the Third Point Offshore Master Fund L.P. inclusive of legacy private investments. P&L and AUM information are presented at the feeder fund level where applicable. Sector and geographic categories are determined by Third Point 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 the inception of Third Point Offshore 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 Third Point Offshore 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. All performance results are estimates and past performance is not necessarily indicative of future results.

The net P&L figures are included because of the SEC’s new marketing rule and guidance. Third Point does not believe that this metric accurately reflects net P&L for the referenced sub-portfolio group of investments as explained more fully below. Specifically, net P&L returns reflect the allocation of the highest management fee (2% per annum), in addition to leverage factor multiple, if applicable, and incentive allocation rate (20%), and an assumed operating expense ratio (0.3%), to the aggregate underlying positions in the referenced sub-portfolio group’s gross P&L. The management fees and operating expenses are allocated for the period proportionately based on the average gross exposures of the aggregate underlying positions of the referenced sub-portfolio group. The implied incentive allocation is based on the deduction of the management fee and expense ratio from Third Point Offshore fund level gross P&L attribution for the period. The incentive allocation is accrued for each period to only those positions within the referenced sub-portfolio group with i) positive P&L and ii) if during the current MTD period there is an incentive allocation. In MTD periods where there is a reversal of previously accrued incentive allocation, the impact of the reversal will be based on the previous month’s YTD accrued incentive allocation. The assumed operating expense ratio noted herein is applied uniformly across all underlying positions in the referenced sub-portfolio group given the inherent difficulty in determining and allocating the expenses on a sub-portfolio group basis. If expenses were to be allocated on a sub-portfolio group basis, the net P&L would likely be different for each referenced investment or sub-portfolio group, as applicable.

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