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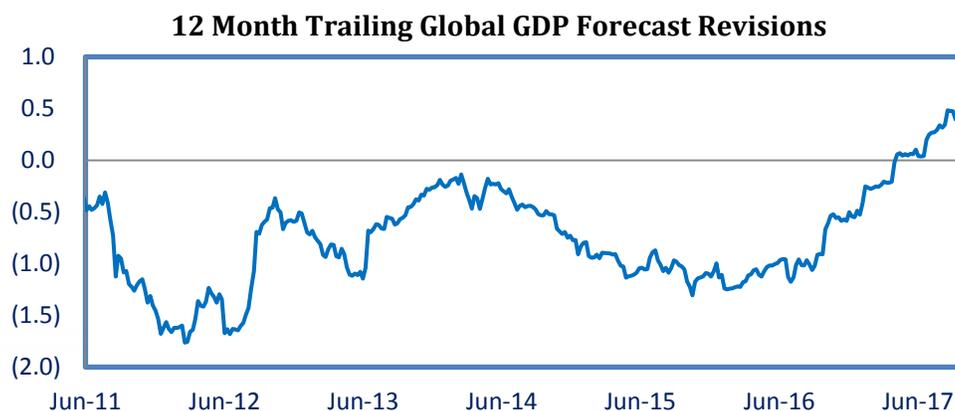
Third Quarter 2017 Investor Letter

Review and Outlook

During the third quarter of 2017, Third Point earned 3.4% in the Offshore Fund and 4.9% in the Ultra Fund, bringing total returns for the year to 14.5% and 23.0%, respectively, compared to S&P returns of 4.5% for the third quarter and 14.2% for the year.

We were constructive on markets coming into 2017 based in part on expectations that we would see more favorable conditions for businesses via deregulation and tax reform. Deregulation is occurring quickly and although tax reform remains in the works, we expect that markets will continue to move higher, driven by strong consumer and business confidence combined with synchronized global growth.

The strength in global growth is largely owed to the worldwide easing of financial conditions that started during the first quarter of 2016, catalyzed by the weakening of the US Dollar and the Fed's failure to execute on its forecasted four interest rate hikes last year. The big surprise for the markets in the past twelve months has not been political events like Brexit or Trump's election but the degree and breadth of global GDP upgrades, as shown in the chart below:



Source: JP Morgan Forecast Revision Index

Global GDP revisions on a twelve month trailing basis are positive for the first time since the European sovereign crisis in 2011. They have fueled an earnings-driven – as opposed to a multiple-driven – equity markets rally, especially in markets levered to growth upgrades. We believe the US has room to lead versus the rest of the world from here and while we have increased exposure to Europe overall this year, primarily through our substantial investment in Nestlé, the majority of our portfolio remains in US equities.

Supported by strong global GDP growth and the prospect for tax reform, S&P 500 earnings prospects are solid. Bottom-up estimates imply ~12% earnings growth next year (\$146 for 2018) which would still be ~7% after the typical 5% haircut that such estimates experience as the year unfolds. This is not unrealistic considering that a variety of macro indicators like the ISM and consumer confidence are consistent with double-digit forward earnings growth. While the outcome of tax reform is uncertain, it could conservatively add 5% to EPS which would put 2018 earnings growth in the double-digit zone. While the implied ~17.5x forward price-to-earnings ratio is high by historical standards, low interest rates coupled with still solid earnings growth suggest valuations can remain high amid a tame business cycle, absent an exogenous shock.

The biggest risk to our positioning and view is a recession. Recessions are, by their nature, unexpected. However, we think that the risk today is low for three reasons: 1) economic growth levels are relatively high and momentum is fairly stable. When these conditions are present, recession risk is low, particularly in the near-term; 2) in the medium-term, recent inflation has been less responsive to changes in “slack” (the unemployment rate) than it has been historically. This lowers the chances that the Fed will need to hike aggressively, which in the past has been associated with increased recession odds if it failed to properly calibrate policy withdrawal; 3) credit growth has been subdued. While there are pockets of the credit markets that pose risk, we have not seen evidence of broad-based excesses and thus do not see a systematic risk of a popping credit bubble at present. Considering these three factors and with recession models flagging low risk, we are comfortable with our positioning but vigilant in looking for data that could alter our current thesis.

Mapping out the course to year-end, we see more of the same conditions. While we invest a lot of time and effort in the analysis of policymaking, it doesn't appear for now that any of the incremental changes under consideration in tax cuts or rates – whether or not they come to pass – will materially impact the markets. We expect the Fed to continue to raise rates but changes to FOMC leadership will determine the pacing.

We have climbed over the market's wall of worry this year by focusing on data and facts, adhering to our process, and avoiding emotional reactions to news headlines and sentiment shifts. Backed by an understanding of the favorable global economic backdrop, we have generated profits this year through stock picking, where opportunities have been plentiful across sectors and on both the long and short sides. While our long book has been the standout, single name shorts, which account for almost 20% of equity exposure, have generated substantial alpha. Our credit exposure – in corporate, structured, and government – is modest, and we are committed to being disciplined in this asset class, particularly when equities are this compelling. This is one of the benefits of having a bottom-up process of asset allocation.

Our approach to investing at Third Point has always been to be adaptable and dynamic and, when necessary, to learn new skills necessary to excel in financial markets. When we started the firm in 1995, we were primarily a distressed debt and high-yield shop that minored in special situations such as risk arbitrage and spin-offs. During the late 1990s, we scoffed at the business models and valuations of some of the high flying tech stocks of the day and eventually profited by taking short positions in them before the bubble popped. More recently, our equity investment framework has drawn us to larger market capitalizations and we have learned to “pay up” for certain higher-quality companies with market-dominating positions. We continue to invest in companies where we see great potential hamstrung by poor management or governance but we have developed a way of working constructively with boards and management teams to effect change and drive sustainable value for all shareholders. In credit, we have added expertise in structured credit and sovereign debt since the financial crisis, allowing us to invest successfully during dislocations in those markets. Our ABS credit expertise has also positioned us to invest in

the equities as well as structured products of several promising fintech companies. Over the past year, we have developed an internal data science team and hired a full time practitioner of the dismal science of market strategy. Perhaps the most important development has been the evolution of the firm’s culture which, among other things, emphasizes collaboration, transparency, candor, and a dedication to supporting one another in our efforts to improve our thought processes and skills.

On a broad level, this growth of our skill set across a spectrum of securities and geographies has been part of an overall commitment to process improvement and “Kaizen”. In a time of great change, our job is to stick to our process and generate superior risk-adjusted returns for our partners while keeping an eye around the next corner. We are well-positioned to do this with the combination of a senior investment team with an average of nine years of experience at Third Point and innovative, new data science and macro groups hired over the past year.

Quarterly Results

	Third Point Offshore Ltd.	Third Point Ultra Ltd.	S&P 500
2017 Third Quarter Performance	3.4%	4.9%	4.5%
2017 Year-to-Date Performance*	14.5%	23.0%	14.2%
Annualized Return Since Inception**	15.8%	23.7%	
Comparable S&P Annualized Return**	8.0%	7.8%	

*Through September 30, 2017. **Return from inception, December 1996 for TP Offshore; from inception, May 1997 for TP Ultra.

The top five winners for the quarter were Alibaba Group Holding Ltd., Baxter International Inc., DowDuPont Inc., Facebook Inc., and Honeywell International Inc. The top five losers for the period were Nestlé SA, Sotheby’s, Short A, Vulcan Materials Co., and ABS A.

Assets under management at September 30, 2017 were \$17.5 billion.

Equity Investment: Dover Corporation

During the third quarter, we invested in Dover, an industrial conglomerate with a \$15 billion market capitalization. Dover has leading share in several highly consolidated end markets, including retail fueling, industrial printing, retail refrigeration equipment, and artificial lift for U.S. onshore energy production.

Dover shares have materially underperformed the industrial peer group over the three-year period preceding our investment. A significant earnings decline in Dover's energy business and the substantial fall in global crude oil prices were the primary drivers behind the underperformance. By this summer, energy commodity prices had stabilized and short cycle industrial end markets began to accelerate. We have been engaged in a constructive dialogue with management regarding several compelling value creation opportunities which are outlined below:

1. Separate the Energy Segment – Through several acquisitions, Dover has built a leading artificial lift franchise. We believe the strong cash flow generation, recurring parts and service revenue, and margin profile of the Dover energy segment will make it an attractive strategic target to many buyers. At the same time, removing the energy cyclicalities from Dover will greatly reduce earnings volatility, allowing investors to focus on a high quality industrial portfolio with strong growth drivers and supporting a re-rating of Dover shares.
2. Address Underearning in Core Industrial Portfolio – Over half of Dover's industrial EBIT is generated in consolidated markets where it has a #1 or #2 market share - primarily printing and identification and retail fueling. Despite these attractive end market dynamics, Dover industrial segment margins are well below peers in these businesses. Earlier this summer, Dover took the first step to address this material underearning and issued a plan that calls for 300bps of margin improvement by 2019. While the market has largely ignored these targets given the company's

mixed execution track record, management has confidently reassured us of their commitment to these targets and is taking full accountability for their ability to meet them.

3. Optimize Capital Allocation – In today’s market, Dover’s industrial peers with strong capital deployment frameworks receive credit for forward cash generation. Dover has a similar opportunity – we believe the company needs to communicate a strategic vision, continue to optimize its portfolio around that vision, and set stringent M&A criteria. With a disciplined approach to capital allocation, we believe the market will begin to discount the >\$4 billion of cash generation at Dover industrial over the next five years.

Since the summer, Dover has announced it is exploring strategic alternatives for its energy business. The company has also announced a plan to switch to “adjusted EPS” reporting to better highlight its strong free cash flow generation. We plan to closely monitor the company’s progress toward its 2019 margin targets and will stay engaged to promote a thoughtful capital allocation process. While Dover shares have started to appreciate since these announcements, we still see significant upside with shares trading at 14x 2019 estimated free cash flow versus the broader multi-industrial peer group that trades at 18x 2019 consensus free cash flow.

Active Positions Update

DowDuPont Inc.

We first disclosed our Dow Chemical Company investment in our Q4 2013 investor letter, arguing that Dow shares were significantly undervalued. We recognized a familiar pattern of a conglomerate that had grown unwieldy, pursuing a strategy of becoming bigger, not better. Accordingly, we proposed that Dow rationalize its business by separating its Agriculture and Specialty Chemicals businesses from its commodity-focused Petrochemical businesses to unlock value for shareholders, writing:

We believe the benefits from a spin-off, including financial uplift from operational improvements at Dow Petchem Co. and the potential valuation uplift from increased business focus and disclosure, far outweigh the supposed integration benefits... [with a spin] Dow could pave a path toward increased disclosure, greater management accountability for individual business segment performances, and enhanced alignment of interests between management and shareholders.

We have been engaged shareholders for nearly 4 years – adding two Board nominees as part of a 2015 settlement and engaging extensively with management regarding the optimal post-merger structure for DowDuPont. Since we initiated our position and our nominees became Board Members, Dow’s underlying business performance has strengthened, profitability has increased significantly, and shares have doubled. Now, after the recent merger with DuPont, DowDuPont will embark on a compelling business separation that is consistent in both substance and rationale with the proposal in our Q4 2013 letter. We commend the DowDuPont board for getting to the right place for its shareholders. Today, we believe there is significant additional upside in the investment as the company heads down a familiar path.

Joel Greenblatt’s *How to be a Stock Market Genius* is required reading for all new Third Point employees. On the topic of spin-offs, Greenblatt writes: “When a business and its management are freed from a large corporate parent, pent-up entrepreneurial forces are unleashed. The combination of accountability, responsibility and more direct incentives take their natural course.” While a significant portion of the public debate regarding spin-off structure for DowDuPont was devoted to the “multiples” the various companies would trade for, what most excites us about our DowDupont investment is the dynamic that Greenblatt describes.

Few in the corporate world understand this dynamic better than DowDuPont CEO, Ed Breen. He is renowned for executing a similar blueprint at Tyco, and we have confidence he will provide the leadership that these two storied companies need to fulfill their potential. Along with these favorable conditions, DowDuPont carries an unlevered balance

sheet and retains significant M&A optionality. Yet, DowDuPont trades at just 8.6x consensus EBITDA in 2019, a substantial discount to its sum-of-the-parts when we look at the multiples of the likely comparables for the three (or more) Spin-Cos. As a result, we continue to see significant upside to our investment in DowDuPont.

Honeywell International

Third Point initiated a stake in Honeywell, the American technology and manufacturing company, last year. We were drawn to Honeywell because of the company's strong businesses, portfolio optionality, untapped balance sheet, and change in leadership from one excellent CEO to another. In an early meeting with new CEO Darius Adamczyk, we shared our view that a more streamlined Honeywell could accelerate growth and yield sustainable value creation. We argued that spinning off the Aerospace division would be most impactful.

Management retained advisors and conducted a thorough, data-driven portfolio review. Last week, Honeywell announced plans to split off its homes and transportation units, which have a combined \$7.5 billion in annual revenue, into two separate companies by the end of 2018. We were pleased with these actions that will result in greater focus on Honeywell's core operations. The Board's decision to keep Aerospace signals management's confidence in an improving organic growth outlook following years of Aerospace underperformance.

Mr. Adamczyk has indicated that he will continue to optimize the portfolio and aggressively deploy capital. Based on our interactions with Mr. Adamczyk and his early decisiveness in shaping the portfolio, we are confident that Honeywell's leadership transition has left the company in capable hands.

Nestlé SA

On September 26th, Nestlé held an Investor Day in London. Nestlé's new CEO, Dr. Ulf Mark Schneider had deferred questions for months about changes in strategy to this presentation, where he proposed to lay out a plan for revitalizing the company. As the first

CEO in nearly a century brought to Nestlé from the outside, and as an experienced leader with a strong history of value creation at his previous company, the expectations for Dr. Schneider were high.

When we disclosed our \$3.5 billion investment in the company in June, we laid out four paths to value creation at Nestlé: 1) set a specific margin target; 2) increase leverage to return more capital to shareholders; 3) reshape the portfolio; and 4) monetize the legacy stake in L'Oréal. Dr. Schneider and his team gave a strong presentation which indicated a new approach of greater investor responsiveness. We were pleased with the overall shift in tone, particularly indicated by the willingness to give a specific margin target and commit to selling assets.

The approach to balancing sales and margin development in the new world of consumer preferences and habits represented a strong shift for Nestlé. Investors should not underestimate the substantial upside in the goals they set out, assuming they can successfully execute on them. Taken together, their commitments – including reaccelerating sales growth to mid-single digits, achieving a 17.5 – 18.5% margin target, and undertaking a CHF 20 billion share buyback – imply a return to double digit EPS growth through 2020 after five years of essentially zero growth. Meeting these goals alone would create enormous value for shareholders.

Beyond this, we were also encouraged that Nestlé will consider portfolio divestments of up to 10% of sales. This should help improve the composition of the portfolio as well as provide proceeds for incremental buybacks and growth initiatives, including M&A. As we have argued, accelerating buybacks is smart, especially given the potential to purchase shares inexpensively ahead of the expected substantial inflection in earnings. Management has already purchased more than CHF 700 million of shares since the analyst day.

We recognize that with these announcements Dr. Schneider has set a new course for Nestlé. Looking ahead, we believe there is much more opportunity to unlock value,

particularly by further optimizing capital allocation and carefully evaluating the L'Oréal stake as part of a comprehensive portfolio review.

Credit Update

Third Point has reduced its credit exposure by over two-thirds since the beginning of 2016. Spreads are near the levels reached in 2007 but interest rates are 200 basis points lower today, creating little opportunity for total return. Unlike in 2016, when we were able to capitalize quickly on dislocation in the energy sector, we see no deep weakness in any area or geography. There is stress in the telecom and retail space but we do not believe the secular challenges are fully reflected in security prices yet.

We cannot forecast the timing of the next credit cycle other than to note we are late in this economic cycle, corporate leverage is high, and interest rates are increasing. Stay tuned.

Business Updates

New Team Members

We are pleased to welcome Alex Hess to Third Point where he will focus on economic analysis and markets strategy. He will work closely with our analyst, risk and quant teams to better incorporate economic data and trends into our fundamental investing and portfolio management processes.

Immediately before joining Third Point, Alex spent ten years at TPG-Axon Capital where he transitioned from a financials analyst to a macroeconomic specialist. Alex graduated from Stanford University with a B.A. in Economics and a M.S. in Management Science & Engineering. Before attending Stanford, he spent one year as an officer in the German military.

Sincerely,

Third Point LLC

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The performance data presented represents that of Third Point Partners L.P and Third Point Ultra Ltd. Exposure data represents that of Third Point Offshore Master Fund L.P.

While the performances of the Funds have been compared here with the performance of a well-known and widely recognized index, the index has not been selected to represent an appropriate benchmark for the Funds whose holdings, performance and volatility may differ significantly from the securities that comprise the index. Investors cannot invest directly in an index (although one can invest in an index fund designed to closely track such index).

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