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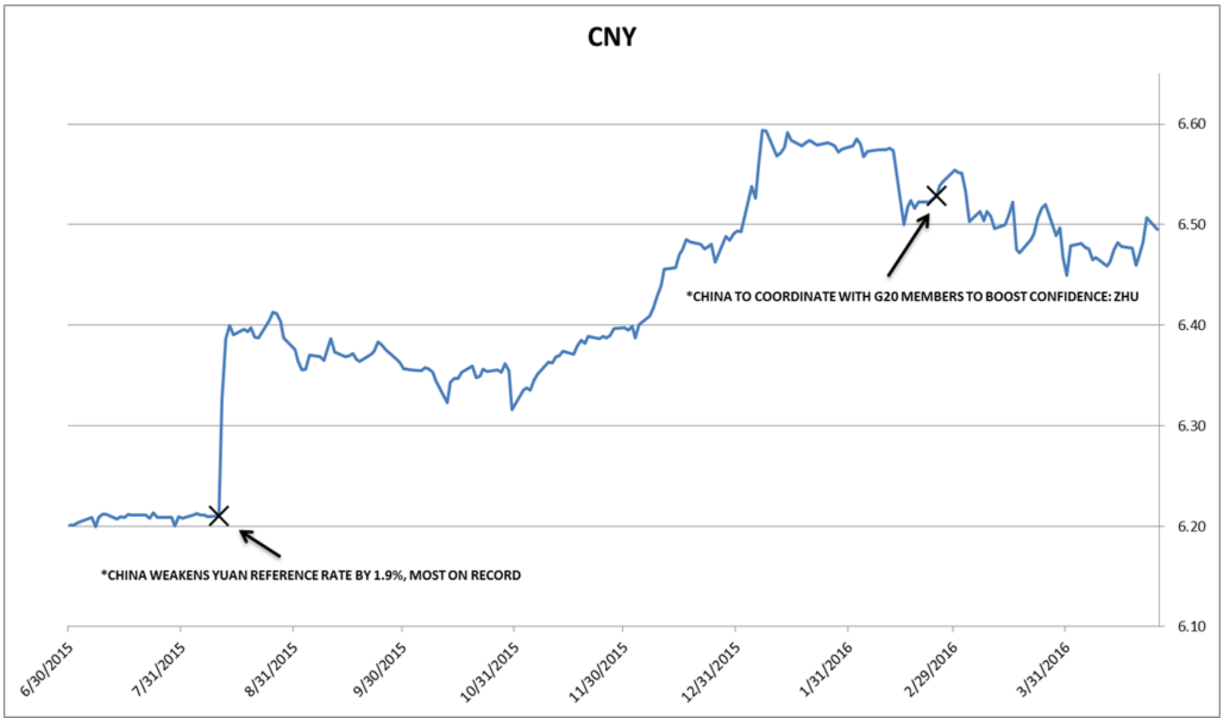
First Quarter 2016 Investor Letter

Review and Outlook

Volatility across asset classes and a reversal of certain trends that started last summer caught many investors flat-footed in Q1 2016. The market's sell-off began with the Chinese government's decision to devalue the Renminbi on August 11, 2015 and ended with the RMB's bottom on February 15, 2016, as shown in the chart below:



By early this year, the consensus view that China was on the brink and investors should "brace for impact" was set in stone. In February, many market participants believed China faced a "Trilemma" which left the government with no choice but to devalue the currency if it wished to maintain economic growth and take necessary writedowns on some $25 trillion of SOE (State Owned Enterprise) debt. Based largely on this view, investors (including Third Point) crowded into short trades in the RMB, materials, and companies that were economically sensitive or exposed to Chinese growth.

Making matters worse, many hedge funds remained long "FANG" stocks (Facebook, Amazon, Netflix, and Google), which had been some of 2015's best performing securities. Further exacerbating the carnage was a huge asset rotation into market neutral strategies in late Q4. Unfortunately, many managers lost sight of the fact that low net *does not* mean low risk and so, when positioning reversed, market neutral became a hedge fund killing field. Finally, the Valeant debacle in mid-March decimated some hedge fund portfolios and the termination of the Pfizer-Allergan deal in early April dealt a further blow to many other investors. The result of all of this was one of the most catastrophic periods of hedge fund performance that we can remember since the inception of this fund

When markets bottom, they don't ring a bell but they sometimes blow a dog whistle. In mid-February, we started to believe that the Chinese government was unwilling to devalue the RMB and was instead signaling that additional fiscal stimulus was on deck (an option that the bears had ruled out). Nearly simultaneously, the dollar peaked and our analysis also led us to believe that oil had reached a bottom. We preserved capital by quickly moving to cover our trades that were linked to Chinese weakness/USD dominance in areas like commodities, cyclicals, and industrials. We flipped our corporate credit book from net short to net long by covering shorts and aggressively adding to our energy credit positions. However, we failed to get long fast enough in cyclical equities and, while we avoided losses from shorts, we largely missed the rally on the upside. Unfortunately, our concentration in long health care equities and weakness in the structured credit portfolio caused our modest losses in Q1.

So where do we go from here? As most investors have been caught offsides at some or multiple points over the past eight months, the impulse to do little is understandable. We are of a contrary view that volatility is bringing excellent opportunities, some of which we discuss below. We believe that the past few months of increasing complexity are here to stay and now is a more important time than ever to employ active portfolio management to take advantage of this volatility. There is no doubt that we are in the first innings of a washout in hedge funds and certain strategies. We believe we are well-positioned to seize the opportunities borne out of this chaos and are pleased to have preserved capital through a period of vicious swings in treacherous markets.

Quarterly Results

Set forth below are our results through March 31, 2016:

	Third Point Offshore Fund Ltd.	S&P 500
2016 Year-to-Date Performance*	-2.3%	1.3%
Annualized Return Since Inception**	15.8%	7.3%

*Through March 31, 2016. ** Return from inception, December 1996 for TP Offshore Fund Ltd. and S&P 500.

Portfolio Positioning

Equity Investments: Risk Arbitrage and Pro Forma Situations

"Event-driven" and activist strategies performed poorly in 2015 and in Q1 2016. We believe that the resulting redemptions and liquidations from these strategies have helped to create today's environment, which is one of the more interesting we have seen in many years for classic event situations like risk-arbitrage and transformative mergers. Many investors are ignoring companies in the midst of deals because catalysts are longer-dated (well into 2017) which is allowing us to buy outstanding enterprises at bargain valuations on 2017/18 earnings. Many of these combined businesses should compound in value thanks to the benefit of synergies, modest financial leverage, and strong or improved management teams that have a history of successful capital allocation. Some of the most interesting situations are described below:

Dow/DuPont

We are encouraged by the latest developments in our investment in Dow which announced a merger with DuPont in December. In February, the company revealed that long-time CEO Andrew Liveris will be stepping aside not long after the merger's completion. DuPont's CEO, Ed Breen, is a proven operator and capital allocator. Breen made his mark by streamlining Tyco, a long-time industrial conglomerate, splitting the company into focused units and thus created enormous shareholder value. He brings an unbiased perspective and is not afraid to challenge the status quo, two qualities that will be essential in leading Dow/DuPont given the histories of both of these conglomerates.

We continue to believe there is potential for operational improvement at Dow that would be incremental to the $3 billion announced synergy target; in aggregate, approximately $5 billion of earnings improvement could be unlocked. The merger structure preserves both companies' strong balance sheets which, combined with fading Sadara and Gulf Coast CapEx, should allow for meaningful capital return while maintaining a strong investment grade balance sheet. Taking all of these factors into account, we believe the pro forma entity is capable of generating $5.50 – 6.00 of EPS in 2018. Given that these earnings will consist of contributions from several focused spinoffs, we also believe that multiple expansion is likely.

Conglomerate structures often breed unintended consequences like misaligned incentives and suboptimal capital allocation. Going forward, segments in both companies will no longer have to compete for capital with disparate businesses. They will become liberated and empowered to create their own targets with their own incentive plans. More work needs to be done to ensure that the split results in focused, pure-play businesses, in particular because the current structure still has basic petrochemicals and specialty businesses housed together. Re-jiggering the split structure may in itself unlock incremental synergies as more specialty product businesses would benefit from being managed together.

A major step forward has been achieved with the appointment of a new merge-co CEO and a strategy to split the business. Now the focus shifts toward creating the optimal split structure and ensuring the proper leadership and governance in each split entity is put into place. With the right management, structure, and a synergy target that looks conservative in light of the prospect for more sweeping change, we believe we have a compelling long term investment in Dow/DuPont.

BUD/SAB/TAP

The long awaited acquisition of SAB Miller (SAB) by Anheuser Busch InBev (BUD) announced late last year created two interesting pro forma situations. The deal, expected to close in the second half of 2016, will combine the two largest global brewers and create an unrivaled player with strong pricing power in an increasingly consolidated global industry. It will also transform Molson Coors (TAP) into a stronger regional competitor following the acquisition of certain SAB assets that must be sold for anti-trust reasons.

Starting with BUD, we think the stock ought to grow nicely over the next several years as the true earnings power of the new company is revealed. Part of the gains will come from improving the underlying profitability of SAB, as operational control of its assets is transferred to BUD's highly regarded management team led by CEO Carlos Brito. Another part will come from the capture of deal-related cost and revenue synergies, as duplication is eliminated and BUD's global brands like Budweiser, Corona, and Stella are rolled out to legacy SAB markets in Africa and Latin America. Finally, the rest should come from financial engineering as BUD's under-levered balance sheet is monetized to help finance the transaction. We also think the new company will likely command a higher valuation as SAB's emerging market exposure will be accretive to top line growth over time.

TAP, on the other hand, stands to benefit greatly from acquiring divested assets. The company is picking up the remaining 58% share of the MillerCoors US joint venture that it does not already own, the perpetual rights to import legacy SAB global brands such as Peroni in the US, and the global rights to the Miller brand. The transaction is highly accretive for TAP given the sheer size of the acquired assets. It also gives the company full control over its most important market, something that ought to improve operational effectiveness and increase the long-term strategic value of the company to a potential acquirer as the global beer industry continues to consolidate. As is the case with BUD, we believe TAP will compound nicely over the next several years as the market more fully appreciates the earnings power and strategic optionality of the pro forma company.

Time Warner Cable/Charter Communications

Charter Communications is a domestic provider of voice, video, and high-speed data. In May 2015, Charter announced the acquisition of Time Warner Cable. This is a transformational deal that quadruples the company's scale while driving substantial operating efficiencies. Importantly, the pro forma company will be led by Charter's current CEO, Tom Rutledge, who we view as one of the best operators in the industry.

New Charter is well positioned to capture market share from satellite and telco competitors given its advantaged high-speed data product. In addition, Mr. Rutledge's track record of boosting video penetration, driving down service costs, and executing large network transformations at legacy Charter makes us optimistic about his leadership of the new entity.

There are several operational benefits awaiting the New Charter. The company's increased scale will help facilitate a continued turnaround at both Charter and Time Warner Cable and the deal also creates new revenue opportunities in business services and wireless. Additionally, Charter should have increased negotiating leverage with content providers which should deliver substantial cost savings over time.

Substantial free cash flow per share growth will be driven by accelerated revenue growth, margin expansion, synergies, lower capital intensity, significant tax assets, and substantial share repurchases. As a result, we believe Charter's share price can compound at ~25 – 30% over the next two years.

Chubb

Chubb Ltd. is the product of ACE Limited's acquisition of The Chubb Corporation which closed in January. The deal combined two world-class operators that have consistently put up ~90% combined ratios – almost 900bps better than North American peers – and have compounded book value at 10%+ the past decade, more than double that of peers. The new Chubb is the largest public pure-play P&C company by underwriting income. It also has a number of factors we look for in a pro forma situation: an A+ CEO in Evan Greenberg;

complementary fit across products, distribution, and geography; and a plan that is less focused on short-term cost savings than long-term strategic opportunities for growth, which are abundant.

Chubb's scale and focus on growth could not come at a better time as certain competitors scale back operations to satisfy shareholder demands. We are willing to forego short-term cost cuts or buybacks to own a franchise that is a long-term winner with the premier franchise in US high-net-worth insurance, #1 share in global professional lines, and an enviable global platform with leading A&H and personal lines in Asia and Latin America. We view Chubb as a high-quality compounder in the financials space, with double-digit earnings growth potential over the next few years. Critically, this earnings power is far less sensitive to rates and credit quality than fundamental execution.

Danaher Industries

Danaher is a diversified multi-industrial company with an increasing exposure to life science and healthcare-oriented businesses. Operating across five different business segments and built up through over 400 acquisitions over the company's history, the cornerstone for Danaher's successful integration and value creation strategy has been the Danaher Business System (DBS). Adapted from Japanese principles of *kaizen*, DBS has evolved into a set of processes and corporate culture revolving around continuous improvement, helping to drive organic growth and annual margin improvement across Danaher's portfolio.

In May 2015, Danaher announced the acquisition of a filtration industry leader, Pall Corp, as well as the subsequent split of Danaher into two companies. The split, to be effectuated Q3 2016, will highlight value at both New Danaher – a collection of Danaher's life science, medical and lower cyclicality businesses – and the spin-off, Fortive – an industrial focused "mini-Danaher".

New Danaher, representing the large majority of post-split value, will have 60% consumables sales mix, 4% organic growth, 100bps of annual margin expansion, and

>100% FCF conversion, an algorithm that will continue the Danaher tradition of compounded earnings growth. The attractive end-market mix, earnings growth, and deep bench of DBS operators will make New Danaher a premium life sciences company that should trade at the high end of its peer group.

Fortive, akin to what Danaher originally looked like two decades ago, will have greatly increased M&A optionality and the ability to deploy free cash flow into assets which have historically received less focus within the Danaher portfolio. With the same DBS roots and team of disciplined operators, Fortive will also provide a multi-year compounding opportunity.

We initiated a position following the announcements last summer which mark a transformational step in Danaher's decade-long efforts to continuously improve its portfolio of businesses. Despite Danaher's portfolio of businesses looking more attractive than ever, its current valuation premium to the S&P 500 is modest and remains well below its ten year historical average premium. Over the last ten years, Danaher has compounded at 2x the rate of the S&P 500. We recently added to the position after a meeting with the company reinforced our confidence not only in their operations but also in the company's culture and importance of their values and principles in driving future success.

Sincerely,

Third Point LLC

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