



5th July 2021

The Directors
Third Point Investors Limited
PO Box 225
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Asset Value Investors Limited
25 Bury Street
London SW1Y 6AL

tel 020 7659 4800

fax 020 7659 4801

www.assetvalueinvestors.com

Copied to the Directors of Third Point Offshore Independent Voting Company Limited ("VoteCo")

Dear Sirs,

Third Point Investors Limited ("TPIL" or the "Company")

As you may be aware, we - Asset Value Investors ("AVI") - have been in correspondence with Third Point Offshore Independent Voting Company Limited ("VoteCo"). Our initial letter can be found [here](#). Terms defined in that letter shall have the same meanings in this letter.

AVI and three other Shareholders in TPIL collectively owning over 17 per cent. of the Ordinary Shares and over 10 per cent. of the voting rights have today requisitioned the TPIL Board to convene an extraordinary general meeting (EGM) of TPIL to consider and if thought fit pass a resolution to change its investment policy. We note that under the Listing Rules, VoteCo is not permitted to vote the Class B Shares on this resolution. The requisition notice can be viewed [here](#). This letter serves to give some background to the action we are taking.

The proposed new investment policy would see TPIL use its existing contractual authority (at the discretion of the directors of the Company) to redeem shares in the Master Fund and use the proceeds to fund redemptions of Ordinary Shares at NAV less costs. Such redemptions would take place quarterly and be capped at 25 per cent. of Ordinary Shares in issue to match the liquidity terms of the Master Fund.

We recommend that simultaneously, Shareholders (whether existing Shareholders or not) should be allowed to submit subscription requests at the same price at which redemptions are made. Any excess of redemptions over applications would result in those excess Ordinary Shares being redeemed by TPIL; any excess of applications over redemptions would result in those excess Ordinary Shares being issued by TPIL with the proceeds used to make new subscriptions into the Master Fund.

The proposed new investment policy would place no obligation on any Shareholder to redeem any of its investment in TPIL – simply an ability to do so, at NAV less costs.

Nor should it have any material impact on NAV returns for those Shareholders who wish to remain invested. Indeed, these are liquidity terms that Third Point has had no problem honouring for other investors since the firm's inception.

Despite AVI owning 10 per cent. of the Ordinary Shares, the existence of the Class B Shares (which control 40 per cent. of TPIL's voting rights) owned by VoteCo meant that we were unable to

requisition without their support as, for the holders of the true equity in the Company (the Ordinary Shares), the voting percentage threshold to require the TPIL Board to convene an extraordinary general meeting has (arithmetically) been raised artificially to 16.67 per cent. of the Ordinary Shares.

This joint requisition follows the refusal of the VoteCo board to support the requisition intended to be made solely by AVI. Following a private exchange of letters with the VoteCo Board, their most recent response on 17 June 2021 concluded *“The board is not of the view that assisting the requisition to move forwards can be considered in the best interests of the Ordinary Shareholders as a whole and therefore does not support it”*. This is despite the ostensible justification for the creation of the Class B Shares being solely to address *“jurisdictional regulatory issues in the US”*.

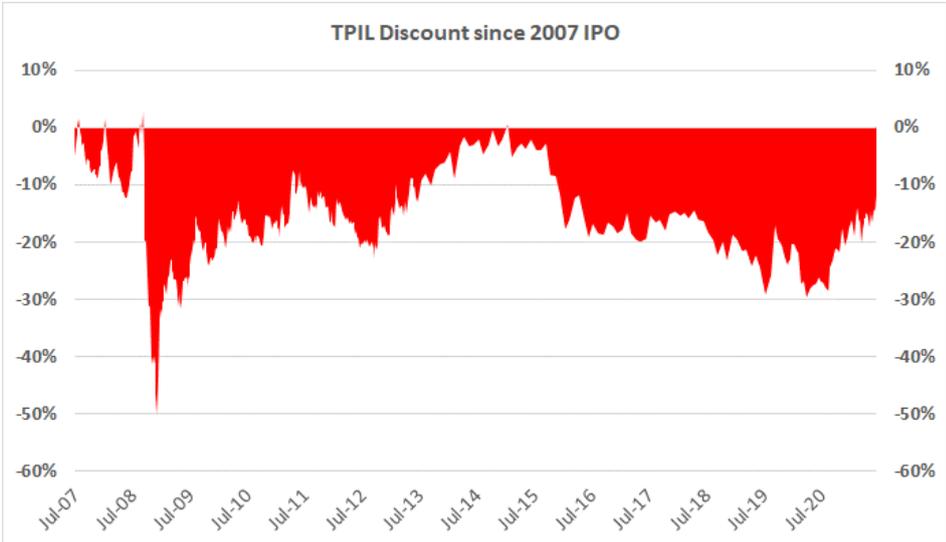
In our view, VoteCo’s stance calls into question its independence from the Investment Manager and raises issues under the Listing Rules and the Takeover Code. AVI has written to the Financial Conduct Authority and the Panel on Takeovers and Mergers (**“Takeover Panel”**) on these matters. We believe Daniel Loeb, CEO of the Investment Manager and owner of 17 per cent. of Ordinary Shares (10 per cent. of voting rights) should be considered a concert party with VoteCo (which controls 40 per cent. of voting rights).

We note that in our private correspondence with the VoteCo Board, they failed - on three separate occasions - to answer our question regarding whether any contact was made between themselves and any of the TPIL Board or any employees or affiliates of TPIL’s investment manager subsequent to the receipt of our letter of 26 May 2021.

Our case is further supported by recent comments made by Mr. Loeb during an investor webinar held on 2 February 2021 during which he claimed that, contrary to the officially stated purpose of the Class B Shares (to address *“jurisdictional regulatory issues in the US”*), the Class B Shares were *“put in place specifically to protect our long-term investors from short-term profiteers who are looking to make a quick buck by trying to liquidate or diminish the amount of capital that we have invested...”*. We note this comment was deleted from the official recording of the webinar subsequently circulated by Third Point. Our recording of the excised comments and an accompanying transcript has been provided to the Takeover Panel. Given the above, we believe there may have been breaches of Rule 9 of the Takeover Code.

The Benefits of Our Proposal

TPIL’s discount has averaged 20 per cent. over the last three years. While it has narrowed somewhat of late, we note that prior to our public letter of 27 May 2021 - which we believe raised hopes of a structural solution to the discount problem finally being implemented - it stood at 17 per cent.



We believe our proposal, which would see Shareholders offered the opportunity to redeem 25 per cent. of their shareholding on a quarterly basis at NAV less costs at the same time as allowing subscriptions, offers TPIL the best chance of a viable long-term future for the following reasons:

- Shareholders wanting to exit would have meaningful near-term liquidity without taking a hit to the underlying value of their investment by selling in the market at a discount to NAV;
- for those Shareholders wishing to remain invested, downside discount risk is effectively removed; and
- crucially, potential new investors who may have previously been deterred by low secondary market liquidity and downside discount risk, would be able to absorb Ordinary Shares from exiting investors each quarter and, to the extent applications exceed redemptions, by receiving newly issued Ordinary Shares.

We note the [announcement](#) by TPIL on 10 June 2021 of an “innovative exchange feature” to be proposed at the Company’s Annual General Meeting. This would allow certain qualifying Shareholders to exchange their Ordinary Shares for shares in the underlying Master Fund at a 7.5 per cent. discount to NAV, capped at an aggregate amount of \$50m. The proposal is unappealing for several reasons:

- It is unclear how the scheme is supposed to “*attract new investors*” given there is no certainty it will be offered in future years;
- the restrictions on eligibility mean a sizable proportion of the Shareholder register will not be able to take part - the scheme is only open to large non-US Shareholders owning \$10m or more and those that have a prior relationship with the Manager; and
- we do not believe it is appropriate to treat smaller Shareholders as second-class citizens and, despite AVI being eligible to take part in the exchange offer, we will be voting against the resolution proposing it at the upcoming AGM.

The unattractiveness of this scheme serves to highlight the clear superiority of our proposal. The \$50m cap on the “innovative exchange feature” means a maximum of 5 per cent. of the Ordinary Shares could be exchanged into Master Fund shares at a 7.5 per cent. discount later this year with no certainty the offer will be made available in future years, in contrast to our proposal which would allow for 25 per cent. of Ordinary Shares to be redeemed every quarter at a zero discount (less costs) and would be open to all Shareholders regardless of the size of their shareholding.

We call upon the TPIL Board to withdraw the proposal to be held at the Company’s Annual General Meeting and instead support the proposal in our Requisition.

Yours sincerely,



Tom Treanor
Executive Director/Head of Research

Note to Editors

VoteCo Explained

In common with several other London-listed funds with a US investment manager; a majority of investments in the US; and/or with large US shareholder ownership at the time of their IPOs, TPIL put in place a structure to mitigate the risk of losing its foreign private issuer status. Losing this status would have seen TPIL treated as a US domestic issuer for US federal securities law purposes.

TPIL's chosen structure involved the creation of Class B Shares that would at all times control 40 per cent. of the aggregate voting rights. TPIL's documents were clear that the sole purpose of the Class B Shares was to resolve "jurisdictional regulatory issues in the US". The Class B Shares were issued to VoteCo, a Guernsey company with a Board of Directors selected "to provide both financial market experience and a strong understanding of fiduciary responsibility" and a mandate to exercise the voting rights attached to the Class B Shares "in the best interest of the holders of Ordinary Shares as a whole".

A consequence of the existence of the Class B Shares (and the fact that, in aggregate, they represent 40 per cent. of the voting rights and issued share capital of TPIL), is that for the holders of the true equity in the Company (the Ordinary Shares) the voting percentage threshold to require the TPIL Board to convene an extraordinary general meeting has (arithmetically) been raised artificially to 16.67 per cent. of the Ordinary Share from 10 per cent. Note that VoteCo is not permitted to exercise its voting rights on certain "Specified Matters", which include changes to TPIL's investment policy.