GURUFOLIO

THIRD POINT, LLC

DANIEL LOEB PORTFOLIO

Portfolio Date: 2018-12-31
Updated on 2019-02-08

Portfolio Overview

Portfolio:	Third Point, LLC
Fund Type:	Hedge Fund
Portfolio Date:	2018-12-31
Number of Stocks:	22
Equity Value:	$6.51 Billion
Number of New Buys:	1
Q/Q Turnover:	5%

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I. Portfolio Overview, Profile

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Profile

Daniel S. Loeb founded Third Point LLC in 1995 and leads the firm’s research activities, portfolio, and risk management. He is well known for his public letters in which he criticizes company CEOs or other investment managers. Third Point’s total assets are more than $2.2 billion, and Loeb’s personal net worth is $2.3 billion.

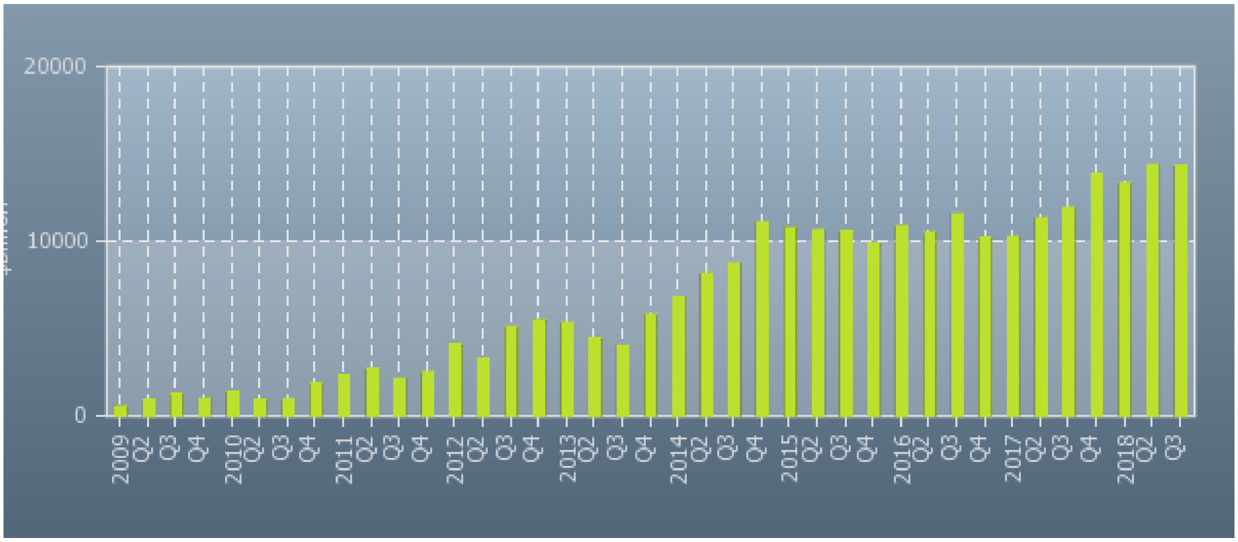
Investing Philosophy

Loeb and Third Point focus on activist investing, and follows an event-driven, value-oriented investment style. Loeb identifies situations in which a catalyst will unlock value.

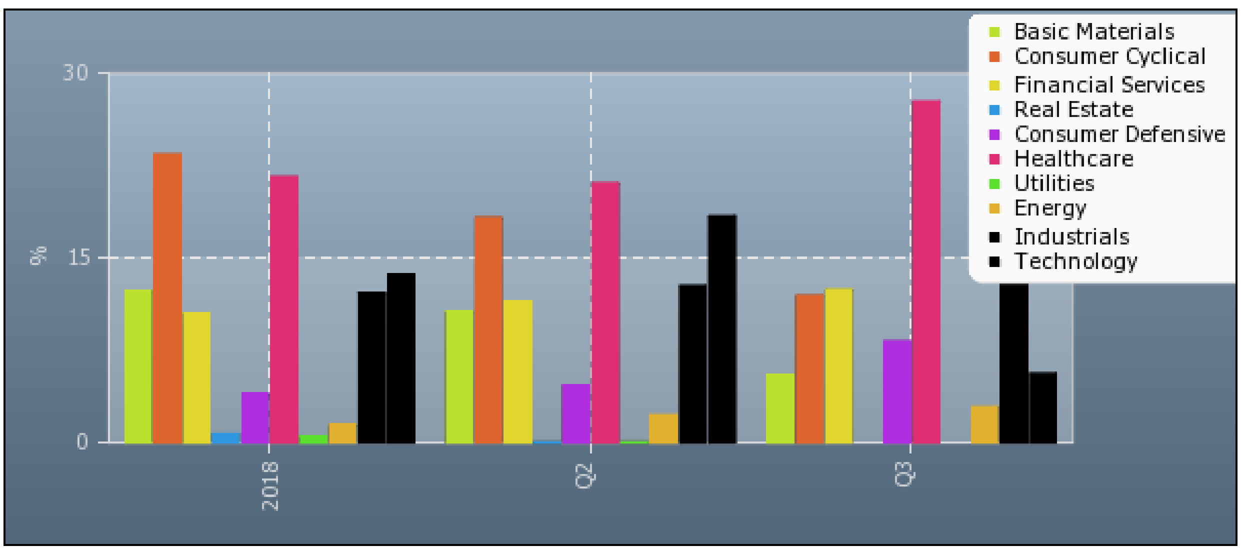
II. Performance of Master Fund

Year	Return (%)	S&P 500 (%)	Excess Gain (%)
2017	18.1	21.71	-3.6
2016	6.1	11.99	-5.9
2015	-1.2	1.24	-2.4
2014	5.7	13.47	-7.8
2013	25.2	32.3	-7.1
5-Year Cumulative (Average)	**63.8 (10.4%/year)**	**107.2 (15.7%/year)**	**-43.4 (-5.3%/year)**
2012	21.2	15.99	5.2
2011	-0.1	1.9	-2.0
2010	33.5	15.05	18.4
2009	38.2	26.35	11.9
2008	-32.8	-36.79	4.0
10-Year Cumulative (Average)	**145.9 (9.4%/year)**	**125 (8.4%/year)**	**20.9 (1%/year)**
2007	16.6	5.14	11.5
2006	15	15.85	-0.9
2005	19.9	4.83	15.1
2004	30.2	10.7	19.5
2003	51.5	28.19	23.3
15-Year Cumulative (Average)	**680 (14.7%/year)**	**307.7 (9.8%/year)**	**372.3 (4.9%/year)**
2002	-7	-21.58	14.6
2001	14.9	-11.76	26.7
2000	17.1	-9.75	26.9
1999	42.2	20.4	21.8
1998	6.6	28.7	-22.1
20-Year Cumulative (Average)	**1379.4 (14.4%/year)**	**294.5 (7.1%/year)**	**1084.9 (7.3%/year)**
1997	52.1	33.47	18.6
1996	44.3	22.49	21.8
1995	37	38.04	-1.0

III. Historical Total Value ($Billion) of Filings



IV. Industry/Sector Shift in Past 12 Months



V. ETF Holdings

These are the ETF stocks in the portfolio of Daniel Loeb.

Ticker	ETF	Shares (1000)	Value ($Mil) ↓	Weighting as of 2018-12-31 (%)	Share # Change from Last Period
SPY	SPDR S&P 500	500.0	102.8	0.93%	New Buy

VI. Comments by Daniel Loeb on Stocks in the Portfolio

Daniel Loeb Comments on American Express

American Express (NYSE:AXP) (â€œAmexâ€) is a ubiquitous franchise, with 115 million cardsâ€ inâ€ force and $1.2 trillion of billed business, making it the fourth largest payment network globally. It is also a franchise that appeared to lose its way in recent years. From 2014â€ 2017, Amex lost coâ€ brand relationships with JetBlue and CostCo and saw increased competition from Chaseâ€™s Sapphire Card; EPS growth halved; and shares underperformed the S&P 500 by ~40%. We think this challenging period galvanized the franchise, forcing necessary investments and a strategic pivot that is just beginning to pay off. New CEO Stephen Squeri is reâ€ energizing Amex by focusing on topline growth and underâ€ appreciated structural opportunities in Commercial and International â€“ efforts we think will lead to more sustainable doubleâ€ digit EPS growth going forward.

Amex has a significant opportunity to sustain higher revenue growth as it prioritizes investments that drive customer acquisition, card acceptance, and higher average spend. This is a long runway where Amex is just beginning to inflect after years of underâ€ investing. Proprietary card acquisitions hit 3 million last quarter and total cards rose 7% Y/Y â€“ the strongest user growth in a decade. Merchant acceptance is growing at a high singleâ€ digit pace, twice that of Visa/MasterCard, and Amex aims to reach virtual parity with the latter networks by the end of 2019. Average spend is also scaling with the merchant network, as Amex reaches across demographics, with Millennials making up half of new Platinum customers, and deeper into member wallets, with 60% of loan growth coming from existing account holders. Overall, management has reâ€ prioritized share, scale, and relevance â€“ a formula that is driving billed business and net revenue growth of >8% the past 5 quarters, nearly twice the average pace of the past two decades.

As part of its strategic refresh, Amex also reâ€ aligned operating segments earlier this year to better execute on the structural growth in Commercial and International payments. Today, Global Commercial Services (â€œGCSâ€) is Amexâ€™s fastestâ€ growing segment, with billed business up 12% Y/Y, and a close #2 in scale and profitability to Global Consumer. In large corporate, Amex has relationships with >60% of the Global Fortune 500; in SME, Amex is larger than the next five players in the US combined (by spend). While Wall Street tries to find the next highâ€ multiple stock to monetize the shift in B2B payments â€“ an area with ~ $ 20 trillion of addressable spend and ~10% penetration â€“ they are missing a more obvious beneficiary in American Express, where B2B already makes up 2/3 of commercial spend. No one is better equipped to monetize the opportunity than Mr. Squeri, who previously ran Amexâ€™s Commercial division. The recent partnership with Amazon to offer coâ€ brand cards to small businesses is testament to Amexâ€™s positioning in the commercial market.

Amex also has a structural growth opportunity as it presses its unparalleled value proposition in less competitive international markets. International SME and Consumer, which together are nearly 1/5 of total billings, are now growing proprietary billings at ~18% Y/Y (FXâ€ neutral). In International SME, Amex is just scratching the surface, with <5% market share in each of its eight core markets â€“ seven of which are now growing doubleâ€ digits. In International Consumer, Amex has an opportunity to boost walletâ€ share with highâ€ income spenders and has now grown billings by over 10% for eight consecutive quarters â€“ double the pace of the previous five years. Finally, the growth is less about cyclical tailwinds than greater operating focus: both Commercial and International are growing proprietary cardsâ€ inâ€ force at more consistent levels (up 3% and 6%, respectively) and at higher average spend per card than has been seen before.

Ultimately, greater scale â€“ in users and acceptance, across commercial payments and international markets â€“ has the power to drive operating leverage and more sustainable EPS growth over the longâ€ term. Critical to this equation is Amexâ€™s spendâ€ centric model, where fees are 80% of revenue, about 3â€ 4x the level of a â€œtraditionalâ€ card company, and credit costs are just 1/5 the cost of total customer engagement spend (marketing, rewards, service) with the latter providing an important lever to throttle back and help sustain earnings in tougher times. Indeed, one thing that has stayed consistent with new management is the ability to contain costs, with OpEx roughly flat over the past year, even as Amex achieved doubleâ€ digit billings across its 3 major segments. With shares trading at just 12.5x our 2019E EPS, and 11x 2020E EPS, we think markets underâ€ appreciate the strategic pivot occurring at Amex and see shares trading above $135 over the next 18 months for a total return of 30% upside.

From Daniel Loeb (Trades, Portfolio)'s third-quarter 2018 Third Point shareholder letter.

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