THIRD AVENUE INTERNATIONAL VALUE FUND

INSTITUTIONAL: TAVIX | INVESTOR: TVIVX

December 31, 2016

Matthew Fine, CFA | Lead Portfolio Manager

Dear Fellow Shareholders:

With this investment letter, Third Avenue Management, including the Third Avenue International Value Fund, transitions to a calendar quarter shareholder letter schedule. We make this change in order to align more closely with interested financial intermediaries, many of whom have calendar quarter reporting requirements. It is our hope to better serve our fellow shareholders by making this transition. We have historically made these communications following the Funds' fiscal quarters, the most recent of which concluded on October 31st. Therefore, this letter serves as an update for the two month "stub" period beginning November 1st and ending December 31st.

FUND PERFORMANCE

For the quarter ended December 31, 2016, the Third Avenue International Value Fund returned 6.14%[1] as compared to the MSCI AC World ex US Index[2] , which returned -1.20%. For the year ended December 31, 2016, the Fund returned 17.24% as compared to the MSCI AC World ex US Index, which returned 5.01%. During calendar year 2016, Fund performance benefited from investments in industrial metals companies such as Capstone Mining and Lundin Mining as well as from Latin American investments such as Cosan Limited, Arcos Dorados and Prosegur. These investments were the Fund's five most significant positive contributors to performance during calendar 2016. The most significant detractor from performance was our investment in New Zealand-based Rubicon Ltd.

In the following paragraphs, we provide brief updates on important developments relating to several Fund positions, focusing on information incremental to what was reported in our recently published fiscal fourth quarter letter. At the conclusion of the March 31st quarter end, we will return with a more customary and in-depth quarterly communication.

Global Logistic Properties ("GLP")

We have been satisfied owners of GLP for some time. From an execution standpoint, this logistics facility developer, owner and operator continues to do a fine job operationally. The company has judiciously grown its facilities network in China, Japan, Brazil and the U.S., both organically and through acquisition, at a pace appropriate for each respective geographic market while maintaining a conservative balance sheet. Meanwhile, the company has made great strides in growing its fund management platform, which has the benefit of improving overall returns through the incorporation of fee-paying third party capital. However, the stock had until recently languished at a low valuation presumably as a result of the broad perception that macroeconomic growth in China is slowing and that the growth of GLP's network development will also slow in turn. Yet investors fixated on rapid growth of earnings fail to appreciate the value of the existing in-place network of facilities, a reasonable replacement cost analysis of those assets, the extreme difficulty in replicating the assets and the long-term secular drivers that are likely to make the assets increasingly critical and valuable over time. On the other hand, these concepts appear to be better appreciated by potential acquirers of GLP. In early November, it was widely rumored that a consortium of buyers had approached GLP with an interest in purchasing the company. One month later the company disclosed that it had opted to undertake a strategic review to identify means by which shareholder value could be enhanced. It was also disclosed that investment bankers had been hired for that purpose. We believe GLP's assets and platform to be of exceptional quality and without rival in Asia. We suspect that GLP's apparent willingness to entertain a transaction is likely to bring forth a number of potential buyers. In reaction to the above-mentioned rumors and press releases, shares of GLP appreciated by 24% in Singapore dollar terms during November and December.

Lundin Mining ("Lundin")

In mid-November, Lundin announced that it had entered into an agreement to sell its holding in an entity called TF Holdings Ltd. TF is the entity through which Lundin and Freeport-McMoRan have for many years controlled a Central African copper mine called Tenke Fungurume. The Lundin transaction essentially is the sale of a 24% economic interest in the mine for the agreed price of CAD 1.14 billion. This transaction is expected to close during the first half of 2017 and would add considerable cash to what is already one of the mining industry's best balance sheets. While Tenke Fungurume is an unusually high quality mine, its jurisdiction can at times be an unusually challenging place to do business. We view the transaction price as reasonable and look positively upon the prospective reduction of political risk embedded within Lundin. With the transaction proceeds Lundin would also bolster its position as one of the very few companies in a position to acquire mining assets at one of the rare times when some very decent assets may be available for sale.

1 **Please see Appendix for performance table and information.**

2 The Morgan Stanley Capital International All Country World ex USA Index is an unmanaged index of common stocks and includes securities representative of the market structure of over 50 developed and emerging market countries(other than the United States) in North America, Europe, Latin America and the Asian Pacific Region.

Tenon Ltd ("Tenon")

In our last quarterly letter, we referenced an ongoing transaction at Tenon whereby the company had agreed to sell its U.S. wood products distribution business. That transaction has subsequently closed and the proceeds, net of expenses and debt pay-down, have been distributed to Tenon shareholders, including the Fund. Our letter also suggested that, following such a distribution, Tenon would likely no longer be among the Fund's largest holdings, which is now the case. Finally, we noted that the strategic review process that resulted in the sale of Tenon's U.S. business was ongoing as it relates to Tenon's remaining operations in New Zealand. With regard to its New Zealand operations, Tenon announced several weeks ago that it had entered into exclusive discussions with an interested party with the intention of arriving at a binding sale transaction. Should a transaction be consummated, Tenon would cease to have any business operations and would go through a liquidation and wind-up process with the transactions proceeds again distributed to shareholders. We expect that distributions from such a process are likely to represent a meaningful premium to the Tenon's current share price.

Petroleum Geo-Services ("PGS")

Throughout December and early January, PGS completed its refinancing activities as described in our previous letter. PGS conducted an equity raise primarily for the purpose of refinancing its 2018 bonds. The Fund was a holder of both PGS equity and its 2018 bonds. We were pleased to participate in improving PGS' capital structure via the equity offering, which precipitated a meaningful price appreciation of both our equity and credit positions. PGS tendered for our 2018 bonds PGS on terms favorable to bondholders, and meanwhile the company's equity responded very favorably to the improvement in the company's capital structure and the elimination of its nearest debt maturity. Our investments in PGS securities have been important contributors to performance of late.

We thank you sincerely for your confidence and your loyalty. We look forward to writing again next quarter but welcome all interest in the Fund in the meantime.

Sincerely,

Third Avenue International Value Team

Matthew Fine, Lead Portfolio Manager

December 31, 2016

FUND PERFORMANCE

as of 12/31/16	1 yr	5 yr	10 yr	Since Inception	Inception Date
TAVIX (Institutional)	17.24%	5.16%	0.61%	7.15%	12/31/2001
TVIVX(Investor)	16.97%	4.92%	(n/a)	2.53%	12/31/2009

TOP TEN HOLDINGS

	% of Portfolio
Capstone Mining Corp.	7.4%
Rubicon, Ltd	5.3%
Arcos Dorados Holdings, Inc.	4.7%
Petroleum Geo-Services	4.4%
Global Logistic Properties, Ltd.	3.6%
Atrium European Real Estate, Ltd.	3.4%
CNH Industrial NV	3.2%
Vivendi SA	3.1%
Interfor Corp.	3.0%
EasyJet PLC	3.0%

Allocations subject to change

Past performance is no guarantee of future results; returns include reinvestment of all distributions. The above represents past performance and current performance may be lower or higher than performance quoted above. Investment return and principal value fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For the most recent month-end performance, please visit the Fund's website at www.thirdave.com. The gross expense ratio for the fund's institutional and investor share classes is 1.83% and 2.08%, respectively, as of March 1, 2016. Please be aware that foreign securities from a particular country may be subject to currency fluctuations and controls, or adverse political, social, economic or other developments that are unique to that particular country or region. Therefore, the prices of foreign securities in particular countries or regions may, at times, move in a different direction than those of U.S. securities. Prospectuses contain more complete information on management fees, distribution charges, and other expenses.

IMPORTANT INFORMATION

This publication does not constitute an offer or solicitation of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this publication has been obtained from sources we believe to be reliable, but cannot be guaranteed.

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Third Avenue Funds are offered by prospectus only. The prospectus contains important information, including investment objectives, risks, advisory fees and expenses. Please read the prospectus carefully before investing in the Funds. Investment return and principal value fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For updated information or a copy of our prospectus, please call 1-800-443-1021 or go to our web site at www.thirdave.com. Distributor of Third Avenue Funds: Foreside Fund Services, LLC.

Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

Date of first use of portfolio manager commentary: January 19, 2017

THIRD AVENUE MANAGEMENT

www.thirdave.com

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Third Avenue offers multiple investment solutions with unique exposures and return profiles. Our core strategies are currently available through '40Act mutual funds, customized accounts, and UCITS funds. If you would like further information, please contact a Relationship Manager at:

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