

April 30, 2016

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Dear Fellow Shareholders:

We are pleased to provide you with the Third Avenue Value Fund's (the "Fund") report for the quarter ended April 30, 2016.

During the fiscal second quarter, oil prices rallied, credit markets improved and stock prices rebounded as macro fears were replaced by optimism. That trend followed a period when oil prices fell, credit markets deteriorated and stock prices sagged. And that followed a period when...well, you get the idea. There's been no shortage of market volatility.

Some may delight in trying to ride this bucking bronco of a market. But we have never been momentum jockeys. We are value investors, which means we care deeply about company fundamentals. We look for companies with strong management that can deliver long-term shareholder value regardless of macro trends or market movements. We buy securities of quality companies at attractive prices. We hold onto them. For a long time. And we don't pay much attention to what markets may do in the interim, as long as our investment thesis remains intact.

That said, we recognize that market movements can provide enhanced trading opportunities in companies that we find interesting. In this way, we believe volatility is our friend. Indeed, we took advantage of the market's mood swings by adding a new position (Johnson Controls) during the quarter as well as increasing our weightings in a number of existing positions, including Weyerhaeuser. We are dedicated opportunists, and so when the market offers an incentive for us to act on opportunities, we are happy to oblige.

Ultimately, though, we do not rely on volatility to drive our investment philosophy. We can and will execute our strategy regardless of volatility. We believe that by being diligent in searching for quality companies selling at attractive prices, and by being patient in our timing, we can prosper in good times and bad, in volatile markets and in passive ones.

Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of April 30, 2016: Bank Of New York Mellon Corp., 6.66%; Weyerhaeuser Co., 6.48%; Comerica, Inc., 6.10%; Cavco Industries, Inc., 4.59%; PNC Financial Services Group, Inc., 4.09%; White Mountains Insurance Group, Ltd., 3.62%; Total S.A., 3.56%; Brookfield Asset Management, Inc., 3.52%; CK Hutchison Holdings Ltd., 3.48%; CBS Corp., 3.45%

1 The Fund's Institutional share class one year, five year and ten year average annual returns for the period ended April 30, 2016 were -7.76%, 2.77% 1.78%, respectively. The Fund's Institutional share class one year, five year and ten year average annual returns for the period ended March 31, 2016 were -8.02%, 2.29%, 1.71%, respectively. 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. The Fund's total operating expense ratio, gross of any fee waivers or expense reimbursements, was 1.09%, as of October 31, 2015. Risks that could negatively impact returns include: fluctuations in currencies versus the US dollar, political/social/economic instability in foreign countries where the Fund invests, lack of diversification, and adverse general market conditions. Prospectuses contain more complete information on management fees, distribution charges, and other expenses. Please read the Prospectus carefully before investing or sending money. For current Fund performance or a copy of the Prospectus please visit our website: www.thirdave.com or call 800-443-1021. M.J. Whitman LLC, Distributor. Member FINRA/ SIPC.

2 Active Share is the percentage of a fund's portfolio that differs from the benchmark index. The MSCI World Index is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 of the world's most developed markets.

FUND ACTIVITY AND PERFORMANCE

Performance Gets Help from Some Q1 Laggards

The Third Avenue Value Fund returned 12.15% in the fiscal second quarter of 2016, beating the MSCI World Index by 4.28%¹. The Fund continues to be concentrated and unique in relation to our primary benchmark, the MSCI World Index. The Fund's active share at April 30, 2016 was 98.1%².

The top contributor to performance was Weyerhaeuser. Three other big contributors rounded out the top four: Comerica (CMA), Apache (APA) and Bank of New York Mellon (BK). We were especially pleased by the significant positive contributions of Bank of New York Mellon and Comerica, which were two of our largest detractors in the previous quarter. The snapback was largely due to an improving economic outlook.

Comerica also benefitted from company-specific factors. Shareholder activists are leaning on Comerica management to boost returns or sell to a larger peer. We have always believed that one of the core contributors over the long-term is not just business fundamentals, but also a dedicated and open management team that pursues opportunities that can accelerate the creation of shareholder value. Comerica management took control of the situation and announced that it hired Boston Consulting Group in April to advise on strategic initiatives. We are eager to hear the recommendations and we are encouraged that management is open to a wide variety of options.

Apache surprised many investors by reporting decent quarterly earnings. Most importantly, additional funding was not needed given its solid financial position. As most energy peers are battling stressed balance sheets, we were pleased (but not surprised) Apache avoided raising capital at a disadvantageous time.

The detractors this quarter were immaterial to overall portfolio performance.

NEW POSITION

Johnson Controls Poised for Growth

Johnson Controls, Inc. (JCI) As mentioned above, we used the market volatility in the quarter to establish a new position in Johnson Controls (JCI) common stock. We are impressed with management and with the opportunities for growth as the company focuses attention on its core businesses in building systems products and services and power solutions. During the quarter, the company continued to make progress with its plans to spin-off its automotive business (seating and interiors) and announced a merger with Tyco, a leader in commercial fire and security solutions, which is complementary to JCI's operations in HVAC and building automation systems.

The building products and services business has tailwinds driven by improvements in non-residential construction as well as opportunities for growth as JCI increases its presence in the residential market. As the global leader in non-residential HVAC and industrial refrigeration, JCI benefits from a 90%+ renewal rate once a relationship with a building has been established. The merger with Tyco will add fire and security solutions to the overall offering. Over the longer-term, demand for significant energy savings should drive adoption of "smart buildings" that can automatically adjust and monitor the temperature, security and lighting of a building. JCI also recently established a joint venture with Hitachi, which is one of the largest players in variable refrigerant flow (VRF) technology and has a strong presence in Asia, including China. The joint venture also provides JCI additional opportunity to expand its residential exposure in North America.

Through its Power Systems segment, JCI is the leader in automotive batteries, largely for the aftermarket. Aftermarket battery sales have attractive recurring revenue characteristics as they are not discretionary items - when your car's battery dies, unless you want to be stranded, you typically have it replaced as soon as possible! The power systems segment is also benefiting from environmental regulations to reduce CO₂ emissions, which is driving adoption of start-stop technology. Start-stop vehicles automatically shut off when the vehicle is idling, then restart when the driver releases the brake pedal. The battery is used to restart the engine after every stopping event.

JCI could see other operational improvements as well. Assuming the merger with Tyco is completed as planned, the companies expect around \$1 billion of productivity and deal synergies over the next three years. JCI also has potential for further resource conversion as the remaining industrial businesses are separable and saleable.

The fundamentals of building systems solutions and batteries are solid and driven by demands for energy efficiency. As the company moves to transform itself into a multi-line industrial company, one result could be a higher market value simply as a result of being reclassified into the multi-line industrial sector. Because of its historical

exposure in automotive, JCI is often considered – and valued – as an automotive supplier. Auto suppliers are valued lower than industrials because of their attendant lower margins compared to industrial companies. Having said that, the automotive business, recently renamed Adient, has value. It is the market leading provider of automotive seating in North America, Europe and China, with longstanding relationships with all of the major global Original Equipment Manufacturers. The business also has an equity joint venture with Yanfeng Automotive in China for interior trim systems such as door panels, instrument panels and consoles. Once the automotive seating business is spun off, there is the potential for a beneficial re-rating of JCI to the multi-industrial sector. We have seen companies that undergo a sizeable transformation, whether a spin-off or sale of a substantial part of their business, fall into an investment "purgatory" where they no longer fall into a clear industry and therefore are no longer part of the sector weighting or covered by the same analysts. This is the situation that Visteon, which we discuss in the Small Cap letter, found itself--misunderstood by the market as a statistically expensive auto parts company yet was transforming its business into a standalone automotive electronics company with solid growth prospects and a cash-rich balance sheet.

In summary, we find much to like about JCI and look forward to positive results from its addition to the portfolio.

CREATING VALUE IN TURMOIL – SELF-HELP REVISITED

There are numerous ways to create benefits for shareholders when companies stay focused on the fundamentals of their businesses despite market volatility. Our investee companies are often involved in value creating resource conversion activities – often of their own making – and thus we don't need to rely solely on public markets to generate positive investment returns.

"One of the huge advantages of being a long-term investor in well-financed companies is that the strong finances give reasonably competent managements opportunities to be opportunistic, something probably unavailable to most managements when they are forced to be supplicants to creditors." So said our chairman, Martin Whitman, in the July 2006 Third Avenue Value Fund letter to shareholders. This statement remains true today.

We look at our portfolio companies and regularly notice that quite a number have opportunities to be opportunistic or, more simplistically, are involved in some form of self-help. We think of self-help as situations in which management teams have an ability and pathway toward unlocking value for shareholders, regardless of the macro environment.

Self-help can come in many forms: cutting costs, rationalizing the supply chain and other operational efficiencies, divesting non-core businesses, mergers and acquisitions. We believe our portfolio tends to gravitate

toward companies in these situations since, at Third Avenue, we are attracted to companies with strong financial positions and solid management teams which have good prospects for compounding growth over the longer-term. In assessing management teams, our focus is to understand their track records as operators, as owners and as financiers. We look to see if over time they have been able to build business value, if they have a reasonable strategy for longer-term growth, if they've been disciplined and opportunistic financially, and if they are aligned with shareholders. As value investors, we are also looking to invest in the securities of these companies at discounts to their NAVs. This differs from investing in companies in which there is a well-known catalyst. One generally has to "pay up" for securities with embedded catalysts, thereby reducing one's margin of safety.

An example of one of our portfolio holdings which has, and continues to have, opportunities for self-help is Weyerhaeuser (WY). Weyerhaeuser is one of the Fund's largest holdings and, as stated above, was our most significant contributor to performance, with a total return of 26.8%, during the quarter. We added to the position during the quarter on weakness. We believe the company remains attractively priced given its high-quality assets and additional opportunities for longer-term growth.

Weyerhaeuser is a well-capitalized U.S.-based forest products company with timberland holdings, wood products used in homebuilding, and cellulose fibers used in absorbency products such as paper towels. The company had been negatively impacted by macro-related headwinds from a decline in demand from China and continued weak U.S. housing markets. CEO Doyle Simons, hired in 2013, responded with numerous measures. The company streamlined its operations by selling off its homebuilding business, bolstered its timberlands portfolio with the acquisition of Longview Timber, enacted cost cutting measures throughout the company, and initiated a significant, \$1.5 billion share buyback program, which at the time accounted for nearly 10% of shares outstanding.

During the quarter, the company completed its merger with Plum Creek Timber Company in a stock-for-stock transaction. Management estimates at least \$100 million of annual savings from cost synergies. The merger increases Weyerhaeuser's exposure to the U.S. South, a region which should benefit when the residential market recovers. In addition, Plum Creek brings with it a team that historically had been able to unlock higher-and-better-use values from its timberlands; we believe that additional opportunities to do so lie in Weyerhaeuser's timberlands portfolio. Also, post-quarter end, Weyerhaeuser announced an agreement to sell its cellulose fibers pulp mills for \$2.2 billion in cash. They plan on using a substantial portion of the after-tax proceeds from the sale to pay down debt.

LOOKING FORWARD

We continue to have high conviction in Third Avenue's investment philosophy which is focused on creditworthiness, an ability to compound NAV and a patient buy-at-a discount to our estimate of NAV. We are highly enthusiastic about the composition of the portfolio and remain excited about the Fund's growth prospects. We are optimistic not only about the closing of these discounts but also about our investee companies' ability to compound growth over time. In short, we are big fans of quality, well-managed companies whose securities sell at attractive prices, and if market volatility can help out with the latter part, that's fine with us.

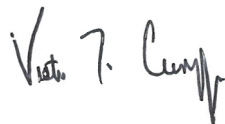
Thank you for your continued support and interest in the Fund. We look forward to writing to you again next quarter.

Sincerely,

The Third Avenue Value Team



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Lead Portfolio Manager



Vic Cunningham
Portfolio Manager



Yang Lie
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If you should have any questions, please call 1-800-443-1021, or visit our web site at: www.thirdave.com, for the most recent month-end performance data or a copy of the Funds' prospectus. Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

M.J. Whitman LLC, Distributor. Date of first use of portfolio manager commentary: May 23, 2016