THIRD AVENUE INTERNATIONAL VALUE FUND

Portfolio Manager Commentary

INSTITUTIONAL: TAVIX | INVESTOR: TVIVX

July 31, 2016

Matthew Fine, CFA | Lead Portfolio Manager

Dear Fellow Shareholders:

We are pleased to provide you with the Third Avenue International Fund (the "Fund") report for the quarter ended July 31, 2016.

FUND PERFORMANCE

For the three months ending July 31, 2016, the Fund returned 2.58%[1] as compared to MSCI AC World ex US Index[2] , which returned 1.78%. Year-to-date through July 31, 2016, the Fund returned 9.08% as compared the MSCI AC World ex US Index, which returned 4.27%. During the three months ending July 31, 2016, our strongest performance contributions continued to come from companies with a majority of their businesses located in Latin America, as well as from our base metal mining companies, as was the case in the prior quarter and the year to date period. In particular, managerial efforts have led to a variety of positive operational and financial developments for Arcos Dorados, the monopoly franchisee of McDonald's restaurants in Latin America, and for Capstone Mining, a small-cap Canadian-listed copper mining company. Equally important for the recent performance of these two investments, however, has been a degree of abatement of the acutely negative sentiment that haunted their stock prices during 2015 and the earliest part of 2016. Cosan Ltd., our Brazilian conglomerate has also performed very well. Our investment in Canadian lumber company Interfor Corp. was also a top contributor to performance. Interfor is benefiting from several factors including rising demand and prices for North American lumber as the U.S. single-family housing market continues its slow march to recovery, which we expect to continue. Implementation of a number of company-specific strategic initiatives and further integration of recently acquired assets has also been critical to the company's improved operating performance. With the exception of our Petroleum Geo-Services 2018 bonds, which performed well during the quarter, our oil service investments have continued to provide a performance drag, though in our view represent some of our most promising investments. As a group, our oil service investments have not been profitable to date, but we believe that the financial community is grossly underestimating the amount of investment that inevitably must be made by oil producers. It is simply a matter of when, not if, spending on oil services will accelerate. Lastly, the stock prices of our two New Zealand special situations investments, Tenon Ltd. and Rubicon Ltd., which are predominantly exposed to the U.S. single-family housing construction and renovation markets, have performed far less impressively than have their underlying businesses, which have exceeded our expectations. We anticipate that Tenon's currently ongoing strategic review is likely to facilitate a favorable reconciliation of the company's stock price to its underlying business value. We impatiently await the results of that strategic review in the coming months.

Notwithstanding the Fund's recent performance, we believe that, largely speaking, the Fund continues to be comprised of deeply undervalued securities. Years 2014 and 2015 were ones in which statistically inexpensive equities performed worse than statistically expensive ones on a global basis by a staggering magnitude. As an example, during the 2014 through 2015 period, the growth subset of the MSCI AC ex US Index outperformed the value subset by an enormous 10.57% . During that environment, the Fund's results were indeed disappointing. By early 2016 many of the Fund's holdings had reached levels bordering on the absurd in our estimation, such as several of the Fund's strongest performers year to date in 2016 as mentioned above. Recent strong performance merely retrenches a portion of that acute undervaluation. While no single statistic fully encapsulates value embedded within a company, let alone an entire portfolio, we do find the historical graph of the Fund's price to book ratio meaningful, compelling and suggestive of good things ahead.

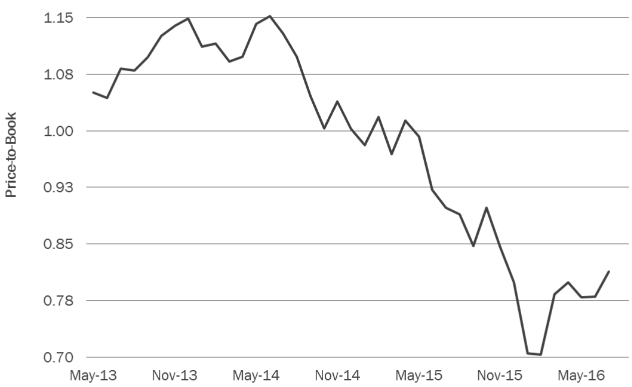
Portfolio holdings are subject to change without notice. The following is a list of Third Avenue International Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of July 31, 2016: Rubicon, 6.39%; Tenon, Ltd., 6.01%; Arcos Dorados Holdings, Inc., 5.42%; Capstone Mining Corp., 5.25%; Cosan, Ltd., 4.18%; Vivendi SA, 3.90%; Atrium European Real Estate, Ltd., 3.65%; Santos Brasil Participacoes SA, 3.56%; Prosegur Cia De Seguridad S.A., 3.51%; Interfor Corp., 3.48%.

1 The Fund's Institutional share class one year, five year and ten year average annual returns for the period ended July 31, 2016 were -2.64%, -0.19%, and 0.66%, respectively. The Fund's Institutional share class one year, five year and ten year average annual returns for the period ended June 30, 2016 were -10.82%, -1.43% and 0.15%, 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 1.61%, as of October 31, 2015. 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. 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 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.

PRICE-TO-BOOK

Monthly Returns: May 31, 2013 to July 31, 2016



Source: FactSet

THOUGHTS ON BREXIT, THE STATE OF THE EUROPEAN UNION AND THE FUND'S INVESTMENT APPROACH

During this past quarter, the Fund weathered the U.K. referendum of June 23rd, referred to as the Brexit referendum, fairly well finishing the month of June with a positive performance of 0.56%, as compared to the MSCI AC World ex US Index, which declined by 1.47% . The fund had a relatively small exposure of roughly 7% invested in U.K.-listed companies prior to the referendum, which is more or less half that of relevant indices. However, of the three companies owned, the largest single exposure was Antofagasta plc, a Chilean copper mining company listed in London, which is for practical purposes a U.S. dollar-denominated business and has very little connection to the U.K. domestic economy or the U.K.'s relationship to Continental Europe. Our second largest U.K.-listed investment was Amec Foster Wheeler plc, which is a global engineering company, again with globally diversified set of business exposures and limited exposure to the U.K. itself. Millennium & Copthorne plc, a global hotel company, was our third and smallest holding. Most importantly, we believe we had been mindful of a variety of bottom-up fundamental business risks such as currency mismatches long before the prospect of Brexit arose.

Even though it is (incorrectly) assumed to be a requirement for active investors, forecasting is dangerous business. Up until Brexit referendum results began to roll in, the vast majority of forecasters – ranging from reasonable people who simply believed good judgement would prevail, to U.K. polling services, to U.K. bookmakers who are often perceived to be the most reliable of the three – all concurred that the referendum was looking surprisingly competitive but that the "remain" camp would prevail. Forecasting is a very tough business. Had we been in the forecasting business we too would have forecasted a victory for "remain" and we too would have been wrong. However, we do not position the portfolio based upon our political or economic forecasts. We believe in an investment approach that gives weight to financial position, fundamental durability of businesses and valuation. We do not rely on our forecasting ability, which is likely to be as spotty as almost everyone else's, instead favoring durability of our investments with the belief that the world is simply too dynamic and uncertain to allow for reliably accurate forecasts over long periods time.

I recently watched a BBC naturalist documentary on a rainy afternoon with my children. In a pivotal moment a herd of zebras suddenly became aware that they were about to be ambushed by a pride of hungry lions. Narrator David Attenborough provided a line that has stayed with me since - when in danger it is never wise to run blindly, as you may run directly towards the danger. That's good investment advice. Like the zebras that survived that ambush, we strive to avoid impulsive knee-jerk reactions, which have the potential to steer one unwittingly into even more danger. We were and are quite comfortable with our existing positions as it relates to fundamental business risk arising from the outcome of the referendum. Going a step further, we perceive very little safety in the great many securities that are common recipients of knee-jerk fund flows arising from the phenomenon sometimes referred to as flight to safety. Credit instruments with negligible or negative yields and entire classes of equities priced at ridiculous levels because they carry a perception of quality and/or safety are whereof we speak. The term conventional wisdom is often an oxymoron and, ironically, the congregation of large numbers of investors into "safe" securities will more often than not render those securities profoundly unsafe. A few commentators have described this class of investments as unappealing on the basis that "if you are right you don't make any money and if you are wrong you lose a lot." We agree wholeheartedly. We prefer to take refuge in far less crowded rooms with the opposite type of asymmetry, where the general perception of the outlook is sufficiently poor such that, if we are correct and prospects improve over time, we will do very well and if prospects fail to improve, that scenario may already have been fully embedded in the low valuation and therefore we are less likely to lose much. In that vein, we have paused in an attempt to thoughtfully evaluate the repercussions of the U.K. referendum and are investigating multiple potentially exciting opportunities that have arisen as a result significant Brexit-related selling.

Moving upward from the micro to the macro in consideration of the prospective investment environment, it seems somewhat underappreciated that the Brexit referendum is more of a beginning than an end of the story. Brexit is no closer to completion than is a multi-year space mission immediately after a successful launch. Though it does admittedly seem probable, it is not yet certain that a "Brexit" will actually occur. Further, the terms by which existing economic and political agreements are brought to closure and new arrangements designed and implemented are incredibly uncertain.

What does appear certain is that grandstanding politicians from dozens of independent countries, many of whom have no meaningful economic training, will be intimately involved in negotiating and implementing a raft of complex economic arrangements while simultaneously attempting to pander to his or her discontented sovereign constituency. Certainly we should expect the process to be fraught and protracted.

In coming quarters and years, we suspect it may prove quite important to appreciate that the essential sentiment underpinning the Brexit camp is a deep dissatisfaction with the political and economic arrangements comprising the European Union. The U.K. has no monopoly on that sentiment whatsoever. While not without merit, the monetary and political union has profound shortcomings, which have been brought to bear repeatedly since the global financial crisis and broad-based dissatisfaction with various aspects of the union have been on a steadily ascending glide-path for years. As noted above, Brexit is a beginning of sorts rather than an end and future developments related to the U.K., but equally related to Continental Europe, deserve ongoing attention. *In The End of Alchemy*, Mervyn King (governor of the Bank of England from 2003 to 2013), summarized Europe's dysfunctional relationship between politics and economics as follows:

> *"The tragedy of the monetary union in Europe is not that it might collapse but that, given the degree of political commitment among leaders of Europe, it might continue, bringing economic stagnation to the largest currency block in the world and holding back recovery of the wider economy. It is at the heart of the disequilibrium in the world today."*

The European Sovereign Crisis remains a going-concern prone to periodic flare ups. In no meaningful or lasting way did it end in 2012. While the panic of 2012 that manifested in rapid widening of sovereign credit spreads and runs on many European banks may has been mollified by national and supranational government bodies, the root causes are alive and well. In the end, a lack of control over ones own currency usurps critical aspects of sovereignty and that fundamental flaw is inextricably embedded within the European Monetary Union. Furthermore, excessive levels of sovereign indebtedness and large numbers of very poorly capitalized commercial banks carry on today. I think it would be very unwise to perceive the underlying fundamental problems to have been resolved because Greece has temporarily left the front page of news media. The following is a headline from three months ago (not four years ago):

> *"IMF tells EU it must give Greece unconditional debt relief…..Fund's debt assessment calls for 'upfront and unconditional' debt relief for Athens or it will refuse to part-fund latest bailout"*
>
> The Guardian – May 23rd 2016

Just as the slow-motion progression of the European Sovereign Crisis has been a reality of the investing environment for a number of years, it is likely that the Brexit process will also drag on with an occasional panic flare-ups. Both are symptoms of an uncertain world in which investors must develop coping mechanisms. For the Third Avenue International Value Fund, the primary coping mechanisms are the avoidance of attempts to predict short-term market developments and focusing our capital on opportunities where there is little question about the long-term durability of business model or asset value and where the financial position and lack of need for serial access capital creates a very high probability of survivability. We can't predict the unpredictable but our businesses can survive it the vast majority of the time.

INVESTMENT ACTIVITY

During the quarter, the Fund purchased shares of Belgian-based Compagnie d'Enterprises CFE ("CFE"). CFE operates a collection of businesses, which include construction and real estate development activities, but the bulk of its revenue, profit and business value derive from its wholly-owned dredging subsidiary known as DEME. We have followed DEME, CFE and CFE's controlling shareholder Ackermans & van Haaren for more than a decade, admiring the oligopolistic nature of the dredging industry and its ability to evolve by creating new markets for its services. Most recently, demand for offshore windfarm installation services has been an important impetus for growth in the industry, whereas, historically, large volumes of work on Asian and Middle Eastern land reclamation projects as well as maintenance, expansion and protection of global waterways and coastal areas have been the industry's mainstays. While DEME is both well-capitalized and highly profitable, CFE's other entities beg for operational improvement. This process began in earnest following a 2013 transaction in which Ackermans & van Haaren took control of CFE. There appears to be reason to be hopeful for something better from the underperforming onshore businesses. Uncertainty and volatility related to the Brexit referendum and an end of work on a large project (widening the Suez Canal) created an opportunity for us to own an exceptional and well-financed business at a modest price.

During the quarter we disposed of two positions, both of which happen to be German companies. During recent quarters, Leoni AG underwent a management reshuffle and subsequently suffered a series of operational missteps. We voiced our discontent with the nature of the management changes immediately after they were implemented and viewed the operating missteps as a lack of adequate controls, causing us to lose what remained of our confidence in management. We sold our entire position. Separately, we sold our entire position in Telefonica Deutschland, which we continue to view as an attractive proposition, though less attractive than other opportunities available to the Fund.

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

TRANSFER AGENT

BNY Mellon Investment Servicing (U.S.) Inc.
P.O. Box 9802
Providence, RI 02940-8002
610-239-4600
800-443-1021 (toll-free)

INVESTMENT ADVISER

Third Avenue Management LLC
622 Third Avenue
New York, NY 10017

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017

CUSTODIAN

JP Morgan Chase Bank, N.A.
383 Madison Avenue, 4th Floor
New York, NY 10179

THIRD AVENUE
MANAGEMENT

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

www.thirdave.com
/third-ave-management

622 Third Avenue
New York, NY 10017

212.906.1160
clientservice@thirdave.com