THIRD AVENUE INTERNATIONAL VALUE FUND

Portfolio Manager Commentary

INSTITUTIONAL: TAVIX | INVESTOR: TVIVX

October 31, 2016

Matthew Fine, CFA | Lead Portfolio Manager

Dear Fellow Shareholders:

FUND PERFORMANCE

For the three months ended October 31st 2016, the Fund returned 3.04%[1] as compared to MSCI AC World ex US Index[2], which returned 0.48%. Through October 31st 2016, the Fund returned 12.40% year to date as compared the MSCI AC World ex US Index, which returned 4.77%. As was the case for much of 2016, important contributions during the quarter derived from our positions in Latin American businesses, specifically, Cosan Limited, Arcos Dorados and Santos Brasil. However, in contrast to recent quarters, Fund performance also benefited materially from our oil services investments, most notably our Petroleum Geo-Services equity and debt positions.

In early November, Third Avenue Management held its nineteenth annual investor conference. This year, our event had the added distinction of taking place a mere two days after the conclusion of one of the most contentious and memorable U.S. presidential elections of our generation. As one might imagine, presenters felt compelled to address a number of top-down considerations including, but not limited to, the U.S. election, historically low interest rates and their recent ascension, and recent commentary by a number of high-profile market prognosticators who have concluded that modest returns on financial assets are ordained for the foreseeable future. I personally referenced a recent piece published by McKinsey & Company titled Diminishing Returns: Why Investors May Need to Lower Their Expectations. There is very little that remains to be said regarding the U.S. presidential election and it's ramifications but we would like to take the opportunity to expand upon this notion that we are operating in a "low-return" world, or more to the point, whether that analysis is relevant to the Fund.

The basic premise of the arguments put forth by McKinsey, similar to those championed by others, focus on the recent decades of abnormally high equity returns driven by a confluence of low inflation, falling interest rates, margin expansion and valuation multiple expansion. In short-hand, this means that corporate cash flows have grown reasonably well and for a variety of reasons those cash flows have over time come to be valued much more richly. Other top-down market analysts, a group in which Third Avenue Management does not participate, tend to focus more on unusually lofty equity market valuations by historical standards in arriving at a similar conclusion to that of McKinsey. For clarity, this position tends to be argued most stridently as it relates to U.S. equities though similar discussion does take place across most developed world financial markets. The bad news is that these market analysts may turn out to be correct in concluding a low probability of attractive future returns from the broad market indices with which one would typically measure "the market". The good news, as we discussed at our investor conference, is that Third Avenue Management and its Fund shareholders ought to be relatively less concerned by what the broad market may or may not do in the future. I would also suggest that this is particularly true for Third Avenue International Value Fund, which has an exceptionally broad mandate and as a result operates in many markets across emerging and developed economies and even across multiple asset classes. In other words, the Third Avenue International Value Fund portfolio has been constructed by opportunistically selecting approximately thirty investments from the tens of thousands that comprise "the market". The approach is analogous to spearfishing as distinct from fishing with a dragnet. To be clear, our purpose is not to be selective and concentrated for the mere sake of being differentiated - there just simply aren't that many great investments out there. Most securities at most times are mediocre to poor investment propositions. The result of our approach therefore is an opportunistically constructed portfolio with an intrinsically differentiated return profile, rendering the broad market relatively less important.

THE FUND BY THE NUMBERS

To be less philosophical and provide specific tangible details, we would demonstrate points made above in two primary ways – first, through several Fund-level quantitative statistics and second, through investment-level fundamental developments that are, in the end, the ultimate drivers of Fund performance. Let's begin our Fund-level discussion with some commentary on the statistical table below.

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 October 31, 2016: Tenon, Ltd., 6.0%; Rubicon, 6.0%; Arcos Dorados Holdings, Inc., 5.6%; Capstone Mining Corp., 4.9%; Vivendi SA 3.7%; Atrium European Real Estate, Ltd., 3.6%; Cosan, Ltd., 3.5%; Antofagasta PLC, 3.4%; Santos Brasil Participacoes SA 3.3%; Interfor Corp. 3.2%.

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.

	TAVIX	MSCI ACWI ex Index Index	Morningstar Category Median[3]
Active Share[4]	99.10%	--	--
Tracking Error[5]	8.12%	0%	5.84%
Correlation[6]	0.90	1.00	0.89
1 Yr Performance (as of 11/30/2016)	10.45%	0.46%	-1.96%
Beta[7]	0.93	1.00	0.80
Price to Book[8]	0.83	1.57	1.43

Source for Active Share: FactSet

All other data source: Morningstar Direct

Active share measures the degree to which a Fund's holdings are distinct from those of a relevant index, in this case the MSCI AC World ex US index. The measurement of 99.1% indicates that the Fund's holdings are almost entirely distinct from those of a broad international equity index, the type that top-down analysts refer to when they assert that we are in a low-return world. It should not then be surprising that the Fund exhibits a high degree of "tracking error", which measures the amount by which fund performance has historically varied from an index. The term "error" is more than a little suggestive of something less than desirable. Yet, there is no inherent benefit to the minimization of tracking error, which would result in mirroring index performance, unless that is the portfolio manager's mandate. It is not our mandate. Figures like high tracking error and high active share are byproducts of investment activity such as the Fund's three investments in companies that are primarily Brazilian, which aggregate to roughly 12.4% of Fund assets. That figure is larger than Brazil's representation in international equity indices and might therefore be referred to in schlocky industry parlance as an "overweight." That type of index-relative perspective never enters into our investment considerations. We simply found three very exciting investment opportunities, as measured by the balance of risks and rewards, and concluded that they each warranted meaningful positions in the Fund. Our next statistic, correlation, measures the degree to which Fund performance correlates to that of an index. Not surprisingly, a measurement of 0.90 indicates that the Fund's performance offer somewhat reduced correlation to a relevant index, meaning "the market". However, even though reduced correlation of performance may offer diversification benefits to Fund shareholders, differentiation for its own sake is not the goal. The driving motivation is to produce attractive long-term absolute returns. Recent performance, as noted in the table through the most recent month end (November 30th), evidences the ability to outperform materially at times, which is the positive side of tracking error. For a fulsome discussion of the negative side of tracking error and why consistent outperformance, meaning in all time periods, is not a reasonable expectation, please refer to our January 2016 quarterly letter. Further, we do not subscribe to the use of volatility as a proxy for risk but to the extent that one is focused on volatility, he or she might be surprised to learn that the Fund, with only thirty holdings biased towards small-cap international equities, including emerging market equities, has exhibited volatility very similar to that of relevant indices, which are highly diversified with hundreds of large capitalization developed market equities. Finally, our belief that our strategy increases the probability of favorable outperformance hinges upon our ability to identify underpriced securities, and more to the point, ones which will eventually see that undervaluation resolved through a wide variety of possible means including market recognition and price appreciation, asset sales, capital returns, privatizations and takeovers, or clever use of tax assets, to name just a few. We offer the relationship of the Fund's price to book ratio relative to that of the relevant index as one simplistic data point illustrating the extreme valuation differential.

THE FUND BY THE FUNDAMENTALS

However, absent from the Fund-level statistical discussion above is the investment-level discussion covering the types of fundamental developments we expect to take place in order to reconcile the mispricing and valuation discrepancies we believe we have identified. Within the investment community, there exists a pervasive fixation on earnings per share and growth thereof. As noted above, there are a great many ways for those in control of a business to create value, earnings from operations are but one way. Those who are best at creating value employ a more all-encompassing approach, using all tools at their disposal. This perspective is embedded within our belief that Third Avenue Management's investment processes has the potential to produce attractive absolute performance and relative outperformance over longer periods of time. Below, we would like to highlight several recent illustrative events propelling the value-creation and value-realization process, to which we are referring.

Tenon Ltd ("Tenon")

The Fund's largest holding is in the shares of Tenon Ltd, a New Zealand-listed and headquartered company with building products distribution operations throughout the United States and wood products manufacturing operations primarily in New Zealand.

3 Morningstar Category is Foreign Small/Mid Value.

4 Active Share is the percentage of a fund's portfolio that differs from the benchmark index.

5 Tracking error is the difference between a portfolio's returns and the benchmark.

6 Correlation is a statistical measure of how two securities move in relation to each other

7 Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark. A beta of 1 implies that you can expect the movement of a manager's return series to match that of the benchmark used to measure beta.

8 A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current price of the stock by the latest quarter's book value per share

Roughly one year ago, the company announced a strategic review that had a high probability of resulting in a liquidation of the company. During the most recent quarter, Tenon announced that the strategic review has resulted in the sale of its U.S. operations to a U.S. private equity firm representing the first major step towards that liquidation. In connection with the sale announcement, the company also published the results of an independent appraisal of Tenon's business value, which identifies a valuation approximately 23% higher than market value at the time of this writing. The announced sale crystallizes the majority of Tenon's total identified business value for cash and within the expected valuation range. Meanwhile the effort to complete the strategic review, as it relates to Tenon's remaining operations, remains ongoing. In mid-November shareholders approved the announced sale transaction and a capital return plan that will see Tenon distribute approximately 60% of its current market capitalization to shareholders in late December. Following that distribution it is very likely that Tenon will no longer be among the Fund's largest positions though we view the likely sale of its remaining operations as yet another very attractive proposition for shareholders.

Petroleum Geo-Services ASA ("PGS")

We have in previous quarters spoken of our equity and credit investments in PGS, which is a leader in the offshore seismic survey industry. The industry and PGS with it have faced an oil and gas exploration recession of extraordinary severity. The seismic industry, as well as the broader oil services industry, has seen many bankruptcies of late. Few offshore seismic companies have been able to remain solvent. PGS is among those few. In November the company announced a package of refinancing actions that will further entrench it in the camp of survivors. PGS's primary financing consideration was its ability to deal with a USD 450 million bond maturing in June 2018, the very same bonds owned by the Fund. With regard to PGS equity, lately there has been a growing consensus that the company is grossly undervalued, particularly if one expects an industry recovery. Yet those considerations have been overwhelmed by the above-mentioned financing considerations. Availing itself of its acute undervaluation and a very supportive, long-term oriented shareholder base including the Fund, the company has conducted a private placement of equity for the purpose of refinancing the 2018 bonds. We have subscribed to the equity offering and the company has simultaneously tendered for the 2018 bonds at a considerable premium to the previous trading price, furthering what had already been a successful credit investment for the Fund. Our bonds will be partly cashed-out and partly termed-out, with our equity and remaining bond position both materially "credit-enhanced" as a result. The equity offering was so well received that it was significantly oversubscribed at a mere 2.5% discount to the previous day's closing price and the share price appreciated considerably in response to the capital raise providing early validation that a financing consideration was standing in the way of appreciation. We expect the seismic industry to show gradual improvement as the oil industry's patently unsustainable exploration frugality inevitably abates. PGS is likely to emerge from this recession in a very strong position.

Prosegur SA ("Prosegur")

Prosegur, a Spanish and Latin American provider of cash-in-transit and security services, announced in late September that it intends to conduct an initial public offering of its cash-in-transit subsidiary. The purpose of the exercise is several-fold. First, the company is of the view that placing an independent value on its cash-in-transit business is likely to result in an increase in the value of Prosegur as a whole. Second, Prosegur is in the early days of building a formidable alarms business in Latin America. The characteristics of the business are such that it requires meaningful up-front capital investment to acquire and equip new customers but tends to require little ongoing capital investment as revenue is generated for years thereafter, conceptually similar to many cable or telecom businesses. The idea is to make the up-front capital investment and then enjoy long periods of prodigious cash flow. A portion of the proceeds from the cash-in-transit initial public offering will be used to accelerate the development of the alarms business. Finally, Prosegur intends to distribute a considerable portion of the offering proceeds to shareholders. Prosegur's share price reacted strongly to this proposed plan.

Cheung Kong Property Holdings Ltd ("Cheung Kong Property")

The Fund holds shares of Cheung Kong Property, a large Hong Kong-based property developer and owner that was made independent of CK Hutchison Holdings in mid-2015. That 2015 separating transaction was essentially a spin-off, though with a number of more nuanced benefits, and was successful in creating shareholder value. We have continued to hold shares of Cheung Kong Property on the premise that it is clearly undervalued and it is controlled by exceptionally shrewd and dispassionate business operators. At the time of this writing, shares of Cheung Kong Property trade at an approximate 26% discount to stated book value. We are of the view that, due to certain accounting conventions and the evidence of significant conservatism in asset carrying values, book value materially understates a more realistic net asset value appraisal. In October, Cheung Kong Property and a JV partner announced the sale of a very large asset in Shanghai for approximately HKD 23 billion (50% attributable to Cheung Kong Property), a disposal value slightly higher than two times the value at which Cheung Kong Property had carried the property. Separately, it has been heavily rumored recently that Cheung Kong Property may be in the process of selling another large asset at a valuation that would represent a considerable premium to either book value or Third Avenue Management valuation estimates.

Over long periods of time the company has demonstrated an ability to engage in thoughtful and inventive means of creating value, including the above mentioned spin-off, asset dispositions at extremely attractive prices and share buybacks at attractive prices. An outstandingly well-capitalized balance sheet, which will only be further fortified by asset dispositions, gives management tremendous flexibility in its effort to continue to build value. We suspect Cheung Kong Property management would place very little value on McKinsey's assertions of a low-return environment as it continues to produce outstanding results by using all means of value-creation at its disposal.

Therefore, to conclude the discussion as to whether we are in a low-return environment, we believe that statistical evidence, fundamental considerations and intuition all suggest that the Third Avenue International Value Fund should not be expected to behave like "the market". We are confident that our investment universe is sufficiently large that we will continue to be able to identify unusually attractive opportunities independent of whether McKinsey et al. prove prescient in their return forecasts. In our experience, more often than not there is a crisis creating opportunity somewhere and, conversely, we are under no obligation to invest in areas we deem unattractive. Were the minimization of tracking error part of our mandate, we would be unable to make such statements.

INVESTMENT ACTIVITY

In early August the Fund began to purchase shares of easyJet plc, the smaller of Europe's two dominant low-cost airlines. Since its 1995 inauguration at Britain's Luton airport, easyJet has, along with larger peer Ryanair Holdings plc, transformed the landscape of European short-haul aviation. Availing itself of a far lower cost structure, an absence of the enormous legacy liabilities carried by incumbents, more flexible work force, use of homogenous equipment and an ability to plan route maps and frequencies without consideration of connecting long-haul flights has enabled easyJet to very profitably capture a considerable portion of the European air travel market during the last twenty years.

However, the last twelve months have in many ways been a year to forget for easyJet. The company has endured a number of headwinds including terrorist attacks in Paris, Brussels, Turkey and Egypt, each of which impact demand for travel to those popular destinations. An unusually severe air traffic controller strike in France was also highly disruptive and unwanted. Still though, the pinnacle of bad news arrived in the form of June's affirmative "Brexit" referendum result in Britain, which had an immediate and measurable impact stemming from the sharp decline of the British pound (making holidays more expensive for the typical easyJet passenger) and furthermore created a general air of political and consumer uncertainty. This unusual confluence of exogenous events over recent quarters resulted in a stock price decline of roughly 50%. In August, we began to buy shares of this extremely profitable and growing business with long-term prospects that are, in our view, highly unlikely to be diminished by recent events. Furthermore, easyJet's admirable historical level of profitability has allowed it to own, rather than lease, the vast majority of its aircraft while maintaining a net cash balance sheet. The company is therefore in exceptional financial health. Taking into consideration the negative operating performance impact of recent headwinds, we have paid a price reflecting what we believe to be a very low multiple of currently depressed operating profit, while simultaneously maintaining the view that probabilities are decidedly in favor of operating performance improvement over the medium to long-term.

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

FUND PERFORMANCE

as of 11/30/16	1 yr	5 yr	10 yr	Since Inception	Inception Date
TAVIX (Institutional)	10.45%	4.17%	0.58%	7.01%	12/31/2001
TVIVX (Investor)	10.15%	3.91%	(n/a)	2.17%	12/31/2009

as of 10/31/16	1 yr	5 yr	10 yr	Since Inception	Inception Date
TAVIX (Institutional)	3.66%	2.90%	0.61%	6.93%	12/31/2001
TVIVX (Investor)	3.44%	2.66%	(n/a)	1.96%	12/31/2009

as of 9/30/16	1 yr	5 yr	10 yr	Since Inception	Inception Date
TAVIX (Institutional)	10.31%	3.78%	0.69%	6.85%	12/31/2001
TVIVX (Investor)	10.00%	3.52%	(n/a)	1.72%	12/31/2009

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. 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.

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Date of first use of portfolio manager commentary: December 5, 2016

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