

December 31, 2017

Matthew Fine, CFA | Lead Portfolio Manager

Dear Fellow Shareholders:

For the three months ended December 31, 2017, the Third Avenue International Value Fund (the "Fund") returned 1.68% as compared to MSCI World ex U.S. Index, which returned 5.06%¹. For the calendar year 2017, the Fund returned 24.96% as compared to 27.77% for the Index¹. As the Fund's lead portfolio manager and a shareholder with the vast majority of his investable net worth invested in the Fund, I am personally pleased with Fund performance. Notwithstanding some underperformance relative to very strong international index performance, the Fund produced a very satisfactory absolute return and did so, we would argue, while incurring less fundamental investment risk than the general market. The Fund generally owns exceptionally well-capitalized companies with durable business models. Further, the Fund ended the year with approximately 11% in cash, which, while acting as a defensive element until it can be deployed opportunistically, does provide a drag on relative performance over the short-term in an up market.

During calendar year 2017, the Fund's most significant contributions to positive performance derived from our holdings in: Arcos Dorados, Capstone Mining, easyJet, Global Logistic Properties and Interfor Corp. Generally speaking, our metals mining companies and our companies operating primarily in Latin America were star performers for the Fund. Our single largest negative performance contribution derived from our investment in Petroleum Geo-Services, an oil services company specializing in offshore seismic surveys. Offshore oil services in general has not been a fruitful area of activity for the Fund as of yet but it is one where we have certainly not lost conviction. In the previous quarter we discussed a new investment in Tidewater Inc., an offshore oil services company that recently emerged from bankruptcy with the industry's largest and best fleet of service vessels and an outstanding balance sheet. We continued to add to this investment during the most recent quarter.

STRATEGY UPDATE

During the quarter the Fund initiated one new position in the shares of Warrior Met Coal, Inc., which was the single largest contributor to Fund performance for the quarter. The Fund exited three positions: Antofagasta plc, IWG plc and Rubicon Ltd. In the case of Antofagasta, the Fund chose to consolidate our three copper mining investments into two by reallocating a portion of our Antofagasta investment to Lundin Mining. Lundin had an

uncharacteristic operational hiccup during the quarter, which triggered an excessive decline in the price of its shares providing us an opportunity to purchase them at unusually good prices. Industry developments surrounding IWG plc caused us to revisit our investment thesis and reevaluate our perception of the safety of that investment. During the quarter we sold our entire position in Rubicon Ltd based on our belief that we have more promising uses of that capital.

Warrior Met Coal, Inc. ("Warrior") – In recent years, stress on a variety of commodity producers, and the varied industries which serve them, has culminated in a slew of financial restructurings. Some of these financial restructurings have entailed the bankruptcy process, others have been done out of court. Prior to restructuring, some of these companies would have been described as having very high quality businesses but capital structures inadequate for enduring the severity of the downturn. In those cases, a thorough financial restructuring can be cathartic. This plot line, falling under the umbrella of special-situation investing, is thematically of interest to our team and was historically an important part of the Fund's activities.

Both Tidewater (discussed last quarter) and Warrior Met Coal, perfectly fit the narrative described above. Warrior is a newly formed company created to house the crown jewel assets of coal producer Walter Energy, which filed for bankruptcy in 2015. For those not familiar, metallurgical (or "met" or "coking") coal is utilized as one of the primary ingredients in the steel making process, as opposed to thermal coal used in power generation. Walter Energy had owned several unusually good met coal mines located in Alabama that are large and produce very high-quality coal. Through Walter Energy's bankruptcy process, its prize assets, mine #4 and mine #7 along with large-scale untapped resources in an adjacent location, were acquired by Warrior. Warrior was also blessed with the benefit of a pristine balance sheet and nearly \$2 billion of tax loss carryforwards per a recent private letter ruling from the IRS. Warrior was publicly listed earlier in 2017. There remains a considerable amount of public skepticism with regard to the current price of met coal. At the time of our purchase we made a variety of estimates related to future movements of met coal prices from the \$180 per tonne level at that time. We concluded that Warrior would remain a genuine bargain even if benchmark prices were to stabilize at much lower prices around the \$130 per tonne, which is a level that would cripple a large swath of the

¹ 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.

Please see Appendix for performance table and information.

global met coal industry. Walter Energy's bankruptcy proceeding provided the opportunity for management to materially reduce many elements of its cost structure and make them variable, further fortifying its competitiveness on a global stage. The advantaged location of its assets - a short distance from access to the Port of Mobile - are also helpful.

Shortly after our initial purchase, with free cash flow piling up very quickly as a result of its profitability, lack of taxes and limited spending requirements, the company announced that it would pay a special dividend amounting to roughly 40% of its market cap at that time. Shareholders including the Fund have since received that dividend. Meanwhile, met coal prices have continued to strengthen in recent weeks. Today Warrior's share price is at roughly the level we paid a couple of months back, notwithstanding the dividend received amounting to roughly 40% of our cost. We continue to take a conservative stance with regard to future met coal prices yet it is worth noting that in the event current met coal prices persist, in the not too distant future Warrior would again be faced with the conundrum of what to do with its deluge of free cash flow.

MERGER PROCESS AND LOOKING FORWARD

In coming days you are likely to receive a proxy related to your investment in the Third Avenue International Value Fund and the proposed merger of the Fund into the Third Avenue Value Fund, which has a global mandate and will be managed by an expanded team employing the same investment philosophy as used in managing the Third Avenue International Value Fund. We believe the merger to be advantageous for many shareholders from a tax perspective, as compared to other alternatives. We also expect Fund shareholders who choose to merge into the Third Avenue Value Fund to benefit from lower fund management expenses as compared to the International Value Fund. For a report on our progress in managing the Third Avenue Value Fund we refer you to our most recent Third Avenue Value Fund quarterly letter located on our website. We expect that you will find the activity very similar in nature to the activity of this Fund. We sincerely hope that you will elect to join us in transferring our capital into the Third Avenue Value Fund in order to continue to employ what we believe to be an effective and differentiated investment approach. Of course we would be more than happy to help answer any Fund or merger related questions you might have in the meantime.

Thank you sincerely for your confidence and your loyalty.

Sincerely,



Matthew Fine

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.

The information in this portfolio manager letter represents the opinions of the portfolio manager(s) and is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed are those of the portfolio manager(s) and may differ from those of other portfolio managers or of the firm as a whole. Also, please note that any discussion of the Fund's holdings, the Fund's performance, and the portfolio manager(s) views are as of December 31, 2017 (except as otherwise stated), and are subject to change without notice. Certain information contained in this letter constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe," or the negatives thereof (such as "may not," "should not," "are not expected to," etc.) or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of any fund may differ materially from those reflected or contemplated in any such forward-looking statement. 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, 2018

THIRD AVENUE INTERNATIONAL VALUE FUND

APPENDIX

INSTITUTIONAL: TAVIX | INVESTOR: TVIVX

December 31, 2017

FUND PERFORMANCE

as of 12/31/17	1 yr	3 yr	5 yr	10 yr	Since Inception	Inception Date
TAVIX (Institutional)	24.98%	7.90%	5.76%	2.54%	8.97%	12/31/2001
TVIVX (Investor)	24.55%	7.61%	5.49%	(n/a)	5.05%	12/31/2009

TOP TEN HOLDINGS

	% of Portfolio
Arcos Dorados Holdings, Inc.	7.6%
Capstone Mining Corp.	7.3%
Interfor Corp.	4.8%
Petroleum Geo-Services ASA	4.3%
Cosan Ltd.	4.1%
CK Hutchison Holdings, Ltd.	3.9%
Lundin Mining Corp.	3.8%
Vivendi SA	3.7%
easyJet PLC	3.7%
Atrium European Real Estate, Ltd.	3.5%

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 1.40% and 1.65%, respectively, as of March 1, 2017. 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.

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.

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THIRD AVENUE
MANAGEMENT

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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 and customized accounts. If you would like further information, please contact a Relationship Manager at:

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