

# Third Avenue Real Estate Value Fund

THIRD AVENUE  
MANAGEMENT

A Differentiated Approach to Global Real Estate Investing.

Institutional: TAREX | Investor: TVRVX | Z: TARZX | September 30, 2018

## Portfolio Team

**Jason Wolf, CFA**

Co-Lead Portfolio Manager  
24 years of investment experience

**Ryan Dobratz, CFA**

Co-Lead Portfolio Manager  
14 years of investment experience

## Objective

Founded in 1998, Third Avenue's global real estate strategy seeks long term capital appreciation by investing globally across an expansive universe that includes both real estate and real estate-related securities worldwide and across the capital structure.

## Fund Facts

Inception Date	9/17/98
Minimum Investment (Inst.)	\$100,000
Minimum investment (Investor)	\$2,500
Minimum investment (Z)	\$1,000,000
Gross Expense Ratio (Inst.)*	1.11%
Gross Expense Ratio (Investor)*	1.36%
Gross Expense Ratio (Z)*	1.01%

\*As of March 1, 2018

## Overall Morningstar Rating™



Out of 200 Global Real Estate Funds as of September 30, 2018\*

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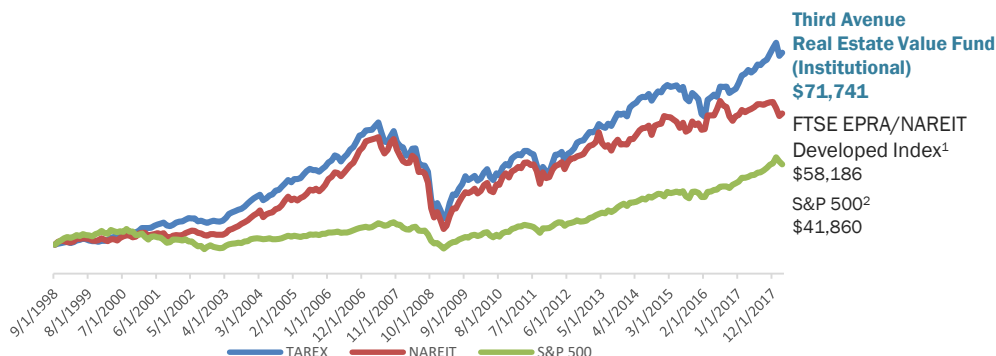
The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Both TAREX and TVRVX were rated against the following numbers of Global Real Estate funds over the following time periods: 200 funds in the last three years, 162 funds in the last five years, and 102 funds in funds in the last ten years. With respect to these Global Real Estate funds, both TAREX and TVRVX received a Morningstar Rating of 4 stars, 5 stars and 5 stars for the three-, five- and ten-year periods, respectively. Past performance is no guarantee of future results.

## 3Q18 Highlights

- The Fund exited its long-time position in the common stock of Forest City Realty Trust (a US-based REIT) after the company reached an agreement to be acquired by Brookfield Property Group in an all cash transaction. The proceeds from this divestiture were primarily allocated to initiating positions in the common stock of well-financed property companies trading at discounted valuations including the Berkeley Group (a UK based property developer), St. Modwen plc (a UK based real estate operating company), and Sino Land (a Hong Kong based real estate operating company), as well as increasing positions in certain existing holdings.
- Key contributors during the quarter included Forest City Realty Trust after receiving the aforementioned takeover offer, Lowe's Companies (a US-based home improvement retailer) following solid operating results and an updated strategic plan, and Acadia Realty Trust (a US-based REIT) alongside an improved fundamental outlook for select segments of retail real estate in the US. Some of the primary detractors for the period included companies with ties to the US residential markets (Five Point Holdings, Weyerhaeuser Co., and Lennar Corp.) as well as Asian based real estate operating companies (Wheelock & Co., City Developments, and CK Asset Holdings).
- The Portfolio Management team continues to strive to protect capital in a rising rate environment and potentially even benefit from it. As a result, approximately 65% of the invested capital is in well-capitalized REOCs and real estate-related businesses (not REITs) with another 10% in REITs that own timberlands that have historically been less interest rate sensitive. The Fund also has approximately 6.5% of the Fund in Cash & Equivalents and selective options & hedges.

## Growth of \$10,000

Hypothetical investment made since Fund inception (September 17, 1998)



## Top Ten Holdings

Allocations are subject to change without notice

	TAREX	INDEX <sup>1</sup>
CK Asset Holdings, Ltd.	6.4%	1.4%
Lennar Corp.	5.8%	-
Weyerhaeuser Co.	5.5%	-
Brookfield Asset Management, Inc.	5.4%	-
Macerich Co.	4.7%	0.5%
Henderson Land Development Co. Ltd.	4.6%	0.4%
Rayonier, Inc.	4.3%	-
Five Point Holdings, LLC, Class A	4.0%	-
Wheelock & Co. Ltd	3.9%	-
PNC Financial Services Group, Inc.	3.6%	-
<b>Total</b>	<b>48.2%</b>	<b>2.3%</b>

## Active Management, High Active Share\*

**92.27%**

Active Share\* vs. FTSE

EPRA/NAREIT Developed Index<sup>1,3</sup>

**33**

Total Equity Holdings

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

**\$1.71 bn**

Assets Under Management

- The FTSE EPRA/NAREIT Developed Real Estate Index was developed by the European Public Real Estate Association (EPRA), a common interest group aiming to promote, develop and represent the European public real estate sector, and the North American Association of Real Estate Investment Trusts (NAREIT), the representative voice of the US REIT industry. The index series is designed to reflect the stock performance of companies engaged in specific aspects of the North American, European and Asian Real Estate markets. The Index is capitalization-weighted. The Indices are not securities that can be purchased or sold, and their total returns are reflective of unmanaged portfolios. The returns include reinvestment of interest, capital gains and dividends.
- The S&P 500 Index is a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The S&P 500 index is a registered trademark of McGraw-Hill Co., Inc. The S&P 500 Index is not a security that can be purchased or sold.
- Source: FactSet Portfolio Analytics

**Past performance is no guarantee of future results. Mutual Fund returns include reinvestment of all distributions. Returns are annualized for periods longer than one year. The returns represent 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](http://www.thirdave.com).**

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## Fund Highlights

### Focus on Total Return Over Income

Our focus is on maximizing after-tax returns through capital appreciation not generating current income like certain REIT funds

### Long-Term Deep Value Investing

Our patience is the result of an 19-year investment history in public and private markets

### Global Real Estate Universe

Flexible mandate among domestic and foreign REOCs, REITs & real estate-related companies; our investment universe is nearly 3x larger than that of our peers

### Actively Managed

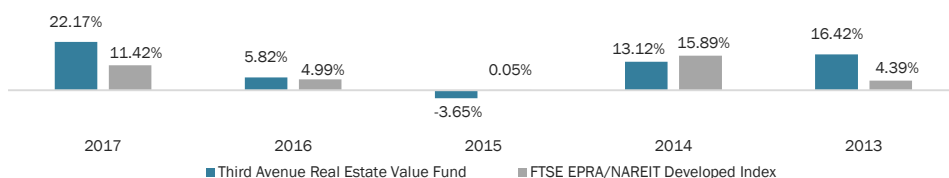
Concentrated, high active share, use of options and hedging strategies

## Investment Performance

	Annualized						
	3 mo.	YTD	1 yr	3 yr	5 yr	10 yr	Inception <sup>1</sup>
Third Avenue Real Estate Value Fund (Institutional Class) <sup>1</sup>	-4.14%	-7.49%	-1.54%	6.60%	6.25%	7.43%	10.33%
Third Avenue Real Estate Value Fund (Investor Class) <sup>2</sup>	-4.22%	-7.73%	-1.87%	6.32%	5.97%	N/A	N/A
FTSE EPRA/NAREIT Developed Index <sup>3</sup>	-0.15%	0.76%	4.62%	7.16%	6.34%	6.88%	9.63%

The gross expense ratio for the fund's institutional and investor share classes is 1.11% and 1.36%, respectively, as of March 1, 2018.

## Performance Snapshot



## Portfolio Summary Characteristics

Weighted Market Cap <sup>4</sup>	\$16.03 Billion	Price-to-Book <sup>4</sup>	1.09x
Median Market Cap <sup>4</sup>	\$7.81 Billion	Portfolio Turnover <sup>5</sup>	7%

## Evolution of Top Segments

Allocations are subject to change without notice

### Top 5 Industries

	9/30/18	9/30/17
Non-U.S. Real Estate Operating Companies	31.2%	27.4%
U.S. Real Estate Investment Trust	15.2%	15.7%
Forest Products & Paper	9.8%	10.0%
Non-U.S. Real Estate Investment Trust	7.9%	9.6%
U.S. Real Estate Operating Companies	7.1%	8.1%
Cash & Equivalents	5.8%	12.1%

### Top 5 Countries<sup>4</sup>

	9/30/18	9/30/17
United States	48.9%	48.1%
Hong Kong	19.7%	16.3%
United Kingdom	17.3%	12.1%
Canada	5.4%	4.5%
Singapore	2.6%	2.5%

1 Institutional Share Class Inception Date: September 17, 1998.

2 Investor Share Class Inception Date: December 31, 2009.

3 The FTSE EPRA/NAREIT Developed Index was developed by the European Public Real Estate Association (EPRA), a common interest group aiming to promote, develop and represent the European public real estate sector, and the North American Association of Real Estate Investment Trusts (NAREIT), the representative voice of the US REIT industry. The index series is designed to reflect the stock performance of companies engaged in specific aspects of the North American, European and Asian Real Estate markets. The Index is capitalization-weighted. Index performance reported since inception of Institutional Share Class.

4 Source: FactSet Portfolio Analytics; based on equity holdings only.

5 For the year ended October 31, 2017.

Fund Risks: In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets. Factors that could affect the value of the Fund's holdings include the following: overbuilding and increased competition, increases in property taxes and operating expenses, declines in the value of real estate, lack of availability of equity and debt financing to refinance maturing debt, vacancies due to economic conditions and tenant bankruptcies, losses due to costs resulting from environmental contamination and its related clean-up, changes in interest rates, changes in zoning laws, casualty or condemnation losses, variations in rental income, changes in neighborhood values, and functional obsolescence and appeal of properties to tenants. For a full disclosure of principal investment risks, please refer to the Fund's Prospectus.

**THIRD AVENUE**  
MANAGEMENT

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Third Avenue Funds are offered only by prospectus. The prospectus contains important information, including investment objectives, risks, advisory fees and expenses. Please read the Prospectus carefully before investing or sending money. For a current Prospectus please visit our website at [www.thirdave.com](http://www.thirdave.com), or call 800-443-1021. Distributor of Third Avenue Funds: Foreside Fund Services, LLC.