

September 30, 2018

Victor Cunningham, CFA | Portfolio Manager

Dear Fellow Shareholders:

It is a pleasure to report that September 19, 2018 marked the one-year anniversary of my return to Third Avenue and the Small Cap Value team. Since that time, Fund Management has maintained a commitment to shareholders to position the portfolio within the context of the deep-value roots instilled by Third Avenue's late founder, Marty Whitman. As such, the Small Cap Value Fund (the "Fund") finds itself more concentrated among companies that trade at substantial discounts to what Fund Management deems to be their intrinsic Net Asset Value. We remain committed to uncovering investment opportunities that have healthy balance sheets but are often misunderstood by the market. The Fund's Active Share, a measure of the percentage of stock holdings that differs from our benchmark index, has crept higher since last year and now stands at 97.6%, making a compelling case for it to serve as a sound diversifier within an asset allocation mix.

For the third quarter ending September 30, 2018, the Third Avenue Small Cap Value Fund rose by 0.87%, while the Russell 2000 Value Index rose 1.60%¹. Year-to-date, the Fund rose 5.91% versus the Index that posted a 7.14% return¹.

The most notable contributors this quarter included global specialty insurance provider, Aspen Holdings ("Aspen"), and infrastructure holding company ATN International ("ATNI"). Aspen agreed to be acquired by Apollo Group in April 2018 for \$2.6B in an all-cash transaction, albeit short of what Fund Management deemed to be an upside value for the company. Being the largest position in the Fund, it was a welcome resource conversion event. 2018 has been a tough year operationally for Aspen given higher than expected loss costs from the last year's hurricanes and California wild fires. Management put the company up for sale during a period of extreme weakness which created an uncertainty discount. Fortunately, the shares were purchased at a significantly deep discount to its tangible book value which allowed the Fund to generate a satisfactory return despite less-than-desired operating results. As we often say, price matters!

ATNI had a spectacular quarter, rising over 40%. The thesis on ATNI was described in the Fund's June 30, 2018 letter. When the position was initiated, we believed that the valuation overly discounted the impacts from hurricane damage to its Caribbean telecom infrastructure assets. The thesis has played out well so far, as results for the second quarter showed impressive improvement. The company has done an outstanding job rebuilding its asset base while also investing for the future. In addition, they monetized assets during the quarter at a premium to our net asset value estimates. The recent sale of their alternative energy assets is a prototypical example of the resource conversion actions that Fund Management

craves. ATNI is run by a quintessential Third Avenue management team. They are skilled operators, creative financiers and prudent allocators. They also have a dispassionate attitude towards their assets and sell willingly if the price is right. We are happy shareowners and are confident management will wisely redeploy the sales proceeds.

The gains earned from Aspen and ATNI were offset by the Fund's Real Estate positions which detracted from performance. Real estate-related companies account for ~10% of the Fund's assets and include two homebuilders, and a lumber producer. Fears of higher interest rates dominated the narrative surrounding the residential sector. Although some of the reported data was sluggish, Fund Management feels it is a pause rather than a precursor for dramatic declines, particularly given the supply/demand trends within certain areas of the US.

As deep value investors, Fund Management has taken advantage of the weakness created by the headlines. The positive outlook has three central tenets. In the last cycle, excess supply drove the historic declines. However, today, US supply is generally constrained. The supply of homes has bounced off the lows but remains well below historical averages. Second, although affordability is declining, it still remains favorable relative to the historical average and the costs of renting. According to a recent report by Zillow, US residents are spending 28% of income on renting which exceeds the 30-year average. On the other hand, only 18% of US incomes are spent on mortgages which is below average. It is not unreasonable to assume those averages normalize over time. Finally, there is pent-up demand for residential real estate from a key housing demographic, 25-to-34 year-olds. According to data released by Zelman Associates, 17% of 25-to-34 year olds still live with their parents. That is a record level and far above the 12% rate at the beginning of the last downturn in 2006, and versus 10.6% at the turn of the century.

It is easy to understand the trepidation surrounding investing in real estate companies after the crisis ten years ago. One of the most controversial sayings in investing is that "it is different this time." Fund Management does not believe this cycle will be different from other cycles, except one. The last one! Over time, real estate ebbs and flows, but the general trajectory of real estate prices has been up over time despite varied interest rate cycles. We view the combination of limited supply, relative cost of owning versus renting and pent-up demand from 25-to-34 year-olds will outweigh the risks associated with higher interest rates. As a result, Fund Management remains enthusiastic about the Fund's real estate holdings and is actively looking for companies whose valuations have been affected by the negativity around real estate currently.

1. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Please see Appendix for performance table and information

Activity

During the quarter, Legg Mason was eliminated and a special situation, AdvanSix was added. This level of activity is consistent with the vision for the Fund outlined last year. Legg Mason had been a long-time holding of the Fund, but was eliminated for two reasons. First, despite buoyant financial markets, its assets under management and profitability have remained in a tight range for the past ten years. Second and most importantly, Legg Mason has aggressively repurchased shares over the past few years using leverage. The balance sheet leverage now exceeds our comfort level. The risk/return trade-off was no longer favorable so the position was exited.

AdvanSix is a special situation that is still fairly off the radar of Wall Street given it was spun off into a standalone entity from a much larger company, Honeywell. Fund Management has been following the company since early 2018 and waited patiently for an attractive entry price. AdvanSix comprises Honeywell's former chemicals business and produces a large range of products, including a form of nylon with widespread application named nylon 6, hence the company name. For those who have followed the Fund over time, you may recall that the chemicals industry has proven to be an attractive area for the Fund in the past and presented very profitable holdings such as Westlake, Lanxess, and Stepan. In AdvanSix, Fund Management saw a similar opportunity. AdvanSix is unique among peers in that it owns hard assets on the US East Coast that are vertically integrated, allowing the company to maintain a structurally advantaged position in which it is the lowest-cost producer globally. In addition to its low profile being a spinoff, the company has also faced headwinds to its operations this year that have weighed on its short-term earnings and the price of its stock. This helped create the opportunity for us to purchase shares at a discount to net asset value and a large discount to the replacement costs for the company's unique assets. Additionally, the company is creditworthy and operated by a tenured management team which oversaw the same assets for a long period prior to AdvanSix becoming an independent public company. We've had a chance to meet with management and are encouraged that the team is thoughtfully reinvesting the company's ample cash flows back into high-return organic growth opportunities as well as opportunistic share repurchases, while maintaining a strong balance sheet. This freedom as a newly independent company to reinvest in compelling capital projects to compound long-term value is among the reasons Fund Management finds spinoffs sometimes underappreciated initially by the shorter-term public markets. Another facet of AdvanSix's operations we believe is underappreciated currently is its fertilizer chemicals business, a byproduct of the backward integration of AdvanSix's assets. While the agriculture market has been weak in recent years, Fund Management believes there is substantial upside to this business as the market begins to improve and that it represents a hidden asset of sorts within AdvanSix's operations. Lastly, with the large amount of resource conversion activity across the chemicals industry in recent years, it would not surprise us if at some point AdvanSix became an acquisition candidate itself, particularly given the substantial discount to replacement cost at which the company's shares trade today.

Positioning

There were 39 positions in the Fund at quarter-end. The team is keen to own companies with high quality assets run by proven management teams, and particularly appreciate it when management also owns a meaningful amount of shares. As described in prior letters, the Fund holdings are categorized as either long-term compounders or time arbitrage positions. Compounders represent approximately 81% of the portfolio while time-arbitrage/special situation positions are only 18%. Fund Management expects the time-arbitrage/special situation bucket will be one-third of the portfolio in due time. We will get there when more industries are under pressure.

Included among the Fund's compounder bucket are Seaboard, MYR Group and ATNI where balance sheet strength and prudent capital allocation should allow those companies to compound for many years to come. Financial services makes up one third of the compounder category.

The time arbitrage/special situations are predominantly comprised of energy services companies such as Tidewater and Seacor Marine, real estate related holdings such as Interfor and Tri-Pointe Group, and other out of favor companies such as Sanderson Farms and AdvanSix. All these companies are out of favor right now, but given their strong financial positions, Fund Management believes they have the luxury of time and capital to invest and grow until the clouds dissipate.

Fund Update

Twelve months ago, Fund Management described a vision for the Fund in the 3Q 2017 shareholder letter which we affectionately refer to as the Fund's "manifesto." Included in it were two critical priorities:

1. Security Selection focused on primacy of the balance sheet vs the income statement
2. Concentration

Progress has been made on each priority. Primacy of the balance sheet has multiple meanings. Of course, balance sheet strength is a fundamental priority for any investment the Fund makes.

Over the past year, the Fund's net debt to equity ratio (excluding financials) has declined by 33% and the aggregate price to book ratio declined 25%. The aggregate price to book value has declined as Fund Management seeks companies with robust asset portfolios managed by skilled capital allocators. Companies that share these characteristics tend to grow book value over time.

Nine positions have been added to the Fund over the past year which are consistent with the Third Avenue investment philosophy. All were out of favor or misunderstood, but had well-capitalized asset portfolios that could grow at double digit rates over time and were managed by people who were operators, financiers and allocators. It is worth noting that seven of the nine management teams are significant owners. In addition, five of the nine were either spun-off or created as a result of the restructuring or corporate action. That often created investor confusion which provided an attractive price.

Concentration was another critical priority. The number of positions has declined from 62 to 39. Being mindful of taxes, once the new fiscal year begins in November, the number of positions will decline further, to the low 30's by year-end. We have turned over many stones during the past year, but not many companies have met the Fund's strict standards. When they do, we want to own more rather than less.

Fund Management continually strives to build an eclectic portfolio of "off-the-run" securities managed by teams that will play offense when others are playing defense. ATNI, which was mentioned earlier, is a perfect example. The hurricanes last year could have permanently hurt a weakly-capitalized player. Many of their telecom peers do not share their financial strength. Instead, the company invested for the future and is now reaping the rewards. ATNI would not typically appeal to income-focused investors as the company's earnings can be volatile. Meanwhile, book value per share (including dividends) has compounded at a rate of 18% over the past ten years. The company's management team has accomplished the impressive growth by maintaining a value-oriented mind-set. Fund Management's favorite companies are those that have access to low-cost capital, invest when the price is right and sell when others are willing to pay a high price.

We look forward to reporting back to you next quarter. Thank you for your investment in the Small Cap Value Fund.

Sincerely,

A handwritten signature in black ink that reads "V. T. Cunningham". The signature is written in a cursive, slightly stylized font.

Vic Cunningham

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 June 30, 2018 (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: October 26, 2018

THIRD AVENUE SMALL-CAP VALUE FUND

APPENDIX

INSTITUTIONAL: TASCX | INVESTOR: TVSVX

September 30, 2018

FUND PERFORMANCE

as of 9/30/18	1 yr	3 yr	5 yr	10 yr	Since Inception	Inception Date
TASCX (Institutional)	7.51%	13.46%	8.80%	7.89%	8.96%	4/1/1997
TVSVX (Investor)	7.26%	13.18%	8.53%	(n/a)	10.23%	12/31/2009

TOP TEN HOLDINGS

	% of Portfolio
Aspen Insurance Holdings Ltd.	8.1%
Tidewater, Inc.	4.1%
FTI Consulting, Inc.	3.7%
MYR Group, Inc.	3.7%
Cubic Corp.	3.7%
Tetra Tech, Inc.	3.4%
Prosperity Bancshares, Inc.	3.3%
ATN International, Inc.	3.2%
ICF International, Inc.	3.2%
SEACOR Marine Holdings, Inc.	3.1%

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, investor and z share classes is 1.20%, 1.45% and 1.10%, respectively, as of March 1, 2018. 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, volatility associated with investing in small-cap securities, and adverse general market conditions.

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.

Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

THIRD AVENUE
MANAGEMENT

www.thirdave.com

 /third-ave-management

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:

622 Third Avenue
New York, NY 10017

 212.906.1160

 clientservice@thirdave.com