VALUE FUND

AS OF DECEMBER 31, 2019

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

THIRD AVENUE MANAGEMENT

PORTFOLIO MANAGER COMMENTARY

MATTHEW FINE, CFA | MICHAEL FINEMAN, CFA, CFP®

Dear Shareholders,

For the three months ended December 31st, 2019, the Third Avenue Value Fund (the "Fund") returned 13.60%, compared to the MSCI World Index, which returned 8.19%[1]. Strong fourth quarter performance, in both absolute and relative terms, brought full year 2019 performance to 12.85%, a figure we would describe as satisfactory, in absolute terms. On a relative basis however, Fund performance trailed exceptionally strong MSCI World Index performance, which totaled 28.44% for 2019. For global indices, this past year was again dominated by the outsized performance of U.S. large-cap, growth-oriented equities. From the Fund's perspective, trade war escalation, accompanied by a flattening and, at one point, inverted U.S. yield curve defined the middle four months of the year and was associated with a particularly challenging period of Fund performance. Fund performance recovered quickly and ended the year strongly.

STYLE AND PERFORMANCE

Roughly one year ago, our team published an analysis of the historical performance of the Third Avenue Value Fund. We found that, not surprisingly, the Fund's strategy has been extremely effective in periods in which value investing strategies have produced attractive relative performance, and, conversely, far less effective in periods in which growth strategies have outperformed. As an aside, we conducted the same analysis for the Third Avenue International Value Fund, previously managed by one of the Fund's portfolio managers, and came away with very similar findings. These are not ground-breaking revelations and we are clearly aware that devotion to our deep value strategy sets the Fund up for periods of underperformance, which at times can be wildly frustrating. The last several years has been one such period.

However, most well-respected data series of which we are aware clearly show that value strategies, as defined by statistical cheapness, have substantially outperformed growth strategies over long periods of time. Buying cheap businesses has worked over time, but far from all of the time. One encouraging aspect of the 2019 year was that in the discreet periods in which value strategies performed well, most notably the final four months of the year, the Fund performed exceptionally well, which provides one more corroborating data point. In advancement of our earlier work on the historical performance pattern of the strategy, we have conducted a more detailed review of the last 20 years by analyzing Fund performance in periods in which value strategies both outperformed and underperformed. Our study examined rolling 12 month periods over the trailing 20 years, which provides 229 data points and a number of interesting observations.

First, even though the MSCI World Growth Index has produced a cumulative total return roughly 67 percentage points above that of the MSCI World Value Index over the last 10 years (197% vs 130%), the MSCI World Value Index has produced a cumulative total return roughly 56 percentage points higher than MSCI World Growth Index (194% vs 138%) over the last 20 years[2].

Second, while historically superior in aggregate, value strategy outperformance is nothing if not inconsistent. Marty Whitman, our firm founder, often derided the claim that "consistent outperformance is the mark of investing skill," as one of academic finance's most counterproductive paradigms. Using our rolling twelve month periods over the last 20 years, we found that MSCI World Value Index outperformed MSCI World Growth Index in only 48% of the periods, meaning a minority of the time. Yet, while the value strategy underperformed slightly more often than not, it outperformed meaningfully in aggregate.

Third, our analysis shows that, over the last 20 years, in the rolling 12 month periods in which value outperformed growth, the Fund outperformed the MSCI World Index 71% of the time, which we consider to be quite a high "hit rate". Said another way, when value has outperformed on a rolling twelve month basis, the Fund has outperformed a strong majority of the time. Long-only value strategies will not and, dare we say, cannot consistently outperform relevant broad global indices yet have been quite an effective way to outperform over long periods of time.

Fourth, the most recent 3 year period from 2017 – 2019 includes 25 rolling 12 month periods, not a single one of which showed value outperformance relative to growth. Not surprisingly, this has been a frustrating stretch of performance for the Fund and most value investors. Over the most recent 5 year period, containing 49 rolling 12 month periods, MSCI World Value Index only outperformed MSCI World Index in 12 periods, primarily generated by strong value performance in calendar year 2016. In those 12 periods, the Fund outperformed the MSCI World Growth Index 10 out of 12 times, for a "hit rate" of 83%, which is even

1 The MSCI World Index is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 of the world's most developed markets. Please see Appendix for performance table and information.

2 The MSCI style methodology adopts a two-dimensional framework for value/growth segmentation: each security is given an overall style characteristic derived from its value and growth scores and is then placed into either a value or a growth index (or is partially allocated to both). Style characteristics are defined using eight historical and forward looking variables (three for value and five for growth). Each value and growth index is reviewed semi-annually—in May and November—with the objective of reflecting change in the style characteristics of the underlying equity markets in a timely manner, while limiting undue index turnover.

higher than the Fund's 20 year "hit rate". In other words, we can debate whether value as a strategy is permanently broken, reprising a debate that raged during the tech bubble of the late 1990's, but there is not much debate about whether the Fund can thrive in periods when value is successful.

Fifth, inclusive of the recent stretch of relative underperformance, the Third Avenue Value Fund has meaningfully outperformed the MSCI World Index, as well as its value and growth subsets, over the last 20 years. The cumulative total return figures are 208.7% for the Fund, 169.9% for MSCI World Index, 194.3% for MSCI World Value Index and 138.3% for MSCI World Growth Index. The Fund's absolute and relative record are both substantially more impressive if measured since inception.

Finally, it is our more qualitative view that value investing's long walk through the desert has caused a significant amount of attrition among its practitioners as a result of fund closures, firm closures, mergers and acute institutional pressures leading to style drift. Several who are fortunate enough to be in such a comfortable position simply returned client capital and now pursue their strategies in solitude. One silver lining is that our team feels encouraged by a less-crowded contrarian value investing space as capital and talent pools have shrunk. As we all know, fund management teams can't provide assurances about future returns, even when we view the historical data to be so compelling. However, we can provide assurances that, while we constantly strive to improve upon our execution, we will not diverge from our orthodox deep value approach. To the extent that one believes that the effectiveness of value investing has been dormant, rather than deceased, we will continue to be here delivering on the Third Avenue strategy.

"Many of life's failures are people who did not realize how close they were to success when they gave up."

Thomas Edison

FACTS MATTER, EVENTUALLY

Separate from recent performance and style considerations, we find many fundamental reasons to be encouraged. A key component of Third Avenue's contrarian strategy is to invest in companies going through cyclical depressions that are priced as though the depression is secular. Similarly, we are excited by opportunities to invest in companies that are priced as though they are imminently entering into a depression, while we perceive that outlook to be too draconian. While in the short-term, stock prices may or may not respond to fundamental developments, we tend to measure progress against our long-term investment theses by whether fundamental data emerging from companies and industries is in keeping with our expectations. Calendar year 2019 produced many encouraging sets of fundamental data.

LUXURY AUTO INDUSTRY

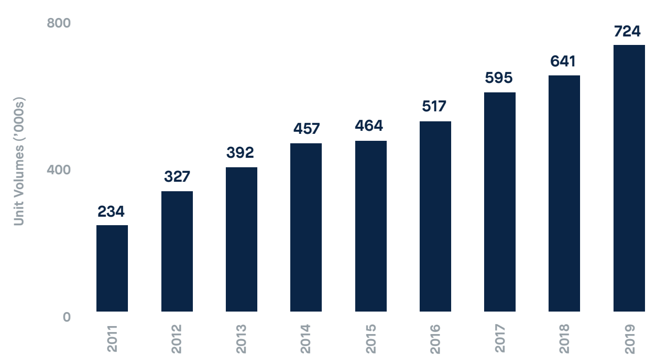
When we first discussed the Fund's investment in BMW AG ("BMW") in our March 2018 letter, our view was that the company's stock was fully, if not more than fully, priced for an expected cyclical downturn in sales of BMW's. We argued that BMW was "valued at levels reflecting an enormous amount of pessimism," and that the luxury auto "industry is generally less competitive than mass-market, tends to produce higher operating profit margins and is historically less cyclical than mass market, a trait that is counter-intuitive to many people but real nonetheless." Over the last couple of years, talk of slowing car sales in the U.S. and collapsing car sales in China have dominated headlines.

"China's car market fell off a cliff this year. It faces a long road back."

CNN – 7/10/2019

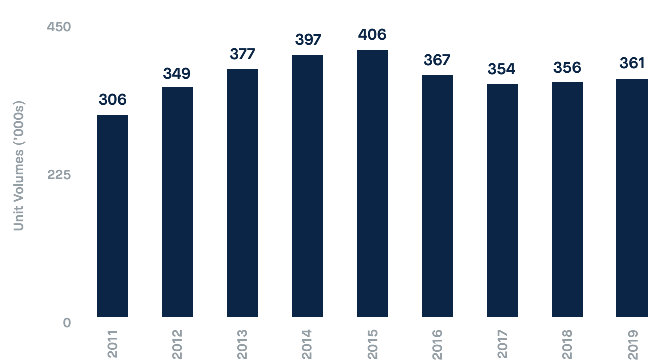
It is possible that never before has the difference between the luxury auto industry and the mass-market auto industry been both so important and so obvious. Below are historical charts of BMW's sales volumes in China and the United States, the world's largest auto markets.

BMW GROUP DELIVERIES OF VEHICLES: CHINA



Source: company filings and press releases, as of 12/31/2019.

BMW GROUP DELIVERIES OF VEHICLES: USA



Source: company filings and press releases, as of 12/31/2019.

There are several evolutions taking place throughout the global auto industry today and one that is not well-discussed is that the strong have been getting stronger and the weak getting weaker. Meanwhile, because of its sales and operating success, BMW maintains a high level of profitability, as well as what may be the industry's best balance sheet, putting it in a terrific position to not only navigate a potential acceleration in global electric vehicle sales, but also to be even more dominant on the other side of the transition. Profit and a great balance sheet have also allowed BMW to pay EUR 7.50 per share of dividends in the roughly two years since we initiated our investment, which is a substantial number in light of the EUR 71 share price today. The share price is just about the only thing that looks like a cyclical depression.

OFFSHORE DRILLING

Several of the Fund's offshore oil services investments appreciated materially during calendar 2019, particularly in the latter portion of the year. On the other hand, our offshore drilling investments were among the Fund's poorest performers. We are aware that there may be readers who view this to be a logical outcome, given the pervasive disdain for the oil and gas industry and rampant talk that we are witnessing the beginning of the end. One's hopes for radical changes to how the world powers itself aside, the facts are that global oil consumption continues to rise, U.S. onshore production growth has predictably begun to slow and the reserve replacement ratio for the world's offshore oil and gas resources is too low to keep production at the current level indefinitely. International oil companies, who today are producing near record cash flows, have always understood this to be the case. In early 2019 they began to act upon this fact pattern by increasing investment in offshore resources, albeit from incredibly low levels. For example, for the global jackup drilling rig market, the number of utilized rigs fell from roughly 450 in 2014 to a low of roughly 300 in 2017, rendering the industry in a position of rampant excess capacity. Dayrates (prices) for premium jackups fell from a 2014 peak of somewhere around USD 175,000 per day to a 2018 low of roughly USD 50,000 per day. It was during this carnage that Borr Drilling was newly formed and successfully accumulated one of the world's largest fleets of premium jackups from a variety of distressed sellers. With the number of contracted jackup rigs rising by approximately 25% over 2018 and 2019 and a substantial portion of rigs having been scrapped in the downturn, the global fleet of modern jackups is once again approaching 90% utilization rate. The amount of work contracted in 2019, as measured by jackup rig-years awarded, rose from less than 200 in 2018 to roughly 280 in 2019. This past year marked the first time since 2013 that the jackup industry enjoyed a book-to-bill ratio larger than 1.0x and outstanding tenders for future work are substantially higher than 12 months ago. Dayrates have risen from USD 50k per day to levels now approaching USD 70,000 to 90,000 per day. We estimate that a more normalized dayrate for premium jackups is somewhere near USD 150,000 per day. The cyclical industry recovery that we have anticipated has clearly begun and we expect that it will continue to improve.

EUROPEAN BANKS

The Fund owns two disparate European banks, each with distinct investment merits that fortunately are not particularly related to rising interest rates (although that would help). By far the less complex of the two holdings is Bank of Ireland plc ("BoI"). During 2019, BoI continued to dispose of portfolios of non-performing assets crossing a self-imposed goal of less than 5% of total assets, cleaning up the last vestiges of the Global Financial Crisis. BoI is also in the midst of substantial investment in one of the industry's most comprehensive technological upgrades, and has still managed to build meaningful capital during the year over and above the spending. Once the investment period is over, BoI's cost structure is intended to be fundamentally lowered and its reinvestment needs substantially reduced. Finally, BoI sold its UK credit card business during the year further simplifying the bank into its core competencies and areas where reasonable returns can be earned. We are, to date, quite pleased with actions taken by BoI management and remain of the view that the bank is deeply undervalued.

Deutsche Bank AG ("DB"), on the other hand, has far more complicated obstacles to overcome and has been the poster-child for Europe's banking maladies. That said, 2019 was a far less bad year for DB than several previous years. In fact, the revolving door of CEOs seems to have stopped revolving as a result of the alacrity with which current management has moved on a variety of critical initiatives. Most notably, cost reduction targets are on track to date and revenue attrition resulting from the restructuring efforts appears less significant than many had feared. Operating performance of various divisions, its traditional German banking business for example, appear satisfactory and its corporate banking business has performed fairly well. Management has also successfully exited its European prime brokerage business, among its most capital intensive units, providing an important step in its effort to reduce headline leverage ratios. Getting surprisingly little attention however is that, during the year, DB management formed a "Capital Release Unit" to house assets of discontinued businesses it intends to liquidate over time. Management committed to reduce leverage exposure within the CRU by 95% by 2021 and estimated that its liquidation would facilitate a return of capital to shareholders of roughly EUR 5 billion, beginning in 2022. For perspective, the entire market cap of DB is approximately EUR 15.8 billion today. As of the end of September, the CRU had approximately EUR 9.8 billion of equity embedded within, so the liquidation is intended to both enable the return of capital and bolster DB's retained capital position. According to a December disclosure, the CRU liquidation plan is running ahead of schedule. Finally, it is also certainly worth noting that DB still owns a 79.5% stake in publicly-traded DWS Group AG, whose shares provided a total return of 42% in 2019 bringing its market cap to EUR 6.5 billion, making DB's stake worth EUR 5.2 billion today, or roughly one third of DB's market value. While DB indisputably has much more work left to do, we admire the progress made during 2019 and can see many paths for substantial value to emerge.

QUARTERLY ACTIVITY

During the quarter ended December 31st, the Fund initiated positions in the equity of mall owner The Macerich Company and Chilean holding company Quiñenco S.A. The Fund exited three long-held positions in Brookfield Asset Management Inc., Investor AB and Wheelock & Co Ltd. Additionally, the Fund added another layer of SPDR S&P 500 Trust put options[3] during the quarter.

The Macerich Company ("Macerich") – During the quarter, the Fund initiated a position in the equity of Macerich, a real estate investment trust which owns and develops high-end, market dominant malls in densely populated U.S. geographies, including a number of gateway markets. Investing in malls may be among the world's most contrarian investments today and that prevalent view has certainly been reflected in the share price of Macerich during the last three years. While the industry is undoubtedly going through a significant transition, which is rendering a number of lower quality, undifferentiated and poorly located malls obsolete, all malls are not created equal. Strong operators in desirable locations have not only performed fairly well but also have the opportunity to repurpose various spaces and, to some extent, reinvent the modus operandi of the historical "shopping" mall towards a more service-based and experiential destination. Location and demographics are also critical and mall properties located in thriving, densely populated geographies often have mixed-use redevelopment opportunity, namely office and residential space. While a spate of recent retail bankruptcies and an existing debt load that is larger than we would prefer make these transitions somewhat more complicated for Macerich, operating performance of the underlying assets has been strong and we are confident that we are materially underpaying for the equity relative to net asset value. We expect that the company will pull a combination of the levers it has available to it, whether it be dividend reduction, partial asset disposal into a joint venture structure or further debt refinancing at very attractive rates, in order to navigate through this evolutionary period. In the event that Macerich delivers on various initiatives, we expect the equity to be priced at a far smaller discount to underlying net asset value. Yet another possibility is that an industry or financial buyer, with the available financial resources to enhance the value of the Macerich portfolio, might find the company to be a very attractive acquisition.

Quiñenco S.A. ("Quiñenco") – The Fund initiated a position in Chilean holding company Quiñenco S.A. during the quarter. October in Chile was marked by violent protests in response to a government attempt to increase subway fares, which were seen to be unduly burdensome on lower income Chileans. Protests quickly evolved into a broader call to arms to create a more egalitarian Chile. Protests have since subsided and the specifics of future government action have not yet been identified. Meanwhile, early data on the impact of protests on the Chilean economy appears to be quite benign. That said, Chilean equities and the Chilean peso had a substantial reaction to the protests. Quiñenco, has controlling stakes in Banco de Chile, S.A., Chile's 4th largest bank, and Compania Cervecerias Unidas S.A. ("CCU"), Chile's largest brewery and soft-drink company, but also large stakes in businesses in cable manufacturing, container shipping, ports and fuel distribution, some of which have very little activity in Chile. From the middle of September to the middle of November, the share price of Quiñenco fell roughly 18% in Chilean pesos and more than 25% as measured in US dollars. We have been familiar with Quiñenco, its management and its controlling family for well more than a decade and various Third Avenue funds have been shareholders of multiple associated companies, though have never before owned shares of Quiñenco. We view the underlying companies as well-managed and conservatively financed, often with dominant market positions. Indeed, various Quiñenco controlled companies are respected business partners for global companies, such as Heineken, Citigroup and Shell, seeking to operate in Chile. It is our view that we were able to purchase shares at a time when both the underlying businesses were atypically inexpensive and the size of discount offered through shares of Quiñenco was unusually large.

SPDR S&P 500 ETF Trust put options ("SPY puts") – During the quarter the Fund purchased additional put options related to the S&P 500, which should help mitigate against any significant U.S. equity market disruption. Given our view that current Fund holdings are particularly attractive at this moment in time, the use of put options as a method of risk mitigation is desirable in that it allows for full portfolio exposures to be maintained and can be implemented at a small cost.

Thank you for your confidence and your loyalty. We look forward to writing again next quarter. In the interim, please do not hesitate to contact us with questions or comments at clientservice@thirdave.com.

Sincerely,

Matthew Fine, CFA

Michael Fineman, CFA, CFP®

3 A put option is a contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a pre-determined price within a specified time frame.

IMPORTANT INFORMATION

Date of first use of portfolio manager commentary: January 27, 2020

THIRD AVENUE MANAGEMENT

VALUE FUND

AS OF DECEMBER 31, 2019

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

FUND PERFORMANCE

As of December 31, 2019

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	13.60%	12.85%	0.65%	1.16%	4.28%	9.86%	11/1/1990
Third Ave Value Fund (Inv. Class)	13.54%	12.58%	0.41%	0.91%	4.04%	4.04%	12/31/2009
Third Ave Value Fund (Z Class)	13.63%	12.97%	N/A	N/A	N/A	-5.81%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAVFX
Bank of Ireland Group PLC	7.9%
Interfor Corp.	6.5%
Lundin Mining Corp.	6.1%
Tidewater, Inc.	5.3%
CK Hutchison Holdings, Ltd.	4.9%
Bayerische Motoren Werke AG	4.8%
Buzzi Unicem SpA	4.8%
Warrior Met Coal, Inc.	4.7%
Hawaiian Holdings, Inc.	3.8%
Lennar Corp.	3.3%
Total	**52.1%**

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 1.17%, 1.45% and 1.09%, respectively, as of March 1, 2019. 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, 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 website 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

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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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