REAL ESTATE VALUE FUND

AS OF SEPTEMBER 30, 2020

INSTITUTIONAL: TAREX | INVESTOR: TVRVX | Z: TARZX

PORTFOLIO MANAGER COMMENTARY

JASON WOLF, CFA | RYAN DOBRATZ, CFA

Dear Fellow Shareholders:

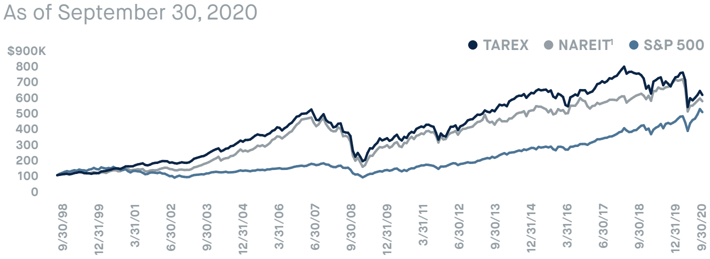
We are pleased to provide you with the Third Avenue Real Estate Value Fund's (the "Fund") report for the period ended September 30, 2020. During the third quarter of the calendar year, the Fund generated a return of +3.10% (after fees) versus +2.33% (before fees) for the Fund's most relevant benchmark, the FTSE EPRA NAREIT Developed Index.[1]

Notable contributors to performance during the period included the Fund's investments in the common stock of residential-related businesses, where fundamentals have strengthened alongside an acceleration in building, purchase, financing, and remodeling activity—including Lennar Corp., Lowe's, Weyerhaeuser, and Berkeley Group. Some of the detractors to performance during the period included office-centric enterprises such as JBG Smith Properties, Derwent London, and Vornado Realty Trust—each of which is very well-capitalized and controls strategic portfolios in emerging sub-markets that are likely to be even more desirable for tenants as "work-from-home" initiatives subside over the medium-term.

Recognizing that security prices can fluctuate from quarter-to-quarter, and that true value-oriented investments can oftentimes take years to come to fruition (e.g., please see the ensuing discussion on the Fund's investments in timberlands), Fund Management maintains the view that the Fund's long-term results are a superior gauge of performance. Since the Fund's inception in 1998, it has earned an annualized return of +8.57%. As highlighted in the chart below, this performance indicates that an initial investment of $100,000 in the Fund would have a market value in excess of $600,000 (assuming distributions had been reinvested), or more than the same $100,000 would be worth had it been placed into a passive fund tracking the Fund's most relevant benchmark (as well as the S&P 500).

VALUE OF $100,000 SINCE SEPTEMBER 1998[2]

As of September 30, 2020



ACTIVITY

Third Avenue Management ("the Firm") recently announced an initiative to assist select businesses that have been adversely impacted by the unprecedented contraction in economic activity stemming from the Covid-19 pandemic. More specifically, the Firm (on behalf of the Funds it manages) is evaluating credit-enhancing investments into the securities of publicly-traded companies that control strategic real estate and real assets and supporting those enterprises over the long-term—a template it has utilized in previous market dislocations for the better part of three decades.

While the Third Avenue Real Estate team (which recently welcomed the addition of Adam Dukoff as a Securities Analyst) is dedicating resources to this initiative, particularly as it relates to some of the most impacted property types such as retail, senior housing, and hospitality, the Fund's primary activity during the quarter related to a select-set of opportunities that Fund Management has been tracking for many years. These include: (i) an investment into the capital structure of a much larger-scale repositioning (Fannie Mae), (ii) establishing its position in the common stock of a well-financed real estate services firm set to take significant market share (CBRE Group), and (iii) participating in a capital raise to fund the evolving build-to-rent opportunity in single-family housing (American Homes 4 Rent).

Founded in 1938, the **Federal National Mortgage Association** ("Fannie Mae") is a government-sponsored entity that is a for-profit, stock-holder owned corporation which fosters competitive, liquid, efficient, and resilient housing finance markets to support sustainable homeownership and affordable rental housing in the United States (U.S.). To accomplish this mission, the business activities of Fannie Mae—along with the Federal Home Mortgage Corporation ("Freddie Mac" or collectively the "GSEs")—primarily include: (i) purchasing mortgages from lenders that originate loans for low-and-moderate income borrowers, (ii) securitizing those loans into GSE mortgage-backed securities, and (iii) selling those securities into the private market and receiving ongoing guarantee fees (or "g-fees") for insuring the timely interest and principal payments on the securities.

Having played a vital role in the U.S. housing markets for more than 80 years, the issues that Fannie Mae (as well as Freddie Mac) experienced during the "financial crisis" are well documented. To wit, the entities booked significant credit losses in anticipation of future claims during 2008 and

1 The FTSE EPRA/NAREIT Developed Real Estate Index was developed by the European Public Real Estate Associa on (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. **Please see Appendix for performance table and information.**

2 Hypothetical Investment since September 30, 1998 (Fund Inception Date September 17, 1998). **Past performance does not guarantee future performance results.**

also recorded substantial "mark-to-market" losses on their retained securities portfolio. Further, the GSEs entered into conservatorship in October 2008 in an effort to stabilize the entities (and by extension the U.S. housing markets) with the Federal Housing Finance Agency ("FHFA") appointed as conservator. Subsequently, the FHFA entered into the Senior Preferred Stock Purchase Agreement (the "Purchase Agreement") with the US Department of Treasury ("Treasury") arranging up to $200 billion of credit availability which could be drawn upon to provide the entities with liquidity, if necessary, as well as awarding the Treasury with warrants to purchase up to 79.9% of the common stock of the entities.

Since that time, Fund Management has kept close tabs on the GSEs as not only does the fundamental performance of the entities have wide implications for the US housing markets (collectively Fannie Mae and Freddie Mac purchase and securitize nearly 2 out of 3 home loans in the US), but the issuers are also amongst the largest real estate enterprises in terms of revenues and profitability. In fact, Fund Management recognized in 2012 that: (i) the entities core businesses remained quite profitable and would prove near impossible to replicate, (ii) the ancillary activities that the GSEs had expanded into leading up to the financial crisis—namely purchasing non-traditional and non-conforming mortgage backed securities—had been pared back significantly, and (iii) the reversal of unrealized credit loss provisions would substantially increase the entities net-worth.

As a result, the GSEs seemed to be in a position at that time whereby they could repay the balances outstanding relating to the Purchase Agreement, exit conservatorship, and maintain their mission of providing liquidity, stability, and affordability to the US housing market in a safe and sound manner. Notwithstanding, the conservator (along with the Treasury) announced in August 2012 that the entities had entered into the Third Amendment of the Purchase Agreement. As part of the revised terms, the GSEs would no longer pay 10% annual interest on the balances drawn on the facilities but instead submit all future profits to the Treasury, including the retained earnings at the time of the change. Otherwise known as the "Net-Worth Sweep," the basis for the modification was incredibly challenging to grasp—not only in terms of the timing given the fundamental performance of the entities, but also how the amendment fit within the framework of "preserving and conserving the assets and property" of the GSEs.

While more than eight years have passed since that transformational event, Fund Management has continued to track the GSEs closely and is of the view that the following three more recent developments are significant:

1. Under new leadership, the FHFA released its Strategic Plan for the Conservatorship of Fannie Mae and Freddie Mac in October 2019. Within this "vision for reform," the FHFA (along with Treasury and the GSEs) outlined the revised terms of the Purchase Agreement that allow the entities to retain earnings and rebuild capital, combined with the explicit intention of (i) ending the conservatorship and (ii) restoring the GSEs as privately-owned enterprises capable of, and committed to, operating in a safe and sound financial condition. Following these changes, Fannie Mae has increased its net-worth to $16.4 billion and key stakeholders (including the GSEs, FHFA, and Treasury) have retained advisers to assist in raising capital (if necessary) to exit conservatorship.

2. The core business of the GSEs remain incredibly sound and supportive of a longer-term solution. To wit, Fannie Mae has generated approximately $10 billion of operating profits annually over the past five years within its "utility-like" finance business. At the same time that the company has reduced its retained mortgage portfolio by more than 75% since entering conservatorship. As a result, Fannie Mae has returned its focus to its core securitization and insurance business (thus providing liquidity to US housing) and has submitted more than $181 billion to Treasury—far exceeding the $117 billion of Senior Preferred Stock that was outstanding at the time of the Net-Worth Sweep.

3. The Supreme Court of the United States ("SCOTUS") has agreed to hear *Patrick J. Collins, et al. (Plantiff) vs. Steven T. Mnuchin, Secretary, US Dept. of Treasury, et al. (Defendant)* on December 9, 2020. Within this case, SCOTUS will review (i) whether the FHFA structure violates the separation of powers and (ii) whether the courts must set aside agency action. Consequently, SCOTUS will opine on the Fifth Circuit's ruling that FHFA's structure was indeed unconstitutional, while also considering whether any actions the FHFA took should be set aside—which could very well include the "Net-Worth Sweep."

When these three developments are viewed in conjunction with a firm understanding of the legal role of conservatorship, it seems to Fund Management that the prospects for the GSEs exiting conservatorship in a safe-and-sound manner are significantly greater than in years past. The Fund therefore initiated a position in what Third Avenue deems as the fulcrum securities of Fannie Mae (the preferred equity and common stock) at prices that represent substantial discounts to what Fund Management views as the "going-concern" value of the issuer. While considerable "process risk" remains, further movement could not only surface value for the aforementioned securities, but also provide the US taxpayer (i.e., Treasury) with a substantial return on its initial investment while allowing these "mission critical" entities to continue supporting the US residential markets alongside enhanced risk capital ratios and oversight.

Founded in 1906, the **CBRE Group, Inc.** ("CBRE") is the largest commercial real estate services firm globally. Through its unrivaled network, which includes a presence in more than 100 countries, the company has a market-leading position in leasing, property sales, facilities management, and valuation. CBRE is also a major player in terms of investment management (with more than $100 billion of assets under management) and loan servicing (more than $250 billion of commercial and multi-family loans under administration). In combination, these business lines essentially act as a tax on commercial real estate activity and generate more than $24 billion of revenues annually—or more than two times its largest peer.

Fund Management recognizes that CBRE's transaction-oriented business lines (e.g., leasing and sales) are likely to be under pressure as major decisions are put on hold amidst prevailing market conditions. Notwithstanding, the company has entered this period in a much more enviable position than it did during the "financial crisis" as the current CEO (Bob Sulentic) has significantly expanded the group's recurring revenues (which now exceed more than 50% of sales) through further additions in facilities management, investment management, and servicing. Further, the company has amongst the most "variable" cost structures in the industry, and it is also incredibly well-capitalized with a net-debt to asset ratio below 10%—at the same time that a number of its peers are seeking to reduce debt levels following a recent wave of consolidation.

As a result, CBRE seems positioned to not only remain profitable when viewed on a group-wide basis but also set to take market share through "lift-outs" and "bolt-on" acquisitions from competitors that aren't capitalized to withstand a more protracted period of reducted transactional activity. With approximately 90% of Fortune 100 companies as clients, CBRE is also likely to play a meaningful role in advising corporates as they seek to right-size their real estate footprints with an increased focus on implementing flexible working arrangements. Alongside this shift, CBRE seems likely to further expand the rollout of its Hana subsidiary (a flexible space solution provider that offers tenants a network of co-working locations in key global hubs).

The Fund also increased its investment in the common stock of **American Homes 4 Rent** ("AMH") during the period. As noted in the Fund's previous shareholder letter, this U.S.-based Real Estate Investment Trust ("REIT") is the second largest owner of single-family homes for-rent ("SFR") in North America with more than 52,000 homes throughout the Sunbelt region. In addition, the company is very well-capitalized and also controls the largest SFR build-to-rent platform with land secured to accommodate an additional 6,000 homes.

Fund Management can confirm from its recent "on-the-ground" diligence efforts that demand for AMH's SFR offering has accelerated beyond levels that seem to be recognized by most industry participants. Alongside this development, the company's management team wisely elected to raise more than $350 million of proceeds through a public offering of shares (which the Fund participated in during the quarter). The proceeds from this capital raise will be used to pull forward the build-out of its innovative single-family rental communities while also securing additional land suitable for future development—with an expanding focus on expansion in the Mountain region (e.g., Idaho, Utah, Colorado, Nevada, Arizona, et al.).

These investments were primarily funded by: (i) recycling out of Public Storage (although the Fund remains invested in U-Haul and Big Yellow, both of which have substantial "lease-up" opportunities in their respective storage portfolios), (ii) trimming back Lennar Corp. A shares (while maintaining its larger position in Lennar Corp. B shares that continue to trade at nearly a 20% discount to the A-shares despite equal economics), and (iii) modestly reducing its investment in Five Point Holdings (thus enhancing the Fund's tax position for the 2020 fiscal year).

POSITIONING

After incorporating the aforementioned activity, the Fund has 42% of its capital invested in **Residential Real Estate** companies that have strong ties to the US and UK residential markets, where there are significant supply deficits after years of under-building. In conjunction with low inventory levels, there is likely to be substantial demand for new product at an affordable price point over time (both for-sale and for-rent). Therefore, these holdings seem poised to benefit from a further recovery in residential construction, sales, and ancillary activities. These positions include a diversified set of businesses including homebuilding (Lennar Group and Berkeley Group), timberland ownership and management (Weyerhaeuser and Rayonier), land development (Five Point Holdings and St. Modwen Properties), the ownership and development of rental properties (Essex Properties, Grainger plc, and American Homes 4 Rent), and other ancillary businesses (Lowe's and Trinity Place Holdings).

The Fund also has 42% of its capital invested in **Commercial Real Estate** enterprises that are involved in long-term wealth creation. These holdings are largely capitalizing on secular trends within property, including structural changes that are driving more demand for industrial properties and self-storage facilities (Prologis, Segro plc, First Industrial, U-Haul, and Big Yellow) as well as the further densification and improvements taking place in select urban corridors (JBG Smith Properties, Derwent London, CK Asset Holdings, Vornado Realty Trust, Henderson Land, and Wharf Inc.). In Fund Management's view, each of these enterprises is very well-capitalized, their securities trade at discounts to conservative estimates of Net-Asset Value or "NAV" (especially in light of the prevailing interest rate environment), and they seem capable of increasing NAV—primarily through further appreciation in the value of the underlying assets, by undertaking additional development and redevelopment activities, as well as by making opportunistic acquisitions.

An additional 14% of the Fund's capital is invested in **Real Estate Services.** These businesses are generally less capital intensive than direct property ownership and as a result have historically offered much higher returns on capital—provided the business has a favorable competitive positioning within the real estate value chain. At the present time, these holdings primarily include franchises involved with asset management (Brookfield Asset Management and Patrizia Immobilien), brokerage and property management (Savills plc and CBRE Group), as well as mortgage and title insurance (Fannie Mae and FNF Group).

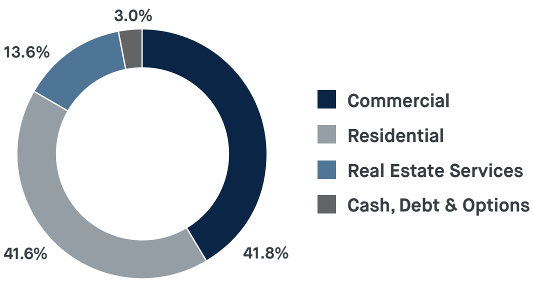
The remaining 3% of the Fund's capital is in **Cash & Debt Securities** (e.g., Intu Convertible Notes). The Fund also has certain hedges in place, primarily relating to its foreign currency exposures (British Pound and Hong Kong Dollar) as well as some of its largest individual holdings (Lennar Corp. and Prologis).

The Fund's allocations across these various business types are outlined in the chart below. In addition, Fund Management reports the Fund's exposure by geography (North America, Europe, and Asia-Pacific) and strategy (Core/Core-Plus, Value-Added, Opportunistic, and Debt) for comparison with institutional reporting standards for direct real estate allocations.

ASSET ALLOCATION AS OF SEPTEMBER 30, 2020

(allocations subject to change)

BY BUSINESS TYPE



BY GEOGRAPHY

BY STRATEGY

FUND COMMENTARY

Third Avenue's late founder, Marty Whitman, once remarked that his first brush with "value investing" included an analysis of a U.S.-based company with securities trading at prices materially below the value of its underlying timberland holdings. While Fund Management is unable to attest to the performance of that investment, those that are well-versed in the timberland markets recognize that the 1970's were amongst the most rewarding times to be "invested in trees." To wit, U.S. timberlands are believed to be amongst the best performing assets classes during that decade with an annualized return of +21.56% according to the National Council of Real Estate Fiduciaries (NCREIF) Timberlands Index.

Widely viewed as a beneficiary of "broad-based" inflation, the actual drivers of the performance for timberlands in that era were much more fundamental in nature. For instance, during the 1970's, the demand for lumber (and thus sawlogs) increased rapidly as the "baby-boomers" moved to the suburbs and U.S. housing starts averaged 1.74 million annually. At the same time, the supply of fiber (e.g., sawlogs) became more constrained—particularly after the National Forest Management Act of 1976 curtailed harvesting on nationally owned timberlands.

Those that have continued to closely follow the timberland markets likely recognize similar dynamics resurfacing today. Put otherwise, demand for softwoods (i.e., Douglas Fir and Southern Yellow Pine) is increasing alongside a pickup in lumber consumption associated with single-family construction and the repair-and-remodel segment—as well as an emerging export market. Simultaneously, supply levels for logs in certain "wood baskets" seem to be receding given the curtailment of lumber imports from Canada and additional harvesting activity in the U.S. South (where more than 5 million board feet of lumber mill capacity is estimated to have been added in the past four years).

Almost equally as important is the fact that forests are gaining recognition as one of the most cost effective ways to sequester carbon (trees capture carbon dioxide to fuel their growth through photosynthesis) and also reduce emissions when used in building (wood-based structures emit roughly half the carbon of alternative options such as steel and cement).

As a result, three factors that could very well have an impact on timberland values moving forward include: (i) added demand for wood-based building, largely through the utilization of cross-laminated timber (CLT) in mid-rise multi-family and other low-rise commercial facilities, (ii) wider adoption of a carbon-offset market in the U.S., thus incentivizing certain timberland owners to defer harvest with alternative sources of value (i.e., "carbon credits"), as well as (iii) strategic interest from non-traditional industries, such as multi-national energy groups, which are seeking to offset their existing carbon emissions through larger-scale renewable resource investments such as sustainable forests.

Given this backdrop, it is not inconceivable that timberland values could very well be on the verge of a step change. That is not to say that the returns witnessed in 1970's are to be repeated. It is simply that the proposition of investing in strategically located timberlands (which tend to provide current yield through annual harvesting, reasonable prospects of capital appreciation with biological growth, and opportunities to capture higher-and-better-use values through development) is in the midst of being supplemented with incremental sources of value.

For these reasons, and others, the Third Avenue Real Estate Value Fund has approximately 9.25% of its net assets invested in timberland-centric enterprises through the common stocks of Weyerhaeuser and Rayonier. Not only do these well-capitalized U.S.-based REITs control world-class timber portfolios (that collectively comprise 14 million acres in highly-productive areas of the Pacific Northwest and the U.S. South, and to a lesser extent the Northeast and New Zealand), but they also have common stocks which can be purchased at meaningful discounts to Third Avenue's estimates of Net-Asset Value—without even factoring in what may prove to be one of the most valuable attributes: their portfolios combine to sequester nearly 11.5 million metrics tons of carbon dioxide annually, more than any other privately-held enterprise globally, in our estimation.

We thank you for your continued support and look forward to writing to you again next quarter. In the interim, please don't hesitate to contact us with any questions, comments, or ideas at realestate@thirdave.com.

Sincerely,

The Third Avenue Real Estate Team

Jason Wolf, CFA

Ryan Dobratz, CFA

IMPORTANT INFORMATION

Date of first use of portfolio manager commentary: October 14, 2020

REAL ESTATE VALUE FUND

THIRD AVENUE MANAGEMENT

AS OF SEPTEMBER 30, 2020

INSTITUTIONAL: TAREX | INVESTOR: TVRVX | Z: TARZX

FUND PERFORMANCE

As of September 30, 2020

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Real Estate Value Fund (Inst. Class)	3.10%	-12.52%	-5.62%	0.67%	5.32%	8.57%	9/17/1998
Third Ave Real Estate Value Fund (Inv. Class)	3.07%	-12.75%	-5.88%	0.41%	5.05%	5.48%	12/31/2009
Third Ave Real Estate Value Fund (Z Class)	3.16%	-12.43%	N/A	N/A	N/A	-7.37%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAREX
Lennar Corp.	9.0%
Brookfield Asset Management, Inc.	6.8%
Prologis, Inc.	5.5%
Segro PLC	4.8%
Weyerhaeuser Co.	4.8%
Berkeley Group Holdings PLC	4.7%
Five Point Holdings, LLC, Class A	4.5%
CK Asset Holdings, Ltd.	4.5%
Rayonier, Inc.	4.4%
JBG Smith Properties	4.3%
Total	**53.3%**

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 1.05%, respectively, as of March 1, 2020. TAM has agreed to waive all accrued entitlements related to the fiscal periods Oct 31, 2017 and Oct 31, 2018, which would have been subject to repayment until Oct 31, 2020 and Oct 31, 2021, respectively. Risks that could negatively impact returns include: overbuilding and increased competition, increases in property taxes and operating expenses, lack of financing, vacancies, environmental contamination and its related clean-up, changes in interest rates, casualty or condemnation losses, and variations in rental income.

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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