VALUE FUND

AS OF MARCH 31, 2021

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

PORTFOLIO MANAGER COMMENTARY

MATTHEW FINE, CFA

Dear Shareholders,

For the three months ended March 31st, 2021, the Third Avenue Value Fund (the "Fund") returned 20.05%, compared to the MSCI World Index, which returned 5.04%.[1] The most recent calendar quarter was the second consecutive quarter in which value strategies, broadly defined, have produced outperformance relative to growth strategies and marks the first time since 2016 that value strategies have produced consecutive quarters of outperformance. In this most recent quarter, the MSCI World Value Index[2] returned 9.76%, or 4.72% above the MSCI World Index. In recent years, we have contended that large and growing valuation distortions present in equity markets would reverse and, in all likelihood, produce handsome gains to price-conscious value investors, as has been the historical pattern over long periods of time. We are pleased that this reconciliation seems to have begun and that the Fund has thrived in such an environment.

Furthermore, speaking a bit more granularly, Fund performance has benefited recently from the positive performance of a wide range of holdings. In this portfolio manager's view, recent years of record-breaking valuation dispersion between public equity markets' most and least expensive companies created one of the most attractive sets of value investing opportunities in decades. This phenomenon grew steadily in the years leading up to 2020 and was only exacerbated by the pandemic, at least initially. Positions established during the darkest days for value investing, between 2017 and 2019 - such as copper mining companies, lumber producers, automobile manufacturers, heavy building products producers and European banks – have all performed strongly in recent quarters. Yet, holdings accumulated in the midst of COVID-related panic, such as FedEx and Korn Ferry, have also provided important performance contributions. As we reflect upon successes and failures in recent quarters, we are encouraged that Third Avenue's long-term approach, incorporating nimble, opportunistic, active management, has shown signs of success.

THE SPECTER OF INFLATION – REVISITED

Then as it was, then again it will be

And though the course may change sometimes

Rivers always reach the sea

Robert Plant – 1974

The decade in which the song *Ten Years Gone* was written coincides with the most recent battle the United States faced against serious levels of inflation. As we speak, central banks the world over are moving heaven and earth to see to it that the river does once again reach the sea. In our third quarter 2020 letter, we discussed the "Specter of Inflation" including some anecdotal evidence and a few possible developments, which might result from an acceleration in inflation. In the months since, the ferocity of the great inflation debate has certainly grown but the points of contention have also evolved in important ways. The most critical change seems to be that the focus has shifted from whether the United States will experience relatively strong price increases at all, to whether the already occurring, and likely to accelerate, price increases will be sustained or even built upon over time. This is an important change in tenor for reasons we will discuss. For the purpose of this letter, we intentionally focus on inflationary forces in the United States, even though our mandate is global and many of these same phenomena are taking place in other regions, because the debate is presently most energized in the U.S. and covering the entire world is not feasible in a single letter.

However, first we offer a few words on inflation and its relationship to the U.S. Consumer Price Index ("CPI"), which is the most commonly referenced inflation statistic in the United States.[3] The CPI is a byzantine construction of measurements and surveys administered by the U.S. Bureau of Labor Statistics ("BLS") in order to measure changes in the average price level of items comprising a "market basket of consumer goods" over time. We fully expect that the actual methods of CPI calculation and index construction will become the subject of increased scrutiny but today they remain poorly understood by most. It appears that many interpret CPI reports as relatively current or even "real-time" measurements of average price levels being experienced by consumers in the United States. We will not delve deep into the methods of the CPI construction here but would encourage any interested readers to refer to the BLS website for some basics. We will highlight only two major concepts because we believe they are particularly important in the current context.

First, the composition of the CPI market basket used to calculate CPI figures published today is constructed on the basis of consumer spending behavior from several years ago. CPI measurements are simply not capable of shifting basket weightings rapidly and, therefore, are not capable of capturing large and rapid changes in consumer spending behavior like the ones that have just occurred during the pandemic. The

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. One cannot invest in an index.

2 The MSCI World Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets (DM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

3 The BLS produces several variations of the CPI. When referencing the CPI, this letter is making reference to the Consumer Price Index for All Urban Consumers ("CPI-U") but refers to CPI generally for readability and clarity.

shift of our spending habits from services to goods will not be incorporated into CPI calculations for some time, possibly years, into the future. Therefore, while we can relatively easily measure strong price inflation of goods and price deflation of services today, CPI measurements will not reflect that goods have become an increasingly large percentage of spending and will, therefore, systematically underweight the price inflation of goods and overweight price deflation of services. There is an argument to be made that these spending changes are temporary and, therefore, are not worth much consideration but it speaks to shortcomings in the CPI methodology, particularly as it relates to an inability to capture recent changes and some very considerable time lags. In fairness, Personal Consumption Expenditure ("PCE") indexes compiled by the Bureau of Economic Analysis attempt to improve upon the inflexibility of the CPI and are generally favored by the Fed but still suffer from many of the same issues, nonetheless.

Second, there has long been disappointment in some circles with how the CPI measures housing costs. BLS housing cost indexes simply do not do what many people wish they would do, which is to capture inflection points and changes in trajectory of housing prices that have occurred recently. The summary version is that "shelter" comprises approximately one third of the CPI by weight. That 33% is, in turn, mostly comprised of two primary components – "rent of primary residence" (7.8%) and "owners' equivalent rent of residences" (24.3%). In the first case, "rent of primary residence" is not a measurement of the price of new leases signed in the period. The index mostly measures in-place rents, which generally adjust to prevailing market rates incrementally and with a substantial time lag. In other words, the sub index will attempt to measure what the average renter is currently paying rather than what a renter signing a new lease would pay today. However, the more contentious of the two components is certainly the "owners' equivalent rent of residence". The CPI, being the *consumer* price index, is only intended to measure consumption and the economists at the BLS consider ownership of a home to be some combination of consumption and investment. Therefore, the BLS attempts to parse out the consumption part of owning a home by estimating the market rental rate of each owner-occupied property in the survey. Unfortunately, the survey respondents are the homeowners themselves who are mostly not real estate agents and may have limited experience or information upon which to base a response. Additionally, many owner-occupied homes are located in areas where there is a very limited single-family rental market leaving survey respondents without anything resembling decent market data. Respondents may also simply be out of date or misguided in their sense of the price at which they could rent their own home to a hypothetical tenant. In short, the CPI measurements of shelter, comprising an entire third of the CPI, are quite unresponsive to change and of questionable quality. Note that nowhere in the above description of how the price of "shelter" is measured is there a method for incorporating an 11% year over year increase in the price of a single-family home, as we have indeed just experienced.[4] Nor is there any direct impact from the recent explosion of prices for nearly every building product required to construct a single-family home. The formation of the index is simply not intended to represent what someone who is in the market to buy, rent, or build a house today would have to pay and, unfortunately, measuring what the indices do intend to measure is wildly difficult and somewhat theoretical. Not surprisingly, those same shelter indices are famous for having failed to represent enormous home price increases during the 2004 – 2006 housing bubble and subsequently showed *upward* price movements during the ensuing housing market crash as a result of substantial time lags and increased demand for rental properties, even as many owners lost their homes and home prices imploded.

However, in the context of current central bank policy, inflation index shortcomings have taken on a new significance. If we accept that the substantial portion of both the CPI and PCE indices are comprised of "shelter", which, by virtue of its calculation methods, will not move much in the near to medium term, that will change one's interpretation of Fed policies explicitly stating the intention to drive inflation well above the Fed's 2% inflation target for some time. In other words, in order for an index to reach a specified inflation target, inflation of everything other than "shelter" will have to be meaningfully higher than the target. Just for illustration, let's say the CPI achieved a 3% level without "shelter" moving upward. That would translate to roughly 4.5% measured inflation of "everything else", which starts to feel like a pretty big number. So what is the relevance of "a pretty big number"? As we said earlier, the inflation debate has recently shifted and is now focused on whether the big inflation bump we are about to experience coming out of the pandemic restrictions will be sustained. Inflation is usually born by monetary and economic factors such as excessive money printing / monetary debasement or supply shortages, or both. At the moment we clearly have both. An initially isolated instance of inflation then becomes self-perpetuating, and occasionally out of control, when there is a broad acceptance that high levels of inflation have arrived. As soon as consumers and businesses become fearful that inflation has arrived, they have an economic incentive to purchase items in advance of expected higher future prices. Inflation begets inflation as this psychology pulls demand forward in time and, ironically, contributes to the creation of the inflation it seeks to circumvent. As an aside, the reverse is true as well. Once deflation is psychologically embedded, consumers have an economic incentive to wait a while to make purchases, which pushes demand further into the future, potentially causing great economic damage. This understanding is what underpins many central banks' will to use virtually any means necessary to avoid a pernicious, deflationary spiral. In these ways, sustained inflation is a self-fulfilling prophecy like so many other phenomena in financial markets, triggered when the concept becomes accepted and prevalent in people's minds. There are certainly growing signs today of a demand pull-forward taking place in response to recent supply shortages and price pressures. Given the mechanics of measuring CPI, its imprecise sources of data, and substantial embedded time lags, there should be no solace from the fact that CPI statistics today still show muted price pressure. Below we offer a sampling of recent evidence of supply constraints, price pressures and demand pull-forward:

Flooring

"we're raising prices 3% to 8% and sometimes even more given the inflationary pressures that are going on"

– CEO of Mohawk Industries, February 12th, 2021

4 S&P CoreLogic Case-Shiller National Home Price NSA Index from January 31st 2020 – January 31st 2021.

Home appliances

"I think that the retailer's inventory is still moving very quickly in general for small kitchen appliances. We also think with the stimulus checks going out in the U.S. that there will be some pretty strong demand here coming up in our categories over the next four to six weeks. So we're still pushing to try to keep them in stock. I think, the whole industry is trying to keep the product on the shelf. And with the additional transit time and some of the challenges coming out of China....we're making sure we're putting our purchase orders in well in advance ..."

– CEO of Hamilton Beach, March 17th, 2021

Sporting Goods Retail

"we do see continued, at least in the short term, over the next couple of years, continued wage inflation pressures"

– CFO of Dick's Sporting Goods, March 10th, 2021

Chemical products

"H.B. Fuller has done a remarkable job in supporting customers through supply shortages and we also have implemented over $100 million in annualized price adjustments..... We are preparing for further price adjustments, if needed, in Q3. These price adjustments will fully offset the impact of raw material increases."

– CEO of H.B. Fuller, March 25th, 2021

Shipping

"It just shows you how tight the overall dry-bulk market is, and it's only going to get tighter," [Elevated freight rates are] "not something that is for the next three months, this has got legs going well into 2022 because of the low supply situation."

– CEO of Genco Shipping & Trading, Bloomberg March 22nd, 2021

Agriculture

"On top of those factors related to increased productivity and price for the grains, we have a relatively low interest rate environment. There's substantial pent-up demand amongst farmers to expand because they haven't for quite some time. There's fear of inflation...and the higher and better use demand for farmland for development—real estate development, wind development or solar development is also very strong. So we think we're set up here for a relatively strong land price appreciation in the next 2 to maybe even as much as 5 years."

– CEO of Farmland Partners, March 18th, 2021

Mining

"We understand that with high commodity prices also comes cost inflation. So the sooner we can get moving on this project, the better we can to fight inflation because we know it's going to come. It comes every cycle."

– CEO of Capstone Mining, Feb 24th, 2021

We can't be certain whether inflation will reach exit velocity, so to speak, becoming self-sustaining or accelerating as unemployment continues to fall, huge accumulated bank deposit balances are released, and "revenge spending" occurs as restrictions are eased but we believe that present conditions raise the probability of sustainable inflation to the highest levels we have seen in a very long time. Further, inflation's characteristics of being a self-fulfilling prophecy mean that the growing fear of inflation, in and of itself, raises the probability of its occurrence. Google Trends data shows that search interest for "inflation" during the month of March is at its highest level, by a wide margin, since records began in 2004. In March, pandemic-related fears finally gave way to "higher than expected inflation" as the largest tail risk cited in the Bank of America Fund Manager Survey. It should not be surprising then that during the early months of 2021 we have seen a substantial increase in interest rates without a change of Fed policy, which is directly related to rapidly rising inflation expectations.

U.S. INFLATION EXPECTATIONS

Source: Jefferies, Federal Reserve Bank of St. Louis

In our view, it is wildly dangerous to assume that Fed policy changes are a precondition for rising interest rates. Financial markets are the ultimate arbiter of interest rates, not the Fed, and it is clear that some sovereign bond holders have been voting with their feet, fleeing the return-free risk of sovereign bonds, notwithstanding persistently supportive Fed activity. Meanwhile, rising U.S. yields have dragged many non-U.S. sovereign bonds yields upward as well. We think it is critical to maintain consciousness of the fact that "the market" has the ability to "raise rates" whether the Fed likes it or not. Those, who expect that a broad range of interest rates will only move upward if and when the Fed begins to withdraw stimulus, after seeing inflation statistics that are sustained well above a 2% target, could be surprised to see how far interest rates have already increased in advance of those conditions being met.

So, now that our academic rant has concluded, what does one actually do about all of this? First, we reiterate from previous letters that there are significant swaths of equity markets, in the United States in particular, where the primary investment thesis appears to be summarized as "it is cheap relative to credit." Cheap relative to one of the most expensive things in the history of financial markets is a very fragile investment thesis, to put it kindly. For illustration of the dangers present, just consider that several benchmark sovereign and high-grade credit indices have just produced their worst quarterly return in several decades and the U.S. ten-year yield would still have to roughly triple from current levels in order to reach a level considered "normal" by historical standards. Further, even though we have been clear that we do not believe that low rates substantiate outrageous valuations assigned to companies perceived to be growing revenue rapidly, it is also clear that this narrative is deeply embedded in conventional wisdom of the day. This partly explains why large swaths of previously high-flying equities have recently performed very poorly in the context of rising rates. We continue to feel strongly that equity markets, in the United States particularly, are still home to a huge number of preposterously valued companies. Given that U.S. rates remain at extraordinarily unusual levels by historical standards, even after recent increases, a holder of such high growth, richly valued securities ought to be very nervous. On the other hand, there is some good news. Inflation expectations and interest rates have been so low for so long, it is not surprising that there is substantial overlap between businesses that are unusually inexpensive and businesses which would do very well in a rising rate environment, such as banks and many insurance companies. At quarter end, the Fund held positions in banks and insurance companies totaling 19.3% of the Fund by weight. We also believe that investing in industries where supply is highly constrained, but where demand continues to grow, such as lumber production and copper mining, is among the very best ways one can protect wealth against inflation. At quarter end, the Fund held positions totaling 16.4% of the Fund by weight in copper miners and lumber producers. To be very clear, we believe these companies will do just fine without rising rates and rising inflation but this most recent quarter is further evidence that the Fund is positioned to withstand inflationary and rising rate pressures far better than most, and potentially even prosper in such an environment. The primary goal of our team will always be to pursue fundamental bargains from the bottom-up but, as a result of conditions in recent years, our opportunistic approach has led us to create a portfolio which may add an unusual amount of diversification and benefit to the average investor's portfolio today.

QUARTERLY ACTIVITY

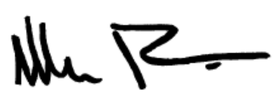
During the quarter ended March 31st, 2021, the Fund established new positions in the shares of Genting Singapore Bhd. and Jardine Cycle & Carriage Ltd.

Genting Singapore Limited. ("Genting Singapore") – During the quarter, the Fund initiated a position in Genting Singapore, a publicly-listed but controlled subsidiary of Genting Bhd. Genting Singapore owns and operates Resorts World Singapore, a family-oriented gaming and leisure resort on Sentosa Island. Every facet of the resort – Resorts World Casino, Universal Studios Singapore, S.E.A. Aquarium, a waterpark, hotels, restaurants and live entertainment – were effectively shuttered during the pandemic. However, a strong partnership with the Singapore government, resulted in substantial government financial support for resort and hospitality employees, leaving the company's financial position virtually undented throughout the crisis. Furthermore, Genting Singapore entered into the pandemic with a very large net cash position on its balance sheet, which remains the case today. The cash is theoretically earmarked for investment in two future projects, Resorts World Singapore 2.0 and a Japanese integrated resort similar to Resorts World Singapore. In the first case, the company intends to expand and enhance the existing operations in Sentosa, in collaboration with the Singapore government. Investment in a new Japanese integrated resort is far more theoretical as the Japanese government is currently issuing requests for proposals, considering several locations and narrowing its list of potential partners. At present, no commitments have been made by any party. We believe Genting Singapore's existing operations will return to normal levels of activity at some point in the next two years and that, based on conservative estimates of normalized operating cash flow, we are paying a price which offers a free cash flow yield[5] comfortably into the double-digits. This type of valuation is very unusual for companies operating in this industry and for Genting Singapore itself, historically speaking. Further, our valuation ranges assign little if any value to future investments in either Singapore or Japan.

Jardine Cycle & Carriage Limited. ("Cycle & Carriage") – During the quarter, the Fund also purchased shares of Cycle & Carriage. The company is one of several publicly listed companies ultimately controlled by Jardine Matheson Holdings, one of the most storied companies in East Asia. Cycle & Carriage itself is primarily focused on operating businesses in Indonesia and, to a lesser extent, other parts of Southeast Asia. The vast majority of Cycle & Carriage's business activities take place within PT Astra International ("Astra"), itself one of the largest publicly-traded companies in Indonesia. Astra is the dominant operator in a variety of critical industries, such as auto retail where its passenger vehicle partnership with Toyota currently holds a market share greater than 50% of Indonesia's four-wheel market and its partnership with Honda in motorcycles and scooters currently represents more than 75% of Indonesia's two-wheel market. Astra also partners with Komatsu as Indonesia's sole distributor of Komatsu heavy-duty construction equipment and is the country's leading contract-mining company. The Indonesian economy has begun to show signs of recovery from lackluster conditions after years of depressed commodity prices, trade wars and self-inflicted mismanagement. Aside from the probability of improving business conditions, our purchase was driven by Cycle & Carriage's share price offering a very unusual level of discount to the value of its underlying parts while the underlying parts themselves, most notably Astra, were as inexpensive as they have been in many years.

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

5 Free cash flow yield is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share. The ratio is calculated by taking the free cash flow per share divided by the current share price.

IMPORTANT INFORMATION

Date of first use of portfolio manager commentary: April 13, 2021

VALUE FUND

AS OF MARCH 31, 2021

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

FUND PERFORMANCE

As of March 31, 2021

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	20.05%	123.31%	5.02%	8.21%	5.21%	10.37%	11/1/1990
Third Ave Value Fund (Inv. Class)	19.97%	122.78%	4.76%	7.95%	4.95%	5.95%	12/31/2009
Third Ave Value Fund (Z Class)	20.08%	123.56%	5.13%	N/A	N/A	4.93%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAVFX
Bank of Ireland Group PLC	7.6%
Capstone Mining Corp.	7.0%
Interfor Corp.	5.8%
Lundin Mining Corp.	4.6%
CK Hutchison Holdings, Ltd.	4.4%
Bayerische Motoren Werke AG	4.3%
Deutsche Bank AG	4.1%
Hawaiian Holdings, Inc.	3.8%
Comerica, Inc.	3.8%
Tidewater, Inc.	3.6%
Total	**49.0%**

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 1.27%, 1.52% and 1.15%, respectively, as of March 1, 2021. 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: 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

/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:

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