THIRD AVENUE MANAGEMENT

Portfolio Manager Commentary

September 30, 2019

THIRD AVENUE REAL ESTATE VALUE FUND

INSTITUTIONAL: TAREX | INVESTOR: TVRVX | Z: TARZX

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Dear Fellow Shareholders:

We are pleased to provide you with the Third Avenue Real Estate Value Fund's (the "Fund") report for the quarter ended September 30, 2019. Through the first nine months of the year, the Fund generated a return of +12.74% (after fees) versus +20.44% (before fees) for the Fund's most relevant benchmark, the FTSE EPRA NAREIT Developed Index[1].

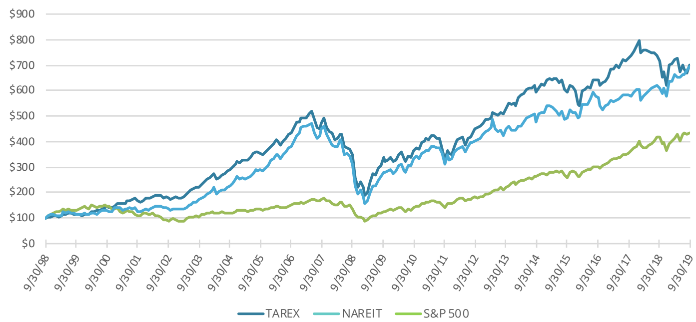
As the Fund enters its twenty-first year of operations, the absolute performance has remained above its long-term average so far this year. It has, however, trailed the aforementioned index on a relative basis year-to-date. This variance is largely due to the Fund having greater exposure to real estate operating companies (which tend to retain capital and self-finance the expansion of their enterprises) as opposed to real estate investment trusts (that distribute the vast majority of their cash flow as dividends and are largely reliant upon the capital markets to finance investment).

While real estate investment trusts, or "REITs", tend to outperform in periods of declining interest rates given their dividend appeal (e.g., 2019), Fund Management remains mindful of the prevailing valuations for these more interest-rate sensitive securities when viewed with a longer-term perspective in mind. For instance, US-based REITs are currently priced at more than 25 times free cash flow – a level that has seldom been reached previously. As a result, Fund Management remains cautious of these more widely-held real estate securities, instead electing to concentrate around a select set of holdings that seem to be priced at much more conservative valuations within a historical context—both within the US and overseas.

Recognizing that performance can fluctuate from quarter to quarter, Fund Management believes that its long-term results are a more relevant measure of performance. To wit, since the Fund's inception in September 1998, it has earned an annualized return of +9.68%. As highlighted in the following chart, this performance indicates an initial investment of $100,000 in the Third Avenue Real Estate Value Fund would have a market value of nearly $700,000 as of September, 30 2019 (assuming distributions had been reinvested), or approximately 60% more than the same $100,000 would be worth had it been placed into a passive fund tracking the S&P 500 and held over the same time period.

Value of $100K Since September 1998[2]

As of September 30, 2019



Fund Activity

In a quarter when WeWork's attempted Initial Public Offering captivated the attention of most industry participants, Fund Management found more pragmatic opportunities elsewhere. Of particular relevance, the Fund initiated a position in the common stocks of two companies that have recently completed "bolt-on" acquisitions with significant strategic merit, thereby creating a unique path for value creation in the years ahead (Colony Capital and Grainger plc). The Fund also capitalized on volatility in Asia to enhance its positioning within Singapore and Hong Kong. This was primarily accomplished by adding the common stock of a company that controls one of the premier portfolios in those high-barrier-to-entry markets (HongKong Land).

Colony Capital ("Colony") is a US-based REIT that was founded by Tom Barrack in 1991 as a value-oriented investment firm to capitalize on real estate-related opportunities emanating out of the savings-and-loan crisis. After early success, the company expanded

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

2 Hypothetical investment since Fund inception Sept 17,1998.

its platform to take advantage of other dislocations globally, seizing on contrarian opportunities in Europe and Asia in the 1990's and 2000's, as well as in the US residential markets within the past decade. As a result, Colony is one of the largest real estate investment firms today with more than $40 billion of assets under management—primarily comprised of a diversified set of holdings including industrial real estate, healthcare properties, hotels, data centers, credit, and certain energy investments.

While the company has an enviable longer-term track record, Colony has spent the past few years working through a challenging period following its tri-party merger with Northstar Realty and Northstar Asset Management in 2017. The repositioning process following this combination gathered speed over the past year with Barrack returning to the CEO role in 2018. Since that time, Colony has accelerated the disposition of non-core assets, reduced debt levels, cut excess overhead, and made strategic investments in new platforms including the recent acquisition of Digital Bridge—a well-respected investment firm run by Marc Ganzi, that is focused on digital real estate assets such as data centers, cell towers, and fiber networks.

Through the combination of these initiatives, as well as the $1.4 billion of expected proceeds from its anticipated dispositions of its industrial real estate portfolio and publicly-listed European investment platform, Colony will have (i) vastly enhanced its financial position with a net-debt-to-asset ratio below 40% (that is primarily comprised of non-recourse property specific debt) and (ii) largely refocused itself as one of the leading investment platforms within the rapidly growing niche of digital real estate. As a result, it is Fund Management' view that these efforts should serve to close the discount that Colony common currently trades at relative to conservative estimates of its Net-Asset Value ("NAV") and potentially position the company to increase its NAV at a low double-digit rate by further scaling its leading position in the digital real estate space over time.

Grainger plc ("Grainger") is a UK-based real estate operating company that controls one of the largest residential-rental portfolios in the country. Having been publicly-listed since 1983, Grainger has undertaken a significant strategic transformation after Helen Gordon was appointed CEO in 2015. Since that time, Gordon has divested non-core businesses (e.g., German residential, reverse mortgages, et al) and acutely focused Grainger as the leading player in the burgeoning private-rental sector ("PRS") within the UK. As a result, the company's assets are currently comprised of 4,900 market-rate rental units that are approximately 98% leased and primarily concentrated in the London area and Southeast England, as well as a portfolio of nearly 3,000 rent-regulated units (that have been acquired over the company's long-history and are essentially fully-occupied).

In addition, Grainger was selected by the Transport for London ("TfL") as its joint-venture partner to oversee the build-out of more than 3,000 PRS units on seven underutilized sites adjacent to TfL stations in the London area. After factoring in these units (where Grainger will have a 51% stake in the projects), alongside its late-2018 acquisition of the "GRIP" portfolio, Grainger has assembled a development pipeline that can accommodate more than 8,000 additional PRS units at its pro-rata share.

While Grainger common is currently trading at a discount to a conservative estimate of NAV amidst the ambiguity of "Brexit", it is Fund Management's view that the company is well-capitalized (i.e., a loan-to-value ratio below 40% with substantial retained earnings) and positioned to withstand any reasonable worst case market dislocations that could result from a UK-EU split. Further, it seems likely that Grainger will be able to increase its NAV over the next three to five years as it (i) boosts rents at its PRS assets given modest in-place rates, (ii) recaptures 6-7% of its regulated units per year which can be sold (or re-leased) at market rates, and (iii) undertakes measured, but profitable, development activity that could add more than 500 units per year to the company's portfolio. Should such a scenario occur and not serve to improve the existing valuation, it is not inconceivable that a strategic buyer would pay a premium for Grainger's platform given the institutional interest in PRS and opportunity to further consolidate the sector (only 3% of UK rental properties are institutionally owned).

The Fund also reduced its exposure to Hong Kong-based investments during the quarter. For more than a decade, the Fund has held significant investments in a select set of Hong Kong-based real estate operating companies with the view that these issuers represent amongst the best opportunities for long-term value investors in real estate securities—or what Third Avenue's late founder Marty Whitman referred to as "net-nets on steroids." To wit, the primary holdings in the Fund (i.e., CK Asset Holdings, Wheelock & Co., Henderson Land, and Wharf Inc.) are: (i) incredibly well-capitalized, (ii) run by accomplished and aligned control groups, (iii) trading at substantial discounts to very conservative estimates of Net-Asset Value, and (iv) seem positioned to compound capital at attractive rates over time. Moreover, the founding shareholders are in the process of handing over the reins to the next generation of leadership who seem to be more focused on surfacing value through streamlining diversified business units, further improving capital allocation policies, and enhancing disclosure and corporate governance.

Notwithstanding the significant opportunity, Fund Management has historically managed the Fund's allocations to Hong Kong within a band of 15-25% of the net assets due to (i) self-imposed guidelines limiting the amount of capital that can be invested in any single market outside of the US to 25% or less and (ii) a general recognition that Hong Kong security prices can be more volatile than other developed markets due to the lack of an active mergers and acquisitions market since most businesses are family controlled.

Due to strong appreciation in the Hong Kong-based holdings in the early part of the year, as well as initial signs of unrest in the region amidst the Extradition bill that was put forth in May 2019, Fund Management elected to reduce its exposure to the lower-end of the band during the period. This was primarily accomplished by exiting positions in the common stock of Sun Hung Kai Properties and Sino Land but also included trimming back other holdings. While this portfolio management decision did alleviate some of the market volatility experienced during the quarter, the Fund did not sidestep the events entirely.

It is, however, our view that the unrest will ultimately settle with the Extradition Bill having been withdrawn and the potential resolution of other issues in the months ahead. Nevertheless, it should be acknowledged that this recent set of events has shined a spotlight on a trend that Fund Management has been witnessing from our on-the-ground visits for a numbers of years: an increasing integration of Mainland China and Hong Kong. This backdrop is the primary reason the Fund has hedged the exposure to the Hong Kong Dollar for a number of years (despite the peg to the US Dollar) as well as underwritten property companies to more conservative asset values than those suggested by recent transactions (which had been elevated due to an accelerated amount of purchase activity from Mainland Chinese buyers and enterprises).

It is Fund Management's view that Hong Kong will remain a key financial center and the critical hub for China to access the global financial markets under the "One Country-Two Systems" framework. Further, increasing ties with mainland China (and enhanced transportation access) are likely to lead to further population growth in the region. In particular, the New Territories seem poised to be developed at an accelerated pace as it is further integrated into the Greater Bay area of Southeast China (e.g., the Guandong-Hong Kong-Macau area). This could propel development activity for a number of real estate enterprises, including the Fund's holdings which control strategic land banks that seem suitable to accommodate this urbanization—an initiative which is likely to be pushed forward in an effort to increase supply.

Fund Management is also of the view that the recent set of events are likely to influence multi-nationals as they evaluate their presence within Asia in the years ahead. In particular, TAMI enterprises (e.g., Technology, Advertising, Media & Information) are increasingly looking to Singapore as they establish their primary headquarters within the region. It seems as if this trend will continue given recent circumstances. As outlined in a letter earlier this year, the Fund established a position in the common stock of City Developments, which is a leading owner of commercial properties in Singapore and one of the largest residential developers—making it a company that seems likely to benefit over the medium-term. The Fund also capitalized on volatility in the latter part of the quarter to establish a position in the common stock of a company with marquee holdings in both Singapore and Hong Kong.

Founded in 1889, **HongKong Land Holdings** Ltd. ("HongKong Land") is a real estate operating company that is based in Singapore and 51% owned by the Jardine Matheson Group (a separately-listed conglomerate in Southeast Asia). Previously held in the Fund, the company controls one of the most valuable privately-held commercial real estate portfolios globally with more than 8 million square feet of highly-leased commercial properties throughout Asia, as well as a development pipeline that can accommodate more than 5 million square feet of commercial and residential properties. The company's key assets, though, are comprised of its holdings in Hong Kong and Singapore that have been assembled over many decades and today include (i) 5 million square feet of contiguous office, retail, and hotel properties in the central sub-market of Hong Kong that are controlled under 999-year ground leases and (ii) nearly 2 million square feet of office and retail space in Singapore that is predominantly located in the premier Marina Bay district and fee-owned.

Alongside its high-quality assets, HongKong Land is also conservatively financed with a net-debt to asset ratio below 20%, a well-laddered maturity schedule, and more than $500 million USD of free cash flow per year that it retains to self-finance its development activities on a leverage neutral basis. Despite this, though, HongKong Land common stock is currently trading at a 70% discount to its appraised Net-Asset Value (international companies reporting to IFRS standards conduct semi-annual appraisals on investment properties). While not unprecedented, this is a level that has only been reached twice in the past 25 years (i.e., Asian Financial Crisis in 1997 and the Global Financial Crisis in 2009).

Similar to these other periods, the near-term outlook for HongKong Land isn't without challenges. In particular, the previously outlined unrest in Hong Kong has led to a sharp drop off in business activity over recent months. Rarely does good news accompany such discounted prices, however, and it is Fund Management's view that HongKong Land is well-positioned to withstand any reasonable worst-case setbacks given its highly-leased portfolio, conservative debt levels, and limited amounts of supply in its core markets. Further, the Fund's basis in HongKong Land common seems to provide a substantial margin of safety having been purchased at more than a 50% discount to the private market value of its irreplaceable assets (i.e., a "cap rate" in excess of 7.0%).

In addition to these adjustments, the Fund also reduced certain positions during the quarter due to appreciation including the common stock of Brookfield Asset Management, Lennar Corp., Berkeley Group, Segro plc, Lowe's Companies, and Fidelity National Financial. The Fund also renewed its hedge on the underlying Hong Kong Dollar exposure, as well as implemented hedges relating to the Fund's exposure to the British Pound and Singapore Dollar in an effort to guard against outsized currency fluctuations.

Fund Positioning

After incorporating the activity outlined above, the Fund ended the quarter with 54.4% of its capital invested in property companies that are involved in long-term wealth creation. These holdings are largely capitalizing on the further densification of key urban corridors and primarily include: Brookfield Asset Management, CK Asset Holdings, Berkeley Group, Henderson Land, Wheelock & Co., JBG Smith Properties, City Developments, and Derwent London. Each of these enterprises represents a "modern-value" investment. Put otherwise, these issuers are very well-capitalized, their securities trade at a discount to our estimate of NAV, and seem capable of increasing NAV by a low double-digit rate (including dividends)—primarily through the further appreciation in the value of the underlying assets, by undertaking additional development and redevelopment activities, as well as making opportunistic acquisitions.

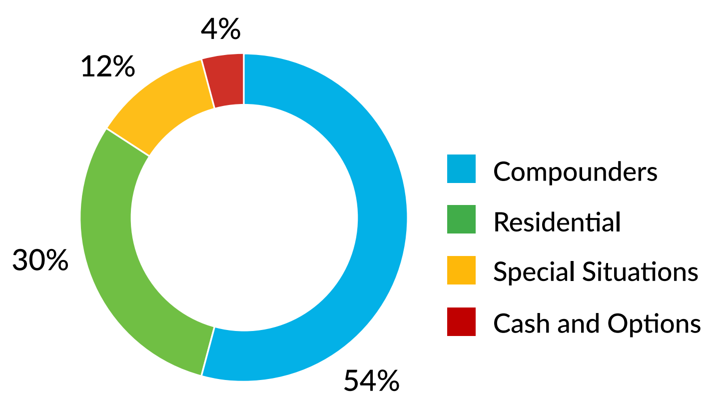
The Fund also has 29.9% of its capital invested in real estate-related businesses, most of which have strong ties to the US residential markets, such as timberlands (Weyerhaeuser & Rayonier), land development (Five Point), homebuilding (Lennar Corp), title insurance (FNF Group), moving and storage (Amerco), and home improvement (Lowe's). All of these businesses seem poised to benefit from a continued recovery in housing fundamentals.

An additional 11.6% of the Fund's capital is invested in special situations such as: Macerich and Trinity Place Holdings in the US; Capital & Counties plc and Intu Properties plc convertible bonds in the UK; and Wharf Holdings in Hong Kong.

The remaining 4.1% of the Fund's capital is in cash & equivalents (e.g., short-term US Treasuries). The Fund also has certain hedges in place, primarily relating to its currency exposure as well as the top holding in the Fund (Lennar Corp.).

Asset Allocation as of September 30, 2019

(allocations subject to change)



Fund Commentary

As Robert Rubin emphasized in his highly-regarded autobiography "In an Uncertain World: Tough Choices from Wall Street to Washington," there are no certainties in life. Instead, we deal in a world of probabilities.

Fund Management has long adhered to this view and believes that the probability of value being surfaced in a number of long-held investments in the portfolio are significantly greater than in previous periods. This is largely due to recent fundamental developments in certain key areas of the Fund including its:

1. UK-based holdings, where the Fund has gradually been increasing its exposure since the unexpected results of the “Brexit” referendum in 2016. The Fund’s UK investments primarily include a diversified set of best-in-class property companies that are London centric and trading at prices that represent nearly decade low levels when viewed on a price-to-book basis. While fundamentals have generally remained sound, further clarity on the framework for the UK’s departure from the European Union in the period ahead would likely spur consumer confidence and corporate investment, which has been depressed, as well as lead to an improvement in valuations through public-market recognition or private-market transactions for these impossible-to-replicate platforms and portfolios.

2. US-based development holdings, including the common stock of Five Point and Trinity Place. In the fourth quarter of this year, Five Point is expected to sell residential lots at its master planned community in Valencia, CA for the first time in more than 10 years. These lots are likely to be in high demand by homebuilders given the lack of inventory in Los Angeles County and should highlight the value of the company’s extensive land holdings in Coastal California. Final approvals of the first phase of the redevelopment of the former Candlestick Park site, also anticipated in the fourth quarter, would be well-received. Trinity Place is in the final stages of delivering an elementary school to New York City, which was developed as the base of its 77 Greenwich Project in lower Manhattan. In conjunction with the building “topping out,” the company has also launched sales for the 90 residential units that should prove be quite profitable despite the more competitive residential market in Manhattan given the unique offering and the company’s very-low land basis (less than $150 per buildable square foot).

3. US-based timber holdings, which are primarily comprised of the common stock of Weyerhaeuser and Rayonier. Held in the fund for a number of years, the recent acceleration in residential construction activity has resulted in US home starts surpassing 1.35 million for the first time since 2007 and permits have surpassed 1.4 million—signaling greater activity ahead. At the same time, more than 2 billion board feet of lumber capacity has been taken off-line with recent mill closures in British Columbia, while more than 3 billion board feet of lumber capacity is being added in the US South. As a result, it seems as if demand for Southern Yellow Pine (SYP) saw logs is likely to increase and could create price tension in certain proximate US wood baskets. This would be a positive outcome for timber owners with well-located tracts in the region, such as Weyerhaeuser and Rayonier, as the prices for SYP saw logs have remained around multi-decade low levels since construction activity dropped below the 1.3 million mark in 2008 and would serve to increase cash flows on an asymmetric basis given the predominantly fixed-cost nature of the timber business.

Recognizing that the world is indeed uncertain (and that developments such as these may not always materialize in the anticipated timeframes), Fund Management has always been of the view that it is more prudent to risk time than capital. With that foundation, the Third Avenue Real Estate Value Fund’s capital will continue to be invested in businesses that have bottom-up, fundamental drivers working in their favor and restrict investments in common stocks to businesses that are (i) well-capitalized positioning them to better withstand inevitable market setbacks and (ii) have securities that trade at discounts to conservative estimates of NAV, underpinned by durable values that seem likely to persist (or even appreciate) over time.

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 21, 2019

September 30, 2019

FUND PERFORMANCE

As of 9/30/19	3 mo.	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date
Third Avenue Real Estate Value Fund (Institutional Class)	0.18%	-2.40%	2.91%	3.34%	7.65%	9.69%	9/17/1998
Third Avenue Real Estate Value Fund (Investor Class)	0.11%	-2.63%	2.64%	3.08%	N/A	7.56%	12/31/2009

TOP TEN HOLDINGS

	% of Portfolio
Lennar Corp.	6.3%
Brookfield Asset Management, Inc.	5.8%
Five Point Holdings, LLC, Class A	5.2%
Weyerhaeuser Co.	5.0%
CK Asset Holdings Ltd.	4.9%
Rayonier, Inc.	4.4%
JBG Smith Properties	4.3%
Berkeley Group Holdings PLC	3.8%
Wheelock & Co. Ltd.	3.8%
Segro PLC	3.7%
Total	**47.2%**

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 1.12%, 1.41% and 1.03%, respectively, as of March 1, 2019. 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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