REAL ESTATE VALUE FUND

AS OF MARCH 31, 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 quarter ended March 31, 2020 and hope that this letter finds you (and those close to you) well during these unprecedented times. Our thoughts are with all of those that have been impacted by recent events.

This period was undoubtedly one of the most demanding in the Fund's twenty-plus year history amidst the onset of the Covid-19 pandemic. Notwithstanding, Fund Management's well-established process was designed to navigate through market conditions such as these, and the Firm's business continuity plan has allowed its operational capabilities to remain uninterrupted to date.

Further, it is our view that a focus on very well-capitalized property companies leaves the portfolio holdings well-placed in a turbulent time like this, and periods of market volatility have historically provided opportunities to establish positions in high-quality real estate franchises at prices that would ordinarily not be available (please see ensuing Activity section).

PERFORMANCE

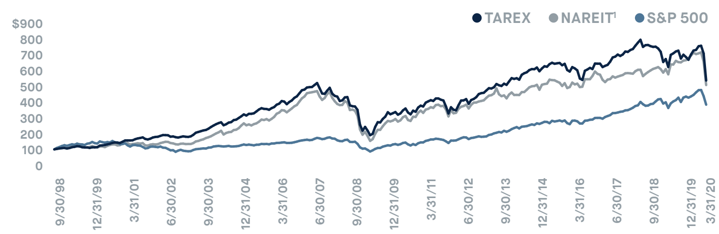
Through the first quarter of the 2020 calendar year, the Fund generated a return of -28.83% versus -28.34% (before fees) for the Fund's most relevant benchmark, the FTSE EPRA NAREIT Developed Index.[1] While a privatization bid surfaced value at one of the Fund's core holdings (Wheelock & Co.), prices for the vast majority of the Fund's holdings were adversely impacted during the quarter.

In challenging conditions like these, it seems as if asset allocation decisions for the vast majority of market participants are driven by the near-term outlook for the underlying securities (irrespective of price). On the other hand, the Third Avenue Real Estate Value Fund's approach to asset allocation has always been based upon the price-to-value proposition for a security after carefully studying an issuer's quality of resources, quantity of resources, creditworthiness, and long-term wealth creation potential. It has therefore been our experience that the Fund is best served by embracing moments such as these, while taking measured steps to further enhance the Fund's long-term positioning.

By adhering to Third Avenue's bottom-up, fundamental value approach to investing in real estate securities, the Fund has generated an annualized return of +8.09% since its inception in 1998. As highlighted in the following chart, this performance indicates that an initial investment of $100,000 in the Third Avenue Real Estate Value Fund would have a market value in excess of $500,000 (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 March 31, 2020



ACTIVITY

At the present time, there are some very complex questions being posed for real estate. Will tenants pay rent amid a government forced shutdown? If not, will property owners be reimbursed for the business interruption and lenders agree to forbearance? Once the shutdown ends, will employees return to offices or continue to utilize vastly enhanced remote working capabilities? Will certain retail and hospitality businesses ever recover after being shut down in the span of weeks?

These are very serious issues that are currently being addressed by business leaders, politicians, and real estate enterprises worldwide. Frankly, these aren't the types of matters that many have been forced to address in the United States since the tragic events of 9/11 or abroad since the SARS epidemic in 2002-2003.

Similar to those times, Fund Management has taken a cautious approach to formulating a view on the longer-lasting implications of this still evolving situation but "signs off" that: (i) the unprecedented moves that have been taken to stem the

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.**

spread of the virus (e.g. "stay at home orders") will have a sharp economic impact globally, (ii) those mitigation efforts—along with significant advancements in modern medicine and treatment—will likely prevent the devastation experienced during pandemics in previous eras, and (iii) the substantial monetary and fiscal responses being implemented are likely to stabilize commerce and the broader capital markets without compromising the prospects for long-term economic prosperity.

It would be short-sighted, however, to believe that conditions will ever return to the prior status quo given the magnitude of the shock. As Martin Wolf recently noted in the Financial Times: "History accelerates in crises. This pandemic may not itself transform the world, but it can accelerate changes already underway." Fund Management concurs and is of the view that the following four trends will accelerate in the real estate space over the medium-term:

1. **Access to capital will be paramount:** The current economic shock has created more of a liquidity crisis (as opposed to a solvency crisis). Therefore, real estate companies that are incredibly well-capitalized and control durable assets or franchises are likely to emerge from this stronger (and potentially more valuable) as conditions stabilize over time. Further, those with excess capital (e.g., Brookfield Asset Management, CK Asset, Berkeley Group, Derwent London, et al) will be able make value-enhancing acquisitions and capital infusions into some of the hardest-hit property types (such as hotels, gaming, senior housing, and experiential retail) as well as by credit-enhancing less credit-worthy property owners.

2. **A further bifurcation between property types:** Unlike the "great recession", when most traditional property types (and metropolitan areas) struggled at the same time, it seems as if there will be more winners and losers from this crisis as time unfolds. For instance, pressure is unlikely to abate for retail real estate that doesn't offer a value or convenience proposition. This will likely work to the benefit of logistic facilities that support e-commerce activities. Along similar lines, office properties could experience structurally more demand as tenants integrate "social distancing" protocols across their footprints and emphasize resiliency over efficiency.

3. **Cap Rates (or initial yields) for institutional-quality real estate are likely to decline further.** At the same time that government bond yields have reached record low levels, the implied cap rates for highly-leased and generally very-stable cash flow property types (such as class-A office, self-storage, and multi-family properties) have increased in the public markets to levels that represent 6-11% cap rates—or nearly 5-10% premiums to "risk-free" rates. This is a historically wide level and one that is unlikely to persist in duration for well-located assets with inherent inflation protection.

4. **There will be an even greater emphasis on one's home:** With the vast majority of families spending an unanticipated amount of time within their residences, it would be hard to imagine a wave of home improvement spending not materializing as "DIY" projects take greater importance. Further, the millennial generation (the largest cohort in history that is estimated to include 75 million in the US) is in the early stages of encountering life events that trigger needs for larger accommodations (such as marriage or children). As a result, there could very well be a step change in families seeking out more space through a single-family-for-rent model (as opposed to outright ownership) with an emphasis on master planned communities that offer desired amenities within a contained environment.

With these views in mind, Fund Management has by-and-large been operating within a framework that it has utilized in past periods of heightened volatility. To wit, the Fund actively recycled capital from issuers where the wealth-creation potential seems more uncertain (City Developments, Macerich Co., Colony Capital) to the common stock of enterprises that seem to have a more favorable risk-adjusted return profile over the long-term (ProLogis, Big Yellow, Essex Properties, and Lowe's).

ProLogis is a US-based Real Estate Investment Trust ("REIT") that is the largest owner of modern logistic facilities with a platform of more than 800 million square feet globally. Previously held in the Fund, the company's portfolio is more than 96.0% leased (on an average lease term in excess of 6.0 years) and primarily located in key urban markets and trade hubs in North America, Europe, and Asia--essentially acting as critical infrastructure for supply chains in developed markets. At the same time, the company is extremely well-capitalized with a net debt to asset ratio below 25%, a fixed-charge coverage ratio in excess of nine times, and more than $5 billion of liquidity. Therefore, ProLogis seems well-suited to deal with a contraction in near-term activity but ideally placed to benefit from structurally higher levels of demand for strategic distribution facilities given a continued rise in e-commerce, modernizing supply chains, and the "on-shoring" of manufacturing over the long-term.

Big Yellow is a UK-based REIT that owns and operates a portfolio of 75 London-focused self-storage facilities spanning 4.5 million square feet of total space. As the largest operator in a market that is earlier in its adoption cycle of self-storage than the US, Big Yellow faces limited competition and enjoys the benefits of scale as users increasingly seek out availability through online intermediaries. Given the lack of available warehouse space in London, Big Yellow has a greater amount of business users than US-based owners which may make it more susceptible to an economic contraction in the near-term. The company is, however, remarkably well-financed with a net debt to asset ratio below 20%, a fixed-charge coverage ratio of more than 8.0 times, and limited capital commitments. When taking a longer-term view, Big Yellow seems to have a substantial opportunity to increase its cash flows by boosting its occupancy rate (currently at 83%) and activating select development sites which could accommodate more than 1 million square feet of additional properties. The company would also seem to be an attractive acquisition candidate for a strategic or financial buyer attempting to enter the UK market.

Essex Property Trust ("Essex") is a US-based REIT that owns a high-quality portfolio of 250 multifamily communities (with more than 60,000 units) that have been assembled over the better part of five decades and are primarily located in California and Washington. Based upon our experience, it is incredibly challenging to build new product in the company's core markets (despite constant rhetoric of increasing supply), which makes existing assets like those owned by Essex perpetually underappreciated. While it seems that the company's occupancy and rental rates will be pressured in the near-term, the company maintains a super-strong balance sheet with a net debt to asset ratio of 25%, a high fixed-charge coverage rate of 5.0 times, and more than $200 million of annual retained cash flow (after dividends). Therefore, Essex could very well have an opportunity to deploy capital in value-enhancing investments (as it has done in other market dislocations), and the company's portfolio is likely to maintain its value over the long-term given the appeal of its sub-markets and the economic underpinnings of their greater metropolitan areas (e.g., San Francisco, Los Angeles, San Diego, et al).

Lowe's is a multi-channel US-based home improvement retailer with approximately 2,200 stores throughout North America (more than 80% of which are owned). Held in the Fund before, the company continues to have a near duopoly position in the home improvement market (alongside Home Depot), which seems to be much-more internet resistant than other retail channels alongside significantly higher barriers-to-entry. While home improvement spending could very well pause aside higher levels of unemployment, Lowe's is incredibly well-capitalized with a net debt to asset ratio below 25%, a fixed-charge coverage ratio in excess of 8.0 times, and more than $10 billion of liquidity. As a result, it is not inconceivable that Lowe's will continue to utilize its substantial free cash flow to further reduce its share count (nearly 50% of the shares have been retired over the past 10 years) while also strategically investing in its "professional customer" offering where there is a substantial opportunity to take further market share and make its existing store network more profitable (the professional customer accounts for 50% of the $900 billion market annually but only 20% of Lowe's sales).

In addition to establishing these new positions, the Fund also exited positions where recent capital allocation decisions fundamentally changed the investment thesis (HongKong Land and Howard Hughes Corp.) and redirected the capital into existing holdings where the long-term thesis remained intact and the price-to-value proposition had become even more compelling (Vornado Realty Trust, Public Storage, Grainger plc, and Patrizia Immobilien).

POSITIONING

After incorporating the aforementioned activity, the Fund ended the quarter with approximately 52% of its capital invested in **Commercial Real Estate** enterprises that are involved in long-term wealth creation. These holdings are largely capitalizing on the further densification of key urban corridors as well as other secular trends within property and primarily include: CK Asset Holdings, JBG Smith Properties, Wheelock & Co., Vornado Realty Trust, Henderson Land, Derwent London, ProLogis, Segro plc, St. Modwen plc, Public Storage and Big Yellow. 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 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 making opportunistic acquisitions.

The Fund also has 31% of its capital invested in **Residential Real Estate** companies with strong ties to the US and UK residential markets, where there are significant supply deficits after years of under-building. In these markets, there is likely to be substantial demand for new product at an affordable price point over time (both for-sale and for-rent). As a result, these holdings seem poised to benefit from an eventual recovery in residential construction, sales, and ancillary activities to more normalized levels. 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), moving and storage (U-Haul), and multi-family ownership and development (Essex Properties and Grainger plc).

An additional 13% 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) and title insurance (FNF Group).

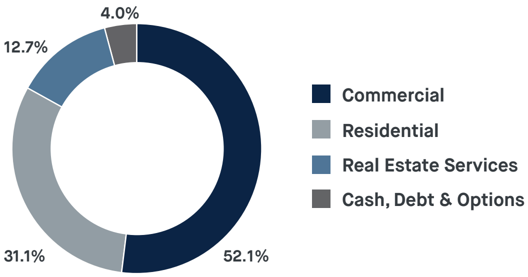
The remaining 4% of the Fund's capital is in **Cash & Debt Securities** (e.g., Intu Convertible Notes). The Fund also has certain hedges in place, primarily relating to its foreign currency exposures (British Pound and Hong Kong Dollar).

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 MARCH 31, 2020

(allocations subject to change)

BY BUSINESS TYPE



BY GEOGRAPHY

BY STRATEGY

FUND COMMENTARY

Entering the second quarter of 2020, the Fund is largely comprised of common stocks representing ownership positions in some of the most well-capitalized and strategic real estate enterprises globally. It is also nearly "fully-invested" for the first time since the beginning of 2016. Similar to then, the near-term outlook is undoubtedly bleak, but the securities of these high-quality issuers can be purchased at material discounts to what a control-buyer would likely pay for these hard-to-replicate portfolios and franchises in a negotiated transaction. In fact, the Fund's holdings currently trade at more than a 30% discount to our conservative estimates of NAV (when viewed in the aggregate). This disconnect seems substantial and has only been exceeded in one other period in recent time: the Great Recession of 2008-2009 (see chart below).

HISTORICAL DISCOUNT TO NAV

Source: Third Avenue Estimates.

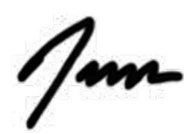
At Third Avenue, we have long believed that it is nearly impossible to "pick a bottom" but that a well-financed, well-managed company can withstand a difficult environment—and that the price of its securities will eventually reflect its intrinsic value (either through public market recognition or a private market transaction). Further, the larger the discount at which a security can be purchased from its NAV, the more compelling is one's basis, and the greater the capital appreciation potential.

For this reason, Fund Management has recently added to its personal investment in the Fund and believes other like-minded and long-term investors should also consider the opportunity. While we recognize that security prices can certainly drift lower from here, the chance to buy into highly sought after and hard-to-replicate real estate at deeply-discounted prices seems unlikely to last into perpetuity (e.g., class-A office portfolios at 10% cap rates, highly-productive timberlands at $1,200 per acre, and well-located residential lots at $10,000 per site).

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: April 8, 2020

REAL ESTATE VALUE FUND

THIRD AVENUE MANAGEMENT

AS OF MARCH 31, 2020

INSTITUTIONAL: TAREX | INVESTOR: TVRVX | Z: TARZX

FUND PERFORMANCE

As of March 31, 2020

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Real Estate Value Fund (Inst. Class)	-28.83%	-25.57%	-7.95%	-3.55%	4.44%	8.10%	9/17/1998
Third Ave Real Estate Value Fund (Inv. Class)	-28.89%	-25.79%	-8.19%	-3.80%	4.18%	4.39%	12/31/2009
Third Ave Real Estate Value Fund (Z Class)	-28.79%	-25.51%	N/A	N/A	N/A	-14.74%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAREX
Wheelock & Co. Ltd.	7.4%
Brookfield Asset Management, Inc.	7.0%
Five Point Holdings, LLC, Class A	6.2%
JBG Smith Properties	5.8%
Lennar Corp.	5.6%
CK Asset Holdings, Ltd.	5.4%
Derwent London PLC	4.7%
Berkeley Group Holdings PLC	4.4%
Prologis, Inc.	4.4%
Rayonier, Inc.	4.2%
Total	**55.1%**

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 1.05%, 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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