THIRD AVENUE MANAGEMENT

THIRD AVENUE SMALL-CAP VALUE FUND

Portfolio Manager Commentary

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

September 30, 2019

Victor Cunningham, CFA | Portfolio Manager

Dear Fellow Shareholders,

For the third quarter ending September 30, 2019, the Third Avenue Small-Cap Value Fund (the "Fund") returned 1.2%, outperforming the Russell 2000 Value Index (the "Index"), which declined 0.6% percent. Year to date, the Fund continued to outperform with a return of 15.3% versus the Index, which returned 12.8%. Noteworthy to mention, the runaway sector leader for the Index is technology, rising 25% year to date. Given the rich valuations of technology companies, the Fund has had limited exposure to technology over the last few years. We remain optimistic that a change in investor sentiment toward technology companies could be a promising tailwind for the Fund. In recent months we have seen some unicorns turning into pumpkins and wonder if perhaps the exuberance for technology stocks is in the early stages of unwinding.

Visteon's position size in the Fund was significantly boosted in 2Q 2019 after a severe decline in its share price. Fund shareholders were quickly rewarded as it rose 40% in 3Q 2019 and was a key driver of positive portfolio performance despite the Index declining. Concentrating a position when it is being indiscriminately sold and trading at a substantial discount to net-asset value (NAV) estimates is a key component of the Third Avenue approach.

The aggregate portfolio discount to our mid-case, conservative NAV was 14.2% at quarter-end, down in-line with the positive performance during the quarter.

Activity

Activity was typical for the Fund during the third quarter- one position was added (Cooper Tire and Rubber) and two were eliminated (Sanderson Farms and AdvanSix).

Cooper Tire and Rubber (CTB) was held by the Fund five years ago. Fund management is familiar with the company and attracted to its balance sheet and pure-play replacement tire business model. The valuation hit multiyear lows in the third quarter, which inspired us to revisit the investment case. Similar to Sanderson Farms outlined below, it met Fund Management's criteria of a well-capitalized company that was being thrown away by investors for short-term fixable problems. CTB management has made strategic decisions to scale out of struggling businesses such as private label and invest in branded products and international operations. Although the initiatives have put pressure on near-term operating results, CTB is already experiencing signs that the investments are paying off, especially in improving branded products. Unlike most auto-suppliers that are deeply cyclical, CTB's commitment to the replacement business provides the company with a more predictable return profile. CTB has prudently built book value over time thanks to a thoughtful capital plan, while maintaining a strong balance sheet. We are optimistic that the near-term headwinds will fade in 2020, which should change the narrative surrounding the company. Given the strong balance sheet, we will patiently wait for the thesis to play out.

Sanderson was a standard time-arbitrage investment that reached our NAV estimate. It was well-capitalized and managed, but deeply out of favor when the position was initiated. Our timing on the purchase could not have been better and it generated handsome long-term capital returns for fund shareholders during the ownership period. With time-arbitrage positions, our sell discipline is strict. Once the valuation reaches its NAV estimate, the position is eliminated so the capital can be recycled into other out-of-favor areas. Some investment experiences are less stressful than others, and the Sanderson investment was pleasant. Paying the right price covers up many ills.

Conversely, AdvanSix was eliminated after losing conviction in the investment thesis. When the investment was initiated, key elements of the thesis included capital allocation opportunities, balance sheet strength, and low-cost producer operations. Over the course of the Fund's holding period, Fund Management lost confidence in these elements as we monitored an increase in leverage alongside capital allocations we considered to be suboptimal, and our views regarding the company's low-cost positioning changed.

Positioning

There were 30 positions in the Fund at quarter-end, down from 31 at June 30, 2019. This is within the range the Fund intends to hold. Cash stands at 2%.

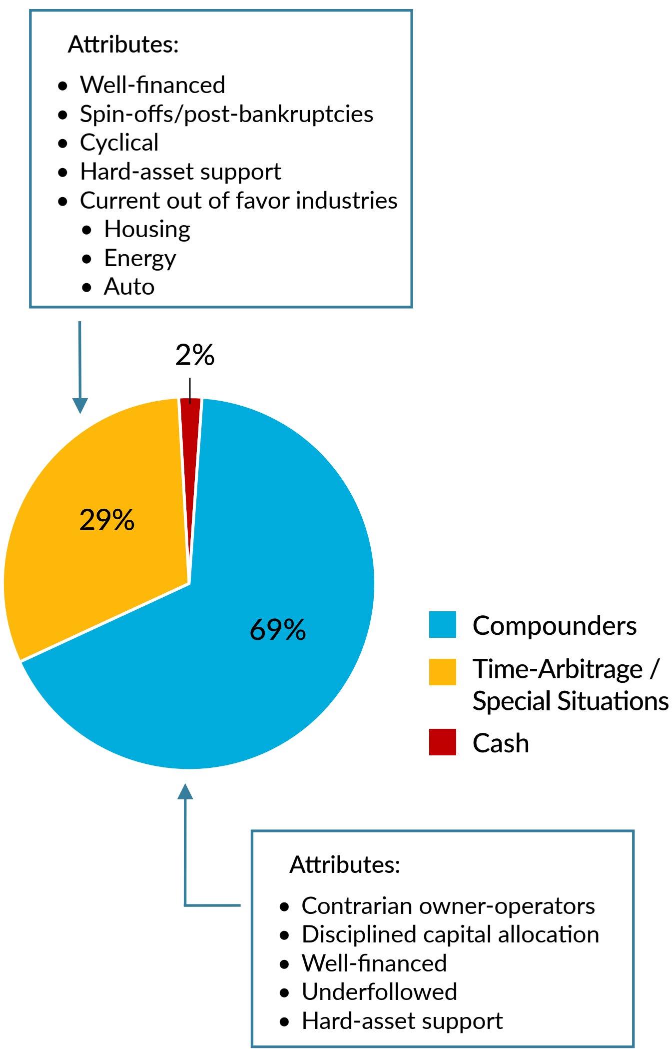
The Fund's holdings are categorized as either long-term compounders or time-arbitrage/special-situation positions. Compounders represent approximately 69% of the portfolio, while time-arbitrage/special-situation positions represent approximately 29%. The percentages moved slightly in the third quarter as the compounder exposure grew given both positions eliminated were time arbitrage/special situations.

Included among the Fund's compounder bucket are Seaboard (conglomerate), MYR Group (engineering and construction firm) and ATN International (infrastructure holding company), where balance sheet strength and prudent capital allocation should allow these companies to compound NAV for many years to come. Financial services companies make up one third of the compounder category.

The time-arbitrage/special-situations bucket is predominantly comprised of energy services companies such as Tidewater and SEACOR Marine, real estate-related holdings such as TRI Pointe and Five Point Holdings, and other out-of-favor, misunderstood companies such as auto supplier CTB. All these companies are cyclical and out of favor currently, but given their strong financial positions, Fund Management believes they have the luxury of time and capital to invest and grow until the clouds dissipate.

The following is a visual breakdown of how Fund Management views the portfolio:

Asset Allocation as of September 30, 2019



Fund Commentary

In September, Michael Burry of Big Short fame gave a Bloomberg interview where he discussed a "passive bubble" and said he felt small-cap value stocks are a good place to find investment opportunities as a result. The interview prompted media fanfare and questions from investors, family and friends. Given the broad interest in the topic, we thought it made sense to discuss our opinions on the subject and review how the Fund is positioned if Burry is right about another bubble.

Fund Management firmly believes you cannot generate satisfactory returns over time by doing what everyone else is doing. The massive asset allocation shift into passive over the past ten years has likely created distortions in the marketplace. In our 4Q 2018 shareholder letter, we expressed concerns about leverage building in small-cap index companies. The problem has escalated in 2019 as mindless index investing is rewarding companies that are accumulating debt. The chart below illustrates the leverage embedded in small-cap indices vs. the Fund.

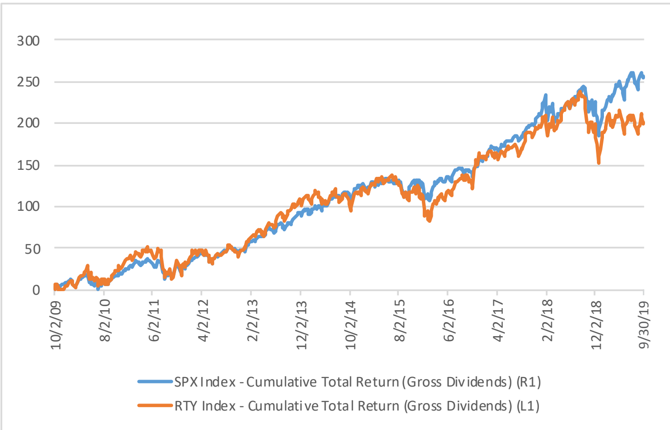
Net Debt to Capital in Small Cap (Weighted Median, Ex Financials)

Source: Russell 2000 Index, RBC U.S. Equity Strategy, S&P Capital IQ/Clarifi, Compustat, Russell; TASCX Source: Factset

In addition to the Fund's lower aggregate net-debt levels, of the 23 non-financial companies in the Fund, seven maintain net-cash positions. The Fund is invested alongside management teams that plan for rainy days and have a contrarian, opportunistic style to take advantage of market downturns while others are running for cover.

Small-cap stocks are also seeing record underperformance versus large caps over the past year. Small caps have been stuck in a range for two years while large caps race ahead. That is odd with little precedent. The chart below shows the distortion quite well.

S&P 500 Index vs. Russell 2000 Index: 10-year total return (%)

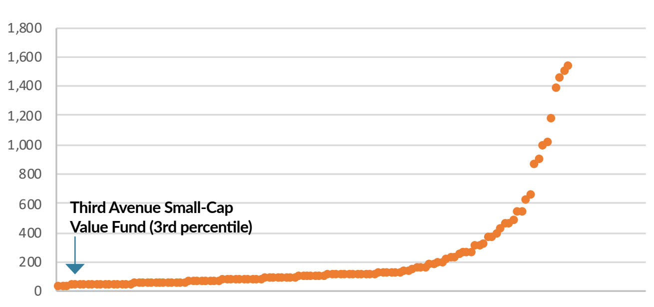


Source: Bloomberg

Fund Management believes a differentiated, concentrated portfolio is the best way to deliver value to our shareholders in the current market environment. The Fund is differentiated by having a balanced approach focused on wealth creation as opposed to earnings generation. At 97.7%, the Fund's active share is approaching 100% and reflects that differentiation. Active share measures the percentage of stock holdings in a portfolio that differs from its benchmark index. The Fund's high active share is not intentional; instead, it is a credit to an investment approach that differs from peers and values companies by focusing on assets and liabilities as opposed to pure earnings. In addition, as highlighted earlier, our tolerance for balance sheet leverage is much lower than that of our peers.

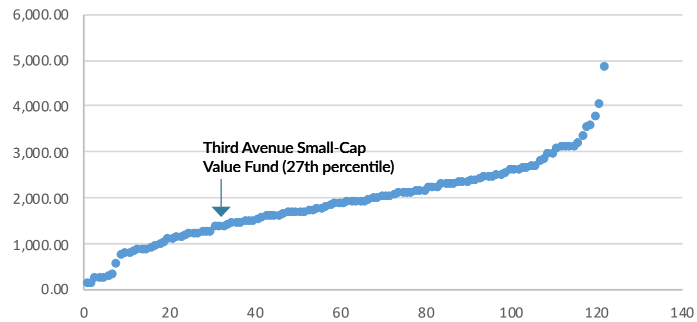
For more detail on the Fund's positioning versus peers, we analyzed the funds in our Small-Cap Value Morningstar category in terms of number of positions and weighted average market cap. The data shows the Fund is more concentrated than peers, and by maintaining a below-average weighted-average market cap, Fund Management is seeking opportunities in less efficient areas of the marketplace.

Peer Group (122 Funds) Number of Holdings



Source: Morningstar

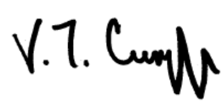
Peer Group (122 Funds) Average Portfolio Market Cap, $ million



Source: Morningstar

In summary, the Fund is not an index fund or a closet indexer. Fund Management favors a niche approach which represents a collection of small-cap companies that might not fit into traditional boxes that lend themselves to indexation, but instead should grow in-line with wealth creation without the aid of index-driven capital flows. Very few companies meet our investment criteria, but when identified, we want to own more rather than less. Given the massive flows into indices, we believe an uncommon investment strategy such as ours is a fruitful path for our shareholders.

We look forward to reporting back to you next quarter. Thank you for your investment in the Small-Cap Value Fund.



Vic Cunningham

IMPORTANT INFORMATION

This publication does not constitute an offer or solicitation of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this publication has been obtained from sources we believe to be reliable, but cannot be guaranteed.

The information in this portfolio manager letter represents the opinions of the portfolio manager(s) and is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed are those of the portfolio manager(s) and may differ from those of other portfolio managers or of the firm as a whole. Also, please note that any discussion of the Fund's holdings, the Fund's performance, and the portfolio manager(s) views are as of September 30, 2019 (except as otherwise stated), and are subject to change without notice. Certain information contained in this letter constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe," or the negatives thereof (such as "may not," "should not," "are not expected to," etc.) or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of any fund may differ materially from those reflected or contemplated in any such forward-looking statement. Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

Date of first use of portfolio manager commentary: October 17, 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 Small-Cap Value Fund (Institutional Class)	1.14%	-4.63%	6.18%	6.70%	8.91%	8.32%	4/1/1997
Third Avenue Small-Cap Value Fund (Investor Class)	1.11%	-4.86%	5.90%	6.44%	N/A	8.57%	12/31/2009

TOP TEN HOLDINGS

TOP TEN HOLDINGS	% of Portfolio
MYR Group, Inc.	6.2%
Customers Bancorp, Inc.	6.0%
ICF International, Inc.	4.9%
Visteon Corp.	4.8%
FTI Consulting, Inc.	4.8%
TRI Pointe Group, Inc.	4.7%
ATN International, Inc.	4.1%
UMB Financial Corp.	4.1%
Seaboard Corp.	3.9%
Tidewater, Inc.	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 1.25%, 1.53% and 1.20%, respectively, as of March 1, 2019. Risks that could negatively impact returns include: fluctuations in currencies versus the US dollar, political/social/economic instability in foreign countries where the Fund invests, lack of diversification, volatility associated with investing in small-cap securities, 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

www.thirdave.com
/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:

622 Third Avenue
New York, NY 10017

212.906.1160
clientservice@thirdave.com