THIRD AVENUE MANAGEMENT

SMALL-CAP VALUE FUND

AS OF JUNE 30, 2020

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

PORTFOLIO MANAGER COMMENTARY

VICTOR CUNNINGHAM, CFA | EVAN STRAIN, CFA

Dear Fellow Shareholders,

We hope you and your loved ones remain safe and healthy as the impacts from the COVID-19 pandemic unfold. It is hard to believe how much has changed in 2020.

The Third Avenue Small-Cap Value Fund (the "Fund") rose 11.41% during the second quarter of 2020 versus 18.91% for the Fund's most relevant benchmark, the Russell 2000 Value Index (the "Index"). On a year-to-date basis as of June 30, 2020, the Fund is down 21.55%, outperforming the Index, which has declined 23.50%. Although the Fund's absolute performance during the quarter was strong, the relative quarterly performance was disappointing.

Liquidity provided by the Federal Reserve, federal government, and high-yield bond investors dominated markets in the second quarter. As a result, our emphasis on downside protection and balance sheet strength was not in vogue during the quarter. Although the liquidity infusion provided a lifeline for many businesses, levered companies will have to face up to their obligations at some point. Fund Management's long-term emphasis on balance sheet strength remains unchanged. Companies with strong balance sheets and contrarian management teams may lose short-term battles, but should win wars. As such, we remain confident in the Fund's long-term positioning.

The Fund's absolute performance was led by its consumer-driven investments, which rose sharply due to the federal stimulus pumped into the economy during the quarter. Cooper Tire & Rubber (up 70%), TRI Pointe Holdings (up 68%), and Visteon Corp. (up 43%) were standout performers. Our energy (Tidewater and SEACOR Marine) and real estate (FRP Holdings and Five Point Holdings) investments diluted the Fund's absolute performance, with all declining during the quarter.

ACTIVITY

Activity in the second quarter was heavier than normal as Fund Management used the extreme volatility to upgrade the portfolio. We eliminated two positions (Genpact and SEACOR Marine) and added one security (Washington Trust Bancorp). In early July, we eliminated the Customers Bancorp position and added an investment in Tidewater bonds (8% senior notes, due 8/22). Our thoughts on these moves will be discussed below. The aggregate portfolio discount to our mid-case, conservative NAV estimates declined to 41%. This is down from 57% last quarter predominantly due to portfolio positions rebounding, as well as COVID-19 NAV adjustments. Despite the Fund's discount narrowing, the current discount is the second-highest since we began tracking it in 2018.

Long-time holding Genpact was sold after the NAV discount narrowed, and due to strong performance, it was no longer a small-cap company. The investment provided handsome returns to Fund shareholders over the years, but given its market cap, valuation, and other opportunities available, selling the position and recycling the capital seemed prudent. The SEACOR Marine ("SEACOR") sale was painful, resulting in a material realized loss, but we believe it was necessary as the thesis on SEACOR was no longer intact. SEACOR's end-markets (offshore oil services) have been hit hard not only by COVID-19, but also the oil price war between Saudi Arabia and Russia. Impressively, in other down cycles, SEACOR preserved shareholder capital through creative financing and aggressive asset trading. However, as we assessed the current cycle, the probability of SEACOR surviving this crisis without raising expensive capital seems low. We are seeing unprecedented actions in the offshore markets and we feel SEACOR's ability to preserve its balance sheet this time will be more difficult.

We redeployed the capital from the SEACOR sale into fairly short-maturity Tidewater bonds. Tidewater is a peer of SEACOR, and we are familiar with Tidewater's assets as owners of its equity. Most importantly, Tidewater's balance sheet is stronger and the company has better free cash flow-generation prospects. Given the fears surrounding offshore oil services, we were able to buy the bonds with an eight percent coupon, at a double-digit discount to par value. At a double-digit yield to maturity, the risk-return for Tidewater's bonds seemed significantly more favorable than SEACOR's equity at this time.

Customers Bancorp ("Customers") was sold due to a substantial change in the company's strategy. When the security was purchased, the company had decided to curtail growth and reposition its loan portfolio away from multi-family real estate. Capital ratios were poised to grow during the transition. Customers' management reasoned that the aversion to growth would breed conservative loan underwriting. In early 2020 though, Customers' management decided to start growing again and has made bold moves into consumer loans to boost net interest margins. This strategy may work in due course, but these shifts shook our confidence in the bank's capital position and asset portfolio. At the same time, after multiple years of patiently monitoring another bank, Washington Trust Bancorp ("Washington Trust"), its shares finally reached our buy price. It was an easy decision to upgrade the portfolio by recycling the capital from Customers into Washington Trust.

The decisions to exit SEACOR Marine and Customers were difficult. Realized losses always are. As part of Fund Management's process for underwriting companies, we systematically record premortems—essentially a list of objective fundamental reasons why individual investments should be exited in the future. After dispassionately reviewing the premortems for both SEACOR and Customers this past quarter, it was obvious that the positions should be sold. In both cases, there were opportunities to recycle the sale proceeds into securities with more favorable risk-return characteristics. As mentioned last quarter, our aim is always to direct your capital towards its highest and best use, particularly during these very unpredictable, volatile times. The moves described above are consistent with that commitment.

Following is the thesis on the addition of Washington Trust to the portfolio:

WASHINGTON TRUST

Washington Trust is a high-quality commercial and retail bank that we've followed for years. The bank operates in the Northeast with a footprint spread across Rhode Island, Connecticut, and Massachusetts. Washington Trust boasts a rich history—it was founded in 1800 and holds the impressive distinction of being the nation's oldest community bank. The bank has not only demonstrated an aptitude for navigating countless economic cycles but has also flourished and compounded shareholder value along the way. We believe the bank is well-positioned to continue doing so over the long term as well and is a great addition to the Fund's compounder bucket. Although Washington Trust enjoys one of the top market shares in its core state of Rhode Island, its share of the market is still only around ten percent, leaving significant opportunities for continued gains. Moreover, the bank's expansion within Connecticut and Massachusetts is still relatively nascent, representing even larger growth opportunities. Additionally, Washington Trust operates a valuable wealth management business, unusually large for a bank of its size, helping it generate an outsized portion of its profits from fee income.

Beyond Washington Trust's outlook for growth, we would highlight the bank's extraordinary track record and high-quality management team, whom we first met two years ago. Over the years, Washington Trust has proven itself to be a conservative institution, always maintaining a strong balance sheet and best-in-class financial metrics, including consistent profitability, strong returns, and pristine asset quality. This has resulted in the company compounding value at exceptional rates over the long term—at mid-teen percentages on an annualized basis. Given all this, the chance to purchase the bank at a significant discount to our estimate of intrinsic value was quite compelling. To put the valuation opportunity in perspective, we were able to initiate the investment in this quality franchise at a dividend yield of seven percent despite a payout ratio only around fifty percent.

PORTFOLIO UPDATE

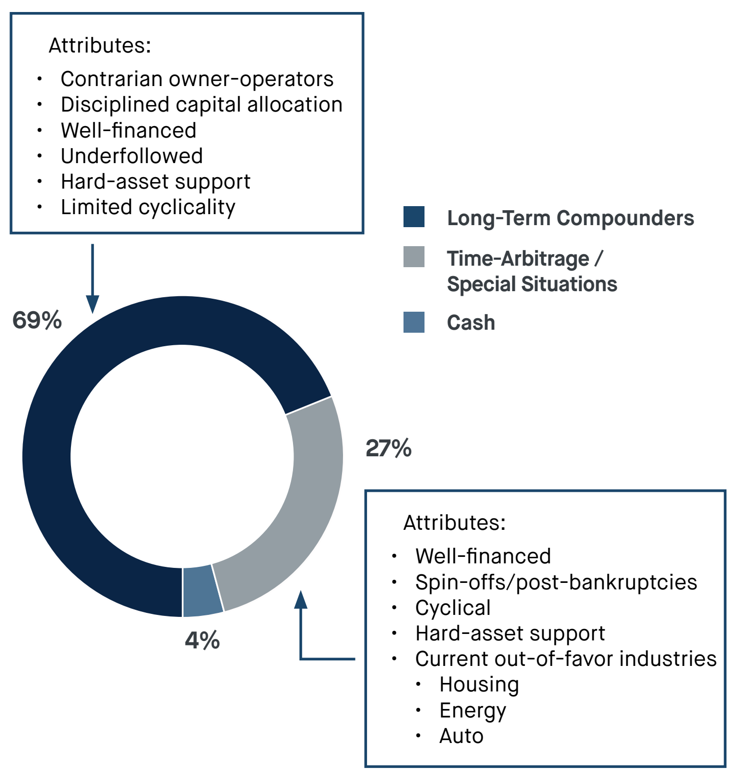
There were 30 positions in the Fund at quarter-end, down from 31 at March 31, 2020. Cash at quarter-end stood at roughly 4%. We often categorize holdings as either long-term compounders or time-arbitrage/special-situation positions based on the companies' characteristics. At the end of the second quarter, long-term compounders represented approximately 69% of the portfolio, and time-arbitrage/special-situation positions represented approximately 27%.

Included within the Fund's compounder bucket are companies such as Seaboard (conglomerate), MYR Group (engineering and construction), and Westaim (financial services holding company), whose balance sheet strength and prudent capital allocation we feel could allow these companies to compound NAV for many years to come. Financial services companies make up roughly one third of the compounder category, which is largely comprised of well-capitalized regional banks and thrifts.

The time-arbitrage/special-situations bucket predominantly comprises energy services company Tidewater, real estate-related investments such as Five Point Holdings, and other out-of-favor, misunderstood companies such as Argan, Inc. All of these companies are cyclical and currently out of favor, but given their strong financial positions, Fund Management believes they have the luxury of time and capital to invest and potentially grow until the clouds dissipate.

Following is a visual overview of the portfolio:

ASSET ALLOCATION AS OF JUNE 30, 2020



FUND POSITIONING

When reflecting on what took place globally during the second quarter, it brought us back to a basic formula from Economics 101:

GDP =
Consumption + Investment + Government Spending + Net Exports

Last quarter, government spending took center stage as consumers sheltered in place, businesses paused investments and global trade skidded due to COVID-19. More than $2 trillion of stimulus was injected into the US economy, which was supplemented by the Federal Reserve nearly doubling the size of its balance sheet. The liquidity also opened up the high-yield markets, which experienced record issuance. Stimulus programs were a global phenomenon in the wake of COVID-19 as well.[1]

Somewhere, John Maynard Keynes is smiling. Given the almost universal support for those programs and this being an election year in the US, it is fairly safe to assume that additional stimulus plans will be enacted this year. With the dysfunction in Washington, DC, where the capital is ultimately deployed remains highly uncertain. Regardless, the Fund is invested in multiple companies that we believe have a high probability of being beneficiaries should stimulus be directed toward the following areas:

INFRASTRUCTURE

Infrastructure is one of the few issues in Washington, DC that has bipartisan support. The Fund is invested in a handful of companies that could be direct beneficiaries of infrastructure spending. The largest position in the Fund at quarter-end was MYR Group ("MYR"). MYR is an electrical contractor providing services to electric utilities and other corporate entities. It is a nationwide leader in transmission and distribution services and would benefit not only from long-overdue upgrades to the electrical grid infrastructure but also from the growing demand for renewable energy. Renewable energy needs to be connected to the electric grid and MYR plays a pivotal role in making it happen. ICF International ("ICF") is another long-time Fund holding with more than half its revenues derived from federal, state, and local governments. More than forty percent of ICF's revenues are earned providing services to improve energy efficiency and address environmental concerns and infrastructure initiatives. A third Fund investment, ATN International ("ATN"), is an infrastructure holding company with a particular expertise in communications infrastructure for underserved markets. In recent years, ATN has been involved with multiple government initiatives including the Connect America Fund for rural broadband and the FirstNet broadband network for first responders. With a renewed focus during COVID-19 on the country's digital divide, ATN stands to benefit further from additional government spending designed to bring broadband access to rural communities.

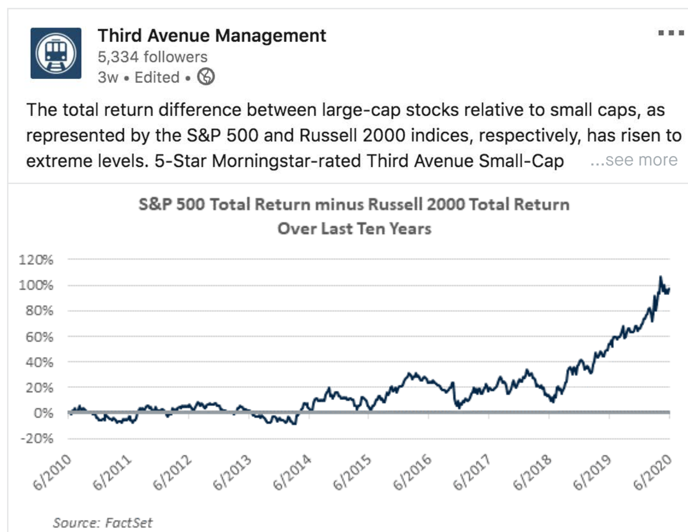
PUBLIC HEALTH

Almost forty percent of ICF's revenues are derived from health and social programs. A good portion of this comes directly from the Department of Health & Human Services, where ICF advises on areas such as expanding health care to underserved populations, expanding awareness to prevent the spread of disease, and improving efficiencies in the health care system. Given the events of 2020, these programs are likely candidates for funding in future government spending packages.

MAINTENANCE

Another long-time Fund holding, Alamo Group, derives a majority of its revenues from state and local governments. Even though its products cater to basic government services (street sweeping, snow removal, roadside mowing, etc.), these products need to be replaced frequently. There is a groundswell of support to replenish state and local government coffers after surpluses were drained due to COVID-19. Alamo would be a beneficiary if and when this occurs.

Before closing out this letter, we wanted to revisit a topic discussed over the past year. Fund Management has pointed out that the performance disparity between small caps and large caps has reached historic levels. Below is a LinkedIn post we shared recently that illustrates how the gap has accelerated in 2020. We believe this dislocation presents a unique opportunity for investing in small caps at this time and that the Fund is particularly well-positioned to benefit from the current market conditions. If you would like to follow us on LinkedIn to be notified of future posts, please click here:



We hope that you and your families remain safe in these extraordinary times. We especially 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 clientservice@thirdave.com.

Sincerely,

Vic Cunningham

Evan Strain

IMPORTANT INFORMATION

[1]The effects of the COVID-19 pandemic are unknown, and may exacerbate the other risks of the Fund.

Date of first use of portfolio manager commentary: July 17, 2020

SMALL-CAP VALUE FUND

AS OF JUNE 30, 2020

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

THIRD AVENUE MANAGEMENT

FUND PERFORMANCE

As of June 30, 2020

	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Small-Cap Value Fund (Inst. Class)	11.41%	-21.55%	-15.48%	-3.57%	0.61%	7.50%	7.21%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	11.35%	-21.67%	-15.67%	-3.81%	0.36%	7.24%	6.09%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	11.38%	-21.56%	-15.40%	N/A	N/A	N/A	-6.46%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TASCX
MYR Group, Inc.	7.9%
UMB Financial Corp.	6.6%
Cooper Tire & Rubber Co.	5.1%
Cal-Maine Foods, Inc.	4.5%
Comfort Systems USA, Inc.	4.3%
ICF International, Inc.	4.0%
FRP Holdings, Inc.	3.9%
Visteon Corp.	3.8%
Seaboard Corp.	3.7%
Argan, Inc.	3.7%
Total	**47.5%**

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 1.34%, 1.64% and 1.24%, 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: 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

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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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