THIRD AVENUE
MANAGEMENT

SMALL-CAP VALUE FUND

AS OF SEPTEMBER 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 are safe and healthy during these unprecedented times.

The Third Avenue Small-Cap Value Fund (the "Fund") declined 0.28% during the third quarter of 2020 versus a 2.56% rise for the Fund's most relevant benchmark, the Russell 2000 Value Index (the "Index"). On a year-to-date basis as of September 30, 2020, the Fund is down 21.77%, with the Index down 21.54%. The Fund's absolute and relative performance during the quarter was disappointing.

We remain confident in the Fund's long-term positioning, emphasizing downside protection and balance sheet strength. That strategy remains out of favor given the liquidity boom led by the Federal Reserve earlier this year. According to our friends at Furey Research, unprofitable companies in the Russell 2000 Index have trounced profitable companies since the beginning of the second quarter, rising 46% while profitable companies have risen just 26%. Even more striking is the dichotomy between well-capitalized and poorly-capitalized companies. Companies with no debt lagged the Russell 2000 by over 2% during the third quarter, while the top 20% most-leveraged companies were up 17%! This most highly-leveraged quintile was the only one that outperformed the Russell 2000 in the third quarter. Although this is frustrating, as investors we always strive to mitigate downside risk and the data gives us comfort that the current conditions cannot last. We continue to believe that balance sheet strength matters over the long-term.

The Fund's absolute performance was led by two of its largest positions, MYR Group and Cooper Tire & Rubber. Both rose by mid-teen percentages in the quarter. In addition, homebuilder TRI Pointe Homes rose 26% as consumers flocked to new homes in the wake of COVID-19. Strong absolute performance across the portfolio was fully offset by our banking positions. Collectively, the banks declined at double-digit rates in the third quarter. Later in this letter, we will revisit our thesis and outlook on the banking sector.

ACTIVITY

As mentioned in last quarter's letter, we eliminated Customers Bancorp and added Tidewater Bonds in early July. In addition, we added one new position (Hamilton Beach Brands) and eliminated another (FTI Consulting). We will discuss the thesis on Hamilton Beach Brands below. Longtime holding FTI Consulting, a global business advisory firm, was an outstanding investment for Fund shareholders. FTI's current management did a terrific job moving away from acquisitions and improving profitability as well as the balance sheet during the Fund's holding period. Given the counter-cyclicality of the business, the company attracted heightened investor attention this year, pushing the valuation above our high-case NAV estimate. With the wide NAV discounts in other Fund holdings, it made sense to recycle the capital into companies with more favorable risk/return profiles. We would welcome the opportunity to reinvest in FTI Consulting again if and when the valuation returns to more attractive levels.

The aggregate portfolio discount to our mid-case, conservative NAV estimates widened slightly to 46%, from 41% last quarter. The current discount remains elevated versus historical levels.

HAMILTON BEACH BRANDS

Hamilton Beach Brands is a consumer products company that we've followed for the last few years. Readers of this letter likely already know Hamilton Beach, as it was founded more than a century ago and today is the leading small kitchen appliance brand in the U.S. We first met with Hamilton Beach three years ago when it was spinning off from its former parent NACCO Industries and becoming an independent company. Spinoffs have been a fruitful source of opportunity for the Fund over the years, particularly given they are sometimes not well-followed and can trade at mispriced valuations. In the case of Hamilton Beach, however, we didn't find the initial public market valuation compelling, and we also had reservations regarding a retail arm of the business that it operated at the time.

Fast forward three years and both of these elements have reversed. Today, the company trades at an attractive discount to our estimate of intrinsic value, and recently it exited the retail business that had given us pause. This is particularly significant because that retail business had been unprofitable, thus creating a headwind to the overall enterprise value of the company. The timing of this development was fortuitous given the exit occurred just ahead of COVID-19, but does not seem to be well-understood in the market yet.

The third main compelling element of the company relates to its growth. The appliance industry has become a beneficiary of COVID-19, with consumers eating in more and upgrading their kitchen appliances. Consumers are also making a large portion of these purchases online where Hamilton Beach has seen particular strength, reflecting the investments the company has made to become an industry leader within e-commerce. Moreover, COVID-19 appears to have sparked a significant rise in household formations relative to the modest levels seen in recent years, another growth tailwind for the appliance and housing industries. In addition, Hamilton Beach is pursuing a number of internal growth initiatives that we think can bear fruit over the long term, including international expansion, commercial market expansion, and new brand investments such as Wolf Gourmet and Weston. Lastly, beyond Hamilton

Beach's growth prospects, we believe the company's strong balance sheet, cash generation, and returns on capital can allow the company to compound value well into the future.

PORTFOLIO UPDATE

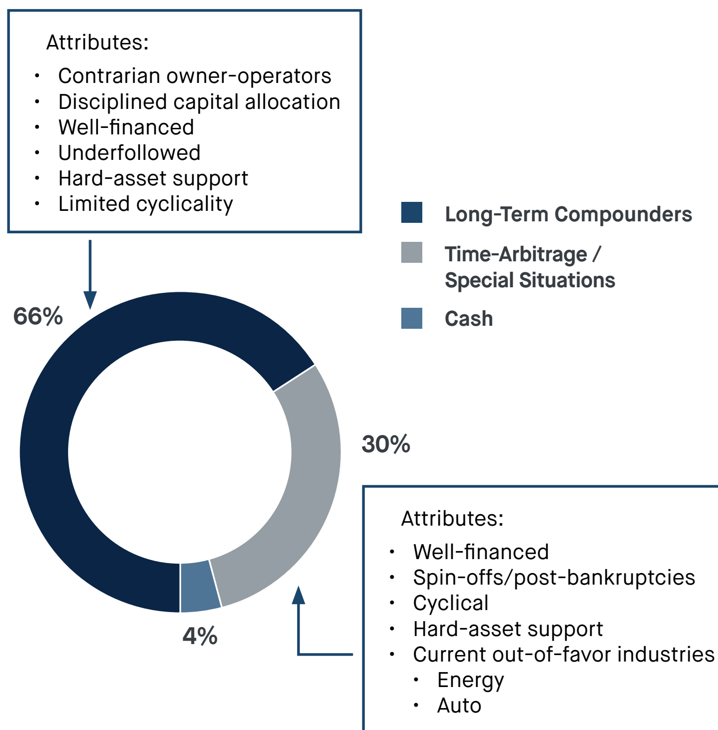
There were 30 positions in the Fund at quarter-end, flat versus June 30, 2020. Cash at quarter-end stood at roughly 4%. We often categorize holdings as either long-term compounders or time-arbitrage/special-situation positions based on the companies' characteristics. At the end of the third quarter, long-term compounders represented approximately 66% of the portfolio, and time-arbitrage/special-situation positions represented approximately 30%.

The Fund's compounder bucket includes companies such as Seaboard (conglomerate), MYR Group (engineering and construction), and Westaim (financial services holding company). Balance sheet strength and prudent capital allocation should allow these companies to compound NAV for many years to come. Financial services companies are roughly one third of the compounder category and are largely comprised of well-capitalized regional banks and thrifts which make up 18% of the portfolio.

The time-arbitrage/special-situations bucket predominantly comprises energy services company Tidewater, real estate-related holdings 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 grow until the clouds dissipate.

Following is a visual overview of the portfolio:

ASSET ALLOCATION AS OF SEPTEMBER 30, 2020



FUND OUTLOOK

As mentioned earlier, bank exposures weighed on performance in the third quarter. The steep declines were predominantly linked to investor fears around lower interest rates and weaker credit trends. Those are legitimate concerns, but we believe they are overblown and possibly connected to the behavioral finance concept recency bias.[1] The last credit cycle during the Global Financial Crisis (GFC) was painful for bank investors. Due to accounting and regulatory changes, as well as management teams being much more prepared this time, we do not believe this cycle will be comparable. Of course, given the dynamism of the current environment, we continue to monitor our bank positions very closely. So far, we are encouraged by how the companies and the industry as a whole are positioned.

Following are Fund Management's views on the risks associated with lower interest rates and credit trends:

LOWER INTEREST RATES

Net interest margins have declined in 2020 due to lower rates. The impact of lower rates has been partially offset by higher interest-earning assets. As a result, despite lower rates, net interest income has been fairly steady. Interest rate changes will impact earnings from quarter to quarter, but credit is the predominant arbiter of book value growth for banks over time. Our focus remains on book value growth, and in most interest rate scenarios, book value should continue to grow at reasonable rates for banks with sound credit. With the Federal Reserve determined to keep short-term interest rates low despite substantial monetary and fiscal stimulus, there is also a potential scenario where short-term rates remain low, but the yield curve steepens. A steeper yield curve would be beneficial to bank earnings and accelerate book value growth.

CREDIT TRENDS

Larger risks loom in credit. Yet, lessons were learned during the GFC, and since that time, regulators have been proactive in monitoring risk exposures and capital levels. In addition, the Financial Accounting Standards Board (FASB) fortuitously implemented a new reserving policy named Current Expected Credit Loss Methodology (CECL) in early 2020. The new accounting standard seeks to alter reserving policies to be more forward-looking. The change turned out to be timely, as reserves were boosted industry-wide earlier this year to reflect COVID-19 risks. As the table below illustrates, the industry is much better equipped today than it was during the GFC to handle the challenging economic environment.

Financial services firm Janney recently provided data comparing the health of banks in our investment universe today versus prior to the GFC. It is clear that banks today have more capital, higher reserves, and more conservative loan portfolios than they did in 2008.

US COMMERCIAL BANKS $10B TO $50B
2008 VS 2020

	2008	2020
Tangible Common Equity (TCE)	6.1%	8.9%
Loan Loss Reserves (% Loans)	1.24%	1.66%
Construction Loans-to-Total Capital	90%	46%
CRE[2] Loans-to-Total Capital	214%	218%
C&I[3] Loans-to-Total Capital	152%	164%

Source: Janney Research (FIG Group), FDIC call reports, SEC 10-Q/10-K filings.

We performed similar analysis on the Fund's bank holdings, and the results were also very encouraging. Reserve levels are 30% higher now than they were prior to the GFC. Current reserves are also materially higher than net charge-offs taken during the GFC. In addition, capital levels are 7% higher than pre-GFC levels. Moreover, with a more proactive regulatory environment, buybacks and dividend growth will be put on hold. That will allow banks to build more capital in the near-term and position them to return it once the economy stabilizes.

It seems inevitable that credit losses will climb over the next twelve months due to a weaker economy. Yet, banks are prepared with higher reserves and capital, which should provide cushion for them as credit costs rise. Investors are not giving banks the benefit of the doubt though, as all six of the Fund's bank holdings are trading either close to book value or at a discount. Those multiples are well below historical norms in spite of the fact that returns on assets have generally remained strong. A shift in sentiment toward the banking sector could result in powerful improvements in valuation levels.

We especially thank you for your continued support and look forward to writing to you again next quarter. In the interim, please be safe and don't hesitate to contact us with any questions, comments, or ideas at clientservice@thirdave.com.

Sincerely,

Vic Cunningham   Evan Strain

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, 2020 (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.

[1]Recency bias is a cognitive bias that favors recent events over historic ones. [2]Commercial real estate. [3]Commercial and industrial.

Date of first use of portfolio manager commentary: October 14, 2020

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AS OF SEPTEMBER 30, 2020

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

FUND PERFORMANCE

As of September 30, 2020

	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Small-Cap Value Fund (Inst. Class)	-0.28%	-21.77%	-16.66%	-5.11%	3.03%	6.38%	7.11%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	-0.28%	-21.90%	-16.82%	-5.32%	2.79%	6.13%	5.91%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	-0.21%	-21.72%	-16.57%	N/A	N/A	N/A	-5.92%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TASCX
MYR Group, Inc.	8.8%
Cooper Tire & Rubber Co.	6.2%
UMB Financial Corp.	5.5%
FRP Holdings, Inc.	4.2%
Seaboard Corp.	4.2%
Cal-Maine Foods, Inc.	4.1%
Visteon Corp.	4.1%
Washington Trust Bancorp, Inc.	4.0%
ICF International, Inc.	4.0%
Alamo Group, Inc.	3.9%
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 1.34%, 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.

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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:

622 Third Avenue, 32nd floor
New York, New York 10017
www.thirdave.com

E: clientservice@thirdave.com
P: 212.906.1160