SMALL-CAP VALUE FUND

AS OF DECEMBER 31, 2020

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

THIRD AVENUE MANAGEMENT

PORTFOLIO MANAGER COMMENTARY

VICTOR CUNNINGHAM, CFA | EVAN STRAIN, CFA

Dear Fellow Shareholders,

The Third Avenue Small-Cap Value Fund (the "Fund") rose 24.04% during the fourth quarter of 2020 versus a 33.36% rise for the Fund's most relevant benchmark, the Russell 2000 Value Index (the "Index"). For 2020, the Fund was down -2.96%, with the Index up 4.63%. While the Fund's quarterly relative performance was disappointing, Fund Management was pleased with the outstanding absolute results the strategy produced.

One of the most well-known of Aesop's maxims is "slow and steady wins the race." This adage was certainly not in fashion during the fourth quarter. According to Furey Research, the biggest winners in the quarter were penny stocks, unprofitable companies (ex-healthcare and tech) and highly-shorted companies. A combination of ample cheap money, the completion of the 2020 elections, and vaccine announcements led to a speculative frenzy in certain areas. Time will tell how the speculative activity plays out over the long term, but for now we are heeding another of Aesop's axioms, "better be wise by the misfortunes of others than by your own."

The Fund's strong absolute performance in the quarter was led by two of its largest positions, engineering and construction company MYR Group (up 61%) and technology auto supplier Visteon Corporation (up 81%). Both companies are managing through the COVID crisis exceptionally well. Visteon also announced new product wins which excited investors and should provide a pathway for future growth. Another outstanding performer was aluminum products company Kaiser Aluminum (up 86%). Although Kaiser has been directly impacted by COVID given its aerospace and automotive end-markets, the company is using its strong financial position to play offense in response to the crisis. It announced an acquisition in December of an aluminum packaging business from Alcoa which diversified its end market exposures and boosted confidence in its future prospects. We will highlight additional resource conversion actions across the portfolio later in this letter. Lastly, Fund Management outlined our thesis on banks in the third quarter letter and received rapid feedback from the market in the fourth quarter, with the Fund's bank positions rising 40% in aggregate. Meanwhile, a primary contributor to the Fund's poor relative performance was flattish absolute performance of the food and communication services investments. Fund Management's affinity for well-capitalized, asset-rich companies in these sectors was out of favor in the fourth quarter, resulting in significant underperformance versus the indices.

ACTIVITY

Fund Management added a new investment in ProAssurance Corporation to the portfolio during the quarter and eliminated two positions, Argan and Carter Bankshares. The thesis on ProAssurance is described below. Argan was a satisfactory investment for Fund shareholders. We became concerned though that parts of the thesis were not playing out, and proactively decided to exit the position and redeploy the proceeds into companies where we had higher conviction. Conversely, the experience with the Carter investment was not pleasant. The bank's turnaround has been slowed by lingering credit issues that were amplified during COVID due to the bank's hospitality exposure. Our outlook on banks remains favorable, so redeploying the Carter proceeds into banks which have been impacted more by sentiment than fundamentals seemed like a prudent action to take.

The aggregate portfolio discount to our mid-case, conservative NAV estimates declined to 17%, from 46% last quarter. The rapid rise in stock prices during the fourth quarter helped narrow the discount substantially.

PROASSURANCE

ProAssurance is a casualty insurer whose primary focus is health care professional liability insurance. It is the third-largest company in the industry, behind Berkshire Hathaway and The Doctors Company. ProAssurance came to our attention in the fourth quarter after its shares reached historically-low valuation levels. When the Fund initiated the investment, the company's price-to-book value was close to 50% vs a long-term average of 150%.

The investment was attractive for a number of reasons. First, it is an important industry. Medical professionals need insurance protection in order to practice. Second, the balance sheet was strong and management has shown a willingness to share capital with shareholders. We specifically screen for unconventional capital allocation behavior. ProAssurance's track record of not only repurchasing shares when its share price is discounted, but also paying special dividends when its valuation is rich was highly appealing to us. Third, industry pricing is currently soft. ProAssurance was one of the first companies to recognize the trend and has been methodically reducing exposures where appropriate. In our experience, when companies strategically decide to get smaller in order to get better, good things typically happen in time. This is particularly important in an industry where underwriting mistakes take time to reveal themselves. Finally, if the massive fiscal and monetary stimulus currently being injected into the economy results in higher inflation, a jump in interest rates would improve ProAssurance's profitability and returns on equity, which would help close the book value discount embedded in the current share price.

ProAssurance continues to reposition its operations. It will need better industry pricing for the company to regain its historical valuation levels. Given the balance sheet and the deeply discounted price, the risk-return profile was highly attractive.

PORTFOLIO UPDATE

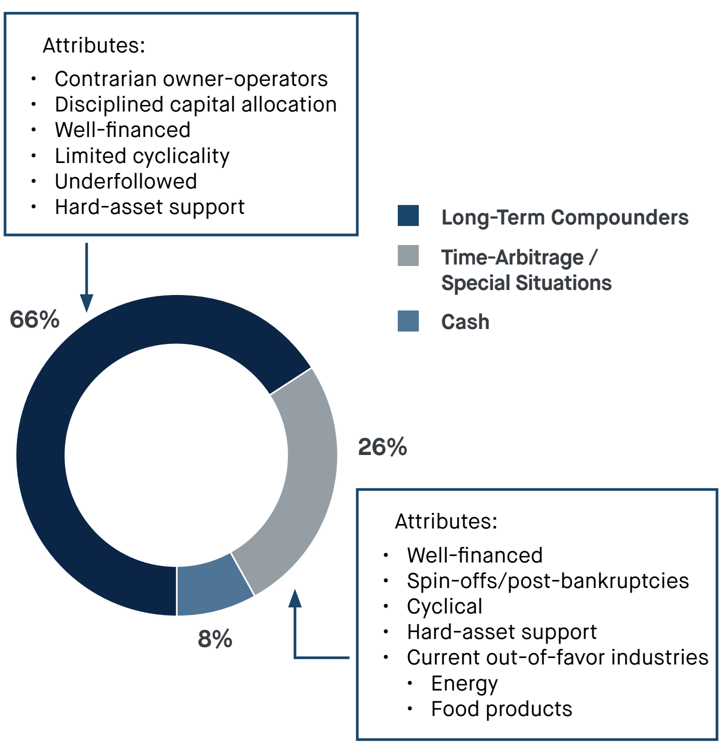
There were 29 positions in the Fund at quarter-end, down from 30 at September 30, 2020. Cash at quarter-end stood at roughly 8%. Cash grew as we trimmed the MYR Group position for risk management purposes after exceptional performance in 2020. We often categorize holdings as either long-term compounders or time-arbitrage/special-situation positions based on the companies' characteristics. At the end of the fourth quarter, long-term compounders represented approximately 66% of the portfolio, and time-arbitrage/special-situation positions represented approximately 26%.

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 which make up 23% 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 Cal-Maine Foods. 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 DECEMBER 31, 2020



FUND POSITIONING

Year-end is a good time to take a broader look at portfolio themes and assess the outlook for the upcoming year. This is particularly important after a momentous 2020.

Following are four themes embedded in the Fund's positioning:

1. RESOURCE CONVERSION

With eight of the Fund's twenty non-financial equity positions maintaining net-cash balance sheets, we expect that many of the companies will shift from defense to offense in 2021. The Kaiser acquisition mentioned earlier started a trend in December. In January, the Fund's telecom holding company ATN International announced the acquisition of Alaska Communications Systems Group. The price ATN paid was attractive and will allow ATN to expand its geographic reach to a consolidated market in Alaska. The same day, another Fund holding, Comfort Systems (mechanical and electrical contractor), announced an acquisition expanding its footprint within Tennessee. All three of these transactions were well-received by investors and represent an encouraging trend entering 2021.

2. BANK HEADWINDS TURNING INTO TAILWINDS

10-YEAR TREASURY CONSTANT MATURITY MINUS 2-YEAR TREASURY CONSTANT MATURITY

U.S. recessions are shaded.
Source: Federal Reserve Bank of St. Louis

The chart above shows the yield spread between the 10-year and 2-year U.S. Treasury notes over the past five years. This Treasury spread is a useful barometer of a bank's ability to earn a spread between deposits and loans. The chart succinctly illustrates the pain banks have been facing over the past few years. Fortunately, the trend is now heading in the right direction. Over the past three years, the banking sector in the Fund's Index has been roughly flat. This compares with nearly a 100% return in the technology sector. Our thesis on banks was highlighted in last quarter's letter and our conviction remains strong. Net interest margins of the Fund's bank holdings compressed over the past year due to a flatter yield curve, and reserve levels as a percentage of loans rose by 70% in aggregate versus year-ago levels due to a slowing economy. As the economy reflates, the combination of healthier net interest margins and the potential for reserve releases should be beneficial to banks over the next few years.

3. REAL ESTATE

Residential real estate has been a beneficiary of the COVID crisis. Five Point Holdings and Tri Pointe Homes both maintain impressive land assets outside of city centers which are in high demand currently. Development of these assets should result in robust cash flows for shareholders. In addition, FRP Holdings has invested heavily in Opportunity Zones, predominantly in the DC Metro area. Opportunity Zones provide tax incentives to develop underserved communities. Given the incoming Biden administration's priority of addressing income inequality, there is a good chance these burgeoning communities could be long-term beneficiaries. This would not only help FRP's current projects, but given its robust balance sheet, it could also present future investment opportunities.

4. REOPENING

The economy closing in 2020 directly impacted a few of the Fund's holdings. The Liberty Braves Group, whose primary asset is the Atlanta Braves baseball operations, was most acutely impacted (despite coming within one game of the World Series). In addition, Liberty Braves owns the real estate surrounding the Braves stadium. Given fans were not allowed to attend games last season, those assets were negatively impacted as well. COVID provided an opportunity to add Liberty Braves to the portfolio at an attractive price. As vaccinations increase and the COVID spread subsides, Liberty Braves should see a dramatic improvement in its operations.

Commercial uniform provider UniFirst has experienced substantially reduced business levels as many of its customers were forced to shut down or curtail operations. As the economy reopens, demand for UniFirst's uniform services should rise as well. In addition, pork producer Seaboard has faced headwinds as many restaurants remain closed. Restaurants reopening should result in heightened demand for bacon and other pork products, boosting Seaboard's top line.

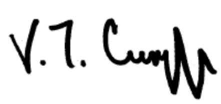
The Fund's second quarter 2020 letter included a chart showing the historic performance divergence between small caps and large caps over the past ten years. We'll conclude this letter with an updated version of that chart below. In the fourth quarter, the trend we've discussed began a significant reversal, with small caps outperforming large caps, and this outperformance has continued into 2021. The chart illustrates well that despite the gap beginning to close in the fourth quarter there is still plenty of room to go before small caps and large caps are back to parity.

S&P 500 TOTAL RETURN MINUS RUSSELL 2000 TOTAL RETURN OVER LAST TEN YEARS

Source: FactSet

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

Date of first use of portfolio manager commentary: January 14, 2021

SMALL-CAP VALUE FUND

AS OF DECEMBER 31, 2020

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

FUND PERFORMANCE

As of December 31, 2020

	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Small-Cap Value Fund (Inst. Class)	24.04%	-2.96%	-2.96%	1.45%	7.49%	7.34%	8.01%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	23.87%	-3.25%	-3.25%	1.19%	7.22%	7.07%	7.85%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	24.04%	-2.90%	-2.90%	N/A	N/A	N/A	2.04%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TASCX
Cooper Tire & Rubber Co.	6.7%
UMB Financial Corp.	6.6%
Washington Trust Bancorp, Inc.	5.4%
MYR Group, Inc.	5.0%
Prosperity Bancshares, Inc.	4.9%
Alamo Group, Inc.	4.2%
ICF International, Inc.	4.1%
Seaboard Corp.	4.0%
Cal-Maine Foods, Inc.	3.9%
FRP Holdings, Inc.	3.9%
Total	**48.7%**

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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