THIRD AVENUE MANAGEMENT

SMALL-CAP VALUE FUND

AS OF MARCH 31, 2021

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

PORTFOLIO MANAGER COMMENTARY

VICTOR CUNNINGHAM, CFA | EVAN STRAIN, CFA

Dear Fellow Shareholders,

It is hard to believe how much has changed over the past year. Fortunately, things are starting to get back to normal. The Third Avenue investment team has been back in the office and working together daily. While we have learned a lot about ourselves and how to enhance our processes during the pandemic, we look forward—like all of you—to when we can put it behind us.

The Third Avenue Small-Cap Value Fund (the "Fund") rose 18.51% during the first quarter of 2021 versus a 21.17% rise for the Fund's most relevant benchmark, the Russell 2000 Value Index (the "Index")[1]. Although the Fund's quarterly relative performance was disappointing, Fund Management was pleased with the strong absolute results the strategy produced.

Resource conversion and robust results from financial companies drove absolute performance. The headline event during the quarter was the announced acquisition of the Fund's top position, Cooper Tire & Rubber, which peer Goodyear Tire & Rubber intends to acquire for $2.5 billion. As a result, Cooper rose 38% during the first quarter and was the largest contributor to the Fund's results. Meanwhile, rising interest rates benefitted financial companies and provided another tailwind for the Fund in the first quarter. We continue to maintain conviction in the Fund's exposure to financials given our outlook for higher rates and a stronger economy. Although interest rates rose in the first quarter, current levels still seem low relative to prevailing market conditions, with the 10-year Treasury yield hovering around 1.7%. Since Treasury yields should reflect a combination of inflation expectations and real yields, 1.7% implies an expectation for low inflation and negligible real yields. That's hard to fathom with the Federal Reserve determined to push inflation well above 2%. In addition, the combination of a reopening economy and fiscal stimulus should lift real yields higher. We are not attempting to forecast interest rates with any precision, but the odds seem to favor higher rates over lower rates, and banks would be long-term beneficiaries of that trend. In addition to higher rates, bank deposit growth was robust in 2020 as companies and individuals conserved cash. The excess capital has weighed on asset returns, but it leaves banks in a strong position to deploy the capital into loans as the economy rebounds, which should improve asset returns over time. In addition, credit trends remain stable and reserves are above historical levels. Another financial holding, casualty insurer ProAssurance, rose 50% in the first quarter after reporting improved fourth quarter earnings. We outlined our thesis on ProAssurance in last quarter's shareholder letter. Although the company remains in the early innings of a turnaround, the Fund initiated the position at a deeply-discounted price so the modest improvement in results drove an impressive rebound in valuation. Finally, it is worth noting that despite strong investment returns from financial companies over the past six months, the sector remains a laggard over the last 1, 3, 5, and 10 years. Financial companies have faced headwinds for years, and a reversal of those trends could provide a longer-term tailwind.

Meanwhile, a primary contributor to the Fund's poor relative performance was lagging consumer discretionary companies. Although the Fund's consumer discretionary positions rose a strong 20%, they lagged the 32% rise of consumer discretionary companies in the Index by a wide margin. In a year where narratives have driven stock prices, companies such as struggling retailer GameStop were standout performers in our Index and became household names. Obviously, many consumer discretionary companies were challenged in 2020 due to Covid. Based on data aggregated by FactSet, 50% of the consumer discretionary companies in the Index were unprofitable over the past twelve months. Balance sheets in aggregate deteriorated as well, as many companies were forced to rely on debt to fund losses. In contrast, we're pleased to report that the Fund's consumer discretionary companies were profitable over the past year and maintain net cash balance sheets or modest financial leverage.

ACTIVITY

During the quarter we added a new investment in BrightSphere Investment Group. BrightSphere is an active asset management holding company that came onto our radar earlier this year. While the company has changed names over time and is not as well-known as some other multi-boutique asset managers, BrightSphere has a long history in the industry. Today, the company owns a handful of asset managers spanning quantitative, alternative, and traditional equity strategies. We were attracted to BrightSphere for a number of reasons. First, the asset managers BrightSphere owns are generally differentiated with strong reputations, track records, and growth prospects based on our due diligence. Second, the company enjoys a strong financial position with attractive free cash flow generation. Finally, BrightSphere's shares trade at a substantial discount to our estimate of the private market values for its businesses. This last aspect of our thesis was validated within weeks of our investment, when the company announced the sale of one of its largest managers Landmark Partners. Landmark is one of the pioneers of private equity secondaries investing, and at the end of March the global alternative investment manager Ares announced its intention to acquire Landmark for upwards of a billion dollars. We believe the remaining assets that BrightSphere owns could represent attractive resource conversion candidates too at some point. Meanwhile, we're confident that BrightSphere's board and management are committed to maximizing the company's value and thoughtfully returning capital to shareholders through buybacks and dividends.

Two positions were eliminated during the quarter: Cullen/Frost Bankers and Alico. Cullen/Frost has been a long-time holding of the Fund and has compounded book value at high rates over the holding period. The company's market capitalization was approaching $7 billion when we exited the position. When market capitalizations of positions rise above $4 billion, Fund Management does not automatically sell, but when the risk-return tradeoff of a high-market capitalization position narrows, it makes doing so much easier, and that was the case with Cullen/Frost. We also exited the Fund's investment in long-time holding Alico, one of the largest citrus producers in the US. While Alico's management has made good progress in streamlining and bettering the company, competition from foreign producers has weighed on industry pricing and we believe this is likely to remain a constraint on the industry for the foreseeable future.

Finally, the aggregate portfolio discount to our mid-case, conservative NAV estimates declined to 5%, from 17% last quarter. The strong absolute performance of the portfolio during the quarter helped to reduce the discount.

PORTFOLIO UPDATE

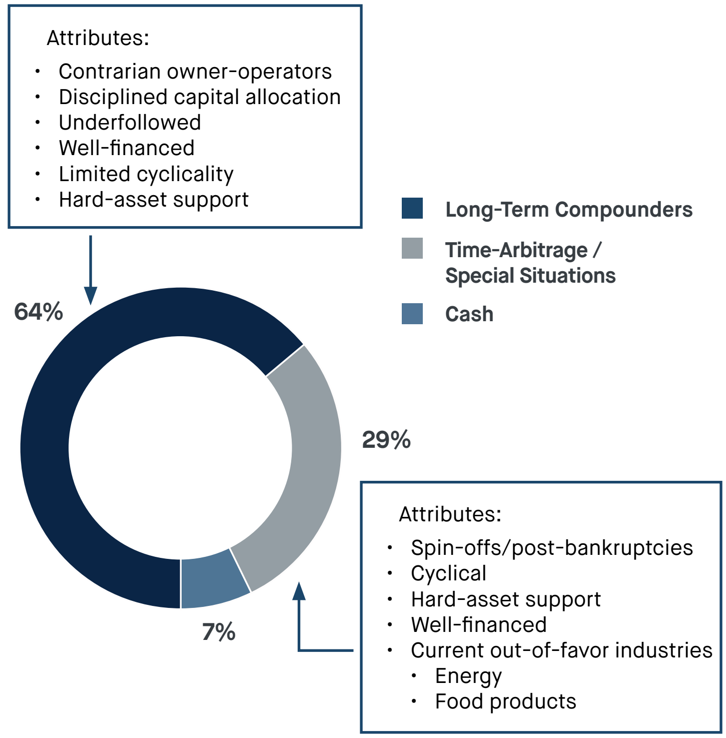
There were 28 positions in the Fund at quarter-end, down from 29 at December 31, 2020. Cash at quarter-end stood at roughly 7%. We often categorize holdings as either long-term compounders or time-arbitrage/special-situation positions based on the companies' characteristics. At the end of the first quarter, long-term compounders represented approximately 64% of the portfolio, and time-arbitrage/special-situation positions represented approximately 29%.

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 that make up 21% 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 and the aforementioned BrightSphere Investment Group. 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 MARCH 31, 2021



FUND COMMENTARY

As we have pointed out previously, small-cap returns have lagged large-cap peers by record amounts since 2018. Over the past few months however, small-cap companies have come back into favor. According to Jefferies, small-cap funds had net inflows of more than $26 billion since early November. These inflows reversed a steady trend of outflows since 2011. Being believers in reversion to the mean, we are not surprised by the reversal and pleased to see small caps back on investors' radars. With that said, the vast majority of the recent flows into small-cap funds have been directed to index funds.

We would caution investors against utilizing small-cap index funds given a number of distortions that currently exist in the small-cap index. We believe some of these index distortions may have been exacerbated by the indiscriminate buying in small-cap index funds recently, given many small-cap companies have lower liquidity than larger-cap companies. We will highlight four specific distortions in small-cap indices that we believe are particularly important right now: unprofitable companies, elevated leverage, stretched valuations, and low returns. In conjunction, we'll describe why we believe the Third Avenue Small-Cap Value Fund does not reflect these distortions and represents an attractive vehicle for investing in small caps. Given the Fund's high active share (97.98%), it will come as no surprise to current shareholders that the Fund's characteristics are very different from those of the index.

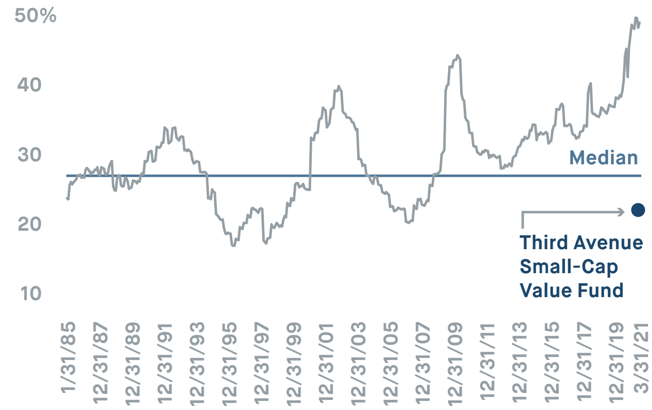
Before discussing the small-cap index further, we wanted to briefly review the operating results of the Fund's holdings over the past year. We have often touted the benefits of downside protection when assessing companies. Given the extreme volatility in economic trends since the outset of Covid, we assessed the performance of the Fund's holdings using look-through analysis, which aggregates the fundamental operating statistics for all the companies held in the Fund. We found the results encouraging. First, trailing-twelve-month aggregate revenues were roughly flat. Studying revenue trends over cycles is a critical step in our underwriting process for potential investments, so we were pleased to see these results against a challenging "stress test" in 2020. In addition, cash flows were robust, with cash flows from operations up more than 60% in aggregate over the past twelve months. Management conservatism is another key tenet of our process. Over the past year, the management teams of the Fund's holdings have cut costs, prudently managed working capital, and preserved balance-sheet strength. Finally, returns on invested capital actually improved for more than 60% of the non-financial companies in the portfolio over the past year. Resilient cash flows served to reduce invested capital as profits held steady.

The following four charts highlight the current distortions in small-cap indices and illustrate how differently the Third Avenue Small-Cap Value Fund is positioned relative to index peers. In aggregate, the charts show how the pandemic has impacted operational performance of small-cap companies, but also that recent speculative fervor in the market has disproportionately benefitted the most challenged companies. For purposes of this analysis, we predominantly used the Russell 2000 Index, given it is the most-widely utilized small-cap proxy for investment professionals.

1. GROWING NON-EARNERS

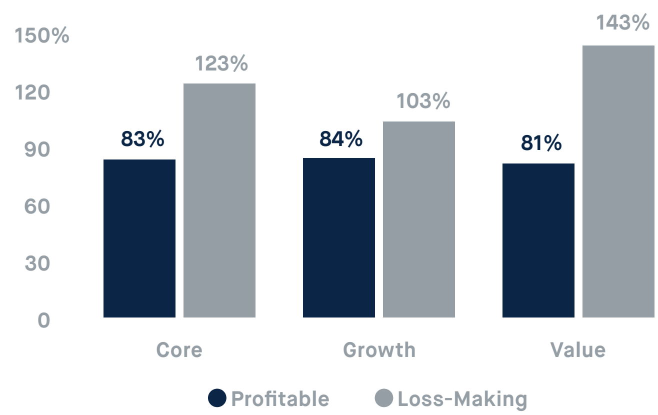
The number of unprofitable companies in the Russell 2000 Index[2] has been growing at a rapid rate. We have highlighted this in previous communications but it bears repeating given the trend has accelerated dramatically over the past year. Non-earners now account for roughly half of the companies comprising the Russell 2000! Meanwhile, the Third Avenue Small-Cap Value Fund owns only six companies (21% of the portfolio) that did not generate a profit over the last year. Even more disturbing is that the market has been rewarding these unprofitable small-cap companies in a large way recently. According to data provided by Furey Research below, non-earners in the Russell 2000 were the clear-cut winners across all styles (value, growth and core) over the last four quarters. Ironically, losing money was a winning strategy for small-cap stock prices over the past year. Given the economic impacts of Covid, we acknowledge that the number of unprofitable companies should have grown some in 2020, but we believe that it's currently at extreme levels and that the degree of recent stock price outperformance for these companies is highly irrational.

LAST TWELVE MONTHS NON-EARNERS % BY COUNT IN RUSSELL 2000



Source: Jefferies, S&P Capital IQ

RUSSELL 2000 RETURNS BY STYLE – LAST TWELVE MONTHS



Data as of 3/31/21
Source: Furey Research Partners, FactSet

2. ELEVATED LEVERAGE

The Federal Reserve flooded the market with liquidity in early 2020, which eased access to and the cost of credit. The Fed's actions saved many companies and gave them breathing room to raise capital at a critical time. We believe these forgiving credit market conditions are unlikely to persist indefinitely. As the chart below shows, the aggregate leverage within Russell 2000 companies is near record-high levels. In addition, according to Jefferies, companies with the highest leverage in the index outperformed by 3.35% in the first quarter, while the lowest-leverage companies lagged by 5.25%. If the credit markets tighten, we believe many of these companies will be challenged to refinance their debt at attractive rates, presenting a formidable headwind for equity investors. On the other hand, it's clear in the chart below that the companies in the Third Avenue Small-Cap Value Fund are well-financed, and we believe they have ample capital at their disposal to invest and grow, regardless of overall economic conditions.

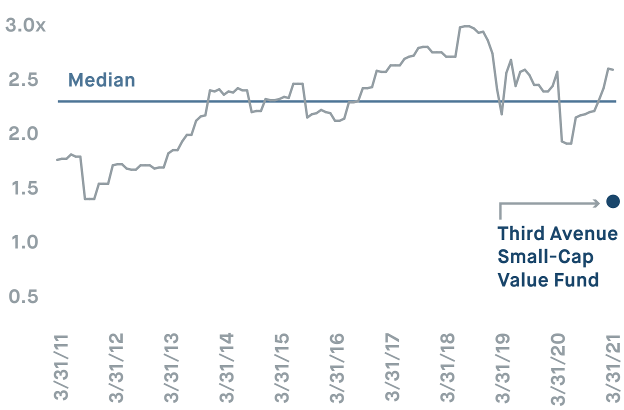
RUSSELL 2000 NET-DEBT-TO-CAPITAL

Note: Figures reflect weighted median, excluding financial companies.
Source: RBC

3. STRETCHED VALUATIONS

Plenty of optimism is priced into the valuations of Russell 2000 companies currently. Below is a chart that illustrates this. The chart reflects the enterprise value-to-sales multiple for the Russell 2000 over the last decade. The EV/sales valuation[3] metric is more useful right now than profit-based metrics as so many companies are unprofitable. While valuation levels for the small-cap market appear to be stretched, the chart also illustrates how the valuations for the holdings in the Third Avenue Small-Cap Value Fund are much lower than that of the index. In fact, the aggregate valuation for the Fund's holdings is near the index's lowest valuation levels in the past ten years.

RUSSELL 2000 EV-TO-SALES

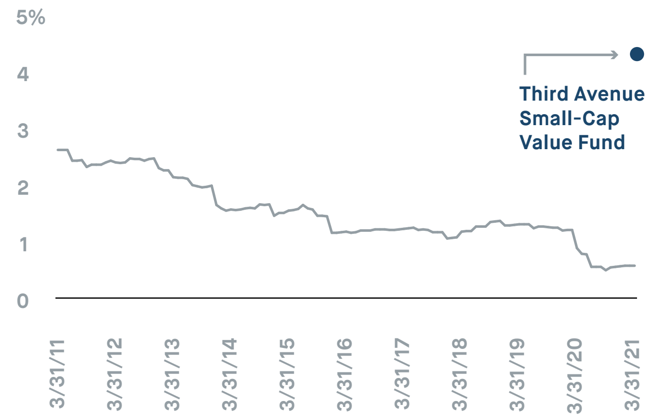


Note: Figures reflect weighted median, excluding financial companies.
Source: Jefferies, S&P Capital IQ

4. LOW RETURNS

The chart below shows that operational results of the companies within the Russell 2000 have been deteriorating in aggregate over recent years. A rising number of unprofitable companies and the utilization of excessive leverage has weighed dramatically on overall asset returns. We are believers that equity prices reflect company returns over the long term, presenting another formidable headwind for small-cap index investors looking forward. With that said, we seek out companies for the Fund that generate attractive returns, and the result is a portfolio of companies that generate much higher returns than that of the index, as illustrated below.

RUSSELL 2000 RETURN ON ASSETS

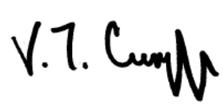


Note: Figures reflect weighted median, excluding financial companies.
Source: Jefferies, S&P Capital IQ

Unsurprisingly, the charts above show that Covid has significantly impacted the operations of small-cap companies, thus raising risks for investors. However, investors are overlooking many of these risks while focusing on best-case scenarios. Meanwhile, we are positioning the Third Avenue Small-Cap Value Fund for a broader range of outcomes by demanding financial discipline, operational strength, and attractive valuations from the Fund's holdings. This approach has clearly not been in style over the past year, but we remain steadfast and confident that speculative trends will reverse in time.

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,



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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 March 31, 2021 (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: April 19, 2021

1 The Russell 2000® Value Index measures the performance of small-cap value segment of the US equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics.

2 The Russell 2000® Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

3 Enterprise value-to-sales (EV/sales) is a financial valuation measure that compares the enterprise value (EV) of a company to its annual sales. The EV/sales multiple gives investors a quantifiable metric of how to value a company based on its sales, while taking account of both the company's equity and debt.

SMALL-CAP VALUE FUND

AS OF MARCH 31, 2021

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

FUND PERFORMANCE

As of March 31, 2021

	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Small-Cap Value Fund (Inst. Class)	18.51%	18.51%	63.32%	6.57%	10.50%	8.48%	8.69%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	18.50%	18.50%	62.98%	6.31%	10.23%	8.22%	9.31%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	18.57%	18.57%	63.48%	6.68%	N/A	N/A	7.66%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TASCX
Cooper Tire & Rubber Co.	7.9%
UMB Financial Corp.	7.5%
Washington Trust Bancorp, Inc.	5.3%
Seaboard Corp.	4.8%
Prosperity Bancshares, Inc.	4.5%
ProAssurance Corp.	4.5%
FRP Holdings, Inc.	4.1%
ICF International, Inc.	4.1%
MYR Group, Inc.	4.1%
Tidewater, Inc.	3.8%
Total	**50.6%**

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 1.29%, 1.58% and 1.20%, respectively, as of March 1, 2021. 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:

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

E: clientservice@thirdave.com
P: 212.906.1160