SMALL-CAP VALUE FUND

THIRD AVENUE MANAGEMENT

AS OF JUNE 30, 2021

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

PORTFOLIO MANAGER COMMENTARY

VICTOR CUNNINGHAM, CFA | EVAN STRAIN, CFA

Dear Fellow Shareholders,

The Third Avenue Small-Cap Value Fund (the "Fund") rose 1.92% during the second quarter of 2021 versus a 4.56% rise for the Fund's most relevant benchmark, the Russell 2000 Value Index (the "Index"). During the first six months of 2021, the Fund is up 20.78% versus a rise of 26.69% for the Index.

Two notable positions driving absolute performance during the second quarter were MYR Group ("MYR") and BrightSphere Investment Group ("BrightSphere") which rose 27% and 15%, respectively. MYR, which is an electrical contractor, continues to execute on its strategy as its end markets surge due to rapidly increasing demands for grid modernization and renewable energy. As momentum builds in Congress for a bipartisan infrastructure bill, MYR is in an enviable position to increase its project backlog over the next few years as well. BrightSphere is an asset management holding company that we highlighted in last quarter's letter as a new holding for the Fund. Resource conversion was a central component of the thesis and it continued to play out in the second quarter. We described the sale of Landmark in the first quarter letter, and two more asset sales were announced in the second quarter. BrightSphere is now left with a successful quantitative business and a pro-forma net cash position approaching 40% of the company's current market capitalization. While BrightSphere's management has not yet communicated the company's next steps, numerous options for returning capital to shareholders are available to them and continued resource conversion this year seems likely.

The main factor diluting relative results during the second quarter was a collective decline in the Fund's financial company investments. Despite outstanding operating results, the momentum financial companies experienced in the first quarter faded during the second quarter as the 10-year Treasury yield declined more than 25 bps. Despite a lack of confirmation in the second quarter, we maintain conviction that as interest rates rise, financial companies and other well-capitalized companies with undemanding valuations will benefit. Declining interest rates have disproportionately benefitted companies with weak financial positions and rich valuations over the past year. Later in this letter, we will explain our skepticism for these current conditions sustaining.

ACTIVITY

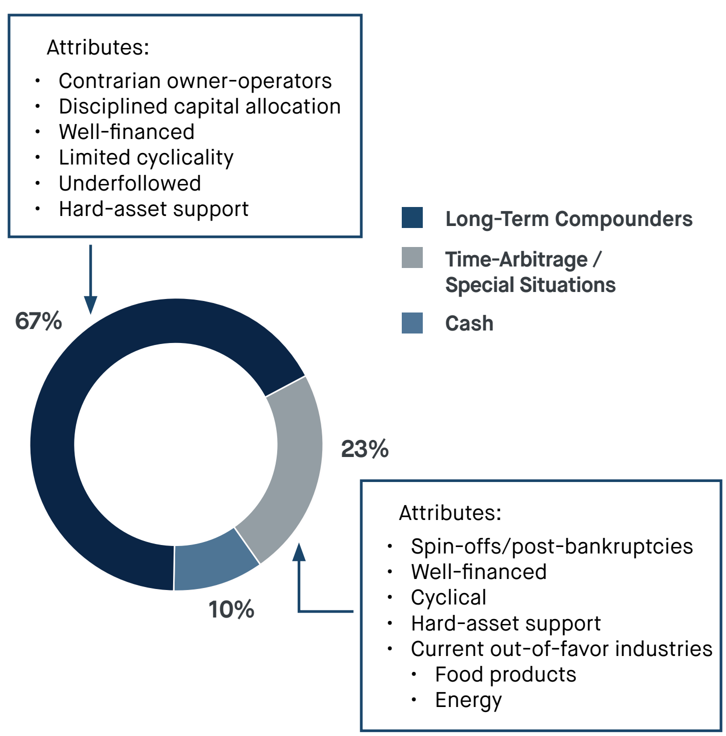
Activity was muted during the quarter. The Cooper Tire & Rubber ("Cooper") sale closing was the most notable event. The Fund received a combination of cash and Goodyear Tire ("Goodyear") shares in exchange for the Cooper shares. The Goodyear shares were sold upon receipt as it is a mid-cap company. The Cooper investment experience was a successful one, returning north of 100% during our holding period of under two years. We wish Cooper and its employees continued success under the Goodyear umbrella.

Our focus in the second quarter was building the "on-deck" list. We expect that fear will show up in the market at some point and having fully-vetted companies ready for purchase when the price is right is essential. Two of our main focus points are to diversify the drivers of portfolio returns and to seek out companies that have been impacted by the Covid-19 pandemic which we believe have a high likelihood of being misunderstood by investors.

PORTFOLIO UPDATE

There were 27 positions in the Fund at quarter-end, down from 28 at March 31, 2021. Cash at quarter-end stood at roughly 10%. In our approach to portfolio construction, Fund Management categorizes 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 67% of the portfolio, and time-arbitrage/special-situation positions represented approximately 23%.

ASSET ALLOCATION AS OF JUNE 30, 2021



The Fund's compounder bucket includes companies such as Seaboard (conglomerate), MYR Group (engineering and construction), and Westaim (financial services holding company). We believe 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 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 BrightSphere. 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.

The aggregate portfolio discount to our mid-case, conservative NAV estimates declined to 4% during the second quarter.

FUND POSITIONING

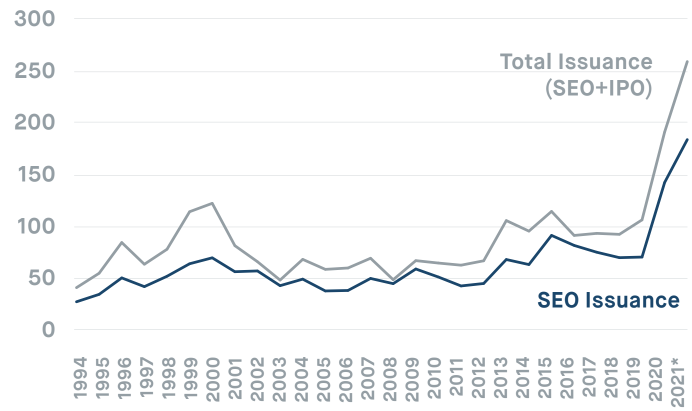
There were many interesting and unusual events in the market during the second quarter that captivated investors' attention. One example is the meme stock saga surrounding AMC Corporation. AMC is a nationwide operator of movie theatres which fell on hard times due to the emergence of home video and the pandemic. In normal times, the existential threats facing AMC would be profound. In the current environment where capital is plentiful and cost of capital is negligible, AMC thrived. AMC management leaned into the liquidity glut and was richly rewarded. Everyone appears to be getting a trophy these days!

AMC is a surreal example of how fiscal and monetary stimulus have distorted financial markets. Despite consistently burning cash, AMC was able to raise equity capital causing its shares outstanding to rise from 100 million at the end of 2019 to more than 500 million currently. In normal times, the impacts of these actions would generally be devastating for shareholders. In today's distorted investment environment, the rewards were astounding. AMC's share price rose from $10/share to over $50/share in 2021, growing its market capitalization to over $26 billion despite massive shareholder dilution. For small-cap value managers like ourselves who do not own AMC shares, this was especially painful as AMC is now the largest position in the Index.

AMC was not alone raising equity capital. The two charts to the right illustrate the excesses in equity markets. The first shows the explosion in equity issuance since the pandemic began. The second is more striking as it illustrates how unprofitable companies have been the largest abusers of equity raising largesse.

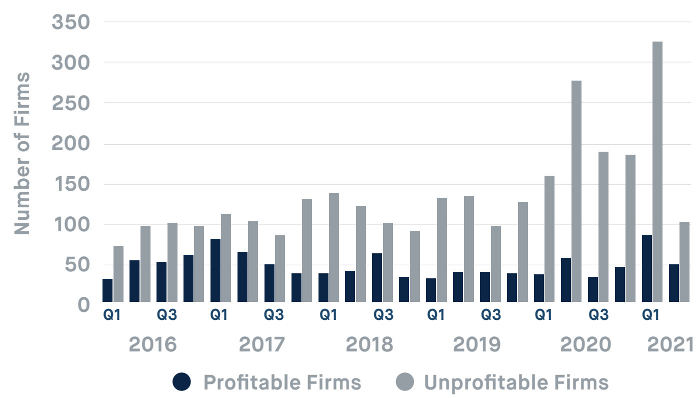
We will refrain from speculating on how long these conditions will last. On the other hand, we are not participating in the folly either. We are invested alongside you and refuse to take unreasonable risks for short-term gains if it comes at the expense of long-term returns.

HISTORICAL EQUITY ISSUANCE ($ BILLION)



*annualized
Source: Federal Reserve
Note: SEO = seasoned or secondary equity offering, IPO = initial public offering

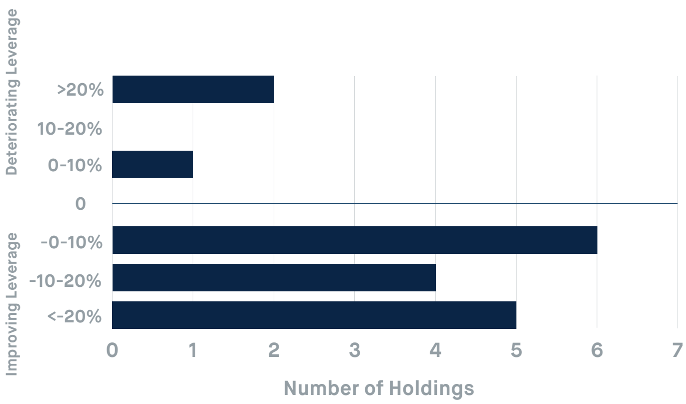
UNPROFITABLE FIRMS LEADING SECONDARY OFFERINGS



Source: Bloomberg

The companies in which the Fund is invested have operated admirably through the pandemic. Rather than raising capital, the majority of the companies in the portfolio built capital and used it to reduce leverage, repurchase shares, or make opportunistic acquisitions. Financial strength is a bedrock principle at Third Avenue. This past year was an unexpected "stress test" and fortunately, the Fund's investments were not beholden to the capital markets. The chart below shows only three non-financial companies in the portfolio increased leverage over the past year, and two of them (ATN International and Kaiser Aluminum) were for strategic, timely acquisitions. That's exactly what well-capitalized companies should be doing in times of stress. The third company, Liberty Braves, increased debt to fund losses created by the shutdown. Given its association with John Malone's Liberty Media Corporation, it was able to renegotiate covenants without incident. The other fifteen non-financial companies in the portfolio reduced leverage over the past year. Most impressively, no Fund holdings raised equity capital and a handful actually reduced their share count meaningfully over the past year opportunistically. That's a direct benefit of maintaining a strong balance sheet and planning for more difficult times.

CHANGE IN LEVERAGE – PORTFOLIO COMPANIES



Source: Company filings
Note: reflects percentage change in debt-to-equity leverage ratios over last twelve months
Note: Only includes non-financial portfolio companies

A critical driver of the abnormal financial activities in the market recently is negative real interest rates (10-year Treasury rates less inflation). As shown below, real rates have moved into unfamiliar territory and are now substantially negative, a rare occurrence in the context of history. Over the past fifty years, real yields have averaged about 2.3%, while real rates presently are less than -2%.

REAL 10 YEAR YIELD BASED ON CORE CPI US

Source: Bloomberg

The current distorted environment has disproportionally benefitted many weak companies. When rates normalize, the burdens of excess debt, inflated share-counts, and elevated valuations will likely be felt by numerous companies. Many of the companies with the highest valuations will feel the largest impacts as present values compress. Fund Management is patiently sticking with well-capitalized, attractively-priced assets for when the cycle turns. While fundamentals don't matter all the time, we believe they do matter over time. Risk management discipline is paramount until the proverbial punch bowl is taken away.

We 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

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 June 30, 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: July 12, 2021

SMALL-CAP VALUE FUND

AS OF JUNE 30, 2021

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

FUND PERFORMANCE

As of June 30, 2021

	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Small-Cap Value Fund (Inst. Class)	1.92%	20.78%	49.40%	6.30%	10.07%	8.79%	8.68%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	1.87%	20.71%	49.11%	6.03%	9.81%	8.53%	9.28%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	1.96%	20.89%	49.65%	6.41%	N/A	N/A	7.69%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TASCX
UMB Financial Corp.	7.8%
Washington Trust Bancorp, Inc.	5.4%
MYR Group, Inc.	5.2%
Seaboard Corp.	5.2%
FRP Holdings, Inc.	4.8%
Prosperity Bancshares, Inc.	4.4%
ICF International, Inc.	4.2%
ProAssurance Corp.	3.9%
Tidewater, Inc.	3.7%
Kaiser Aluminum Corp.	3.7%
Total	**48.3%**

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:

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