THIRD AVENUE MANAGEMENT

SMALL-CAP VALUE FUND

AS OF SEPTEMBER 30, 2021

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

PORTFOLIO MANAGER COMMENTARY

VICTOR CUNNINGHAM, CFA

Dear Fellow Shareholders,

The Third Avenue Small-Cap Value Fund (the "Fund") declined 1.27% during the third quarter of 2021 versus a drop of 2.98% for the Fund's most relevant benchmark, the Russell 2000 Value Index[1] (the "Index"). During the first nine months of 2021, the Fund is up 19.25% versus a rise of 22.92% for the Index.

The Fund's performance benefited from the Fund's most concentrated positions. Eight of the top ten positions at 9/30/21 had positive returns while the index was down for the quarter. As highlighted in the Fund's Q2 2021 letter, we noted that declining interest rates have disproportionately benefitted companies with weak financial positions and high valuation multiples. As interest rates rose late in the quarter, those trends began to reverse. The Fund is positioned for an environment where as interest rates rise, credit tightens and valuation regains importance. Given recent inflation statistics, last quarter could be the beginning of a trend towards higher interest rates.

Absolute performance was diluted by companies struggling with supply chain woes. Hamilton Beach Brands (household products company) and Visteon (automobile supplier) declined precipitously due to higher costs and production delays related to the supply chain. Fortunately, in both cases, top-line trends are moving in the right direction. Hamilton has implemented price increases to offset some of the cost pressures and management feels the costs were exacerbated by an inventory build-up leading into the holiday selling season. Demand for Hamilton's products remains strong as customers eat more meals at home. Costs should normalize throughout the rest of the year as inventory requirements subside. The well-publicized semiconductor shortage is impacting automobile production globally putting pressure on Visteon's near-term results, but the company has been able to offset some of those impacts by winning new mandates and their backlog remains robust. Although the semiconductor shortage has not been solved yet, it has created a supply/demand imbalance for new automobiles. It might take more time for the semiconductor issues to subside, but as supply increases, Visteon's robust platform of cockpit electronics is poised to benefit.

ACTIVITY

Madison Square Garden Entertainment (MSGE) was added to the portfolio last quarter while no positions were eliminated. MSGE is controlled by the Dolan family and is a leading owner and operator of entertainment assets. The MSGE assets include the Hulu Theatre, Chicago Theatre and Madison Square Garden. In addition, MSGE leases and operates Radio City Music Hall, the Beacon Theatre and has a 63% interest in Tao Group Hospitality which controls 63 high-end restaurants globally. The crown jewel is Madison Square Garden which is the highest-grossing entertainment venue in the world. Being a native New Yorker and life-long Knicks fan, there has been plenty of due diligence performed on these assets over the years!

MSGE's enterprise value was cut in half in 2021 for a few reasons. First, investors were disappointed with the recent acquisition of Madison Square Garden Networks. The network, which televises Knicks, Rangers, Islanders and Devils games, was previously controlled by the Dolan family and spun off in 2015. Repurchasing the asset was not well-received due to fears of cable networks facing secular decline. Second, MSGE is building a pioneering entertainment venue in Las Vegas named the MSG Sphere. When completed, the 17,500 seat, 360-degree concert venue has the potential to transform live entertainment. MSGE announced the project was experiencing cost overruns which increased investor angst. Finally, the entertainment industry world-wide is facing uncertainty due to Covid-19 and Delta variant threats.

While there is plenty to be concerned about regarding MSGE, investor reactions seemed to overly discount many of the positive attributes of the company. The enterprise value of these iconic assets is $2.7B and the balance sheet is near net cash. Maintaining financial strength has been a hallmark of Dolan-controlled assets over the years which provides comfort. The network acquisition is worthy of scrutiny, but MSGE paid an attractive multiple for an asset that generates plenty of cash flow.[2] The broadcasting of live sports over cable networks or streaming options remains highly valuable and given MSGE's connection to the Knicks, Rangers and Islanders, this asset will remain in demand. As sports gambling becomes mainstream, sports networks could be long-term beneficiaries as well. Management seems determined to redeploy the cash flow into higher returning assets. The acquisition will also allow the combined company to refinance higher cost debt and utilize tax assets. Those options may not have been available had the entities remained separate. Future MSG Sphere costs and Covid-19 impacts are more difficult to forecast, but based on current valuations, investors are assuming worst-case scenarios. If the MSG Sphere's adjusted cost projections are simply met, it will result in a major shift in investor sentiment. Watching sporting events this fall has been instructive. As a majority of the US population has been vaccinated and fans seem eager to support their teams, we are hopeful that spirit carries over into the winter as the Knicks and Rangers begin their seasons.

In summary, Fund Management used draconian assumptions when calculating our net asset value (NAV) estimates for MSGE, yet the discounts were wide. Given the financial strength and distinct quality of the assets, the risk/return seems highly favorable. Finally, the Dolan family seems to have a mixed reputation in many circles which likely enhanced the discount. The poor performance of the Knicks and mercurial management actions over the years have not helped perceptions. On the other hand, if one grades the Dolan family purely based on shareholder returns, the results have been pleasing. MSGE could be another situation where perception and reality are disconnected and the NAV discount closes over time as the value of the assets are realized.

The aggregate portfolio discount to our mid-case, conservative NAV estimates increased to 10% from 4% during the third quarter. We believe the increase in the discount is primarily related to the NAV estimates growing at a faster rate than the actual stock prices.

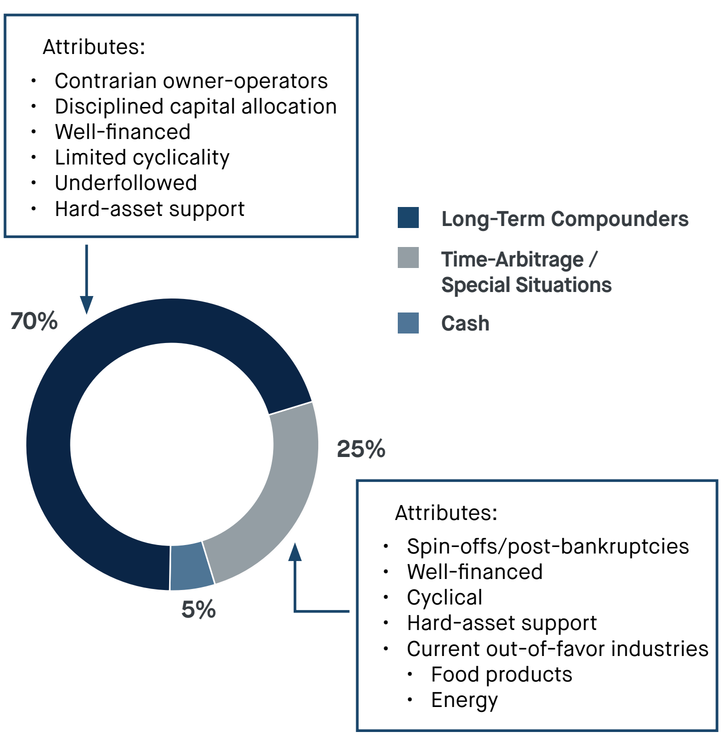
PORTFOLIO UPDATE

There were 28 positions in the Fund at quarter-end, up from 27 at June 30, 2021. Cash at quarter-end stood at roughly 5%. 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 third quarter, long-term compounders represented approximately 70% of the portfolio, and time-arbitrage/special-situation positions represented approximately 25%.

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 40% 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 is predominantly comprised of 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.

ASSET ALLOCATION AS OF SEPTEMBER 30, 2021



FUND STRATEGY

The Fund's active share currently exceeds 98%. Active share measures the percentage of a portfolio that differs from the index. The Fund differs widely from its Index because we value companies differently. One of our founder, Marty Whitman's, timeless quotes was, "managements are appraised not only as operators but also allocators and financiers." Many of our peers focus primarily on the operational aspects of the business rather than the financing and capital allocation prowess of the management teams. Operating prowess is best captured on the income statement. In contrast, Third Avenue's process begins by analyzing the balance sheet as it provides a much better scorecard of management's ability to finance its business and allocate capital.

The focus on operations leads many investors towards companies with high gross margins coupled with top-line consistency. That is a commonly-used metric for business quality. Price-earnings ratios[3] are a handy means of valuing these types of businesses. This is a perfectly effective strategy, but as interest rates have declined over the years, price-earnings multiples[4] have expanded to elevated levels for these types of businesses.

On the other hand, Fund Management has successfully ferreted out a handful of low-margin companies that have created value beyond core operations. Many investors reject low margin companies as they are considered low quality. Fund Management has found there is opportunity in low margin businesses when coupled with management teams with disciplined capital allocation frameworks. Specifically, MYR Group, EMCOR Group and Comfort Systems are long-time holdings in the fund. These companies are contractors and each have generated exceptional returns over the years despite margins many would consider too low. Despite low margins, each has compounded their respective book value[5] at high levels.

How have they done it? First, all three companies maintain strong financial positions. EMCOR and MYR Group currently have net cash balance sheets, for example. Maintaining strong balance sheets has multiple benefits. Financial strength is a competitive advantage when bidding for projects as customers do not want their contractors to experience financial difficulties. More importantly, financial strength allows them to be highly opportunistic and strategic. For example, select bolt-on acquisitions have been a fruitful use of excess capital to improve competitive positions. Despite the commitment to mergers and acquisitions, these companies have generally avoided recurring write-downs that plague other acquisitive companies who overpay for assets. The equity account for all three companies is healthy and growing. That is a strong sign of price discipline on acquisitions.

The backlog, or buildup of work, measured in dollars, that construction companies are contracted to do in the future, is another redeeming quality of these businesses. Backlog is an off-balance sheet item that is rarely used in quantitative screens. As a result, it is a metric we study carefully as a critical leading indicator of future performance. The productivity of backlog and the range of enterprise value to backlog is scrutinized when studying contracting companies.

The assessment of contractor companies is very similar to that of an insurance company. Book value trends are revealing. It illustrates the underwriting history of contracts and paints a vivid picture of corporate culture. Is the company trying to grow at any price or focusing on profitable growth? In the case of the MYR Group, EMCOR and Comfort Systems, each has chosen the profitable growth path and have strategically positioned these companies to benefit from segments of the economy poised to grow. Currently, these companies are positioned to benefit from efforts to improve indoor air quality, modernization of the electrical grid and the shift to renewable energy sources, for example. These end-market exposures have risen in importance over the past year as indoor air quality is crucial for companies attempting to bring employees back to the office and the electrical grid and renewable energy sources are areas of focus in the $1 trillion infrastructure bill being debated in Congress.

The companies highlighted above do not fit the high-business-quality narrative of many investors. Yet, companies such as MYR Group, EMCOR Group and Comfort Systems have compounded book value (plus dividends) by 14%, 7% and 16%, respectively over the past five years by combining disciplined operational prowess with skilled capital allocation. These companies may generate returns differently than others which requires unconventional analysis, but one cannot argue with the results. That makes them attractive members of the compounder bucket in the Fund.

TEAM UPDATE

During the quarter, our trusted colleague and friend, Evan Strain, left New York City (and Third Avenue). Over the years, I often poked fun at Evan's exotic tastes in travel and he decided to pursue those interests full-time by accepting a position in Dubai. We are grateful for his contributions to the firm, everpresent kindness, and wish him luck with his latest adventure.

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 – CFA

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, 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: October 15, 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 term cash flow refers to the net amount of cash and cash equivalents being transferred in and out of a company.

3 The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS).

4 The price earnings multiple compares the earnings per share reported by a company to the market price of its common stock. This multiple is used by investors to judge how expensive a share of the company's stock is. During a declining market, the overall price earnings multiples tend to decline for the shares of all companies, with the reverse occurring when the economy is expanding.

5 Book value can be thought of as the net asset value (NAV) of a company, calculated as its total net assets minus liabilities.

SMALL-CAP VALUE FUND

AS OF SEPTEMBER 30, 2021

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

FUND PERFORMANCE

As of September 30, 2021

	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Small-Cap Value Fund (Inst. Class)	-1.27%	19.25%	47.92%	5.54%	8.09%	10.67%	8.53%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	-1.35%	19.08%	47.51%	5.29%	7.82%	10.40%	8.94%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	-1.26%	19.37%	48.06%	5.65%	N/A	N/A	6.76%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TASCX
UMB Financial Corp.	8.4%
MYR Group, Inc.	6.0%
Washington Trust Bancorp, Inc.	5.7%
Seaboard Corp.	5.7%
FRP Holdings, Inc.	5.0%
Prosperity Bancshares, Inc.	4.6%
ICF International, Inc.	4.4%
ProAssurance Corp.	4.2%
Tidewater, Inc.	3.9%
Southside Bancshares, Inc.	3.7%
Total	**51.6%**

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:

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