THIRD AVENUE MANAGEMENT

SMALL-CAP VALUE FUND

AS OF SEPTEMBER 30, 2022

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 3.27% during the third quarter of 2022 versus a decline of 4.61% for the Fund's most relevant benchmark, the Russell 2000 Value Index (the "Index").[1] During the first nine months of 2022, the Fund was down 11.43% versus a decline of 21.12% for the Index.

It was a volatile quarter as equity prices rallied strongly from July through mid-August, yet declined rapidly in September. As the prospects for a slowdown in monetary tightening dimmed, equity prices dropped. A critical catalyst, which accelerated the September market rout, was the crash of the British pound and UK bond markets. After beginning my career as a fixed-income analyst in 1994, the events were reminiscent of that time. In 1994, the Federal Reserve began an aggressive tightening program after a prolonged period of low interest rates. As rates rose, a series of entities ranging from investment funds to local municipalities experienced financial difficulties due to an inability to service debt obligations in the wake of higher interest rates. The UK had a similar canary in the coal mine experience after a mix of fiscal and monetary actions created currency and bond shocks which ultimately placed the pension system at risk. Leveraged strategies by the UK pension authority were under pressure and required intervention by the Bank of England to stem the crisis. The long-term implications of the recent tightening are unclear, but it seems clear that the era of easy money is over. Those who took advantage of low interest rates and fiscal largess through excessive borrowing may face similar existential risks over the next few years. The benefits of Third Avenue's "balance sheet first" investment philosophy could be highly beneficial if current trends persist.

Third quarter absolute performance was impacted by weakness in real estate-related securities. Five Point Holdings, Tri Pointe Homes, InvenTrust Properties Corp, and FRP Holdings all declined at double-digit rates in the third quarter as the implications of rising interest rates weighed on sentiment. These companies continue to execute on their strategic objectives and maintain healthy balance sheets to weather near-term demand slumps. We remain constructive on real estate given the still favorable supply and demand dynamics nationwide. Relative performance was boosted by a selection of industrial companies (ICF International, Comfort Systems and EMCOR Group). All three rose at double-digit rates as the strength of their end-markets (energy, healthcare, and public-sector) overwhelmed fears of an economic slowdown.

ACTIVITY

Specialty finance company, Encore Capital Group (ECPG), was added to the Fund in the third quarter and the thesis will be described in detail later on. Auto supplier, Visteon Corp was eliminated from the portfolio this past quarter. It was a profitable investment for shareholders, yet did not live up to our expectations. The challenges of competing in the auto supplier industry often diluted Visteon's robust product development successes. Given the volatility and elevated valuation, Fund Management decided to monetize the position and redeploy the proceeds into companies with more favorable risk/return attributes such as ECPG.

ECPG is the #1 market share participant[2] in the U.S. and U.K. The company is focused on purchasing charged-off consumer receivable portfolios. It does so at an average purchase price of 12 cents on the dollar of face value. It complements collection efforts with the largest third-party consumer debt servicing business. A cursory review of the business description leaves the company susceptible to being misunderstood by the market and potential investors who are intimidated by the company's diversified holdings of consumer credit receivables.

When peeling back the layers of ECPG, which was founded in 1998, and has survived and thrived in the wake of the Global Financial Crisis, it becomes clear that the industry's moat is now much wider than previously thought. The industry has consolidated down to only a handful of players which are insulated by comprehensive regulation from the Consumer Financial Protection Bureau (CFPB) and the Financial Conduct Authority (FCA) which favors operational scale of compliance and data/analytics. Over the past two years, sourcing of newly distressed consumer paper has proved challenging given strong consumer balance sheets. As a result, sentiment has soured and we believe ECPG is currently trading at a discount to Fund Management's conservative, estimated "replacement value" of its core asset, a ~$3 billion receivables portfolio. Additionally, when the Fund initiated the investment, ECPG's EV/EBITDA[3] was close to 5.3x versus a long-term average of 10.0x.

A tenured management team that is price disciplined and properly aligned with shareholders is another appealing aspect of our thesis. Management has prudently grown its operations by focusing on markets that are large, with consistent return profiles and strong regulatory frameworks. One that has solidified its balance sheet and is now armed with ample liquidity to direct capital allocation back towards share repurchases, further de-leveraging and/or expanding the asset base of its cash generating receivables portfolio in order to grow the book value of the business. The forward-looking opportunity set for ECPG appears to have improved considerably as revolving credit balances in the United States are now back above pre-COVID levels and consumer credit quality appears poised to continue to weaken with pressures like food and gasoline inflation as well as the potential for rising unemployment. It is for these reasons we initiated a position in ECPG and stand ready to add to the holding if the Net Asset Value (NAV) discount widens.

PORTFOLIO UPDATE

There were 28 positions in the Fund at quarter-end, unchanged from June 30, 2022. Cash at quarter-end stood at 5%, up from 4% at the previous quarter-end.

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 69% of the portfolio, and time-arbitrage/special-situation positions represented approximately 26%.

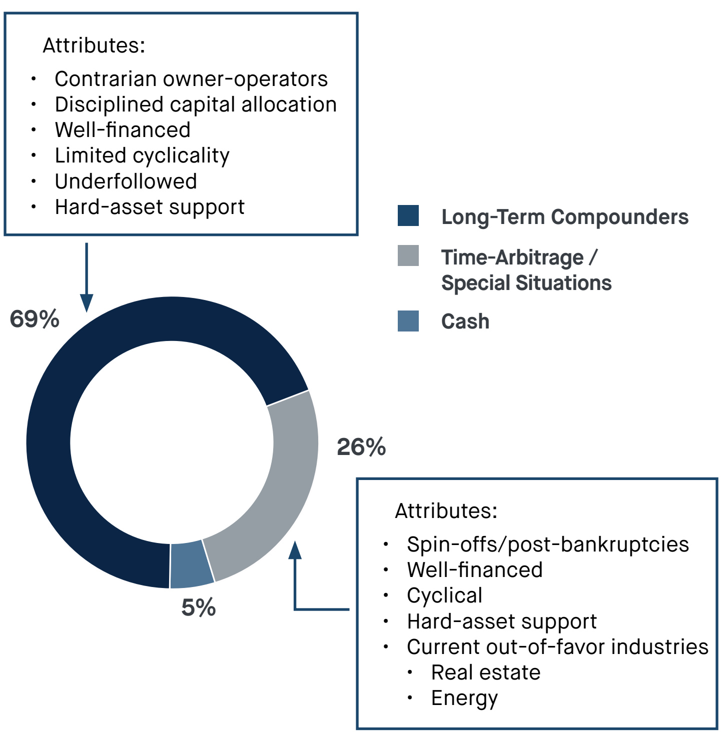
The Fund's compounder category (or "bucket") includes companies such as Seaboard (conglomerate), MYR Group (engineering and construction), and Westaim (financial services holding company). We believe balance sheet strength and prudent capital allocation should allow these companies to compound NAV for many years to come. Financial services companies are roughly 45% of the compounder category and are largely comprised of well-capitalized regional banks which make up 21% of the total portfolio.

The time-arbitrage/special-situations bucket is predominantly comprised of energy services company Tidewater, real estate-related holdings such as InvenTrust Properties Corp., and other out of favor, misunderstood companies such as Madison Square Garden Entertainment. 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 widened to 21% in the third quarter.

Following is a visual overview of the portfolio:

ASSET ALLOCATION AS OF SEPTEMBER 30, 2022



FUND STRATEGY

In 2008, Marty Whitman republished his 1979 classic value investing book titled, *The Aggressive Conservative Investor*. He emphasized the importance of the financial condition of a company—the quantity and quality of its resources. He went on to explain those resources should be used reasonably to generate future wealth. A common refrain at Third Avenue is we appraise management not only as operators, but also as allocators and financiers. Maintaining a strong balance sheet is helpful, but most useful when fiscal conservatism is converted to aggression when reasonable opportunities present themselves for management teams to create or unlock value.

Needless to say, economic fear is a heavy consideration facing corporate management teams in 2022. Thus, it is an ideal time to grade management teams' actions on how they have responded to the uncertainty.

The following table highlights a selection of resource conversion events announced in 2022 by the Fund's portfolio companies.

Security Description	Mgmt. Action	Notes
Chase Corporation	M&A	Purchasing NuCera Solutions, specialty polymers (25% EBITDA)
The Liberty Braves Group	Divestiture	Sale of Minor League Teams
The Westaim Corporation	Spinoff	Company Announcement
Madison Square Garden Ent.	Spinoff	Spin-off: (i) Vegas Sphere + Tao & (ii) MSG Networks + N.Y. Garden
MYR Group Inc.	Buyback	$75 Million Share Repurchase Program
Hamilton Beach Brands	Buyback	Buyback in Q2
Prosperity Bancshares, Inc.	Buyback	Opportunistic purchaser of shares
Washington Trust Bancorp, Inc.	Buyback	Opportunistic purchaser of shares

Source: Company Filings

Fund Management is highly attracted to management teams that exhibit unconventional behavior. For example, are they buying back shares when they are cheap or simply to offset dilution? Do they pay special dividends or participate in merger & acquisition activities sparingly or perpetually? It's unconventional to be patient and wait for opportunities to present themselves. As the table above shows, many of our portfolio management teams turned from conservative to aggressive in 2022 to take advantage of fear. It is noteworthy that companies that rarely repurchase shares such as MYR Group, Prosperity Bancshares, and Washington Trust were active in the second quarter. It was MYR Group's first share repurchase in 5 years! Chase Corporation has been largely inactive in M&A activities since 2018, yet utilized its net cash balance sheet to announce a sizable acquisition in the third quarter. If fear persists, we expect this type of behavior to continue in an effort to drive future NAV per share growth.

FIVE-YEAR ASSESSMENT

This past September marked the five-year anniversary since I assumed the role of Portfolio Manager of the Third Avenue Small-Cap Value Fund. We have truly appreciated your loyalty over that time. Quarter-end was an ideal time to review what has changed over the past five years and how Fund Management has executed on its vision for the Fund.

There has been plenty of action as we have experienced a mini-taper tantrum in late 2018, Covid-19, a powerful recovery and now the fallout from a potential generational change in interest rate policy. We are pleased to have outperformed our Index over that time period and importantly, with less risk when using standard deviation as a proxy. We have strived to construct a Fund with a defense-first strategy that will generate outperformance during challenging times. So far, the results have been solid. For the trailing one year as of 9/30/22, the Fund is ranked in the top 5% versus 471 Morningstar Small-Cap Value peers based on total returns,[4] and performed admirably during the Covid-19 bear market as well. It is notable that Small Caps stocks have materially underperformed Large Cap peers over the past five years. We remain optimistic the asset class is poised to revert to the mean versus large caps which could provide additional future tailwinds.

As part of the five-year assessment, we re-read the September 30, 2017 Letter to Shareholders. We affectionately call it our investing manifesto as it provided a vision of the security selection and portfolio construction processes using Marty Whitman's last book, *Modern Security Analysis* as our North Star. At the time, we aspired to concentrate the Fund, focus on the balance sheet first and despite more concentration, use portfolio construction as a means to tame volatility. The following chart provides a snapshot of how portfolio characteristics have changed over past five years:

THIRD AVENUE SMALL CAP VALUE FUND METRICS

	9/17/2017	9/30/2022
Number of Positions	61	28
Net Debt to Capital	26%	18%
EV/EBIT[5]	10	8.3
ROE[6]	7.27%	10.52%
P/BV[7]	1.91	1.29
TASCX Volatility	12.72%	18.51%
Index Volatility (prior 5 years)	13.81%	23.19%
% of Volatility Captured	92.11%	79.82%

Source: FactSet

The chart to the left shows the number of positions have been more than cut in half. Leverage ratios have declined, yet returns on equity have increased. Despite higher returning assets in the portfolio currently, on an EV/EBIT basis, the portfolio is cheaper today than it was in 2017. Fund volatility versus the Index is also lower than it was five years ago. The beauty of active management is the challenges are continuous. We have navigated through the first five years and look forward to managing your capital as new challenges arise.

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, 2022 (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 18, 2022

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 Source: Company Annual Report.

3 **Enterprise multiple**, also known as the EV-to-EBITDA multiple, is a ratio used to determine the value of a company. It is computed by dividing enterprise value (EV) by earnings before interest, taxes, depreciation, and amortization (EBITDA). Source: Investopedia.

4 Among funds in the Morningstar Small Cap Value Funds category, the Third Avenue Small Cap Value Fund ranked in the 46% for the 5-year period out of 417 funds in the category, and ranked in the 51% for the 10-year period out of 316 funds in the category, as of 9/30/22. Morningstar Absolute Rankings represent a fund's total return rank relative to all funds that have the same Morningstar Category. The highest rank is 1 and the lowest is 100 based on the total number of funds ranked in the category. It is based on Morningstar total return, which includes both income and capital gains of losses and is not adjusted for sales charges or redemption fees.

4 **EBIT/EV multiple**, shorthand for earnings before interest and taxes (EBIT) divided by enterprise value (EV), is a financial ratio used to measure a company's "earnings yield." Source: Investopedia.

5 **Return on equity (ROE)** is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets. ROE is considered a gauge of a corporation's profitability and how efficient it is in generating profits. Source: Investopedia.

6 **Price to book value ratio (P/BV)** compares the market and book value of a company.

SMALL-CAP VALUE FUND

AS OF SEPTEMBER 30, 2022

INSTITUTIONAL: TASCX | INVESTOR: TVSVX | Z: TASZX

FUND PERFORMANCE

As of September 30, 2022

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Small-Cap Value Fund (Inst. Class)	-3.27%	-6.54%	4.83%	3.39%	7.83%	7.90%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	-3.31%	-6.78%	4.58%	3.14%	7.56%	7.62%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	-3.26%	-6.46%	4.93%	N/A	N/A	3.72%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TASCX
UMB Financial Corp.	7.3%
Tidewater, Inc.	6.4%
MYR Group, Inc.	5.8%
Washington Trust Bancorp, Inc.	5.7%
Seaboard Corp.	5.4%
FRP Holdings, Inc.	4.7%
ICF International, Inc.	4.7%
Prosperity Bancshares, Inc.	4.6%
Hamilton Beach Brands Holding Co.	4.5%
ProAssurance Corp.	4.5%
Total	**53.6%**

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 1.24%, 1.52% and 1.17%, respectively, as of March 1, 2022.

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

/third-ave-management

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:

675 Third Avenue, Suite 2900-05
New York, New York 10017
www.thirdave.com

E: clientservice@thirdave.com
P: 212.906.1160