THIRD AVENUE MANAGEMENT

Portfolio Manager Commentary

THIRD AVENUE VALUE FUND

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX

September 30, 2017

Matthew Fine, CFA | Portfolio Manager
Michael Fineman, CFA, CFP® | Portfolio Manager

Dear Fellow Shareholders:

For the three months ending September 30, 2017, the Third Avenue Value Fund (the "Fund") returned 2.88% as compared to an MSCI World Index, which returned 4.96%[1]. Year-to-date, the Fund has returned 11.42% as compared to 16.53% for the Index[1].

The Third Avenue Value Fund was incepted in November 1990 and possesses one of the longest track records among its peers.During its 27-year history, the Fund has navigated several major macroeconomic recessions and a myriad of capital market calamities to produce an annualized return of 11.09% versus an MSCI World Index return of 8.03%[1]. These positive long-term results stem directly from our differentiated investment approach, which, after 27 years, we believe to be time-tested and effective. The set of investment tenets that define our philosophy were developed by our firm founder, Martin J. Whitman, decades ago, and remain the same principles that continue to provide a philosophical guiding light for our firm to this day.

Marty Whitman has distilled the essential elements of the Third Avenue investment approach into four primary pillars. First, the issuers of securities we purchase must have an especially strong financial position. Second, stock prices must be available for purchase at a discount to readily ascertainable net asset value. Third, there must be comprehensive financial disclosures and adequate investor protections. Fourth, the probability that the company may compound underlying net asset value by double-digit rates over the next three to five years appears high.

On September 19, 2017, Third Avenue Management announced a series of important developments, many of which were designed to revitalize the deep value philosophy that has been key to the long-term success of our flagship Value Fund. Most notably, Matthew Fine and Michael Fineman have assumed portfolio management responsibilities for the Third Avenue Value Fund. Matt and Mike, being Marty acolytes and experienced practitioners of the Third Avenue approach, intend to carry-on these pillars. We hope to emulate some of the Third Avenue Value Fund's hallmark investments such as Nabors Industries, a company for which Marty orchestrated a financial restructuring in the midst of a severe cyclical oil services downturn. That contrarian special situation investment offered the opportunity to purchase the company's securities at a fraction of the replacement value of the business when the near-term outlook was poor and the restructuring complex.

Hopefully, readers will note several parallels between this historical example and our description below of the Fund's most recent investment, Tidewater, Inc. The Firm also announced its intention to merge its International Value Fund into the Value Fund, creating two potential benefits: 1) an enlarged asset base that may bring cost efficiency benefits to the Value Fund, and 2) a deeper investment team that allows us to widen our breadth of available opportunities within the global value space.

With these recent developments in mind, we would like to reintroduce ourselves.

Matthew Fine has roughly 18 years of investment experience entirely dedicated to the Third Avenue Management investment approach. Those 18 years have been spent applying the Third Avenue philosophy primarily to international equity markets, both emerging and developed, as well as some credit investing. Most recently Matt has led the Third Avenue International Value Fund, spending over three years as its lead portfolio manager. During the last three years through September 2017, the Third Avenue International Value Fund has produced an annualized return of 6.52%, as compared to the MSCI All Country World ex US Index return of 5.19%[1].

Michael Fineman, who is honored to have recently re-joined our firm, has 28 years of investment-related experience almost exclusively dedicated to long-term value investing, including eight years at Third Avenue Management. Mike has focused mostly on North American markets and is a veteran investor in equity, credit and special situations investing. In fact, Mike successfully managed the Third Avenue Special Situations Fund, LP for approximately five years and was a principal of our firm until resigning in 2014. His return to Third Avenue as co-portfolio manager of Third Avenue Value Fund and as director of research is an important enhancement to the senior leadership of our firm. Matt and Mike's philosophical alignment with each other manifests itself in a variety of ways which will influence the Fund going forward. First, we believe wholeheartedly that markets are not always efficient, even if many markets are mostly efficient most of the time. With sufficient frequency, security prices can be far more volatile than long-term business values and thus provide occasional opportunities to buy and sell securities at unusually attractive prices. Value investing itself depends on this concept. Second, we believe that a long-term investment outlook is a considerable advantage and allows for

1 The MSCI World Index is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 of the world's most developed markets. **Please see Appendix for performance table and information**

contrarian investing when the near-term outlook may be questionable but security pricing may be extremely attractive relative to long-term business value, provided that the company in question has the necessary financial wherewithal to last through challenging times. Third, we believe in the concept of purchasing securities that possess hard assets underpinning our investments for a variety of reasons. Hard asset values can be durable, with estimable and lasting value, thereby providing considerable downside protection in times of turmoil as compared to earnings-driven valuations. Further, many hard asset businesses can be extremely difficult to replicate or may be comprised of inherently finite assets, limiting competitive threats while simultaneously providing other benefits such as inflation-protection or tax attributes. Finally, when one considers long-term wealth creation in its many forms, not just earnings from operations, it becomes clear that valuable tangible assets at a company's disposal can be the source from which wealth creation derives, whether it be property development gains, asset dispositions, other resource conversions, or many other means.

It is our view that shareholders want a genuinely differentiated investment approach, as an alternative to passive allocations, that is supported by nearly a half century of experience across many global markets. We will continue to focus on contrarian deep-value investing, special situations investments and other opportunities arising from complexity, fear and misunderstanding. Our approach is long-term by nature and strives to limit the probability of permanent loss of capital. The intended outcome is to produce superior performance over longer periods of time, though not consistently in all periods of time, and we expect that the Fund will exhibit lower levels of correlation to indices than the average fund in its peer group, likely offering diversification benefits for many shareholders' broader portfolios.

PORTFOLIO UPDATE

The portfolio consists of positions which we believe are trading at discounts to readily ascertainable NAV. Although we are bottom-up fundamental analysts, many of these positions can be described thematically. We believe the US home building industry remains materially below normalized levels of single family home starts, which is one of the biggest factors associated with our investments in timber, wood products, and home building companies.In fact, as we write this letter, Lennar Corp, whose management team is well-respected in the investment community, has just announced an acquisition that would commit some $9.3 billion of debt and equity capital behind this thesis and potentially make Lennar the largest home builder in the U.S. Holding companies and conglomerates are, and will likely continue to be, fruitful grounds for investing as we continue to believe that some of the most attractive opportunities are those that take the greatest effort to understand. Given Third Avenue's worldwide real estate expertise, it's not surprising that real estate investments are included in common themes found within the portfolio, most of which also provide some hard asset protection on the downside should the world take a turn for the worse. On that note, I think you will continue to see investments in companies that offer the security of hard assets as well as wealth creating opportunities. Recently, we have begun to increase our positions in unusually attractively valued special situation investments – generally focusing on companies that have recently restructured and recapitalized into true financial health. In a few cases, the bankruptcy process also served as an opportunity to shed other liabilities and adjust operating cost structures in a meaningful way. These financially reorganized companies tend to be "needle in a haystack" opportunities requiring considerable fundamental research because quantitative screens relying on historical accounting data do not yet incorporate critical recent developments.

As we proceed in managing the portfolio in coming quarters, it is reasonable to expect some change, which will be guided by our sense of the attractiveness of our holdings, our expectations for the development of the underlying businesses, our assessment of the probability of permanent impairment of our capital, and other investment considerations. Additionally, we must also factor in portfolio management and tax considerations. For the record, in addition to being risk-averse, we also consider ourselves to be tax-averse. With these considerations in mind, during the quarter the Fund sold its holdings of seven positions leaving the portfolio with 31 holdings and a cash position of approximately 19% at quarter end.

We see potential opportunity in industries, including oil services, certain base metals, and lumber. In each case, the evolution of supply gluts into supply deficits are helping to create opportunities. For example, within in the North American lumber industry, supply constraints have been developing over a number of years. Meanwhile, demand, partly driven by the aforementioned acceleration in U.S. single-family housing construction and renovation, continues to recover from levels which still today remain far below normalized levels. We suspect the lumber industry overall may be poised to enter a period of supply deficit resulting in strong lumber pricing and very attractive cash flows for well-located mills.

At Third Avenue Management, broadly speaking, our intention is to use the broad set of skills at our disposal, including expertise in financial restructurings, special situations, and a wide variety of global markets to position ourselves in deep value opportunities that minimize the risk of impairment of our capital and simultaneously position us for attractive returns. We believe we have found one such investment, simultaneously offering considerable appreciation potential and considerable downside protection. This perceived favorable asymmetry derives primarily from the company's balance sheet, the quality of its assets and the price at which the security is available for purchase.

OUR NEWEST ADDITION

Tidewater Inc. ("Tidewater") – During the quarter, the Fund purchased shares of Tidewater, owner of one of the world's largest fleets of offshore service vessels ("OSV"), which provide a range of services primarily to offshore oil production platforms and offshore drilling rigs. We believe the current low levels of offshore oil and gas investment to be patently unsustainable and indeed the industry has recently begun to show signs of stabilization, albeit at low levels. Tidewater, like virtually all of its competitors, saw its income erode during the downturn and its debt become unsustainable causing it to be one of the first to seek a financial restructuring. However, you are likely to see several more bankruptcies in the OSV industry and in oil services more broadly in coming months.

Today, following its recent emergence from bankruptcy, Tidewater is a net cash company by virtue of nearly all of its debt having been converted into equity pursuant to the restructuring. Furthermore, fresh start accounting treatment of its assets saw Tidewater write its vessel fleet down by nearly 75% from levels that were already the result of a succession of write-downs. Our estimates suggest that the liquidation value of Tidewater's fleet, which happens to be among the largest and youngest in the world, is well in excess of the current market valuation of the business, even at the current highly depressed secondary market values for its vessels. Furthermore, if one were to expect an eventual industry recovery, as we believe is more likely than not, or alternatively believe that the assets may be worth something akin to what it would cost to replace them, those scenarios imply valuations that are more than double the current market valuation in our view. Meanwhile, a net cash balance sheet and a breakeven cash flow profile, even in the presently depressed conditions, offers a comfortable position from which to wait for the industry to cyclically recover over time.

CONCLUSION

It is with enormous excitement that we introduce ourselves as the Value Fund's new portfolio management team. We are confident that our firm's investment approach is as relevant as ever and is capable of producing excellent and differentiated returns over time. We approach the task with a love of investing and a good dose of humility. We continue to believe that prospects for our investment approach are as bright today as they have been in the past, but our approach arguably has enhanced relevance today in an investment world characterized by an increasing concentration of dollars invested in passively managed strategies heavily weighted towards richly-valued securities. We can't promise outperformance. However, we can promise to be distinct from portfolios of conventional, popular, widely-owned and expensive securities that have to date benefited from the influence of momentum.

Thank you sincerely for your confidence and your loyalty. We look forward to writing again next quarter but welcome all interest in the Third Avenue Value Fund or the merger process in the meantime.

Sincerely,

Matthew Fine & Michael Fineman

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, 2017 (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 27, 2017

September 30, 2017

FUND PERFORMANCE

as 9/30/17	1 yr	3 yr	5 yr	10 yr	Since Inception	Inception Date
TAVFX (Institutional)	16.67%	5.04%	8.69%	2.21%	11.09%	11/1/1990
TVFVX (Investor)	16.40%	4.78%	8.42%	(n/a)	6.53%	12/31/2009

TOP TEN HOLDINGS

	% of Portfolio
Bank of New York Mellon Corp.	6.1%
Weyerhaeuser Co.	5.9%
Comerica, Inc.	4.8%
Brookfield Asset Management, Inc.	4.7%
PNC Financial Services Group, Inc.	4.7%
CK Hutchison Holdings, Ltd.	4.1%
Total S.A.	4.0%
Investor AB	3.7%
Johnson Controls International PLC	3.4%
Cavco Industries, Inc.	3.2%

Allocations subject to change

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 and investor share classes is 1.15% and 1.40% respectively, as of March 1, 2017. 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, 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 web site at www.thirdave.com. Distributor of Third Avenue Funds: Foreside Fund Services, LLC.

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THIRD AVENUE 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:

www.thirdave.com

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