THIRD AVENUE
MANAGEMENT

THIRD AVENUE VALUE FUND

Portfolio Manager Commentary

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

March 31, 2019

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

Dear Fellow Shareholders,

For the three months ended March 31st 2018, the Third Avenue Value Fund (the "Fund") returned 12.60%, compared to the MSCI World Index, which returned 12.65%[1]. Strong performance during the period continued into early April and represents a substantial recovery from a very challenging end to calendar 2018. Notwithstanding strong performance year to date, we continue to view the Third Avenue Value Fund's holdings to be deeply underappreciated and undervalued.

The Third Avenue Management investment philosophy revolves around our pursuit of significantly undervalued securities. The presence of low prices, not surprisingly, is frequently associated with a relatively poor near-term outlook for an industry, company or country. By definition, this approach is contrarian in nature, is more price-conscious than outlook-conscious, and requires a multi-year investment horizon. Further, cheapness itself, while critical to our investment approach, is not a sufficient condition for investment. In addition to the margin of safety provided by paying discounted prices, we strive to provide additional elements of safety through rigorous analysis of a company's financial position, conservative estimates of business value, a healthy dose of skepticism as it relates to the ability to make accurate long-term forecasts, and avoidance of secular business decline and obsolescence risks. Regarding this form of value investing, in which there are a relatively limited number of practitioners, it is often said that the opportunities find us, rather than us finding them. Said another way, the investment approach is reactive to the opportunity set presented.

We intend for the duration of this letter to serve as a progress report on our application of this philosophy by describing the opportunity sets presented to the Fund today, aggregate exposures, valuation of the Fund and, most importantly, several bottom-up fundamental drivers important to our goals for future returns.

The Fund - From the Top Down

Given the elements of our investment philosophy described above, it should not be surprising that the Fund opportunistically develops various clusters of exposure and should be expected to be relatively less diversified than many mutual funds. As of March 31st, the Fund held 29 positions with the ten largest positions representing 51% of Fund capital. A number of the Fund's largest industry exposures and can be estimated as follows:

Exposure	Weight
Metals & Mining	14.9%
Offshore Oil & Gas Services	13.2%
North American Homebuilding	12.8%
Autos	7.2%
Global Cement Manufacturers	6.5%
Banks	5.9%

Source: Industry classifications determined by Third Avenue.

While our various opportunity sets are indeed among the more out of favor industries globally, and poor sentiment has impacted their share prices in similar ways, the near-term outlooks for the individual businesses are by no means homogenous, even within a given industry exposure. For example, Warrior Met Coal has one of the most attractive near-term outlooks of any business held by the Fund, as discussed later in this letter. The company's discounted share price results from its relative obscurity, the stigma of coal and a general fear of a Chinese economic recession. Meanwhile, the copper mining industry appears to be developing into longer-term shortage, likely accompanied by persistent improving prices, but today the operating environment should be characterized as just decent, not great. Further, in considering Fund exposures one should keep in mind that a commercial bank in the United States, such as Comerica, may have very little in common with a universal bank in Western Europe, let alone a restructuring case such as Deutsche Bank. Likewise, while Buzzi Unicem's U.S. cement operations do overlap with those of Eagle Materials, Buzzi has considerable exposure to its home country of Italy while Eagle has become the target of an activist campaign that may have important implications for its near-term performance. For these reasons and many more, a top down view of industry exposures overstates the concentrations of fundamental risk, in our view.

Looking at the Fund's investment allocation by type of opportunity provides yet another lens through which to analyze our positioning. We tend to classify our activity into three types of opportunities; contrarian, special

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**

situations and long-term wealth creators. In a word, contrarian opportunities are those where we have either a differentiated fundamental view, a longer time horizon, or both as it pertains to our assessment of an industry, company, or country for which the average investor opinion is decidedly pessimistic. Special situations are those where important corporate actions are fundamentally changing the company in significant ways, which frequently render historical financial statements either irrelevant or misleading. This type of investing is an area where "roll up your sleeves" bottom-up fundamental research can be particularly fruitful. Prime examples are investments we have made in the equities of very well-capitalized, liquid, public companies that have recently emerged from bankruptcy proceedings. Two of our largest holdings, Warrior Met Coal and Tidewater Inc, both fit this description. The long-term wealth creator category, where one purchases a great, but under-appreciated, business and sits for decades enjoying compounding returns has over many years become an increasingly competitive, and therefore somewhat less fruitful, area of activity for the Fund. Naturally, these categories of opportunity are not mutually exclusive and our most attractive investments typically embody elements of all three categories. Labeling our investment activity in this way is therefore a "best fit" process.

Opportunity Type	% of Fund
Contrarian	51%
Special Situation	22%
Long-Term Wealth Creator	19%
Cash	8%
Total	**100%**

Opportunity Type classifications determined by Third Avenue.

In summary, our investment process leads us to inexpensive securities of well-capitalized companies that are for one reason or another presently out of favor. That willingness to differentiate, as evidenced by the Fund's current 99% active share, has given us the freedom to construct a portfolio of securities that are, on average, far less expensive than those held by relevant equity indices. In our preceding quarterly letter we discussed academic studies covering the historical efficacy of low P:E and low P:B strategies and will refrain from repeating ourselves here other than to note that from the top down, the Fund appears to be doing many of the things that academic studies have shown to be associated with long-term outperformance.

	Third Avenue Value Fund	MSCI World Index
P/E using FY1 Est (Incl. Negative Values)	12.13	15.80
Price to Book	0.87	2.30
Price to Sales	1.05	1.63
Price to Cash Flow	5.83	10.15
Wtd Avg Mkt Cap ($M)	16,815	159,317
Median Mkt Cap ($M)	9,122	18,386
# of Positions	29	1,178
U.S. Exposure	31.6%	–
Port. Ending Active Share	99.37%	–

Source: FactSet

The Fund - From the Bottom Up

Further, top-down analysis notwithstanding, we continue to believe wholeheartedly that bottom-up, fundamental business developments, dictating changes to the economics of our businesses, will be most critical to shareholder returns, and in turn to future Fund performance. On this front, we would like to highlight important fundamental developments taking place at two of the Fund's larger investment exposures.

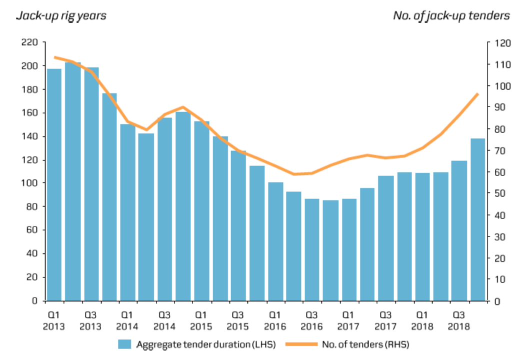
Warrior Met Coal, Inc ("Warrior") – At quarter end, Warrior was the Fund's third largest position. In early 2018, Warrior provided guidance that it intended to produce between 6.6 – 7.2 million short tons of met coal during 2018 and then successively raised that production guidance throughout 2018. Ultimately, when Warrior reported operating performance for the full year 2018 this past February, the company had produced 7.7 million short tons. In addition to having produced volumes exceeding most estimates, the company also reported admirable cost performance. With premium hard coking coal prices relatively stable near $200 per metric tonne and possession of a substantial tax asset with which to shelter income, Warrior was able to produce free cash flow of $458 million during 2018, which compares to a market capitalization of $1.57 billion as of March 31st, translating to a trailing free cash flow yield to shareholders of roughly 29%. Further, in the weeks following its operational results release, Warrior announced a tender offer for a portion of its outstanding bonds, the authorization of a share repurchase program and that it would be in position to dividend up to $229 million to shareholders – roughly 15% of its market cap at the time of the announcement. We purchased Warrior in the fourth quarter of 2017 and, in the period since, the Fund has received approximately $17.99 in dividends, not including the potential $229 million ($4.44 per share) future dividend, which compares to the share price of $30.53 at present. We have a substantial capital gain as well. These positive fundamental developments have led Warrior to become the leading contributor to Fund performance over the most recent quarter as well as over the past year, even while sentiment remains relatively poor and the company relatively obscure.

Offshore Oil Services - Within these quarterly letters we go to some effort to share each of our investments theses, communicating our thinking about each new purchase in the quarter in which it was purchased. However, we would like to take the opportunity to provide an update on fundamental progress as it relates to one of the Fund's largest exposures, offshore oil and gas services. Per the table above, the Fund's aggregate exposure to this area is estimated to be 13.2%. In order of size, this figure includes Tidewater, Borr Drilling, a portion of our position in Royal Boskalis Westminster ("Boskalis"), Transocean, Petroleum Geo-Services ("PGS") and Subsea7.

A concise version of our investment thesis is that offshore oil and gas production is critical to the global energy mix and is extremely likely to remain so for some time. Further, we believe that for several years following a rapid oil price decline in 2014 and 2015, the reduced level of spending on offshore oil and gas exploration and production fell to levels clearly below that required to sustain production at these levels. If industry austerity persists, then production declines will result in the not too distant future. The makings of this scenario can be seen in the offshore oil and gas industry's extremely low reserve replacement ratios and falling reserve lives. We believe that oil and gas producers share this view and are beginning to act in order to stave off the otherwise inevitable production declines. However, during these extremely lean last five years, service providers were forced into survival mode and have scrapped huge numbers of drilling rigs, seismic vessels and platform supply vessels, a process which continues today. This industry attrition will make previous levels of exploration and production activity very difficult to achieve without far higher prices for the services. In other words, the supply and demand balance for offshore oil services is likely to become tight (driving prices higher) at activity levels well below the highs of the last cycle. This pattern of events is very much in keeping with previous offshore oil service cycles, whereby increasing asset utilization leads to rising service prices. In early 2019, the process of recovery appears to have begun in earnest but has quite a long way to go in order to reach industry normalization.

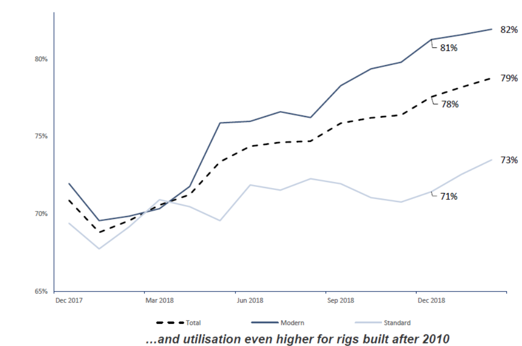
These dynamics have become clear and present as evidenced by recent operating performance reports. For example, PGS recently reported that "Pricing for 2019 contract work booked to date remains strong and is now more than 35% higher than the average rate in 2018." In a recent meeting with Borr Drilling, management projected that they would have their entire rig fleet sold out by the end of the year while recently contracted day rates for modern jack-up rigs - the type Borr owns - are currently running in the neighborhood of 60% higher than one year ago, in some cases meaningfully more.

Tender activity and duration is increasing for jack-ups...



Note: Data includes tender and pre-tender only based on "Open demand", three moving quarter average
Source: IHS Markit

Marketed Utilisation continues to trend upwards...

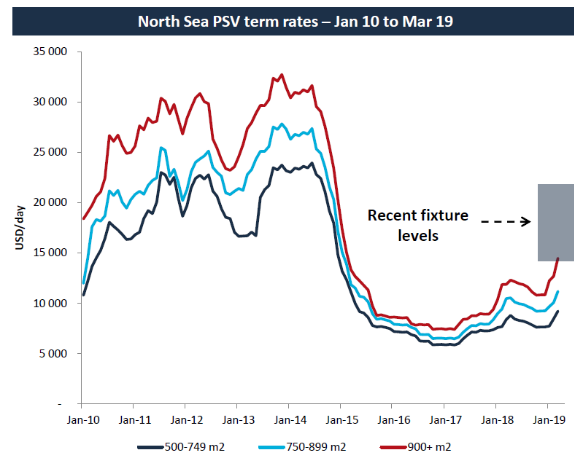


...and utilisation even higher for rigs built after 2010

Source: IHS Petrodata
Modern rigs = built between 2000 or after
Includes Independent Leg Cantilever units only

With regard to the platform supply vessel ("PSV") market, where Tidewater is the world's largest operator, oil services specialist Fearnley's Securities recently commented "The spring/summer season in the North Sea is really starting to take shape for PSVs. The spot market remains close to sold out, rates are hovering at levels not seen since the downturn and term requirements continue to build." Oil service specialist Clarksons Platou Securities tracks the same dynamic in analysis of the North Sea PSV market where it estimates that 2019 rates are running 56% higher on average than 2018. The light at the end of the cyclical tunnel appears to be shining brighter and brighter each day with a wide range of supporting data points.

North Sea PSV term rates – Jan 10 to Mar 19



Source: Clarksons Research Services, Clarksons Platou Offshore

Quarterly Activity

During the quarter ended March 31st, the Fund opportunistically initiated two new investments, namely the equities of Eagle Materials and Mohawk Industries.

Eagle Materials, Inc ("Eagle") – Eagle Materials has a strong operating history producing construction materials, primarily cement, concrete and wallboard, and weaker historical results producing fracking sand. As with our investment in Buzzi Unicem, Eagle participates in a U.S. cement market that is structurally undersupplied and void of any major capacity additions on the horizon. Eagle, Buzzi, and other U.S. cement producers therefore typically enjoy high capacity utilization and strong and stable prices, which has led to high and increasing profitability over long periods of time. We began purchasing shares of Eagle in February at prices well below our estimates of the private market value of its businesses. Shortly after the Fund initiated its investment, it was reported that an activist investor had approached Eagle in order to encourage the sale of its frac sand business and possibly other businesses as well. Further, Eagle's wallboard business has a nascent competitive advantage thanks to captive supply of its primary raw material, gypsum. The company owns vast natural gypsum reserves, whereas most new wallboard capacity in the U.S. has been built to make use of synthetic gypsum, an abundant byproduct of coal-fired power plants. A number of these power plants have recently shuttered in the face of environmental pressures and competition from low-priced natural gas. If coal power plants in the U.S. continue to close, supplies of byproduct gypsum may continue to become scarcer and the economics of plants using synthetic material less attractive. Whatever the results from the activist campaign, we think Eagle's share price substantially undervalues its assets either in relation to their private market value or an appropriate stand-alone valuation.

Mohawk Industries, Inc ("Mohawk") - Mohawk is a vertically integrated global manufacturer of soft surface and hard surface flooring. The company commands strong market positions in both the US and Europe, which account for approximately 85% of company revenues. Mohawk dominates the US market for ceramic tile and carpet and operates with scale advantages across its manufacturing footprint and nationwide distribution network. While many of these capabilities have been organically developed through reinvestment, mergers and acquisitions have also facilitated growth, scale, geographic diversification and product expansion. Importantly, this has been driven by a long-tenured CEO who holds a substantial amount of Mohawk stock.

Businesses that have a capacity to organically reinvest at high rates of return and subsequently compound tangible book value at double-digit rates are attractive to many investors, including ourselves. Indeed, in recent years Mohawk would very much have qualified as one of the long-term wealth creators referenced above, but wide acknowledgement of those traits kept its shares priced above levels attractive to us. However, towards the end of 2018, Mohawk's operating performance uncharacteristically stumbled causing its shares to lose their halo and premium valuation. Mohawk's operating performance simultaneously suffered from a slowing U.S. housing market as well as challenges presented by a relatively new product category – luxury vinyl tile ('LVT') – which has taken market share from more traditional flooring products. Matters were only complicated by rising freight costs, raw materials inflation and sub-optimal capacity utilization. By December 2018, the valuation multiples assigned to Mohawk's shares had fallen by roughly 50%.

We initiated a position during the first quarter of 2019 following the steep decline in share price. While it will take some time for Mohawk to adjust, its cash-generative operations, strong financial position, and history of best-in-class operations make it likely that the company will be able to effectively respond. At the current price, we believe the market is overly pessimistic about the long-term value of the business given the recent operating performance; and so apparently does management, which, in a rare occurrence, began to repurchase stock in a newly authorized repurchase program.

Thank you for your confidence and your loyalty. We look forward to writing again next quarter.

Sincerely,

Matthew Fine, CFA Michael Fineman , CFA, CFP

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, 2019 (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 25, 2019

THIRD AVENUE VALUE FUND

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

FUND PERFORMANCE

as 3/31/19	1 yr	3 yr	5 yr	10 yr	Since Inception	Inception Date
TAVFX (Institutional)	-10.66%	4.59%	1.92%	9.40%	10.13%	11/1/1990
TVFVX (Investor)	-10.87%	4.35%	1.66%	(n/a)	4.37%	12/31/2009

TOP TEN HOLDINGS

	% of Portfolio
Lundin Mining Corp.	6.5%
Interfor Corp.	6.3%
Warrior Met Coal, Inc.	5.9%
Buzzi Unicem SpA	4.8%
CK Asset Holdings, Ltd.	4.8%
CK Hutchison Holdings, Ltd.	4.8%
Tidewater, Inc.	4.7%
Bayerische Motoren Werke AG	4.6%
Royal Boskalis Westminster N.V.	4.5%
Lennar Corp.	4.2%

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, investor and z share classes is 1.17%, 1.45% and 1.09% respectively, as of March 1, 2019. 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.

Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.