VALUE FUND

AS OF MARCH 31, 2020

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

PORTFOLIO MANAGER COMMENTARY

MATTHEW FINE, CFA

Dear Shareholders,

We hope this letter finds you and your loved ones healthy and safe during the COVID-19 pandemic. As a society, we are adapting to challenging circumstances, the most important of which is the risk to human health. We are encouraged by humanity's collective problem solving ability and ingenuity. The mobilization of our private sector to facilitate rapid solutions, in partnership with government agencies, is nothing short of incredible, as is our ability to rapidly rework distribution chains to get never before contemplated volumes of goods through a small subset of normal distribution channels. Governments and central banks in the U.S. and Europe have fully grasped the gravity of the situation, worked with the private sector to understand corporate needs, and responded in a (mostly) bipartisan way with staggering resources. As the original epicenter of the health crisis, China responded extremely impressively as well, using its own methods, including cutting-edge technology. We cannot say whether the medical and economic measures implemented in the U.S. and Europe will be sufficient to facilitate a return to normalcy in the near-term, but we would note that virtually all high frequency data measurements of the Chinese economy, such as traffic jams, coal consumption at power plants, factory capacity utilization, human migration and domestic air travel, appear to be showing clear signs of progress towards normalization.

During the quarter, the COVID-19 virus spread from Hubei, China across much of the world, radically impacting the Northern Hemisphere in particular, including many of the world's most significant industrial and financial centers. Necessary actions taken to slow the spread of the virus and "flatten the curve" of infections have inflicted an unprecedented shock upon many economies, the speed and magnitude of which may never have been experienced before during peacetime. Like many, we were slow to recognize the full danger of what we were witnessing. Much of the investment community initially reacted with attempts to calculate earnings losses from the estimated economic interruption to the U.S. and Europe during March, April and possibly May. That focus quickly proved naïve, lasting a mere few days before morphing into a scramble to understand available corporate liquidity and solvency under various business scenarios, the extremeness of which had never before been contemplated. For example, how long can each airline survive upon presently available liquidity with 100% of its aircraft grounded? The overwhelming breadth of these considerations, impacting virtually all businesses and asset classes simultaneously, has sowed panicked selling, volatility, rising correlations, rapid deleveraging and enormous demand for liquidity. Across a wide swath of industries and geographies, we are currently seeing valuations last seen in the heat of the Global Financial Crisis ("GFC"), albeit with many balance sheets that are today markedly better than in those days. Our baseline expectation is that the present state of panic, like all others we have encountered historically, is likely to produce extraordinary investment opportunities for investors who are not leveraged, and therefore not forced sellers.

In some ways, we are grateful that the world experienced the GFC prior to experiencing the COVID-19 shock. While the source of this particular liquidity panic is quite different than the GFC, many of the tools being used to address the current scramble for liquidity were created during that period and comprise a suite of "off the shelf" tools appropriate for combatting frozen treasury markets, repo markets, commercial paper markets, mortgage-backed markets and interbank lending. GFC-era legislation designed to build countercyclical banking buffers are also being put into reverse as we speak to free up bank capital for use in absorbing anticipated rising credit losses and what seems likely to develop into an unprecedented extension of forbearance to borrowers. Effective use of these tools during the GFC, and later the European Sovereign Crisis, has given many central banks and governments a mandate for reuse and, in this case, these initiatives are supported by near-unanimous political will. In the context of this letter, we will refrain from speculating about the longer-term implications of these central bank actions, combined with trillions of dollars of U.S. and European fiscal stimulus, as it relates to economies, inflation, interest rates, asset values and future credit discipline.

From an investment perspective, it is critical to remember that financial market deleveraging and the related panic-driven selling, interacting with each other in a feedback loop, is not price discovery as we know it. Equity markets appear to be pricing in far more than a quarter or a year of virus-related earnings impact. There are dozens of ways to arrive at this conclusion but one anecdote is that on March 26th, weekly U.S. jobless claims were reported at 3.3 million, a staggering figure that is roughly 4.5x the previous record from 1982, and, in response, U.S. equity futures strengthened. We will talk more about this on a bottom-up basis below, but from the top-down, JP Morgan has looked at the "what is being priced in" question and provided analysis that equities are currently pricing in a scenario in which earnings trough in 2022 – 2023 and don't recover to pre-COVID levels until 2030. To be clear, JP Morgan is not predicting those conditions, merely providing evidence that what has been priced into equities is an extremely dire and lasting scenario.

For the three months ended March 31st, 2020, the Third Avenue Value Fund (the "Fund") returned -42.08%, compared to the MSCI World Index, which returned -20.95%.[1] During the quarter, the Fund's relative performance was impacted by a variety of factors, which were not mitigated by the cheapness of the Fund's holdings prior to the turmoil. Valuation was no salvation with the MSCI World Value Index underperforming the MSCI World Growth Index by 11.7% year to date. Smaller capitalization stocks also experienced outsized impact during the quarter. At the beginning of the quarter, the Fund's median market cap was approximately $3.6 billion, as compared to $20.1 billion for the MSCI World Index. During the quarter's dash for liquidity, the MSCI World Small-Cap Index underperformed the MSCI World Index by more than 9%. With the U.S. dollar appreciating substantially, foreign currency-denominated securities were also a headwind. While these traits clearly impacted Fund performance during the quarter, we do not view them as fundamentally reducing the survivability of the underlying companies and are frankly shocked by some of the valuations we are seeing today. That said, one area where the world has fundamentally changed during the quarter is in the oil and gas market, and by extension, for those who provide services to oil and gas producers. Our investments in offshore oil and gas services were among our larger detractors during the quarter. This remains a rapidly evolving situation but the apparent collapse of OPEC+ and, in turn, global prices of crude, has changed the landscape in important ways. Russia's refusal to participate in supply/price management proposals is widely seen as an attempt to destroy U.S. onshore production, which was economically fragile even prior to the demand destruction related to COVID-19 and the collapse of crude prices. To the extent Saudi Arabia and Russia persist in their current strategies, we expect they will be successful in inflicting carnage upon U.S. onshore production. Significant declining production from U.S. sources would ultimately be a major positive for the global offshore service providers we own. However, the use of a price war as an industrial strategy is not surgical in its precision. It inflicts blunt force trauma on all involved and pushes out the timeline to a more balanced market. Such a period demands belt-tightening even for those oil and gas producers who are obvious survivors and eventual winners. We have sold our position in Borr Drilling, which had the weakest financial position of any company held by the Fund, and is therefore most sensitive to the timeline of a recovery of demand for its services. We are continuing to evaluate our remaining positions in offshore oil services as well as developments within the industry.

With regard to the Fund's specific holdings, both old and new, current prices look patently unreasonable to us. But again, we are of the view that recent selling has not been driven by an inclusion of a new set of forecasts, but rather by the sense of panic that ensued when previous forecasts were obliterated. Our crystal ball is no clearer than anyone else's but we would offer decades of experience that, historically, it has been in times like these, full of fear and uncertainty, that substantial returns are made by long-term oriented, bargain hunting investors. During the quarter the Fund was particularly active by deploying its cash position into a number of existing positions, as well as several new positions. Furthermore, multiple members of our team also made additional personal investments into the Fund.

Prior to discussing the Fund's new positions, we highlight several of the Fund's larger holdings from a valuation perspective as illustrations of the degree of panic-driven, valuation-agnostic selling that has taken place, and as a small sample to frame the extent of the Fund's unreasonable cheapness across geographies and industries:

BMW AG ("BMW") – Today the entire market cap of BMW is less than the value of the net cash and financial assets in its automotive business (EUR 17 billion) plus the book value of its financial services business (EUR 15 billion). To suggest that is reasonable is to suggest that BMW's entire auto business, arguably the best capitalized and one of the most well-operated auto companies in the world, which produced EUR 4.5 billion of operating profit in 2019, is currently worth less than zero. The company is presently valued at 0.63x tangible book value. On an earnings basis, BMW produced EUR 7.47 per share of earnings in 2019, a challenging and transitional year for the auto industry, which puts the current price at 6.3x last year's depressed earnings, or 3.6x what the company earned in 2018.

Interfor Corp ("Interfor") – Interfor is one of the largest producers of lumber in North America. While headquartered in Canada, most production is in the U.S. and the vast majority of its production is used in U.S. single-family home construction and repair and remodel markets. Outside of the U.S., British Columbia, Canada is North America's largest producer of lumber. However, poor log availability and high costs in B.C. have caused a 20% reduction in B.C. lumber production over the last year. For that reason, many lumber producers have been buying and building lumber mills in the U.S. South where housing markets have been very robust and logs are plentiful and cheap. Over the last several years, those U.S. South mills have been bought and built for prices often in the range of $600 - $650 per thousand board feet ("mbf") of production capacity. Interfor, which is among the best capitalized lumber producers in North America, is currently trading at prices that imply roughly $220 per mbf, a discount to replacement value of roughly 65%. This valuation translates to approximately 2x Interfor's 2018 EBITDA. On a price to book basis, the company is within a whiff of its Global Financial Crisis lows, when the U.S. housing market was actually the epicenter of the crisis and the industry was staring into the abyss of rapidly declining home prices and a decade-long recovery.

Deutsche Bank AG ("Deutsche Bank") – Deutsche Bank made substantial progress in its restructuring efforts during the last two years, including the formation of a Capital Release Unit ("CRU"). The CRU is essentially a pool of non-core assets and liabilities that are in liquidation but are currently trapping the associated capital while the bank winds down the CRU. CRU capital totals EUR 8.3 billion of shareholders equity and it is expected to be liberated over coming quarters. The plan is to redeploy half of that capital into other parts of the business and distribute the other half to shareholders beginning in 2022. Deutsche Bank also owns 79% of publicly listed asset manager DWS Group, which today has a market value today of EUR 3.6 billion. The entire market cap of Deutsche Bank itself is only EUR 12.3 billion today, which suggests that the entirety of Deutsche Bank's actual operations, including Germany's largest retail banking business, global corporate banking and global investment banking, have virtually zero value.

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.

Hawaiian Holdings, Inc ("Hawaiian") – Hawaiian operates Hawaiian Airlines and does so very competently. During the last five years, Hawaiian has produced earnings of $4.53 per share, on average. Over the last twelve months that figure was $4.71 per share. Today the stock price is $10.38, meaning 2.2x trailing earnings. One could think of this multiple as suggesting a 60% chance that the stock will be worthless and 40% chance that the company will recover, produce average earnings in the medium-term and be valued at only 8x earnings. To be clear, our view is that the highest probability scenario is that the company will not only recover, but will grow its earnings into the future, and that the earnings stream is worth more than a multiple of 8x. The company is well-capitalized and owns (rather than leases) a large majority of its aircraft, which has several implications. First, the capital structure and relative absence of fixed lease payments offers substantial runway to navigate this unprecedented shutdown. It is estimated that Hawaiian has enough liquidity to sustain a complete shutdown of all flying for approximately 10 months (without government support, which appears to be available if needed). Second, the company has a highly desirable and saleable aircraft fleet, which could be sold or otherwise used to obtain more financing, in the event that proved necessary. And yet, today the company is currently trading at less than half of tangible book value, while book value may be a decent approximation of the liquidation value of the business. We would note that it took U.S. domestic air travel a matter of only 24 months to fully recover following the September 11th, 2001 terror attacks, an event that unleashed extraordinary fear of air travel specifically. We would also note that as of late March, Chinese domestic air travel had already begun a meaningful recovery.

QUARTERLY ACTIVITY

During the quarter ended March 31st, the Fund engaged in an unusual amount of investment activity as a result of unusual market circumstances. The Fund initiated new positions in three companies, Old Republic International, FedEx and Vornado Realty Trust, while adding to number of existing holdings. The Fund exited its positions in Borr Drilling and SPDR S&P 500 ETF Trust put options.

Old Republic International Corporation ("Old Republic") – During the quarter the Fund initiated a position in Old Republic, which operates in several lines of insurance. Old Republic's largest exposures are in specialty property and casualty segments including trucking insurance, workers' comp and variety of others. The company has generally been a decent underwriter, historically speaking, in spite of the fact that trucking insurance has been a particularly challenging business due to a trend of rising claims and surprisingly large claim awards. That trend has caused a number of insurers to cease writing trucking insurance and the remaining players to substantially re-price those risks. We would expect Old Republic's underwriting results to improve going forward. Old Republic is also one of the largest players in the oligopolistic title insurance market. The first function of title insurance is the mitigation and near-elimination of title risk in residential and commercial real estate transactions. The second function is to insure against any residual risk. For this reason, title claims tend to be rare, required regulatory capital in the business tends to be small, and returns on that capital tend to be quite high. Pure players in the title insurance industry, who are Old Republic's direct competitors, are typically highly profitable and trade at substantial premiums to book value. Finally, Old Republic's consolidated results and returns on equity have been dragged down for years by a book of business that is in runoff. While the existence of the runoff portfolio tends to drag on consolidated returns, as it liquidates it will continue to free up equity, which the company will likely continue distributing to shareholders in the form of special dividends. Taking all of these things together, it appears likely that Old Republic's operating performance can improve meaningfully over time and that, in any event, the consolidated valuation, at or below tangible book value, even after making adjustments for recent capital market turmoil, materially understates the sum of its parts. More qualitatively, the company has historically had a reputation for being less than eager to engage the investment community, but we believe there has been a reconsideration of this posture coinciding with a recent management succession and new hires. To the extent that Old Republic is more proactive in explaining each of these drivers of improving operating performance and the degree to which the company is substantially undervalued, we would expect the result to be a positive impact on the share price.

FedEx Corp ("FedEx") – FedEx operates one of the world's largest package delivery and logistics businesses. Beginning in the early 1970s, founder Fred Smith began building a network of sorting facilities, aircraft and last-mile capabilities that has become one of very few key players in an oligopolistic market dominated by operators who have scale and control of a variety of key assets that are virtually impossible to replicate. In spite of its record of creating extraordinary shareholder value over decades, FedEx has had a number of operational headwinds over the last few years. First, the expansion and evolution of its ground delivery services in order to meet rapidly growing ecommerce demand has required costly investment and created inefficiencies in the FedEx Ground network in the near-term. Secondly, in 2016, FedEx acquired TNT to expand its European operations and grow scale within its FedEx Express line of business. This is a business that was already inherently less profitable and more capital intensive than its FedEx Ground business. From an integration perspective, the TNT acquisition has proved more difficult and a larger headwind to operating performance than anticipated. Meanwhile, political impediments to global trade in 2019 compounded the challenges for FedEx Express, which is primarily a business to business service. We have developed the view that FedEx's substantial investments to continue supremacy for decades to come in an evolving ecommerce market place are sensible and strategic. We also believe that the costs associated with the TNT integration will dissipate in coming quarters and that FedEx management is strategically positioning FedEx to maintain its critical status in the secularly growing package delivery oligopoly. Over time we would expect FedEx to navigate a return towards historical levels of profitability and returns on capital, in addition to meaningfully growing overall business volume in the future. Our estimates suggest that this should also result in a substantially higher share price. As it stands today, the company is valued at roughly 10x depressed trailing earnings.

Vornado Realty Trust ("Vornado") – Vornado is a commercial real estate investment trust ("REIT") which owns and operates a portfolio of premier office properties, primarily located in midtown Manhattan and, to a lesser extent, San Francisco and Chicago. The company has historically been extremely well-managed and well-financed, which remains the case today. We view the company's balance sheet as sufficient to navigate the challenges associated with COVID-19, which will undoubtedly impact the street-level retail, and potentially office vacancy levels, within Vornado's landmark office properties. Given the quality of Vornado's office properties, the strength of its Manhattan platform, including as owner of Amazon's inaugural New York City headquarters, the strength of its balance sheet, and the experience of its management team, we have been very surprised by the magnitude of its share price decline during recent market turmoil. Admittedly, the commercial mortgage-backed security market is in disarray at the moment and REITs in general have been sold en masse, but we believe that companies with modest leverage, a lack of large near-term maturities, access to liquidity, and highly desirable properties will be able to see their way through this period and potentially use it as an opportunity to create value through asset acquisitions or share repurchases. Vornado is yet one more company whose valuation currently rivals its valuation during the Global Financial Crisis.

TEAM UPDATE

During the quarter, colleague and friend Michael Fineman resigned from Third Avenue Management to pursue other opportunities and relocate to a sunnier climate far, far away from the New Jersey Transit system. We thank him for his many contributions over the last three years and wish him tremendous success and happiness in his new home and new endeavors.

Thank you for your confidence and your loyalty. We look forward to writing again next quarter. In the interim, please do not hesitate to contact us with questions or comments at clientservice@thirdave.com.

Sincerely,

Matthew Fine, CFA

IMPORTANT INFORMATION

Date of first use of portfolio manager commentary: April 6, 2020

VALUE FUND

AS OF MARCH 31, 2020

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

FUND PERFORMANCE

As of March 31, 2020

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	-42.08%	-41.94%	-17.49%	-9.38%	-1.44%	7.75%	11/1/1990
Third Ave Value Fund (Inv. Class)	-42.11%	-42.10%	-17.69%	-9.61%	-1.67%	-1.46%	12/31/2009
Third Ave Value Fund (Z Class)	-42.07%	-41.89%	N/A	N/A	N/A	-26.98%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAVFX
Lundin Mining Corp.	6.1%
CK Hutchison Holdings, Ltd.	5.9%
Bayerische Motoren Werke AG	5.7%
Bank of Ireland Group PLC	5.1%
Buzzi Unicem SpA	4.9%
Warrior Met Coal, Inc.	4.7%
Interfor Corp.	4.6%
Deutsche Bank AG	4.2%
Boskalis Westminster	4.1%
Eagle Materials, Inc.	4.0%
Total	**49.3%**

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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