VALUE FUND

AS OF JUNE 30, 2020

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

PORTFOLIO MANAGER COMMENTARY

MATTHEW FINE, CFA

Dear Shareholders,

For the three months ended June 30th, 2020, the Third Avenue Value Fund (the "Fund") returned 25.3%, compared to the MSCI World Index, which returned 19.57%.[1] While the Fund's strong second quarter absolute performance represents only a partial recovery from a painful first quarter, it appears particularly strong in the context of continued value strategy underperformance during the quarter. In the second quarter, the MSCI World Value Index returned 12.9%, substantially trailing the MSCI World Growth Index, which returned 25.6%. The second quarter saw considerable progress in the containment of the COVID virus in many parts of the world, particularly those impacted earlier, such as China and Western Europe. Many parts of the United States have also seen considerable improvement, though statistics from a number of states make it clear that we are far from out of the woods. Our team continues to take the position that the world economy will emerge from the pandemic, and while certain pre-existing trends may be altered or accelerated, global economic growth will resume. One of the people I admire most is fond of saying, "Most of the time, the end of the world doesn't happen." Several accelerating trends may prove to be substantial tailwinds to the Fund as well. To the extent that it has grown more likely that a large U.S. infrastructure bill will be a key component of future fiscal stimulus, our cement and aggregates companies would be direct beneficiaries. To the extent that interest rates remain at historically low levels, our exposure to the U.S. housing and lumber markets feel particularly well positioned. And to the extent that fiscal stimulus is geared toward clean energy initiatives, as has already been the case in Europe, we expect our copper mining companies to benefit from an increasingly undersupplied copper market. Lastly, the unique nature of this crisis—in contrast to a crisis driven by an excessive buildup of credit, which can take years to unwind—has spurred a very credible debate about whether we have the makings of an environment marked by higher levels of inflation than we have seen in many years. We believe that the Fund, given a strong focus on tangible, hard to replicate assets, is unusually well positioned for this scenario. We are also encouraged that third quarter performance has begun on a positive note with the Fund continuing its strong absolute and relative performance, in spite of the continuation of growth and momentum strategy outperformance. The duration of this letter will address the current state of our strategy and value investing more generally.

THE BIGGER PICTURE

The Third Avenue Value Fund is a specialist in the fund management industry. We analyze business as though we intend to own the entirety of the business, for a lengthy period of time. In doing so, we attempt to capitalize on a very limited set of substantially mispriced opportunities that occur in global securities markets, mostly equities. We do this without regard for the composition of indices and do it on a global basis because an expansive investment universe improves the probability that unusually attractive opportunities will be available at any given time. Furthermore, it is often the case that these opportunities occur in smaller-capitalization companies, which are often less well-followed by investment analysts and are frequently not held by indices. To put numbers to the concepts, the Fund's weighted average market cap today is $11.5 billion (median is $2.9 billion) as compared to $261.4 billion (median is $18 billion) for the MSCI World Index. The Fund's active share is 99.6%.[2] These specializations are not by happenstance or a self-indulgence on the part of the portfolio manager. It is our view, one we believe to be extremely well-informed by historical data, that investment in a portfolio of temporarily out of favor, and therefore substantially undervalued, smaller-capitalization companies is among the most potent and reliable means of producing outperformance in equity markets over long periods of time. The table below shows the growth of $1 invested in several strategies, in this case using Index Fund Advisers indices to proxy small-cap value, large-cap value, total market, small-cap growth and large-cap growth.

GROWTH OF A DOLLAR FOR IFA INDEXES

Period	92 yrs, 1 mo	50 yrs, 1 mo	30 yrs, 1 mo	20 yrs, 1 mo	10 yrs, 1 mo	3 yrs, 1 mo
Start date	January 1, 1928	January 1, 1970	January 1, 1990	January 1, 2000	January 1, 2010	January 1, 2017
End date	January 31, 2020	January 31, 2020	January 30, 2020	January 31, 2020	January 31, 2020	January 31, 2020
Small Value Index	$43,665	$540	$29.56	$6.94	$2.67	$1.05
Large Value Index	$11,203	$339	$17.52	$4.89	$3.18	$1.26
Total Market Index	$5,249	$155	$17.41	$3.47	$3.52	$1.50
Small Growth Index	$3,492	$67	$14.98	$5.85	$3.59	$1.52
Large Growth Index	$2,880	$131	$21.58	$3.09	$4.03	$1.75

Source: IFA.com

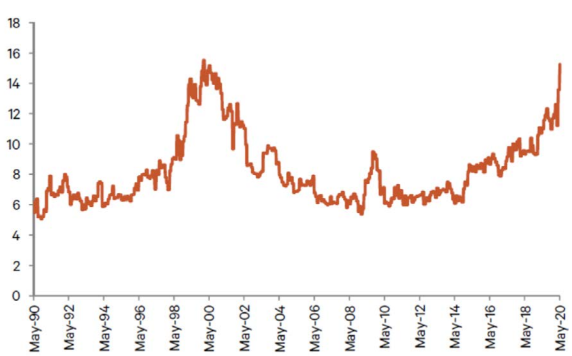
1 The MSCI World Index is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 of the world's most developed markets. Please see Appendix for performance table and information. One cannot invest in an index.

2 Active Share is the percentage of a fund's portfolio that differs from the benchmark index.

What is clear to us, and corroborated by many academic studies, is that small-cap value, as a strategy, has produced far superior returns, as compared to large or small growth, as well as the total market over any multi-decade time horizon. However, the same strategy has produced considerable underperformance over the most recent decade, with a substantial portion of that occurring during the last three years. The point, from our perspective, is that you really need to interpret the most recent few years as the result of a lasting secular change in order to weight the most recent decade more heavily than the past ten decades. This would be dangerously akin to the most dangerous phrase in investing, "this time is different".

The primary short-coming of value strategies is their inability to perform consistently. In fact, we have lived and invested through bouts of underperformance of sufficient duration, both for the Fund and value investing in general, that during these periods it appears the strategy is capable of consistent underperformance. The most recent three years have been one such period. On the other hand, it has also been our experience that such periods have been followed by periods of torrid value strategy outperformance as accumulated equity market distortions reverse and normalize. We obviously can't assure readers that will be the case this time around, and we will not offer any predictions as to timing, but we can share the observations that statistically speaking, this current multi-year period of value underperformance is virtually unprecedented in its magnitude and that, in the view of the Fund's portfolio manager, we have not seen more obvious undervaluation in certain areas of the equity market in decades. The combination of acute cheapness of companies with virtually indisputable financial wherewithal is what makes a number of opportunities today so unusual, whereas in the midst of the Global Financial Crisis we witnessed similar valuations but commonly associated with much less certain survivability. Conversely, it is also rare, in our view, to see such a collection of preposterously overpriced companies in certain areas of the U.S. equity market, though we are not interested in devoting text to railing against individual businesses with which we have no involvement. Investment bank Berenberg has measured that the valuation spread between the least expensive decile of U.S. equities and the most expensive decile has never been so wide, including during the late 1990s.

S&P 500 P/E – INTERQUARTILE RANGE



Cheap Versus Expensive P/E Spread Hitting 2000 Levels

- Interquartile P/E range for S&P 500 near record widths
- Range has been widening consistently since 2009-10
- Last time the P/E gap was this wide was TMT bubble
- Reflects record cheap valuation for value

Source: Berenberg Research and Eikon

While we approach investing with a strictly bottom-up, fundamental value philosophy, we find it helpful to understand the factors, exogenous to our investing efforts, that have important implications for our ability to produce performance at times. Evidence strongly suggests that we have been operating in a profoundly bifurcated equity market, increasingly so over recent years, replete with unusual value and simultaneously dominated by unusually expensive companies. Unfortunately, we have arrived at this point as richly valued companies have become increasingly expensive while inexpensive companies have become even cheaper. This phenomenon has clear performance implications for all fundamental investors, including contrarian value investors such as ourselves. One investing model that is particularly sensitive to such phenomena is long-short equity, which very often attempts to profit from intra-sector pricing distortions. In recent months we have seen the closure of several long-short funds with previously esteemed multi-decade track records. Investment firm AQR Capital Management, who is a fellow AMG Affiliate and one of the world's most respected quantitative research firms, recently produced robust research analyzing these phenomena.[3] They concluded that over the last 40 years, virtually any way one might measure value, we have not experienced pricing distortions of this magnitude outside of the tech bubble of the late 1990s. Their studies conclude that this is true even when analysis is conducted on an intra-sector basis, meaning expensive and cheap stocks in the sector, thereby diminishing the simplistic assertion that value is underperforming because the factor is full of banks and oil. The story is far more complicated than that and massive valuation distortions far more pervasive. Meanwhile, AQR published some of that material in November of 2019 and the first half of 2020 has seen a very strong continuation of expensive company outperformance. Fundamental investing strategies, contrarian value included, are very likely to struggle while expensive companies become more expensive and cheap companies languish.

Further, in the category of history rhyming rather than repeating, we anecdotally note that the end of the previous tech bubble was marked by tremendous momentum behind "story stocks" supported by little, if any, consideration of valuation, resulting in parabolic stock price performance. It is our view that we are seeing a considerable amount of those phenomena in 2020. Thank you to investment bank Jefferies for illustrating this point with the graphics below.

ONE STEP UP AND TWO BACK FOR VALUE SO FAR THIS YEAR...

Source: FactSet; FTSE Russell; Jefferies

3 Links to AQR research findings can be found here: https://www.aqr.com/Insights/Perspectives/Its-Time-for-a-Venial-Value-Timing-Sin

GROWTH LOOKS DANGEROUS, HIGHEST % OF NON-EARNERS EVER

Source: FactSet; FTSE Russell; Jefferies

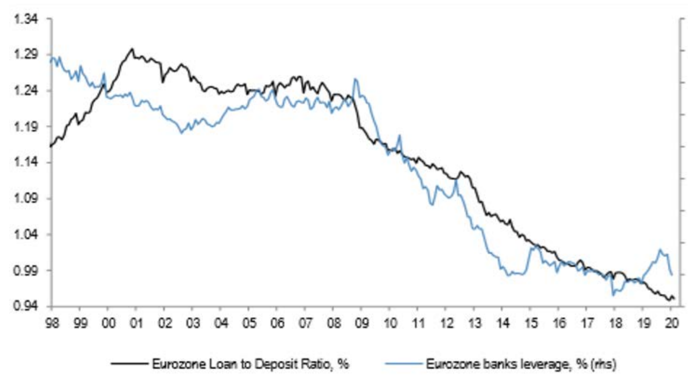
There will always be sophisticated commentators who describe these developments as logical given the prevailing set of circumstances, such as low inflation, unprecedentedly low interest rates and low economic growth. During the late 1990s, the arguments for paying enormous prices for technology companies, many of which produced little revenue and even less profit, were distinct from those of today but the summary thesis was similar, that we were living through a secular, not cyclical, change. The implication of course is that participation in these secular investing trends represents some type of investing panacea. I can remember day-traders claiming to have dethroned investing legends in the late 1990s as though it was yesterday. Talented and thoughtful fundamental investors lost their hair with frustration. A number of investing legends even closed up shop, yet another parallel to recent days. For those who continued to march on, an incredible period of vindication was not far off.

THE SMALLER PICTURE

Third Avenue pursues a fundamental bottom-up value strategy, not because we are conscious of the incredibly positive historical record of such strategies, or because we believe that the extraordinary distortions currently present in global equity markets represent an exceptional value opportunity, although both are true. We are simply in pursuit of individual businesses we can purchase at substantial discounts to our conservative estimates of their net asset value because it is intuitive, logical and repeatable as an investing strategy. In that vein, we highlight below what we believe to be a number of unusually attractive value opportunities comprising several of the Fund's larger positions.

Bank of Ireland – During the last three years, the share price of Bank of Ireland has fallen slightly more than 70%, a substantial portion of which occurred pre-COVID. That has occurred, primarily as a result of its earnings multiple having shrunk from roughly 10x to 5x. In the face of historically low interest rates, bank incomes have been challenged, which has resulted in its earnings per share having shrunk from EUR 0.59 in 2017 to EUR 0.36 in 2019. Today, with the share price at EUR 1.86, the multiple on 2019's depressed earnings is 5.16x. Another way to think about that multiple is that as an owner of the business I would be realizing an earnings yield of roughly 20% on today's price. That is roughly triple the 7% long-term historical return of equities broadly. Over the last five years, in a very depressed interest rate environment, Bank of Ireland has produced average earnings of EUR 0.59 per share. Today's share price is a mere 3.1x multiple of that number. While we are aware that interest rates are forecast to stay at rock bottom levels for some time, we seem more in touch than many with the historical tendency for inflation and interest rates to surprise relative to expectations. Furthermore, the fact that interest rates are at or near historical records in Europe and elsewhere weighs heavily in our suspicion that probabilities of an upward move in rates are higher than a downward move. Any movement towards more normalized interest rates would be an incredibly powerful boost to Bank of Ireland's income statement. That said, in early 2020 the company had declared a dividend reflective of its depressed 2019 income, though the dividends for all European banks were subsequently suspended. Were that dividend to have been paid, which it may well be in the future, it would represent a 10% annual dividend yield. It used to be that an investor would need to take on considerable credit risk in exchange for this type of return but that just isn't the case for Bank of Ireland or a number of other opportunities today, which is what makes this moment in time so unusually attractive. In fact, coming into the COVID crisis, Euro area banks had rarely, if ever, been better capitalized and Bank of Ireland is no exception.

EURO AREA BANK LEVERAGE AND LOAN/DEPOSIT RATIO

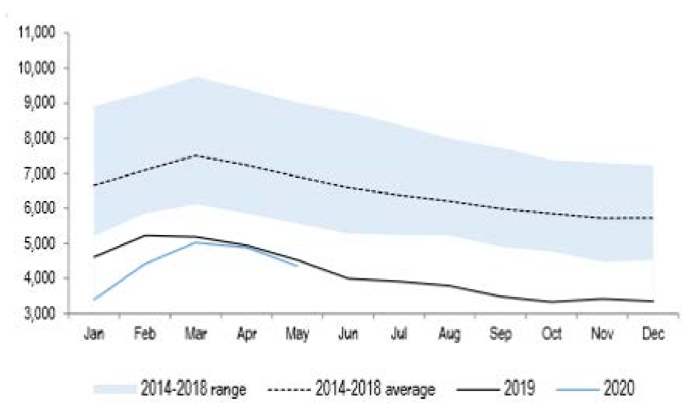


Source: J.P. Morgan, ECB

Interfor Corp. – The U.S. housing market has been one of a few economic bright spots in the first half of the year. In anticipation of slower housing construction than ultimately came to fruition, North American lumber producers curtailed production substantially in March and April. With demand from renovation and remodel markets accelerating throughout the COVID crisis and housing starts continuing more strongly than initially anticipated, lumber supply chain inventories have been depleted to low levels causing a very rapid price recovery. At the time of this writing, lumber futures are at their highest levels in nearly two years. Canadian investment bank CIBC recently estimated that at current lumber prices, Interfor would generate more than $300 million of EBITDA next year. For perspective, the entire enterprise value of Interfor is roughly $850 million today, a figure that also represents a fraction of the replacement value of its lumber mills. Also keep in mind that mortgage rates are presently at historic lows making home ownership particularly accessible. Meanwhile extremely low inventory of existing homes for sale further supports the conditions for a continuation of the growth of single family home construction we have seen in recent years. In 2019, volumes of new homes built remained well below historical norms and evidence suggests meaningful underbuilding relative to the natural demand drivers of household formation and replacement demand. These factors appear poised to create demand for increasing numbers of new homes, yet the existing pace of demand has already created pressure on lumber producers to supply the desired volumes, which has resulted in rapidly rising prices and profits.

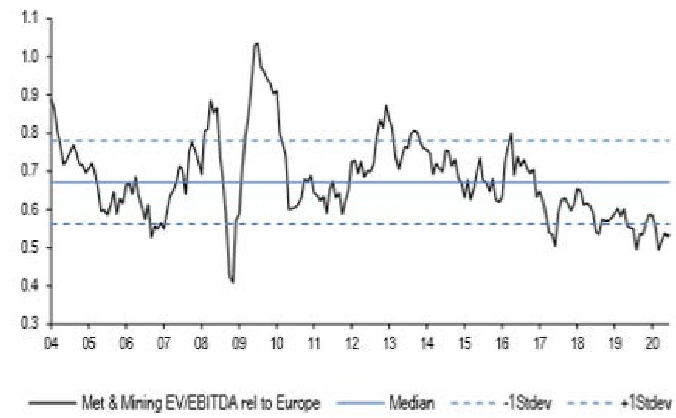
Lundin Mining and Capstone Mining – Our base metal mining companies, namely Lundin and Capstone, comprised roughly 10% of the portfolio by weight at quarter end. Both have been among the better performers within the Fund during 2020. It is generally accepted that demand for base metals will accelerate as and when economics conditions improve. What is far less appreciated is that metals demand, for copper in particular, has largely been uninterrupted by COVID disruptions and inventories of copper continue to plumb new decade lows. It is also underappreciated that roughly a decade of underinvestment in mining supply has left some metals, especially copper, substantially supply constrained. Given the length of time it takes to increase supply, supply shortages can grow severe and lasting. Couple that observation with the fact that mining companies, in general, are trading at near historic cheapness relative to the broader equity market, based on the profits being generated today, and one can easily envision both far higher profits for base metal miners as well as far higher multiples assigned to the those profits. Lastly, there is little acknowledgement to date that the clean energy revolution, taken as fait accompli, that has propelled some stock prices into the stratosphere, would consume extraordinary amounts of copper in a market where inventories are at decade lows and very little supply response appears possible. The implications for copper prices could be profound.

GLOBAL BASE METALS INVENTORIES



Source: LME, CMX, SHFE, CRU, Metal Bulletin, J.P. Morgan Commodity Research

MINING EV/EBITDA* RELATIVE



Source: IBES

*Enterprise value/EBITDA (more commonly referred to by the acronym EV/EBITDA) is a popular valuation multiple used in the finance industry to measure the value of a company. It is the most widely used valuation multiple based on enterprise value and is often used in conjunction with, or as an alternative to, the P/E ratio (Price/Earnings ratio) to determine the fair market value of a company.

QUARTERLY ACTIVITY

During the quarter ended June 30th 2020, the Fund did not purchase any new positions or exit any existing positions. After a substantial amount of trading activity during the first quarter of 2020, including the purchase of three new positions and additions to a number of existing positions, we entered the second quarter with a substantially reduced cash position and, in our view, a well-positioned portfolio. Purchases and sales during the second quarter primarily revolved around the management of position sizes and resulted in a modest amount of net selling.

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

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 June 30, 2020 (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: July 17, 2020

VALUE FUND

AS OF JUNE 30, 2020

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

FUND PERFORMANCE

As of June 30, 2020

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	25.30%	-25.74%	-11.91%	-5.44%	2.01%	8.51%	11/1/1990
Third Ave Value Fund (Inv. Class)	25.24%	-25.92%	-12.13%	-5.68%	1.76%	0.71%	12/31/2009
Third Ave Value Fund (Z Class)	25.35%	-25.66%	N/A	N/A	N/A	-16.82%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAVFX
Interfor Corp.	7.4%
Lundin Mining Corp.	7.3%
Warrior Met Coal, Inc.	5.5%
Deutsche Bank AG	5.3%
Bank of Ireland Group PLC	4.9%
CK Hutchison Holdings, Ltd.	4.8%
Bayerische Motoren Werke AG	4.7%
Buzzi Unicem SpA	4.6%
Eagle Materials, Inc.	3.9%
Mohawk Industries, Inc.	3.6%
Total	**52.0%**

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 1.23%, 1.51% and 1.12%, respectively, as of March 1, 2020. 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, 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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