VALUE FUND

AS OF SEPTEMBER 30, 2020

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

THIRD AVENUE MANAGEMENT

PORTFOLIO MANAGER COMMENTARY

MATTHEW FINE, CFA

Dear Shareholders,

For the three months ended September 30th, 2020, the Third Avenue Value Fund (the "Fund") returned 9.29%, compared to the MSCI World Index, which returned 8.05%.[1] This quarter marked yet another period in which growth strategies continued to outperform value strategies, particularly so in the case of the largest market capitalizations. By comparison, the MSCI World Value Index returned 4.05% during the quarter, trailing the MSCI World Index by roughly 4%. To the extent that the performance of broad market indices are positively influenced in a considerable way by a small sub-set of relatively expensive mega-cap companies, it is extremely difficult for strategies seeking undervalued securities to perform well, relatively speaking. That said, mega-cap growth stocks continued to drive index performance in the third quarter and, in spite of this, the Fund was again able to perform well in both absolute and relative terms.

Furthermore, there is no crystal ball useful in predicting when this mega-cap growth supremacy will fade or reverse but the facts are that broad U.S. market indices are, by most measures, unusually expensive at the moment, an important portion of which is attributable to the heavy weighting of mega-cap growth companies. We would remind readers of episodes such as the U.S. housing bubble, which did not collapse instantly under its own excess as our memories may seem to suggest. Rather there was a rigorous debate among investors, economists, housing specialists and Fed Chairs that carried on for years prior to the actual collapse. It is often the case (dare we say always) that episodes of exuberance, which appear patently ridiculous in retrospect, had sophisticated and vociferous defenders in the moment who appeared to be validated by the feedback loop of ever rising prices. While recent years have been frustrating, we are unbent in our belief that investing must ultimately rely upon first principles and that capital flows will, over time, seek opportunities providing more attractive pricing and superior economic returns (as distinct from speculative returns). In traditional Marty Whitman parlance, buying what is popular, when it is popular, has been a recipe for disaster.

BUSINESS REVIEW OF FUND HOLDINGS

The humanitarian and economic shocks resulting from the COVID pandemic have been nothing if not unexpected. The disease itself, the varied governmental reactions and the economic implications of a rapid reshuffle of how we structure our lives has been a remarkable learning experience, to say the least. We will refrain from discussing epidemiology or judging governmental policies to date, but would like to offer a summary of the economic developments as they have related to portions of the Fund. While the pandemic has clearly not been unanimously positive for our portfolio, given the set of circumstances, we can say that the operating performance of a large number of our portfolio companies has exceeded our most hopeful expectations. To be very clear, we are not taking the position that we have economically emerged from this crisis. We believe today that the avoidance of a major economic crisis remains contingent upon the development of an effective vaccine, as well as more economic stimulus in the U.S. and elsewhere in order to bridge the economic gap until we can move closer to behavioral normalcy. These are consensus views with which we happen to agree. Further, we give weight to the idea that Humpty Dumpty may look slightly different when we put him back together and that there may be several lasting changes in the way we order our lives.

Yet, one irony within the current public investing discourse today is the debate about whether and when a cyclical recovery may take hold and whether that might reinvigorate value investing strategies. As we discuss below, a number businesses considered cyclical have not only recovered but are currently breaking historical profit records. Equally important however is that, while the Fund has staged a substantial recovery from the pandemic-driven nadir in the spring, we are firmly of the view that the market values of the businesses described below, in general, continue to substantially undervalue their fundamental values. We have experienced wide dispersion of stock price performance within the Fund, even among companies within the same industry, and continue to believe that valuations of the Fund's holdings are, on average, far below reasonable. By way of example, the following sections offer a status report for important portions of the Fund.

U.S. Single-Family Housing & Building Products – The Fund holds a variety of investments exposed to U.S. single-family home construction. The most directly exposed are Lennar Corp ("Lennar"), one of the largest single-family homebuilders in the U.S., Interfor Corp ("Interfor"), one of North America's largest lumber producers, Weyerhaeuser, one of the world's largest private owners of timberlands as well as one of the largest wood products producers in the U.S, and FivePoint Holdings ("FivePoint"), an owner and developer of land entitled for large-scale planned communities in California. Within the building products industry, the Fund holds positions in two cement, concrete and aggregates companies, Buzzi Unicem ("Buzzi") and Eagle Materials ("Eagle"). The vast majority of Buzzi's business resides in the U.S. and Italy, while Eagle's activities are entirely within the U.S. Eagle is also one of the largest wallboard manufacturers in the U.S.

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.

POSITION WEIGHTINGS

Interfor Corp.	6.1%
Buzzi Unicem SpA	4.7%
Eagle Materials, Inc.	3.9%
Weyerhaeuser Co.	3.0%
Five Point Holdings, LLC	2.4%
Lennar Corp.	2.2%

The pandemic has accelerated demand for single-family homes and increased homeowners' appetites for home renovation projects in the U.S. When combined with preexisting conditions, industry dynamics have rarely been brighter than they are today for the above-mentioned companies. It seems underappreciated that by the end of 2019, prior to the pandemic, U.S. single-family home construction had begun to reach levels of around 1.6 mm starts per year, a level which resembled long-term industry averages for the first time since the Global Financial Crisis. Yet most analysis suggests that even that level of home construction represents a material undersupply relative to recent household formation and replacement demand. Further, inventories of existing homes for sale in this country have been falling for years and are presently at a multi-decade low. In other words, while some demand for single-family housing has been brought forward by the pandemic and lower borrowing costs, the conditions for an increasing undersupply of homes were clearly already in place. It should not be surprising that we have seen meaningful nationwide house price increases and exceptional operating performance by homebuilders such as Lennar. While FivePoint is also a direct beneficiary of the same dynamics driving homebuilders, these dynamics are likely to manifest in operating results with a lag as it sells land to homebuilders in future periods. However, this is not to say that the positive industry backdrop is not enhancing the value of FivePoint's land holdings, thereby increasing shareholder wealth, even while reported operating results are not fully highlighting that today. FivePoint shares have been a drag on Fund performance this year but the company is certainly a prime beneficiary of excellent housing market dynamics.

Moreover, with regard to lumber in North America—which at the moment is enjoying price levels far in excess of any previous record—accelerated demand from building and renovation projects is also meeting a supply-constrained market. The capacity constraint has been a critical part of our investment thesis. North American lumber producers were rightly conservative at the onset of COVID and, as an industry, took meaningful downtime in order to reduce inventories and working capital throughout the supply chain in the face of such uncertainty. The industry will work to restock inventory as and when it is able and it is our expectation that prices will ease from these levels but remain at levels producing very healthy returns for producers. With U.S. housing starts continuing to accelerate, and rising home prices encouraging remodel and renovation investment, we expect tightness of lumber supply to persist and lumber prices to be volatile but generally high as a result of several factors limiting the industry's ability to increase supply in the near to medium term. In the case of Interfor, it is a virtual certainty that, when its third quarter operating results are reported in November, the company will break any previous record of profitability by a wide margin. Similarly, Weyerhaeuser will also certainly report outstanding results from its wood products segment, and the strength in demand for North American wood products provides support for its timber assets as well.

With regard to the U.S. cement and aggregates industry, it is critical to understand as background, that the industry is extremely limited in its ability to increase production volumes. Even as demand has grown over many years, capacity growth been limited for decades by a major N.I.M.B.Y. problem. While we rely heavily on cement for the construction of virtually all buildings and infrastructure, very few people want a cement plant in their town. As a result, our country often relies upon relatively expensive imported cement for a meaningful portion of consumption, which tends to limit competition, support pricing and result in high profits for domestic producers. Over very long periods of time these types of businesses have been outstanding money-makers. Furthermore, during the pandemic, most construction services were deemed essential and most construction sites were deemed low risk. For example, during the second quarter of 2020, a period in which many businesses were heavily impacted by the pandemic, Eagle reported cement volumes sold had increased 7% compared to last year. Strong demand also resulted in a 1% price increase. Combined with the robust wallboard demand driven by U.S. housing markets, Eagle produced very strong second quarter results. Subsequently, multiple competitors in the wallboard industry have announced mid-teens percentage price increases for wallboard beginning in October. Buzzi, which reports semesters rather than quarters, reported that during the first half of 2020 its U.S. cement volumes increased 4.5%. Italy, its second largest market, was subjected to a far more comprehensive lockdown and reported cement volumes there were down 15% during the half. However, on its most recent conference call the company pointed to a U-shaped recovery in Italy in which Buzzi's Italian volumes were running above 2019 levels by June and July. We would describe the collection of these results as showing extraordinary resilience and as a very positive harbinger for future periods. Lastly, in the United States and many other countries, governmental infrastructure spending has been a centerpiece of stimulus bill discussions and the rising probability of such a development has begun to infiltrate commentary related to both Buzzi and Eagle. Should a meaningful increase in government infrastructure spending coincide with the current strength in private demand and structural constraints on the supply side, we would expect a lasting period of excellent results.

Banks – The Fund has three investments in banking businesses, namely Deutsche Bank, comprised primarily of German retail and corporate banking businesses and a global investment bank, Bank of Ireland, primarily an Irish and U.K. retail banking business, and Comerica, a U.S. regional bank primarily focused on corporate lending. This group of investments has produced a very mixed bag of returns this year with the net being a drag on overall Fund performance. Ironic as the following may seem, Deutsche Bank has been the star performer of the group by virtue of its investment bank, which had been the source of its incredible misery in recent years, and due to solid execution on its restructuring efforts. Capital market turmoil earlier in the year has been a boon for banks with investment banking businesses active in sales, trading, and capital markets while relatively more transparent and less risky banking operations, such as taking deposits and providing mortgages, has been challenged by declining interest rates and the related compression of net interest income. What has further challenged traditional banking businesses, like a Bank of Ireland or a Comerica, this year is the incredible economic uncertainty that has compelled management and finance teams at those banks to make proactive, model-based assumptions about what magnitude of future credit issues may arise. Additional reserving has been sizeable and has certainly depressed accounting earnings, yet a large amount of the reserving is compelled by modelling based on historical precedent, in the midst a very unusual crisis that is without modern precedent. Exceptionally high unemployment and one of the sharpest GDP declines on record are unfavorable credit model inputs, to say the least, yet governmental stimulus in the U.S. and Europe has filled the income gap and led to rapidly improving consumer behavior and far better actual credit experience than would otherwise have been the case. While there has been large-scale forbearance granted to retail and small corporate borrowers, the volume of loans in forbearance has declined substantially both in the U.S. and Europe, meaning many loans that were granted forbearance have already returned to paying on schedule. Further, a meaningful portion of borrowers who were originally granted forbearance never actually availed themselves of that option. In total, we would say that the actual "realized" credit deterioration in the U.S. and Ireland has been a pleasant surprise to date, even though the amount of additional reserves banks have taken in anticipation of future credit deterioration has been large. The extension of stimulus support has no doubt been critical in limiting the actual realized volume of late payments and non-performing loans and this experience is one area that highlights the importance of further stimulus in the U.S. and Europe. The totality of the forbearance, more conservative economic modelling and anticipatory management overlays does not, for either Comerica or Bank of Ireland, jeopardize balance sheet quality in any meaningful way and, by virtually all analysis today, both banks are likely to emerge from the pandemic with excess capital intact. Furthermore, some of the analytical debate has now shifted to how soon these banks may begin to reverse the heavy credit provisioning in light of the more favorable realized experience. We don't believe that will happen immediately but should the actual credit experience not deteriorate markedly, that debate should pick up steam in coming quarters.

Today, Comerica is trading at roughly ten times next year's projected earnings, while Bank of Ireland is at a mid-single digit number. Declining interest rates in the U.S. and Europe have, for now, darkened the prospect of earnings growth for both companies, though we think both remain extremely compelling even absent earnings growth. If consensus expectations prove valid for Bank of Ireland, for example, the company is currently trading at five times projected 2021 earnings, which translates into an earnings yield of roughly 20%. To the extent that attractive lending opportunities are present, the bank will retain a sizeable portion of those earnings, deploy the capital in lending operations, and create a compounding effect for shareholders. Excess capital for which attractive returns are not available will, in the future, become dividends to shareholders. This spring, all European banks, no matter how overcapitalized they may be, were ordered by the ECB to stop paying dividends. If and when Bank of Ireland reinstitutes its normal dividend policy, which it intends to do when the ECB lifts its moratorium, it is anticipated that it would pay something near a 10% dividend yield on today's share price. In my twenty year career, I can rarely recall an instance where one could purchase a business for five times earnings (actual economic earnings, not just accounting earnings) where a credible existential threat to the business was not present. Further, we can envision a number of scenarios that would give rise to higher interest rates in the future (more on this below). This would of course provide a major earnings boost for most banks, including all three of ours, and there appears to be no whiff of that probability whatsoever embedded in the pricing of our bank holdings today.

POSITION WEIGHTINGS

Deutsche Bank AG	4.6%
Bank of Ireland Group PLC	4.3%
Comerica	2.7%

THE SPECTER OF INFLATION

Historically speaking, inflation has tended to come as a shock to most market participants and evidence suggests that the market as a whole is historically quite poor at predicting inflation (as are economists). The topic has increasingly become front of mind for our team, not only as $4 trillion of U.S. pandemic stimulus has arrived, alongside far more on a global basis, or even as the world experiences unprecedentedly supportive policies from many central banks.

"Federal Reserve Chair Jerome Powell has done everything to demonstrate his desire for higher inflation short of dressing up as a dove and cooing in front of Fed headquarters."

Bloomberg – October 8, 2020

In our commentary above, we describe a number of industries experiencing constraints on supply and rising prices. Some of these constraints are extremely difficult to solve and require substantial capital investment and time. The result has been a growing list of observable price increases. We noted above that home prices have increased nationally while lumber prices have increase roughly 140% compared to 2019. Cement and wallboard price increases were also mentioned. Further, in recent weeks, Fund holding FedEx Corp and its largest industry peer UPS Inc., have both announced substantial price increases that are very likely to increase the total "delivered" prices of millions of products purchased online. Similarly, trucking and shipping rates have both risen meaningfully of late not only as a result of growing e-commerce demand but also a reinvigoration of global trade. A rapid recovery of the Chinese economy in particular, but other countries as well, has strengthened demand for many metals at a time when demand from electrification of vehicles, renewable energy investments, and electrical grid improvements was already outstripping supply for some metals. Fund performance has recently benefited from our holdings in two copper miners, Lundin Mining and Capstone Mining. At the time of this writing copper prices have recovered from earlier 2020 declines and are now above where we began the year. Keep in mind that global measured copper inventories are presently at decade lows. Elsewhere, the poor economics of the crude refining industry have recently resulted in an unusual amount of refinery downtime leading to reduced supply and price hikes for the basic materials from which many plastics are made. It has been many years since we could point to such a large range of rising prices, particularly for goods and services used so ubiquitously. While U.S. interest rates remain extraordinarily low, and generally negative in real terms, the rate curve has recently steepened and the spread between the two-year and ten-year treasuries is as wide as it has been in a couple of years. This is plausibly connected to rising inflation expectations. We do not know whether materially higher levels of inflation will eventuate, but given the clear will of so many central bankers and the mounting evidence we observe from the bottom-up, we believe it is certainly worth contemplating as both a risk and an opportunity. Furthermore, to the extent one subscribes to the theory that rock-bottom interest rates are driving the exceptionally high valuations of mega-cap tech companies, the prospect of higher inflation and higher interest rates would be very painful for that group of stocks and, in all likelihood, the indices they have come to dominate. Conversely, given the Fund's holdings in cement and aggregates companies, copper mining companies, lumber and wood products producers, a homebuilder and land developer, FedEx, banks, and an owner of inflation-indexed infrastructure, we think the Fund is extraordinarily well positioned to not only protect against inflation, but potentially thrive in such an environment.

QUARTERLY ACTIVITY

During the quarter ended September 30th 2020, the Fund purchased three new positions, namely the common stocks of Dassault Aviation SA and Korn Ferry, as well as a put position on the SPDR S&P 500 ETF Trust. In this latter case, both the security and the thinking are highly analogous to the SPDR S&P 500 ETF puts we held in the second half of 2019 and closed out for a gain in the first quarter of 2020. The cost of this type of security has become far less prohibitive and simultaneously more desirable in recent months as U.S. equity indices have become increasingly expensive and exhibited less volatility.

Dassault Aviation ("Dassault") – During the third quarter, the Fund initiated a position in Dassault, an aerospace and defense company headquartered in Paris. The core of the business is the production of Falcon business jets and Rafale fighter jets. Each type of aircraft is well-known and well-respected with a variety of loyal customers. For example, outside of its home market of France, the Rafale fighter jet has recently received orders from the Indian Air Force, which is eager to upgrade older Mirage jets (also made by Dassault) as it faces heightened tensions in disputed territories in Kashmir. Greece has also recently chosen the Rafale to improve its capabilities. On the business jet side, the Falcon competes primarily in the wide-cabin, long-range business jet category, which is characterized by a very limited number of very competent players. The business jet industry has seen some disruption as a result of the pandemic but the amplitude of disruption has been far less than the commercial air industry and the recovery far faster. There is a school of thought that suggests that the burdens and dangers of flying commercial during the pandemic may actually prove a tailwind for the private jet market. Honeywell recently published a study concluding that the business jet market is poised to fully recover to 2019 levels by the end of 2021, far sooner than is anticipated for commercial air travel. Lastly, Dassault also owns 25% of Thales SA ("Thales"), a publicly-listed global aerospace, defense and digital security company. We have valued the collection of assets and businesses owned by Dassault in a variety of ways but one carrying significant weight in our decision to initiate a position is that the current market value of Dassault is less than the combination of its large net cash position and its stake in Thales. In other words, we are buying the entire core business of making business jets and fighter jets for a negative cost.

Korn Ferry – Korn Ferry is a company that has historically been known for its market leading position in the executive search industry. This business entails highly sophisticated searches for senior roles at a wide variety of corporations and other organizations. Typical assignments might include the identification and recruitment of CEOs, CFOs or board members. This is a high margin and very lucrative practice for successful companies in this industry. However, Korn Ferry, mostly through a series of acquisitions over a number years, has expanded and diversified its lines of business to include other competencies, such as consulting roles to guide the planning of corporate workforces, the recruitment of large-scale, non C-suite workforces and a variety of educational and training consultations. Korn Ferry has also made strides building a digital business that is capable of monetizing Korn Ferry's proprietary data, which is one of the world's most substantial databases of employment and compensation information. The company is run by one of the industry's most respected CEOs, who has been responsible for the company's acquisition and diversification strategy and is also substantially aligned with shareholders via a large personal interest in the stock.

Korn Ferry's issues today appear entirely exogenous to the company and are primarily a function of the COVID-related shutdown. Not surprisingly this has caused a reduction in new business generation for the company, which we believe to be temporary. We view the company to be quite cheap as measured by its valuation relative to any estimate of normalized profit. Furthermore, the combination of a very strong balance sheet and a highly flexible cost structure put the company in a position to endure long bouts of depressed operating conditions, if necessary. We do suspect though that there are several underappreciated factors that may drive a more rapid business recovery than some seem to expect. First, it would not be surprising to see an acceleration of C-suite and board member turnover as companies emerge from the pandemic and adjust previous plans. Similarly, the COVID experience has accelerated a number of pre-existing trends whereby a variety of large-employment industries may not be in a position to re-hire their former workforces for some time while other large-employment industries are finding themselves needing to expand workforces rapidly. Last but not least, Korn Ferry is one of the companies on the front lines of helping companies accomplish their diversity and inclusion goals. Korn Ferry's employee education and training functions support corporate culture as it relates to diversity and inclusion and the company's executive search functions are increasingly being called upon to help make boards and c-suites more diverse. It is our sense that this incremental source of demand is lasting and more substantial than may be appreciated today.

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: October 15, 2020

VALUE FUND

AS OF SEPTEMBER 30, 2020

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

FUND PERFORMANCE

As of September 30, 2020

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	9.29%	-9.89%	-10.12%	-0.89%	1.31%	8.76%	11/1/1990
Third Ave Value Fund (Inv. Class)	9.20%	-10.11%	-10.35%	-1.15%	1.06%	1.52%	12/31/2009
Third Ave Value Fund (Z Class)	9.29%	-9.82%	N/A	N/A	N/A	-12.36%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAVFX
Lundin Mining Corp.	6.7%
Interfor Corp.	6.1%
Bayerische Motoren Werke AG	4.8%
Warrior Met Coal, Inc.	4.8%
Buzzi Unicem SpA	4.7%
Deutsche Bank AG	4.6%
Capstone Mining Corp.	4.5%
Bank of Ireland Group PLC	4.3%
CK Hutchison Holdings, Ltd.	4.2%
Eagle Materials, Inc.	3.9%
Total	**48.6%**

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 1.23%, 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:

622 Third Avenue, 32nd floor
New York, New York 10017
www.thirdave.com

E: clientservice@thirdave.com
P: 212.906.1160