VALUE FUND

AS OF DECEMBER 31, 2020

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

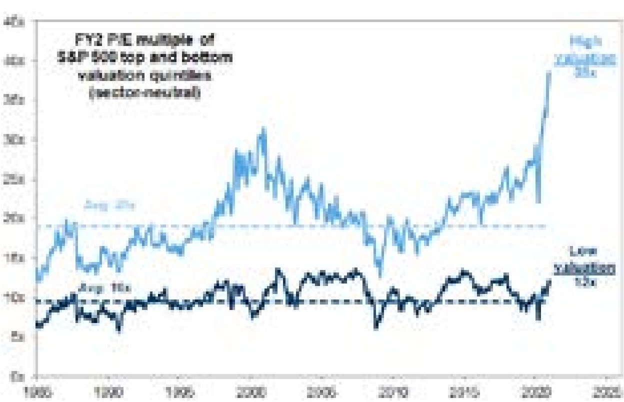
PORTFOLIO MANAGER COMMENTARY

MATTHEW FINE, CFA

Dear Shareholders,

For the three months ended December 31st, 2020, the Third Avenue Value Fund (the "Fund") returned 35.84%, compared to the MSCI World Index, which returned 14.07%[1]. The calendar fourth quarter was the first time in many quarters during which value strategies broadly performed well in comparison to growth strategies. For example, the MSCI World Value Index returned 15.91%, or 1.84% above the MSCI World Index. In the context of a top-down quantitative view, this most recent quarter represented a slight reconciliation of one of the greatest valuation spreads on record between the global equity market's most expensive and least expensive companies, a phenomenon observable almost any way one would measure cheap and expensive. We arrived at this point over recent years as a result of expensive companies becoming relentlessly more expensive, while cheap companies went sideways or became even cheaper. The fourth quarter also saw smaller-capitalization companies produce superior performance after several years of persistent underperformance, to the benefit of Fund performance. In the midst of this partial reconciliation, the Third Avenue Value Fund performed well. That said, we continue to view equity markets as wildly bifurcated with, on one hand, myriad examples of companies whose valuations have grown increasingly preposterous and, on the other hand, a fairly broad range of attractive securities available for purchase at valuations well below conservative estimates of net asset value.

FY2 P/E MULTIPLE OF S&P 500 TOP AND BOTTOM VALUATION QUINTILES (SECTOR-NEUTRAL)



Source: Goldman Sachs

We should also note the strong performance contribution from both of our copper mining company investments during the quarter and the full year. We have felt acute loneliness in recent years as we have put forth our thesis supporting investments in copper miners, pointing out that the world was not inundated with copper as news sources asserted but rather that the world was running small deficits that were likely to get larger because of demand growth and a lack of investment in new production as described in our Third Quarter 2019 shareholder letter. Both trade wars and a global pandemic had made this dynamic challenging for many people to perceive, but nonetheless, during 2019 we witnessed global inventories of copper falling gradually to decade lows. Throughout the second half of 2020, a very rapid Asian industrial recovery has carried us even further down the path of inventory depletion. Copper prices have risen lately but are only now reaching levels that may eventually incentivize new copper projects, which, in any event, take years to bring to market. Further, we have only just begun to scratch the surface of reconciling the outrageous contradiction of valuing electric vehicle and renewable energy companies as though explosive growth is a foregone conclusion while failing to acknowledge the enormous impact that such a proposition would have on copper demand and prices.

INTEREST RATES – GRASPING FOR PERSPECTIVE

On some level, it may seem odd for fundamental bottom-up value investors to offer reflections on something as quintessentially macroeconomic as interest rates. Yet, as we enter 2021 and beyond, we are aware of nothing more central to the distortions currently present in asset prices, and distortions and irrationality in asset prices are precisely the domain of the value investor. Nor, by the way, can we think of anything for which investors of so many stripes are less well prepared in the event of a change in the recent historical pattern. In the name of brevity, please pardon a few intentional simplifications.

There appears to be a very common acceptance today that the extremeness of pricing across developed world credit markets is singularly at the behest of central bank policies. While that narrative is built upon certain truths, it is far from the entire story and gives rise to some very dangerous conclusions. Specifically, if one believes that central banks "set interest rates," it becomes implicit that central banks can, and probably will, choose to "keep rates low." While it may be comforting to think so, central banks should not be thought of as some type of omnipotent ship captain able to steer an economy in any direction desired. Interest rates are the price of borrowing money and are subject to the laws of supply and demand, whereby excess demand for borrowing will generally give rise to higher borrowing costs and limited demand will generally reduce the price of borrowing. The Fed, nor other central banks, set interest rates per se, and that becomes increasingly true in longer duration treasuries and as one moves beyond sovereign securities and further afield in credit quality. With

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.

treasuries used as guideposts for all manner of private borrowing, such as mortgage rates, this distinction is critical. Central banks work to influence bond prices, and therefore yields, by purchasing some portion of the bond issues they have declared eligible, as well as by indirectly encouraging banks to also purchase bonds by making the holding of excess deposits less attractive through lowering the Fed's discount rate. By lowering the discount rate, the Fed is really trying to encourage banks to lend but without increases in demand for bank borrowing, much of that excess bank liquidity is finding bonds, sovereign and corporate, to be the next best thing. In the end though, the Fed does not actually set interest rates unless it is prepared to monetize (purchase) the entirety of an eligible issue and make the notion of a "Fed put" a literal proposition. If one accepts that as the more accurate depiction, it then becomes far easier to consider that market forces can and may drive interest rates higher, even under existing central bank policies.

"Suppose the government is trying to increase the price of cheese: It could buy a large quantity of cheese and let the market determine the impact of the policy on price, or it could set a price for cheese and stand ready to buy as much cheese as necessary to enforce that price. Analogously, when using quantitative easing, the central bank buys a stated quantity of securities, but does not directly determine prices and yields."

Ben Bernanke – March 24th, 2016

For historical perspective, consider that the majority of the Fed's existence has been encompassed by a single interest rate cycle (rates rising and then falling to come full cycle). No person or group of decision makers in a modern central bank, or running an investment fund for that matter, has ever been in the position he or she is in today at the bottom of an interest rate cycle. The upward portion of this interest rate cycle began in roughly 1945 and spanned approximately 36 years until the Volcker era, which marked the rate cycle peak. The forty years since then have seen relentlessly declining interest rates, with fluctuations along the way of course. Further consider that over the last 200 years, U.S. interest rates (the U.S. 10-year Treasury yield) have averaged approximately 5.1% and that prior to recent lows, the previous record low over that 200-year period was 1.7% in 1945. Although I was not alive at the time, I can absolutely assure you that those who bought U.S. 10-year bonds in 1945 for a 1.7% yield had little notion that interest rates might increase substantially over coming years. In an interesting parallel to today, the 10-year yield hit the 1945 low amidst a Fed yield-pegging experiment designed to lower borrowing costs during World War II. In that case, the Fed actually did set the price of cheese. Investors perceived safety in the yield peg until the experiment ceased and yields exploded. For the record, pegging interest rates to such a low level did give rise to very high levels of inflation, which caused the Fed's desire to abandon the peg. In August of 2020, the 10-year Treasury yield hit a low of 0.51% and today we are at approximately 1.16%, a figure we have had to revise upward five times since the first draft of this letter.

"Remarkable is not too strong of a word. Astounding would be more like it. It is unbelievably extreme. Some European government borrowed money recently for some tiny little fraction of one percent for a hundred years. Now that is weird. What kind of a lunatic would loan money to a European government for one hundred years for less than one percent?"

Charlie Munger – December 14th, 2020

So what are the implications of all of this and what does it mean for the Fund in practice? As a starting point, we think it would be negligent to ignore the fact that interest rates have historically been cyclical and that we are riding a pendulum that has never before swung so far in this direction. In and of itself that should cause one to sense an increasing probability of a reversal. By way of example, any of the many investment theses today that rely on something that sounds like "it is cheap relative to credit" feel quite reckless. This brings us to a previously referenced point that a great many investors are poorly prepared for rising interest rates, first by overexposure to valuation-agnostic strategies such as passive vehicles focused on large-capitalization U.S. equities for which every measurement of valuation suggests significant overpricing with the one exception being a valuation comparison relative to credit. Second, there has been an explosion of capital being allocated to private equity buyout strategies in recent years. Many of these strategies have derived an important portion of their stellar performance from the increasing use of ever-cheaper debt and the related impact of expanding purchase and exit multiples. The explosion of committed capital suggests a lack of acknowledgement that there are obvious limitations on the further expansion of the virtuous cycle required to continue producing such performance, but also that the cycle can go into reverse.

As it relates to our team's activities, one aspect of our approach has been to invest in banking businesses that we believe offer attractive value within the current rate environment, while also holding the view that, if and when the interest rate environment improves in a way that many people appear unprepared for, investment returns from various banking businesses could be exceptional. We also believe that chances are in favor of regulatory capital burdens easing and that higher loan growth is possible, but interest rates are the primary topic here. To be clear, we are not predicting that rates will rise or building a portfolio contingent upon that scenario. Using our investment in Bank of Ireland as an example, in 2019, prior to the pandemic, the bank produced EUR 0.36 per share of earnings during one of the worst interest rate environments on record, from a banking perspective. The share price today is less than 10x that earnings figure and approximately 40% of book value. In the slightly more benign, but still extremely depressed, rate environment of 2016, the bank earned EUR 0.74 per share for a return on equity of roughly 8%. Now imagine that, in the future, the bank found itself in a slightly improved rate environment, where its holdings of government debt and central bank deposits were not paying negative yields but rather somewhat positive yields and its lending spreads increased as a result of rising interest rates and rising demand for borrowing. Were these conditions to develop, it does not take a lot of imagination to envision how they might facilitate the bank's path back to earning returns on its capital that are more historically typical of the banking industry. We are not predicting if or when these circumstances may come to pass, merely illustrating that under circumstances that are more "normal" by historical standards, it becomes very easy to see how investors could do very well. Investment propositions that are plenty good enough in an unusually terrible environment and would be exceptional in a more normal environment are exactly what the Third Avenue philosophy is designed to pursue.

Meanwhile, the current circumstances have caused a cascading effect in which the reach for yield has increased the price of all manner of cash flows deemed more or less reliable. While frustrating for investors who need yield, it represents an extraordinary opportunity for enterprising business executives to create substantial value for equity shareholders by hiving off portions of corporate cash flows and selling them at extremely high multiples (or extremely low yields in credit parlance). This is one form of shareholder value creation through resource conversion, a focus of the Third Avenue approach, as distinct from an extrapolative going-concern approach. During the quarter, we had two such transactions occur among Fund holdings and we would be surprised if we did not see more in coming quarters. Namely, CK Hutchison Holdings, which owns one of Europe's largest telecom businesses, agreed to sell its telecom towers to Cellnex, a company set up specifically for the purpose of acquiring European telecom towers from telecom operators. Cellnex's aim is to use that fairly reliable acquired cash flow stream, leveraged up with aggressive use of cheap debt, to offer a yield to its investors. From CK Hutchison's perspective, this effectively represents a sale leaseback transaction as a result of which its operating cash flows will decrease by approximately EUR 300 million annually in exchange for the purchase price of EUR 10 billion. In other words, CK Hutchison securitized EUR 300 million of annual cash flows at a 33x multiple, or the inverse of a 3% yield. With CK Hutchison itself valued at roughly 6x EBITDA, the transaction increased the value of that hived-off cash flow stream roughly five-fold and the proceeds represented approximately 40% of CK Hutchison's market cap at the time of the transaction. Somewhat similar is the transaction executed by Capstone Mining in which it agreed to a streaming transaction selling approximately one half of its silver production from one of its copper mines in exchange for USD 150 million, roughly 20% of the company's market cap. GenCap Mining Advisory has estimated the transaction equates to a cost of capital to Capstone of below 3%. It is an extraordinary moment when a small-cap mining company can access capital equivalent to 20% of its market cap for a cost of capital below 3% and it is entirely the result of precious metals streaming companies being afforded somewhat outrageous valuations. We are intent on owning companies whose management teams buy cheap and sell dear, recognizing a special opportunity to create value for shareholders amidst extreme price distortions and pervasive underpricing of risk.

Finally, we are sometimes asked to comment on whether we believe that extraordinarily low interest rates are responsible for recent years of growth stock outperformance. For the uninitiated, the idea is that a stock is valued based on its future cash flows, as discounted back to a present value by some rate that reflects interest rates plus a risk premium. A great many rapidly growing companies today are profitless but are expected to be handsomely profitable in the future and that pattern of rapidly growing or backend-loaded cash flow stream is more sensitive, in present value math, to a shrinking discount rate. As we said in our previous letter, there are always sophisticated people inventing creative ways to justify excesses that come to look patently absurd in retrospect. In a word, we do not subscribe to that theory of recent growth stock outperformance. First, while interest rates are near zero or below in many countries today, nominal interest rates were at fairly normal historical levels in the dotcom bubble of the late nineties and, furthermore, real interest rates were actually fairly high. Low rates are not a precondition for excessive valuations being applied to companies expected to grow rapidly. Second, all companies producing cash flows today or in the future are sensitive to falling discount rates and should see a valuation benefit, even if to varying degrees, to the extent that the logic of the discount rate theory holds. The theory does not explain inexpensive companies becoming even more inexpensive, nor does it explain the recent multi-year underperformance of smaller-capitalization companies. Third, as noted above, interest rates have been declining for roughly the last 40 years, over which time value as a strategy has done quite well and certainly produced periods of profound outperformance. What constitutes society-changing technological advancement changes over generations - be it railroads, lightbulbs, automobiles, air travel, computers, the internet, or electric vehicles – and exciting new developments sometimes stoke frenzy and speculation unburdened by financial information and valuation. Similar to other periods of speculative hysteria, this period has brought an IPO boom and rampant insider selling by company founders. It isn't any more complicated than that and this time is not different, except maybe that the narrative is hollower than usual because the earth-shattering technological "disruptions" seem, by comparison, pretty limp this time around. Let it be known that the electric car actually predates the founding of the U.S. Federal Reserve and the technological challenges to mass adoption remain very similar today as they were when Thomas Edison and Henry Ford decided not to produce one in the nineteenth century.

QUARTERLY ACTIVITY

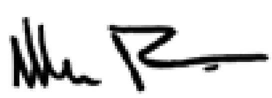
During the quarter ended December 31st 2020, the Fund purchased two new positions.

Lazard Ltd. ("Lazard") – During the quarter, the Fund initiated a position in Lazard, which houses two distinct businesses - financial advisory and asset management. Lazard is one of the formidable competitors in the global financial advisory industry, though Lazard is not involved in investment banking lines of business which are balance sheet-intensive or those which take on credit risk. Lazard's advisory business is the world's fifth-largest by revenues, putting the company's advisory business on par with those of far larger companies, such as Bank of America and Citi. Meanwhile, Lazard's advisory revenues are meaningfully larger than the likes of Credit Suisse and UBS. While advisory revenues represent a low single-digit percentage of revenues for those peers, the figure is slightly more than 50% for Lazard. One further point of attraction for Lazard's advisory business is its sterling reputation in restructuring advisory, which often shines in challenging environments in which insolvencies and near-insolvencies rise. The remaining portion of Lazard's revenue is derived from the company's asset management business, which operates completely independent of the advisory business and at last report had approximately $248 billion of assets under management. Lazard's assets under management are focused on several niches in active management commanding management fees at the higher end of the industry, and the performance of its strategies has been sufficiently strong to have generated inflows of late, an unusual accomplishment for an active manager. The company in total is very well-capitalized and has a long history of controlling the relationship between compensation, its primary expense, and revenue. We believe that our purchase price implies a modest multiple of current operating earnings and that the operating environment can certainly improve, most likely as M&A activity continues to accelerate, but from other sources as well. External to the company however, it is clear that there are a number of companies that would almost certainly be very eager to purchase one or both of Lazard's businesses. Consolidation is rampant in the asset management industry and several purchases of asset management companies of similar size to Lazard, though arguably of lower quality, have been announced recently. Separately, several European investment banks, including ones named earlier in this paragraph, have publicly declared a desire to grow their advisory businesses, especially in cross-border M&A capabilities, which is a core competency within Lazard. Using conservative estimates of prices we believe could be realized in the sale of Lazard's businesses, the current share price appears to meaningfully undervalue the company.

Seven & I Holdings Co. Ltd. ("Seven & I") – During the quarter, the Fund initiated a position in Seven & I, a Tokyo-headquartered company that owns the 7-Eleven convenience store business globally, a network totaling approximately 72,000 stores. We think of Seven & I as operating three distinct business groups – 7-Eleven in the United States, 7-Eleven in Japan, and everything else. Everything else includes the licensing of 7-Eleven businesses to other operators across Asia, department and grocery stores in Japan, and a small bank in Japan and smattering of other Japanese businesses as well. While the licensing of Asian 7-Eleven operations has grown rapidly and could become quite meaningful to the company, the non-7-Eleven Japanese retail operations have been poor from an operating perspective, dragging in a small way on company performance and are currently the focus of restructuring efforts. In Japan, Seven & I operates 7-Eleven, the country's largest convenience store ("c-store") chain, with a dominant market share of approximately 45%. The Japanese c-store market in general is food-centric and, therefore, unusually high-margin. The company has established itself as the best-in-class operator and has been able to grow store count, revenue and profit well in excess of the market in total. Seven & I's Japanese c-store business is highly profitable and reliably produces an impressive amount of unencumbered free cash flow. In the United States, Seven & I operates 7-Eleven c-stores as well, albeit in a fundamentally different environment than Japan, one that is both food and fuel-centric and remains extremely fragmented in spite of considerable consolidation activity in recent years. 7-Eleven holds an approximate 6% market share in the U.S. and is the country's largest operator. Here too though, 7-Eleven has established itself as a very competent operator, in particular with a formula for success in higher-margin food offerings. In August of 2020, Seven & I announced an agreement to purchase the c-store operations of Marathon Petroleum, operating under the Speedway brand, which has an approximate 2.6% U.S. c-store market share. This transaction is expected to close in the first quarter of 2021. The transaction price is approximately $21 billion and, at the face of it, looks like a fairly full acquisition price. The announcement was received with trepidation in equity markets. Several facets of our thinking on the transaction are as follows; i) we believe that large anticipated cost synergies are reasonable and achievable, ii) Speedway is an atypically fuel-centric operation leaving substantial room to apply 7-Eleven's strategies in food to meaningfully enhance margin and operating performance, iii) a substantial sale leaseback of some of Speedway's owned properties will provide capital at very attractive rates (see comments above on selling reliable cash flow streams at outrageous multiples), and iv) Seven & I as a parent company is extremely well-financed with extraordinary access to capital, borrowing roughly USD 3.4 billion to finance the transaction at interest rates ranging between 0.06% and 0.28%. We expect that the U.S. operations of 7-Eleven will continue to play a consolidating role in a very attractive and fragmented market. We also expect that the restructuring of Seven & I's Japanese department store operations will proceed with increasing alacrity, reducing the drag on operating performance. All told, we believe we have paid a low multiple of normalized earnings for a very good business that can continue to grow long into the future. Finally, it is our view that if the U.S. 7-Eleven business were to be valued independently at a multiple similar to publicly-listed comparable companies, the undervaluation of Seven & I would become glaringly clear.

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: January 14, 2021

VALUE FUND

AS OF DECEMBER 31, 2020

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

FUND PERFORMANCE

As of December 31, 2020

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	35.84%	7.75%	-1.26%	4.50%	3.71%	9.79%	11/1/1990
Third Ave Value Fund (Inv. Class)	35.79%	7.50%	-1.50%	4.24%	3.45%	4.35%	12/31/2009
Third Ave Value Fund (Z Class)	35.89%	7.85%	N/A	N/A	N/A	-1.21%	2/28/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAVFX
Bank of Ireland Group PLC	7.2%
Lundin Mining Corp.	7.0%
Interfor Corp.	6.8%
Capstone Mining Corp.	6.1%
Deutsche Bank AG	4.4%
Bayerische Motoren Werke AG	4.3%
Warrior Met Coal, Inc.	4.3%
CK Hutchison Holdings, Ltd.	3.8%
Old Republic International Corp.	3.6%
Comerica, Inc.	3.4%
Total	**50.9%**

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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