VALUE FUND

AS OF DECEMBER 31, 2021

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

PORTFOLIO MANAGER COMMENTARY

MATTHEW FINE, CFA

Dear Shareholders,

For the three months ended December 31st, 2021, the Third Avenue Value Fund (the "Fund") returned (0.43%), compared to the MSCI World Index, which returned 7.86%.[1] The quarterly decline brought the Fund's year to date performance to 22.36%, compared to 22.35% for the MSCI World Index. For further comparison, the MSCI World Value Index returned 7.35%[2] during the fourth quarter, trailing the MSCI World Index by 0.51%. While fourth quarter performance felt like limping into the finish of an otherwise strong year, it appears to us as though the bulk of the Fund's relative underperformance derives from the general underperformance of smaller capitalization companies—the Russell 2000 underperformed the Russell 1000 by 7.65% in the quarter—and, to a lesser extent, the meaningful underperformance of European equities relative to U.S. equities—the MSCI Europe Index underperformed the S&P 500[3] by 3.29% in the quarter. Short-term stock price fluctuations aside, our team remains more than pleased with the fundamental performance of the companies held within the Fund and would characterize 2021 in total as a success with the Fund producing strong absolute returns.

Furthermore, the past three years have also been better than satisfactory, with the Fund's total return averaging slightly more than 14% per year. After completing a second consecutive year stricken by a global pandemic and a fifth consecutive year in which value strategies underperformed broad market indices—thoroughly anointing the last ten years as one of the worst rolling ten year periods of relative returns on record for value investing—it might seem odd to hear a devout value-seeking investor describe the last few years as somewhat pleasing. Pleasing, that is, as long as you're not consumed by envy of the supernormal returns of large-cap, U.S., growth stocks and, in turn, their heavy positive contribution to U.S. and global equity index performance. Indeed, both global *value* indices and the Fund have substantially underperformed broad global indices, even while producing very strong absolute returns in recent years. The problem in recent years, if one should call it that, has been relative returns, not absolute returns. This phenomenon is yet one more parallel we could draw to the late 1990s.

Consideration of other asset classes might offer further perspective on the relative returns of the Fund's strategy. Today the private equity industry is experiencing a degree of popularity and commensurate asset growth that is simply unprecedented. Countless asset allocators, foundations, endowments, institutions and wealthy individuals are clamoring to participate in private equity strategies in the hopes of achieving double-digit returns or higher. The motivation derives, in large part, from recent strength of private equity returns and the anticipated difficulty of achieving future investment goals through other asset classes, such as credit and public equity markets, which are, at the macro level, unusually expensive today and are, therefore, expected to offer a lower probability of satisfactory future returns. The trade-offs for participating in most private equity strategies are first, the set of risks that derive from the typical liberal use of financial leverage to enhance returns and second, that one's capital is typically committed and locked-up for a decade or more. By comparison, a strategy, such as the Third Avenue Value Fund, which offers daily liquidity and has never employed any financial leverage to enhance returns, ought to look like a very compelling place for one's capital. This should be particularly true if one concludes that attractive historical returns of the Fund haven't been achieved by the "pull-forward" of future returns. In other words, if returns have been produced by the asset class or area of focus becoming increasingly expensive, which can be said of both purchase and exit multiples in private equity transactions as well as of U.S. public equity market indices, it is reasonable to expect diminished future return prospects.

All of the above notwithstanding, relative underperformance will inevitably cause a good fiduciary, let alone one with the bulk of his investable assets in the Fund, to do some soul-searching to assess whether a change of behavior is in order. Letters like these are part of that continuous process.

HOW DID WE GET HERE?

We hold the view that the means by which past returns have been generated give important clues as to the probability of similar future returns. It is our strong view that broad equity market returns have been flattered by substantial increases in valuation multiples, particularly for large-cap, growth-oriented, U.S. equities, which are likely to run out of steam at some point. Conversely, stock returns that are driven by, and are generally proportionate to, the returns of the actual underlying businesses, give us far greater comfort as we evaluate our ability to continue to generate satisfactory returns. To the extent we continue to fundamentally appraise the underlying businesses reasonably well, we think it is reasonable to expect that we should continue to perform fairly well. And if the businesses we own today begin to experience growing valuations, in addition to underlying business value increases, maybe we will do even better than fairly well.

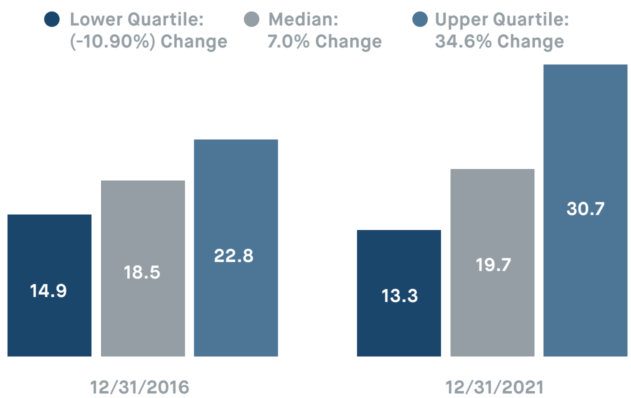
During our recent Third Avenue Value Strategy Webinar, a question was posed by an interested participant regarding the current valuation of the Third Avenue Value Fund portfolio relative to its own history. My response began with a long preface explaining that, as opportunistic value investors who focus on myriad ways for companies to create value, it is challenging to compare portfolios over time in a comprehensive and consistent way. With that behind us, I went on to explain that, speaking purely in a statistical sense, the portfolio is unusually cheap today using almost any statistic with which one might measure cheapness. I also explained that the last few years have been an extremely attractive period for value investing. This is defined by our ability to buy attractive businesses, with favorable long-term prospects, and with a near-absence of balance sheet risk, at prices which, in our view, give us a good probability of producing returns higher than historical equity market returns over long periods of time. This is the second period in my multi-decade career I would describe in this way, the first being the early 2000s. As an aside, while business valuations might have reached extraordinary cheapness during the Global Financial Crisis, a great many companies were financially unprepared for such a trauma and business solvency was a pervasive and legitimate concern. The companies owned by the Fund today have rarely, if ever, been better capitalized. What was a bit revelatory about the webinar exchange is how cheap the portfolio remains today after producing strong returns in recent years and we believe that is very relevant to our expectations for future returns.

TAVFX Valuation Metrics	12/31/16	12/31/21	5-year Percent Change
Forward P/E 1-Year (Including Negative Values)	21.42	10.95	-48.87%
Price to Sales[4]	1.43	1.08	-24.50%
Price to Cash Flow[5]	10.49	6.06	-42.20%

Source: Company Filings, Factset

While the Fund's relative performance has lagged broad index performance, it is primarily a result of the Fund having avoided relatively expensive, large-cap, growth-oriented, U.S. equities. While we too admire several of these extraordinary businesses, purchasing already expensive companies with the view that they will become even more expensive is simply not how we approach investing. Unfortunately for us, participation in increasingly expensive securities has been a winning proposition over the last five years. The chart below is designed to parse out the U.S. equity market, using the S&P 500 as a proxy, to chart the development of price to earnings ratios[6] across different valuation levels. Obviously, no single valuation statistic is fully explanatory but from the data we can make several observations. First, the price to earnings multiple of the most expensive quartile of the S&P 500 rose from a price to earnings ratio of approximately 22.8 to 30.7, which translates roughly to a 34.6% increase in valuation. Further, the valuation increase of the most expensive quartile far exceeded that of the S&P 500 median valuation, which increased by roughly 7.0% over the period. Meanwhile, the least expensive quartile actually experienced a decrease in valuation multiple of (10.9%).

S&P 500 P/E MULTIPLE EXPANSION BY QUARTILE



Source: Company Reports, Berenberg

Clearly, within U.S equity markets, which also comprise the largest portion of global equity indices, the expensive have become substantially more expensive while the cheap have stayed cheap or gotten even cheaper, providing a large performance boost for the most expensive segment of the U.S. equity market. In other words, it isn't the case that these are just better businesses generating higher fundamental returns. Their equity returns in recent years have clearly been flattered by large increases in valuation multiples as well. Furthermore, this increasingly expensive cohort of equities have had a large influence on the valuation of U.S. and global equity indices in aggregate, which by many measures are unusually expensive today. We assert that the performance tailwind generated by increasing valuation multiples has limits.

Furthermore, as we said before, we too admire many of these great businesses and we too might even be willing to pay a premium to own them over lesser businesses. However, the valuation distortion between expensive and cheap in U.S. equity markets has reached historic proportions after persistent outperformance of high-priced companies in recent years. In measuring the difference between the price to earnings ratio of the most expensive quartile compared to the least expensive quartile of the S&P 500, we can see that five years ago we were at a difference of roughly 9.6, a figure similar to the historical average over the last 30 years. Since then, as a result of rampant multiple expansion of the most expensive quartile, that difference has expanded to an extremely unusual 17.4. The silver lining, from our perspective, is that the most recent few years have been a particularly attractive period for a price-conscious, fundamentals-driven investor to build a global equity portfolio in the midst of extraordinarily bifurcated valuations within equity markets, which haven't seen pricing differentials between cheap and expensive quite this extreme since the late 1990s tech bubble.

S&P 500 INTERQUARTILE P/E RANGE

Source: Company Reports, Berenberg

SUBSEQUENT EVENTS

Subsequent to quarter end, the earliest days of January 2022 have been noteworthy. The prospect of rising interest rates and, presumably, the acknowledgement of unusually high equity and credit valuation levels have given rise to a sharp sell-off among many highly-priced U.S. growth stocks and other speculative areas of financial markets. Related to that development has been a renewed interest in more modestly priced areas of equity markets, which is clearly favorable to the Fund's strategy. We also perceive a growing unease among market participants with the concept of enduring inflation, which most fund managers and asset allocators today have never experienced professionally. A growing chorus of financial market historians have been exhuming the favorable historical performance record of commodities, hard assets, real estate, and value strategies during the last bout of serious and persistent U.S. inflation. On January 12th, the U.S. Bureau of Labor Statistics reported that the Consumer Price Index hit 7%, a 39-year high. Meanwhile, the Federal Reserve's quantitative easing program has not yet ceased and the Fed Funds rate continues to be held at unprecedentedly low levels.

In summary, your portfolio manager would categorize this investing environment as one of the most interesting of his lifetime. It is not every year that the world is faced with the very real possibility of a lasting change in the direction of the interest rate cycle. Historically, in the United States, up cycles and down cycles in interest rates have lasted somewhere in the ballpark of 30-40 years, a duration so long that one could be forgiven for failing to even recognize that it is cyclical. An upward trend began in 1945 and lasted until 1981 when the current 40-year downward trajectory began. Not surprisingly, there is a substantial overlap between businesses that are cheap today and businesses that would do well in a rising inflation and rising interest rate environment given that the investment community had, for years, all but ruled out the possibility of higher inflation and higher interest rates. We pursue investment opportunities for their cheapness, among other things, rather than on the basis of a macroeconomic prediction but we do think the evidence suggests we are very well positioned for a rising rate environment. Clearly we can't make assertions about whether these developments will continue but the earliest portion of 2022 has begun with exceptionally strong, albeit short-term, absolute and relative performance for the Fund.

HOUSTON, WE HAVE A PROBLEM

On a very different note, with global energy markets in the headlines virtually every day, we would like to offer a few comments on one of the world's most controversial topics. As a qualifying statement, the following comments are not necessarily connected to our view of what should happen, merely what is happening, as we see it. Initiatives to reduce or eliminate fossil fuels from the global energy mix have, to date, had by far the largest impact on the use of thermal coal. To oversimplify, coal has lost share in global energy markets primarily to the benefit of natural gas and renewable sources of energy, causing the absolute tonnage of thermal coal consumed to decline somewhat. However, there has been no significant discernable negative impact on the consumption of oil and natural gas for which demand continues to grow. This could change in the future but today consumption of oil and gas continues to grow. In many minds, oil consumption is closely associated with gasoline consumption but oil is consumed in a wide variety of ways that includes plastics, carbon fiber, rubber, asphalt, and the like—all things required to produce wind turbines, electric vehicles and the roads they are driven on. In addition to growing global commitment to the reduction of carbon emissions, part of the reason that oil and gas is understood to be a "sunset" industry is because of the growing popularity of electric vehicles. Yet, it is not well understood that fuel for passenger vehicles comprises somewhere in the neighborhood of 25% of global oil consumption, the rest going to other forms of transportation, industry, materials and energy. In a very simplistic math exercise, let's say that next year, the total number of passenger vehicles sold globally will amount to roughly 7% of all cars on the road. If fully-electric vehicle penetration rates were to reach 50% of global passenger vehicles, the use of electricity to power those vehicles would reduce global oil consumption by less than 1%. Of course, this does leave out the question of how the electricity for those vehicles is generated. In other words, in that deliberately crude math, even if electric vehicles reach 50% of global passenger vehicle sales, it appears unlikely that would be sufficient to offset the typical global growth of oil consumption in any given year. It should not be surprising then that, whether I like it or not, there has to date been no significant sign of impact to global oil and gas consumption as a result clean energy and emissions initiatives. It is widely expected that, in 2022 and beyond, we will surpass pre-pandemic levels of oil consumption and it does not appear that any viable plans are being advanced to diminish our reliance upon hydrocarbons for the materials critical to our daily lives—steel, cement, plastic, and fertilizer, for example.

On the other hand, shareholder activism and other carbon-reduction initiatives have had a profound impact on oil and gas investment. Public relations campaigns and proxy battles have worked and, furthermore, the acceptance that the industry is poised to "sunset" strongly discourages executives from making long-term investments in production. In recent years, upstream oil and gas companies have directed many billions of dollars into renewable energy development and billions more have been returned to shareholders that would otherwise have been deployed into oil and gas development. It is interesting to observe that oil and gas companies have been clear leaders in spending on the energy transition. However, the reduction in spending has had a major negative impact on the identification and development of new oil and gas resources, while depletion of existing resources continues on pace. Let's not forget, oil and gas is an extraction industry that requires huge amounts of spending just to keep production flat, even if oil and gas consumption wasn't growing. Annual capital spending on upstream oil and gas resources declined by approximately $260 billion (44%) from 2015 to 2020 according to Fearnley Securities research. To be fair, this is not only the result of the energy transition. Oil and gas spending began a cyclical downturn in 2014, which was compounded by a collapse of OPEC cooperation and then a global pandemic. Fearnley has also estimated that in 2021 global oil and gas findings were the lowest in 75 years as a result of a historic multi-year reduction in exploration spending. As oil and gas demand has accelerated in the post-pandemic recovery, OECD oil inventories have fallen very sharply since the economic recovery began in mid-2020. As a means of facilitating an energy transition, attacking the source of production might be effective to the extent that lower oil and gas supplies create higher prices and encourage substantial cost-driven switching to other energy sources. However, recent political actions designed to thwart rising energy prices—release of U.S. Strategic Petroleum Reserves, lending programs from U.S. Strategic Petroleum Reserves, California temporarily removing gasoline taxes, the European Commission including natural gas as a "transitional green energy"—show a clear lack of political will to let the mechanism of high prices create enough discomfort to encourage switching, even in rich countries which are best positioned to tolerate high oil and gas prices.

To summarize, we do not see initiatives in place today that are likely to substantially reduce global oil and gas demand. We also believe the evidence increasingly points to a growing undersupply of oil and gas in the future if investment doesn't increase materially in the near-term. These comments should definitely not be interpreted as being hopeful for these developments. The growing supply and demand mismatch we are describing has the potential to be very painful for a huge number of people globally, particularly those on fixed incomes and those in low GDP per capita countries, the latter comprising the majority of the world's population. Further, we are concerned that a lack of thoughtful policy may result in energy market dynamics that are potentially economically disruptive and politically destabilizing.

QUARTERLY ACTIVITY

During the quarter ended December 31st, 2021, the Fund purchased shares of FILA Holdings Corp and exited its position in PGS ASA.

FILA Holdings Corporation ("FILA") is a South Korea-based manufacturer of sports apparel and footwear under the FILA brand. The company is also the majority owner of publicly-traded golf equipment manufacturer Acushnet Holdings Corp., which is best known for its Titleist and FootJoy brands. Acushnet is the largest player in the global golf equipment oligopoly with a very large market share in golf balls, gloves, and footwear. The popularity of golf has surged during the COVID-19 pandemic with golf rounds played globally up substantially compared to pre-pandemic levels. What was already a strong business has seen a powerful tailwind of late. Over the past twelve months, Acushnet has contributed roughly two-thirds of FILA's operating profit, but FILA's controlling stake in Acushnet is today worth more than the entire market capitalization of FILA itself. It is the first time this has occurred, except for a brief period around the time of Acushnet's initial public offering.

FILA is also a joint venture partner with one of China's most successful sports equipment and apparel companies, ANTA Sports Products Ltd. Through the joint venture FILA earns both a pro-rata portion of all profits of the joint venture and a royalty on all joint venture revenue. FILA's income from these royalties has nearly tripled over the past three years. Outside of China, FILA independently operates profitable apparel and footwear businesses in South Korea and the U.S., which have begun to show operational improvement following pandemic-related disruptions. Separately, FILA also licenses the FILA brand globally (outside of China, U.S. and South Korea) to produce a substantial royalty revenue stream.

FILA has a terrific balance sheet with minimal net debt at both Acushnet and the parent company. The company is controlled by a father and son duo who have shown impressive acumen in areas of deal-making, operations and brand management. The team organized the management buyout of FILA Korea and a subsequent takeover of the FILA brand globally as well as a multi-step process to achieve control of Acushnet. Meanwhile, a variety of partnerships and brand initiatives have seen a resurgence of FILA brand awareness and commercial success on a global basis. We expect that over time FILA will continue to build shareholder value, particularly through Acushnet and the ANTA joint venture, while the mostly erroneous association with South Korea's currently muted macroeconomic environment may cease casting a pall over FILA's stock.

Thank you for your confidence and trust. 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 December 31, 2021 (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: January 20, 2022

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 MSCI World Value: The MSCI World Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets (DM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. Source: MSCI

3 S&P500 Index - The S&P 500 Index, or Standard & Poor's 500 Index, is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

4 Price-to-Sales Ratio: Price-to-sales ratio (P/S ratio) is calculated by taking a company's market capitalization (the number of outstanding shares multiplied by the share price) and divide it by the company's total sales or revenue over the past 12 months. Source: Investopedia.

5 Price-to-Cash Flow Ratio: Price-to-cash flow ratio (P/CF ratio) is a stock valuation indicator or multiple that measures the value of a stock's price relative to its operating cash flow per share. Source: Investopedia.

6 Price-to-Earnings Ratio: Price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS).

VALUE FUND

AS OF DECEMBER 31, 2021

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

FUND PERFORMANCE

As of December 31, 2021

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	-0.43%	22.36%	14.16%	6.10%	8.30%	10.17%	11/1/1990
Third Ave Value Fund (Inv. Class)	-0.48%	22.05%	13.89%	5.84%	8.03%	5.72%	12/31/2009
Third Ave Value Fund (Z Class)	-0.39%	22.48%	14.27%	N/A	N/A	4.48%	3/1/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAVFX
Bank of Ireland Group PLC	7.8%
Warrior Met Coal, Inc.	7.2%
Capstone Mining Corp.	5.8%
Comerica, Inc.	4.9%
Bayerische Motoren Werke AG	4.8%
Interfor Corp.	4.7%
Deutsche Bank AG	4.6%
CK Hutchison Holdings, Ltd.	3.8%
Lundin Mining Corp.	3.5%
Boskalis Westminster	3.3%
Total	**50.4%**

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 1.27%, 1.52% and 1.15%, respectively, as of March 1, 2021. 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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