VALUE FUND

AS OF DECEMBER 31, 2022

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

THIRD AVENUE MANAGEMENT

PORTFOLIO MANAGER COMMENTARY

MATTHEW FINE, CFA

Dear Shareholders,

For the three months ended December 31st, 2022, the Third Avenue Value Fund (the "Fund") returned 26.39%, as compared to the MSCI World Index[1], which returned 9.89%. For further comparison, the MSCI World Value Index[2] returned 14.93% during the quarter. For the calendar year 2022, the Fund returned 17.45%, which compares to -17.73% for the MSCI World Index and -5.82% for the MSCI World Value Index. Over the trailing three-year period, the Fund's total return averaged 15.69% per year, which compares to 5.45% for the MSCI World Index and 4.83% for the MSCI World Value Index.

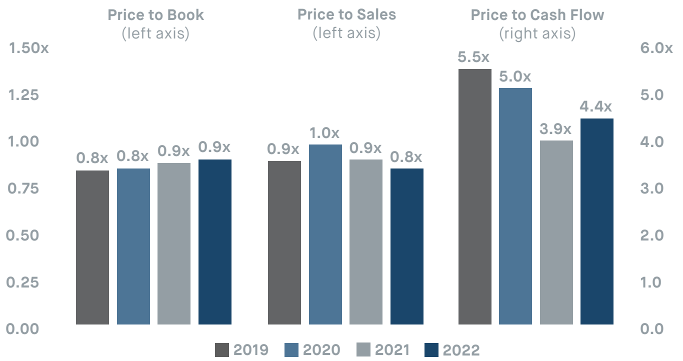
In our view, Fund performance in 2022 was an unusual success, particularly so when measured by *relative* performance[3]. In any period of time, the Fund's relative performance will be impacted by our team's choices of commission, as well as our choices of omission. However, I can't recall a period since the early 2000s when our strategy's ability and willingness to omit huge swaths of the global equity market benefited relative performance to such an extent as in 2022. A lack of ownership of overhyped and wildly overpriced U.S. growth stocks was arguably the most important factor in the Fund's outstanding relative performance this past year. What we didn't own mattered a great deal. The nature of our opportunistic, price-conscious approach will render the vast majority of global equities of little interest at any given time, which, in turn, tends to produce portfolios with very high active share. That figure was higher than 99% at year end. Portfolios fitting this description should be expected to behave quite differently than indices but we are certainly pleased with the extent to which this benefited Fund shareholders during a broadly unpleasant year in global capital markets.

Furthermore, within the context of our highly price-conscious approach, we have struggled somewhat to find value in the United States in recent years. This has led to a substantially smaller portion of the Fund invested in U.S.-listed securities, as compared to the U.S.-listed holdings of major global indices. Interestingly though, even while U.S. equity markets were home to many of the world's most over-hyped stocks, which have since suffered some of the most acute declines in 2022, U.S. equity markets in aggregate performed similarly to many other developed markets in 2022, as measured in U.S. dollars. In many cases, foreign equity markets did fare meaningfully better in local currency terms but suffered additional declines, in U.S. dollar terms, as a result of substantial currency depreciation relative to the U.S. dollar. In industry jargon, the "allocation effect" of being materially "underweight" the United States didn't actually help us much at all. However, the "selection effect", meaning the performance of the individual U.S.-listed securities we did choose to hold, as compared to the performance of U.S. equity markets in general, was extremely potent and positive. In aggregate, our U.S. holdings contributed very positively to absolute performance[4] in 2022 and the relative performance was even more striking. Jargon aside, the fact is the Fund's U.S. holdings at year end were comprised of a metallurgical coal company, two offshore oil service companies, one bank, one insurance company, one airline, and one land developer. No FAANGs[5], no profitless enterprise software companies, no cash-incinerating electric vehicle companies and no special purpose acquisition companies (SPACs) are found within the Fund. While our fundamental workaday approach may lack glamour, the lack of glamour is precisely the point; the prevalence of pessimism and the absence of broad appeal is almost always a prerequisite for the presence of significant underpricing, which, in turn, creates the opportunity for superior returns.

WHERE DOES THAT LEAVE US?

While 2022 was a remarkable year for the Fund in terms of relative performance, a thoughtful investor might ask something along the lines of "where does that leave the attractiveness of the Fund's holdings today? And what might that portend as we look forward into 2023 and beyond?" In consideration of that question, we think it is important to note that, from an *absolute* performance perspective, 2022 was a strong year but not an incredible one. Why is this distinction important? As discussed above, the Fund's extremely strong relative performance was derived, in large part, by what we don't own. However, the strong, but less extraordinary, absolute performance was more than satisfactory in 2022, though not nearly to the extent that it exhausted the cheapness embedded within the portfolio, in our view. In other words, the Fund's holdings, in most cases, have not yet benefited from a meaningful "rerating" and in cases where cheapness has been diminished, we have generally strived to reduce or eliminate the position and recycle Fund capital into cheaper and more positively asymmetric opportunities.

Further to this point, while statistical valuation metrics are far from the be-all and end-all of valuation analysis, when we look at the statistical valuation of the Fund in aggregate, we think the evidence is strong that a broad revaluation of the Fund's holdings has not occurred. In spite of the Fund having returned an average of 15.69% per year over the last three years, the weighted average price to book[6], price to sales[7] and price to cash flow[8] of the Fund have hardly moved at all. In the case of price to sales and price to cash flow, the multiples have actually decreased slightly. We have deliberately excluded a price to earnings[9] multiple from this exhibit because of the extreme variability of reported earnings during 2020 as a result of the pandemic. However, today the weighted average price to earnings multiple of the Fund is below the levels seen at year-end 2019, prior to the pandemic. In other words, it appears that, on average, the returns we have realized from our portfolio holdings have generally been similar to the shareholder value created by the underlying businesses themselves and portfolio performance has not materially benefited from portfolio holdings becoming less cheap. We view this as an important factor in framing expectations for future Fund performance.

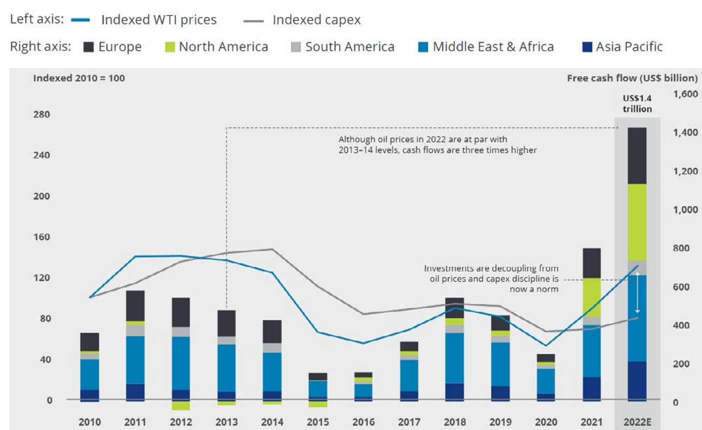


THE ERA OF MAGICAL THINKING

What follows is not a prediction for 2023, or beyond, but rather a discussion of a broad phenomenon that has the potential to become a significant issue for the global economy. Specifically, we are concerned that our society has spent the last decade patently underinvesting in the supply of various natural resources. Paradoxically, as investors, we are both highly attracted to the commodity pricing environment and economic rents that may accrue to owners of various scarce natural resources, but are simultaneously concerned that looming shortages have the potential to create major impediments to the healthy functioning of large portions of the global economy. The phenomenon of underinvesting in natural resources has been widespread in recent years and is not specific to any one commodity in particular. Furthermore, the causes are varied, complex, and often idiosyncratic to the specific commodity. It would be inappropriate to suggest any single cause. That said, we simply can't help ourselves but to share our opinion that our society seems to have tolerated an unusually high prevalence of various forms of magical thinking, both in financial markets and the real world, during the last five or ten years. Our list of various forms of magical thinking would include, but is not limited to, i) the idea that value is likely to be created, for anyone other than SPAC insiders, by raising capital within a special purpose vehicle and using that capital to purchase a business, often from the founder who is frequently the world's most knowledgeable person about that business, in an auction process, ii) that a system of unlimited variations of private "currencies" either has economic merit, or that it will ultimately prove tolerable by governments, iii) that trees can, in fact, grow to the sky when it comes to the equity prices of U.S. growth stocks, and iv) that we are somehow in the process of transcending our physical world and reducing our dependence upon "old economy" activities like mining. Irrespective of that bit of sanctimony on our part, the common thread we are addressing is a gross and wide-spread misallocation of capital, which is likely to have real consequences.

For example, with regard to oil and gas supply, about which we have written extensively in previous letters, in recent years we have borne witness to an incredible amount of pressure applied upon the financial community in an effort to discourage investment in, or lending to, carbon-based energy producers. The explicit goal has been to starve oil and gas producers of capital and, thereby, stifle production. Extraordinary pressure has also been applied to energy company boards and executives to coerce investment in virtually anything other than the production of carbon-based energy. Further, the notion that global oil and gas consumption will soon begin a secular decline also gained considerable traction in many circles of society. The result has been rising cost of capital for producers, mostly as a result of remarkably depressed share prices, and company boards who are heavily predisposed to either returning capital through dividends and buybacks, or otherwise investing in renewable energy production and carbon reduction technologies. Whether societally desirable or not, this has all conspired to frustrate upstream oil and gas investment. A recent Deloitte Insights study perfectly illustrates the impact of these trends. The chart below shows that even though oil and gas prices have lately been in the neighborhood of price levels seen in 2013–2014, the free cash flow of upstream oil and gas producers in 2022 is expected to be roughly triple that of 2013–2014 levels. The difference between then and now is an extreme dearth of investment spending in recent years. It is clear that the industry pressures described above have damaged the historical relationship by which investment spending increases in response to high commodity prices and the prospect of super-attractive returns on capital investment. For large portions of the oil and gas industry, that price-signaling mechanism has lately been overridden by other considerations.

REGIONAL FREE CASH FLOWS, CAPEX OF GLOBAL UPSTREAM PRODUCERS (2010-2022E)

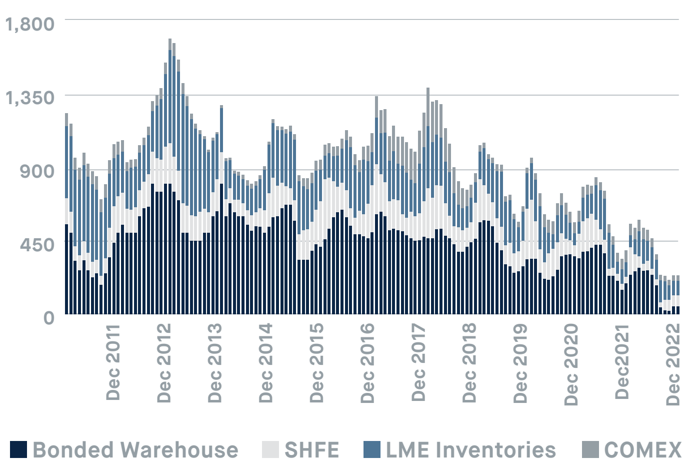


Note: Free cash flows are operating cash flows minus capex of global O&G upstream companies (US$ billion). The analysis excludes the impact of the Inflation Reduction Act (IRA) of 2022, a bill passed by both chambers of Congress in August 2022. The bill contains a wide array of subsidies, taxes, credits, and pricing reforms, each with varying impacts on households and businesses. Additionally, the bill contains several energy, environment, and climate-related provisions that may influence production, cost competitiveness, profitability, tax payouts, and investment and share buyback decisions of US O&G companies. For more details, refer: **The Inflation Reduction Act (IRA)**.

Source: Deloitte analysis based on data accessed from Rystad Energy Ucube and U.S. Energy Information Administration.

However, as we said, the various causes of resource underspending are far from homogeneous across commodities. In the case of copper mining, there is no discernible societal pressure to reduce copper production. In fact, among those who understand the materials-intensity of renewable energy and electrification, copper has been deemed an absolutely essential "future facing" metal required to facilitate the energy transition. That said, global copper production growth continues to be meager and is actually forecast to begin falling in the next couple of years, even while it seems likely that copper demand will continue to grow at rates similar to historical norms, or possibly even faster. Furthermore, there is ample evidence that the copper market is already undersupplied. For several years we have been writing about declining global copper inventories and each year that situation has become increasingly extreme. Today, we are at by far the lowest levels of visible copper inventories during the last decade. To the extent demand continues to grow, and forecasts for declining production prove correct, it is already far too late to make investments in new copper supply to bridge the growing supply gap. A new copper mine typically takes more than a decade to develop, assuming you have a copper deposit to develop. And it looks like we are ultimately going to need a bunch of new copper mines. Furthermore, the lack of any significant inventory cushion present today has the potential to make growing supply shortfalls particularly painful. While it may be hard to read through the seasonality of copper inventories depicted in the chart below, total global copper stocks are down more than 80% from the corresponding period ten years ago and presently total only 3.5 days of global consumption. That meager figure puts us in a position of being extremely sensitive to any material supply disruption, such as political turmoil in Peru, threatened asset seizure of a huge Panamanian copper mine, or lack of access to Russian copper, etc. And this is even before global production begins to decline.

GLOBAL COPPER INVENTORIES (THOUSANDS OF TONNES)

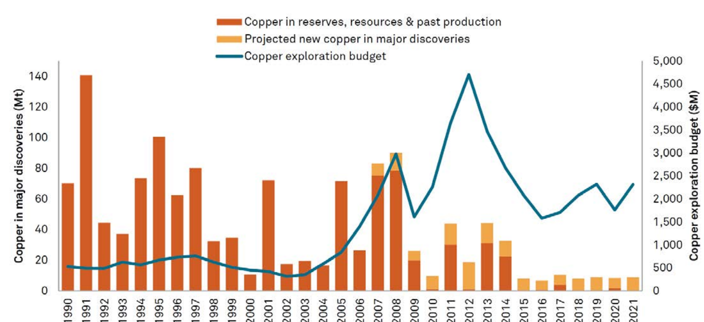


Source: Scotiabank GBM, Shanghai Futures Exchange, London Metal Exchange, The Commodity Exchange Inc., and FastmarketsMB

Moreover, while the details above are specific to copper supply, we are seeing very similar phenomena occurring across most industrial metals. As of year-end 2022, global zinc inventories have declined by more than 90% over the last ten years to 1.5 days of consumption, nickel inventories have declined by more than 60% to 8.3 days of consumption, and lead inventories have declined by more than 80% to 1.9 days of consumption. Simply put, our lack of effort and capital allocated to insuring adequate supplies of various natural resources is totally incommensurate with our pace of use and growing reliance upon those resources. It seems increasingly likely that resource shortages may become a powerful impediment to planned renewable energy development, which is extremely materials-intensive, as well as many other segments of the global economy.

So why don't we just get serious and spend more on the supply or resources? The answer is, it's not that easy. Let's turn back to the example of copper, which is the most directly relevant to the Fund. First, it takes a very long time to develop a new producing copper mine, well more than a decade in many cases, and there are very few projects left in the development pipeline today. New mines are very unlikely to be a viable solution to the supply problem in the short or medium-term. Second, almost every existing copper mining company with an expansion opportunity in its portfolio today is working to bring that supply into production as soon as possible. There is no lack of will, or even capital, on the part of the producers, given the broad recognition of copper's attractive prospects. In any event, current copper prices generally offer attractive returns on expansion projects and provide ample economic incentive. Finally, it is not clear that capital spending by copper mining companies has actually been particularly depressed lately. The problem is that the spending that is happening simply hasn't resulted in finding many new copper deposits in recent years. Large, economically viable deposits are very scarce and we have not been particularly successful at finding more of them for decades, all while the output of our existing mines is increasingly challenged by steadily declining ore grades. It is not well enough appreciated that almost all of the world's largest copper mines operating today were discovered decades ago, and in some cases more than a century ago. The growing undersupply of copper is resulting from the intrinsic scarcity of the metal itself, which is a far more challenging problem to solve, in our view, than the oil and gas industry's lack of will to invest. In other words, even if copper prices doubled tomorrow, it is not clear that we would know where to source additional large-scale deposits. If oil prices doubled tomorrow, and an energy crisis increased the will of energy executives to spend to increase production, we believe that, given a bunch of capital and some time, the industry has access to many hydrocarbon development opportunities.

MAJOR COPPER DISCOVERY DROUGHT CONTINUES



As of May 10, 2022. A major copper discovery includes any deposit containing at least 500,000 tonnes of copper in reserves, resources and past production, with the year of discovery corresponding to the year of the initial drill program that identified potentially economic mineralization.

Source: S&P Global Market Intelligence.

When we analyze the fundamental landscape of the copper mining industry, and other segments of the broader commodity complex, we view the probabilities to be stacked in favor of increasing shortages and higher prices. This is of course not guaranteed, even if we view it as probabilistically very likely. Furthermore, a broad global recession and major global industrial slowdown could delay even what is ultimately inevitable. That said, if we, as investors, are trying to position ourselves as owners of assets that are likely to become increasingly dear, we think our copper mining assets fit that approach extremely well.

QUARTERLY ACTIVITY

During the quarter ended December 31st, 2022, the Fund did not add any new positions or eliminate any existing holdings. Portfolio management activity during the quarter was primarily focused on management of position sizing and tax loss harvesting.

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

Date of first use of portfolio manager commentary: January 18, 2023

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[11] to price, 12-month forward earnings to price[12] and dividend yield[13]. Source: MSCI

3 **Relative Performance** is the comparison of the returns of your portfolio to that of some benchmark index.

4 **Absolute Performance** is the return of the portfolio itself on a year-over-year basis.

5 "**FAANG**" is an acronym that refers to the stocks of five prominent American technology companies: Meta (META) (formerly known as Facebook), Amazon (AMZN), Apple (AAPL), Netflix (NFLX); and Alphabet (GOOG) (formerly known as Google). Source: Investopedia

6 The **Price-to-Book** (P/B) ratio measures the market's valuation of a company relative to its book value. Source: Investopedia

7 The **Price-to-Sales** (Price/Sales or 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

8 The **Price-to-Cash Flow** (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

9 The **Price-to-Earnings** (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, 2022

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

FUND PERFORMANCE

As of December 31, 2022

	3 mo	1 yr	3 yr	5 yr	10 yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	26.39%	17.45%	15.69%	6.71%	7.42%	10.39%	11/1/1990
Third Ave Value Fund (Inv. Class)	26.31%	17.12%	15.40%	6.44%	7.15%	6.55%	12/31/2009
Third Ave Value Fund (Z Class)	26.42%	17.57%	15.81%	N/A	N/A	7.06%	3/1/2018

TOP TEN HOLDINGS

Allocations are subject to change without notice

	TAVFX
Tidewater, Inc.	6.6%
Warrior Met Coal, Inc.	5.8%
Bank of Ireland Group PLC	5.8%
Capstone Copper Corp.	5.0%
Subsea 7, S.A.	4.7%
S4 Capital PLC	4.7%
Bayerische Motoren Werke AG	4.6%
Deutsche Bank AG	4.3%
CK Hutchison Holdings, Ltd.	3.1%
Buzzi Unicem SpA	2.8%
Total	**47.4%**

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 1.22%, 1.47% and 1.16%, respectively, as of March 1, 2022.

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

/third-ave-management

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:

675 Third Avenue, Suite 2900-05
New York, New York 10017
www.thirdave.com

E: clientservice@thirdave.com
P: 212.906.1160