Portfolio Manager Commentary

REAL ESTATE VALUE FUND

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Joined Third Avenue in 2004
29 yrs investment experience

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Joined Third Avenue in 2006
20 yrs investment experience

Dear Fellow Shareholders,

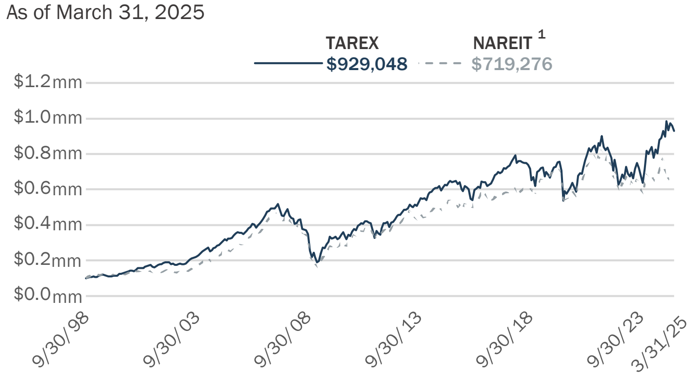
We are pleased to provide you with the Third Avenue Real Estate Value Fund's (the "Fund") report for the quarter ended March 31, 2025. For the most recent period, the Fund generated a return of -0.47% (after fees) versus +1.85% (before fees) for the Fund's most-relevant benchmark, the FTSE EPRA/NAREIT Developed Index[1].

The primary contributors to performance during the period included the Fund's investments in Five Point Holdings (a U.S.-based land development company) and other niche residential businesses (i.e., Ingenia Communities, Sun Communities, and FNF Group). Notwithstanding, these gains were more than offset by detractors during the quarter, including the Fund's investments in U.S.-based homebuilders (Lennar Corp. and D.R. Horton) and certain international holdings (Wharf Holdings and Savills plc). Further insights into these positions, portfolio allocations, and the Fund's new investments (i.e., PulteGroup, Unite Group, and Millrose Properties) are included herein.

Recognizing that returns will vary over shorter periods of time, Fund Management regards the strategy's long-term results as the most relevant scorecard for performance. To that end, the Fund has generated an annualized return of +8.76% (after fees) since its inception more than twenty-six years ago. As a result, this performance indicates that an initial investment of $100,000 in the Fund would have a market value exceeding $925,000 (assuming distributions had been reinvested), or more than the same $100,000 would be worth had it been placed into a passive mutual fund tracking the Fund's most-relevant benchmark over the same time-period.

VALUE OF $100,000 SINCE SEPTEMBER 1998

As of March 31, 2025



Hypothetical Investment since September 30, 1998 (Fund Inception Date September 17, 1998). Past performance does not guarantee future performance results.

Performance is shown for the Third Avenue Real Estate Value Fund (Institutional Class). Past performance is no guarantee of future results; returns include reinvestment of all distributions. 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 LSEG Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The LSEG Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the LSEG Lipper Fund Award. The 2025 LSEG Lipper Fund Awards for the Best Global Real Estate Fund Over Three Years and Best Global Real Estate Fund Over Five Years were based upon on a review of 135 and 131 qualified shares classes that were eligible in the United States, respectively. For more information, see lipperfundawards.com. Although LSEG makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, their accuracy is not guaranteed by LSEG Lipper.

The long-term, value-oriented approach utilized to invest in the listed real estate space over this span has certainly not wavered. However, Fund Management has spent considerable time over the past 15 years further refining the tools used to implement it on a day-to-day basis—with the intention of making the process more robust and the strategy more durable.

Notably, the team received recognition for this effort during the quarter as the Third Avenue Real Estate Value Fund was named the *Best Global Real Estate Fund Over Three Years* and the *Best Global Real Estate Fund Over Five Years* at the 2025 LSEG Lipper Funds Awards. As outlined in the *Media Release*, the Lipper Fund Awards have been synonymous with strong risk-adjusted performance for more than three decades, and the 2025 Awards mark the seventh time the team has been recognized in the *Best Global Real Estate Fund* category.

In Fund Management's perspective, this recognition acknowledges the distinctive positioning of Third Avenue's Real Estate Value strategy within listed real estate, as well as the team's commitment to continuous improvement. It also reinforces our view that an actively managed fund, backed by a sound strategy, vigorous process, and aligned portfolio management team, holds strong prospects to outperform over time.

ACTIVITY

According to the U.S. Census Bureau's *2024 Population Estimates*, the U.S. population has now surpassed 340 million having increased by 1.0% during the year—partly due to an increase in net international migration, as well as a rebound in natural increases (births minus deaths). Underneath the surface though, another shift was evident. That is, the continued movement to the Sunbelt region as more than 400,000 net residents relocated to the U.S. South, with the other three regions reporting net migration losses in the year (the Northeast, Midwest, and West).

Alongside these migration patterns, there seem to be certain demographic trends unfolding, including the divergence of growth rates between various age brackets (or cohorts). For instance, the U.S. population is only expected to increase by 0.2% per year through 2030 due to an expected moderation in international migration. However, the 20-to-34-year-old bracket is expected to decline by 500,000 or 0.1% per year through 2030. On the other hand, the 35-to-49-year-old bracket is expected to expand by 1.3% per year through the end of the decade and exceed 70 million in total. Furthermore, the 65+ age bracket is projected to increase by 2.4% per year through 2030—the most rapid growth rate amongst cohorts.

Due to these evolving migration and demographic patterns, Fund Management believes there are likely to be major implications for demand drivers in the U.S. residential markets through the end of the decade, including:

1. ***More tepid fundamentals for multi-family:*** The expected decline in the 20-to-34-year-old age bracket will seemingly create a more challenging demand backdrop for apartment owners since this cohort has the highest disposition to rent versus own given their stage in life. As a result, rental-rates for multi-family properties may be more likely to track nominal wage rates on a national basis, as opposed to the outsized growth experienced in the decade following the Global Financial Crisis ("GFC").
2. ***Structural demand for single-family housing:*** As the largest cohort in U.S. history ("the millennials") continues to progress into the 35-to-49-year-old bracket, there is likely to be outsized demand for single-family housing. In fact, the propensity to own a home is nearly 80% higher during this stage of life than in prior years. Further, single-family rentals ("SFR") continue to gain acceptance in the "sharing economy" and account for nearly 15% of new home starts in major markets throughout the Sunbelt.
3. ***A secular change in demand for "active adult" product:*** For the next 10 years, it is estimated that 1.5 million people will turn 65 each year in the U.S. with more than 85% in this cohort indicating they would prefer to "age in place" per the AARP. Such inclinations are likely to lead to a "step change" in demand for a host of offerings—including "active adult" communities. These residential areas are restricted to a sub-set of buyers (e.g., 55+) and designed to provide interactive and maintenance-free lifestyles, with more independence than traditional senior housing, and often in warmer climates.

Along these lines, the Fund initiated a position in the common stock of a real estate business uniquely placed to meet these demand drivers: **PulteGroup** ("Pulte")—one of the largest homebuilders in the U.S. having delivered more than 31,000 homes across its Sunbelt-centric footprint in 2024.

Founded in 1956, Pulte is recognized for its deep roots in the homebuilding industry, as well as its diverse product types with offerings for first-time buyers (Centex) and move-up buyers (Pulte). Notably, Pulte also controls the leading developer of age-restricted communities in the U.S. (Del Webb), which is now synonymous with active adult living more generally. In addition, Pulte is well-known in the industry for generating above-average margins—attributable to its scale, selective integration of "prefab" production, and "pricing power" within its Del Webb segment. Pulte has also solidified its financial position under CEO Ryan Marshall, having moved into a "net cash" position, while reducing the share count by nearly 50% through sensible share repurchases at the same time.

Despite these aspects, Pulte's common stock has been out-of-favor more recently, implying a multiple of less than six times operating profits for its homebuilding business on a trailing 12-month basis. As far as Fund Management can tell, this is mostly due to the near-term concerns relating to the broader homebuilding space—including more elevated mortgage rates, rising new home inventory levels, and anticipated pressure on material costs and labor availability given recent (and anticipated) policy changes.

Even so, Pulte's long-term positioning seems quite advantageous, and recent market volatility has led to a compelling price-to-value proposition. That is not to be dismissive of market conditions or mounting macro uncertainty. Instead, it is a point of view that factors in (i) the fundamental backdrop as well as (ii) the transformation in industry dynamics for large-scale builders.

To the latter point, Pulte (along with the Fund's holdings Lennar Corp. and D.R. Horton) epitomize the recent evolution of the U.S. homebuilding industry. Put otherwise, these three companies have (i) shifted to more defensive business models by securing land through option arrangements as opposed to outright ownership, (ii) strengthened their financial positions having near "net cash" balance sheets, while (iii) generating significantly more free cash flow without land reinvestment. In addition, these builders have utilized their scale to take significant market share, with D.R. Horton, Lennar, and Pulte accounting for nearly one of every three new home sales in the U.S.

As a result, Fund Management believes these businesses have prospects to maintain profitability, sustain share repurchases, and attain an improved cost of capital over time (i.e., higher implied multiples)—particularly as they take additional steps to emulate the "land light" and "net cash" model employed by other industry peers (i.e., NVR Inc.). In that respect, **Lennar Corp.** ("Lennar") completed one of the final steps in this journey by spinning-off an 80% stake in its primary land-subsidiary, **Millrose Properties** ("Millrose"), as a separately-traded and independent company during the quarter.

Following the separation, the Fund retained its position in Millrose (which accounted for less than 1.0% of capital) as not only did the shares begin trading at prices 40% below book value, but the company was also well-capitalized with $5 billion of unencumbered land assets and $1 billion of net cash. In Fund Management's opinion, Millrose's business model also seemed underappreciated by market participants with a focus on "land banking" as opposed to "land development". As a result, Millrose has prospects for an improved cost of capital over time, in our view, particularly if the company: (i) utilizes its excess capital to add additional assets, (ii) diversifies its customer relationships, and (iii) maintains a reliable dividend.

That said, Fund Management believes the bigger price-to-value discrepancy (and opportunity) remains with Lennar following the spin. More specifically, Lennar's B shares implied a multiple of less than five times operating profits on a trailing 12-month basis, or less than half of that of certain peers—despite having largely completed the shift to a "land light" model. While this may remain the case in the near-term, the Fund (and other holders) may in fact benefit from this over the medium-term—particularly if Lennar continues to repurchase shares around current prices and ultimately distributes its remaining publicly-listed holdings to shareholders through a "split off" transaction.

Demographic tailwinds extend beyond the U.S. residential markets, however, and offer investors the closest equivalent to a "free lunch" in the real estate space. They also serve the U.K. student-housing sector quite favorably when considering that the number of 18-year-olds (a proxy for those entering college) is projected to increase by more than 2.0% per year through 2030, without factoring in any further gains in international applications. When viewed in conjunction with the more restricted levels of new supply in the U.K., this demographic shift seems to structurally support the Fund's recent investment in the **Unite Group plc** ("Unite").

Founded in 1991, Unite is a U.K.-based REIT that is the largest owner of purpose-built student housing in the country, with an ownership stake in more than 150 properties and 65,000 beds—which are more than 97% leased and strategically located with approximately 90% of the properties serving Russell Group members (i.e., the top 24 universities in the U.K.). In addition to this best-in-class student housing portfolio, Unite is also recognized for controlling a "premier" platform as the company is (i) very well-capitalized with a loan-to-value ratio of less than 25%, (ii) very well-managed with the highest operating margins amongst European REITs, and (iii) positioned to drive further value creation, largely by increasing rents through contractual "step ups", undertaking accretive developments alongside university partners, and actively recycling capital through initiatives with long-standing joint venture partners.

Despite those factors, the Fund was able to establish a position in Unite common stock at favorable prices during the period, through a combination of selling "out-of-the-money" put options (which were exercised) and purchasing shares in the open market. As a result, the Fund's basis in the common stock implies a "cap rate" for Unite's portfolio that exceeds 6.0% and a "price per bed" of approximately £100k per unit—which seem favorable with private-market transactions more recently implying cap rates of 4.5% and prices per bed exceeding £140k per unit, despite inferior quality in most cases.

At the same time, Unite's cash flow seems likely to resume tracking the company's revenues (which have historically increased by 7-8% per annum) after having diverged more recently. Should this transpire, Fund Management believes the dividend payout would assume a similar trajectory and serve to narrow the price-to-value disconnect that currently persists. If not, it would be inconceivable for a strategic or financial sponsor to express interest in the company as Unite trades at more than a 20% discount to its stated Net-Asset Value ("NAV") without factoring in any value for this one-of-a-kind platform.

Outside of these additions, the Fund's activity was modest in nature and included (i) increasing positions where the price-to-value gap widened materially (Savills plc) and (ii) reducing certain positions, primarily for portfolio management considerations (Freddie Mac, Sun Communities, AMH, and Grainger plc). The Fund also extended out its currency hedges for the British Pound and Hong Kong Dollar exposure and implemented a "zero-cost collar" for a portion of CBRE Group.

POSITIONING

After incorporating this activity, the Fund had approximately 40.2% of its capital invested in U.S.-based companies focused on **Residential Real Estate**, including those involved with: Homebuilding (Lennar Corp., D.R. Horton, and PulteGroup); Niche Rental Platforms (Sun Communities and AMH); Land and Timber (Rayonier, Weyerhaeuser, Five Point, and Millrose Properties); and Mortgage and Title Insurance (Fannie Mae, Freddie Mac, and FNF Group). In Fund Management's view, each one of these enterprises has a well-established position in its respective segment of the residential value chain. In addition, these holdings seem poised to benefit from favorable fundamental drivers within the U.S. residential markets over time, including: (i) near record low levels of for-sale inventories, (ii) near record high demand for affordable product, and (iii) cost pressures leaving more-efficient industry participants gaining further market share.

The Fund also had 30.4% of its capital invested in North American-based companies involved with select pockets of **Commercial Real Estate**, including: Real Estate Services (CBRE Group and JLL); Asset Management (Brookfield Corp. and Brookfield Asset Mgmt.); Industrial and Logistics (Prologis, First Industrial, and Wesco); and Self-Storage (U-Haul Holdings). In Fund Management's opinion, these holdings represent platforms that would be very difficult to reassemble. They also comprise the two areas of commercial real estate that seem to favor long-term investors. Put otherwise, these enterprises concentrate on (i) property types with structural demand drivers and limited "capex" or else (ii) real estate services that are less "capital intensive" with a focus on brokerage, property management, and other advisory activities with prospects to earn "higher returns on capital" over time.

An additional 25.3% of the Fund's capital is invested in **International Real Estate** companies. These businesses are largely focused on the same types of residential and commercial activities outlined above, simply with leading platforms in their respective regions. At the end of the quarter these investments included companies involved with: Commercial Real Estate (CK Asset, Big Yellow, National Storage, Wharf and Segro); Residential Real Estate (Berkeley, Unite Group, Ingenia, and Grainger); and Real Estate Services (Savills and Accor). The holdings are also listed in developed markets where Fund Management believes there are (i) adequate disclosures and securities laws as well as (ii) ample opportunities for resource conversion and change of control transactions (e.g., the U.K., Australia, France, and Hong Kong).

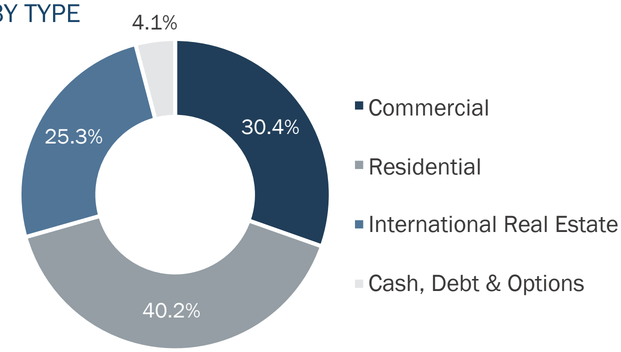
The remaining 4.1% of the Fund's capital is in **Cash, Debt & Options.** These holdings include U.S.-Dollar based cash and equivalents, short-term U.S. Treasuries, and hedges relating to certain exposures (i.e., Hong Kong Dollar and British Pound) and key holdings (e.g., CBRE Group).

The Fund's allocations across these various segments are outlined in the chart below, along with the exposure by geography (North America, Europe, and Asia-Pacific). In addition, the holdings continue to represent "strategic real estate at value prices" in Fund Management's opinion. That is to say, the equity holdings are very well capitalized (in our view) with an average loan-to-value ratio of less than 15% at the end of the period. Further, the discount to NAV for the Fund's holdings expanded to 24.9% at quarter-end when viewed in the aggregate.

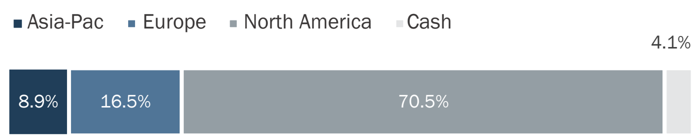
ASSET ALLOCATION

As of March 31, 2025 | Source: Company Reports, Bloomberg

BY TYPE



BY REGION



FUND COMMENTARY

Within *President McKinley: Architect of the American Century*, renowned author Robert W. Merry covers the rise of President William McKinley—including his early stance as a stern "protectionist" and association with tariffs implemented in the 1890's. Interestingly, Merry also covered McKinley's impactful time in the White House, including his pivot to "reciprocal tariffs", a key factor in igniting a two-decade period of falling tariff rates globally, as well as "solid prosperity" and "expanding foreign trade" in the U.S.

While such developments transpired more than a century ago, the outcome is worth contemplating in conjunction with the recent tariff announcements and reflex pronouncements that they will be long-lasting. Nevertheless, it will likely be months (if not quarters) before more definitive trade agreements are in shape to evaluate, let alone extrapolate the long-term implications thereof.

With that being so, the Fund will remain focused on (i) incredibly well-capitalized real estate businesses positioned to navigate a more volatile environment and (ii) securities that trade at discounts to readily ascertainable values. Such a combination should guard against any "reasonable worst-case scenarios", in Fund Management's opinion, especially with the Fund's emphasis on strategic real estate platforms that are perceived to be more "inflation resistant" and durable in nature.

In our experience though, "macro" events such as these can often drive opportunities and outcomes at the "micro" level. Therefore, Fund Management will continue to monitor such trade-related developments and assess the potential impact of the Fund's holdings, including those involved with industrial real estate. The team will also contemplate what other areas could be in focus following any sort of resolution on trade. To that matter, many signs point to U.S. housing.

Why is that the case? Well, for starters certain pockets of the residential markets are experiencing very challenging conditions. For instance, the "new home market" has remained steady for the past few years, while the "existing home market" is in a rut with home sales activity in 2024 reported at the lowest level in 30 years (and more than a half century when viewed on a per capita basis). At the same time, residential investment has historically contributed about 4% of total Gross Domestic Product ("GDP"). However, when viewed alongside ancillary activities, the residential real estate markets are estimated to account for nearly 20% of GDP by some measures, with the recent slump acting as a drag on economic growth.

As a result, it is not inconceivable to expect some of the structural issues impeding housing turnover to be addressed—especially as an offset to the anticipated reduction in federal employment and government spending. With that being the case, there seem to be three areas that could be in focus to untether the markets, including:

- ***Normalizing Mortgage Spreads:*** At the end of the quarter, the spread between the cost of a 30-year fixed-rate mortgage and the yield on a 10-year U.S. Treasury Note was approximately 2.6%. While this spread has narrowed since the record levels of bond volatility experienced in 2022, it still sits nearly 1.0% above the long-term average, thus costing borrowers almost 10% more per month, by our estimates.

- ***Addressing Broker Compensation:*** The traditional model for residential broker commissions (i.e., 6% of the sales prices, split 50-50 between buyer and seller brokers) was upended through a 2023 court ruling. As a result, the National Association of Realtors ("NAR") was forced to move away from requiring commissions to be included in listings, while giving the buyer the right to negotiate the fee directly. While seemingly a "win" for the consumer, the remedies have led to significant distortions and loopholes, creating more ambiguity in the marketplace.

- ***Reforming Capital Gains Tax:*** One of the more-recognized factors limiting existing home sales has been the "lock in effect", with approximately three-quarters of borrowers sitting on mortgage rates below 5.0%. That said, one of the more often overlooked impediments to moving is the capital gains tax that can be incurred at the time of the sale. While there is an exemption for primary residences (i.e., $250k for single-filers), these amounts have not been updated since 1997 and can lead to meaningful transactions costs given house price appreciation ("HPA") trends since then.

Fund Management acknowledges there is no "silver bullet" for addressing these issues. However, it is not implausible to expect the spread for 30-Year mortgage rates to narrow through a combination of (i) the Federal Reserve reducing its pace of selling Mortgage-Backed Securities (MBS) and (ii) lifting outdated stipulations on Fannie Mae and Freddie Mac to allow these well-capitalized entities to foster additional liquidity in the marketplace while also returning to "risk-based" pricing. Further, it seems as if the Department of Justice ("DOJ") could bring more clarity to residential brokerage practices, while the exemption for capital gains tax could be remedied in a reconciliatory tax bill.

Such changes are certainly not Fund Management's "base case expectations" per se, but their probabilities seem higher than most narratives would suggest in our view. They also represent potential "macro" changes that could have implications at the "micro" level—as well as important ramifications for Third Avenue Real Estate Value Fund given its distinctive holdings throughout the residential value chain.

We thank you for your continued support and look forward to writing to you again next quarter. In the meantime, please don't hesitate to contact us with any questions or comments at realestate@thirdave.com.

Sincerely,

The Third Avenue Real Estate Value Team

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 March 31, 2025 (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: April 12, 2025

[1] The FTSE EPRA/NAREIT Developed Real Estate Index was developed by the European Public Real Estate Association (EPRA), a common interest group aiming to promote, develop and represent the European public real estate sector, and the North American Association of Real Estate Investment Trusts (NAREIT), the representative voice of the US REIT industry. The index series is designed to reflect the stock performance of companies engaged in specific aspects of the North American, European and Asian Real Estate markets. The Index is capitalization-weighted. The index is not a security that can be purchased or sold.

For the Third Avenue Glossary please visit here.

FUND PERFORMANCE

			Annualized				
	3Mo	1Yr	3Yr	5Yr	10Yr	Inception	Inception Date
Third Ave Real Estate Value Fund (Inst. Class)	-0.47%	10.71%	3.63%	11.65%	3.77%	8.76%	9/17/1998
Third Ave Real Estate Value Fund (Inv. Class)	-0.52%	10.46%	3.39%	11.38%	3.51%	6.63%	12/31/2009
Third Ave Real Estate Value Fund (Z Class)	-0.43%	10.85%	3.75%	11.75%	N/A	3.20%	3/1/2018

TOP TEN HOLDINGS

Freddie Mac Preferred	6.6%
CBRE Group Inc.	6.6%
Fannie Mae Preferred	6.1%
Brookfield Corp.	6.1%
Five Point Holdings, LLC	5.1%
U-Haul Holding Co.	4.5%
Prologis, Inc.	4.4%
Lennar Corp.	4.3%
Jones Lang Lasalle, Inc.	3.9%
Sun Communities, Inc.	3.5%
TOTAL	**51.1%**

Allocations are subject to change without notice

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 1.17%, 1.50% and 1.10%, respectively, as of March 1, 2025.

Distributions and yields are subject to change and are not guaranteed.

Risks that could negatively impact returns include: overbuilding and increased competition, increases in property taxes and operating expenses, lack of financing, vacancies, environmental contamination and its related clean-up, changes in interest rates, casualty or condemnation losses, and variations in rental income.

The fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-443-1021 or visiting www.thirdave.com. Read it carefully before investing.

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 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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MANAGEMENT

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