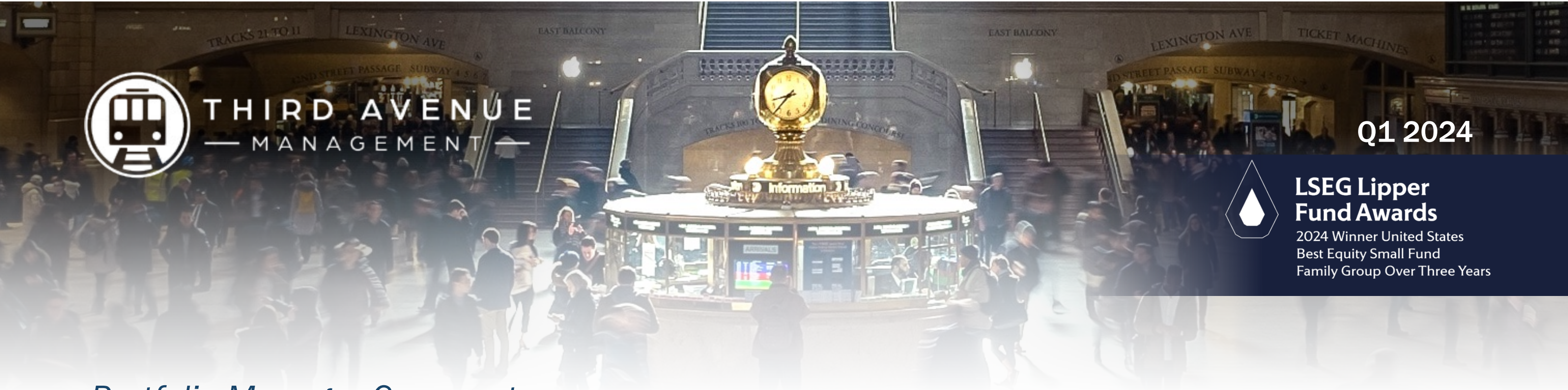

Portfolio Manager Commentary

VALUE FUND

Matthew Fine, CFA

Joined Third Avenue in 2000
23 yrs investment experience

Dear Fellow Shareholders,

For the three months ended March 31st, 2024, the Third Avenue Value Fund (the "Fund") returned 8.58%, as compared to the MSCI World Index[2], which returned 8.97%[1]. For further comparison, the MSCI World Value Index[2] returned 7.65% in the first quarter. Over the trailing three and five-year periods, the Fund has returned 16.03% and 15.16% annualized, respectively. Several weeks ago, our firm was grateful to be awarded the *Best Equity Small-Size Fund Family Group Over Three Years at the 2024 United States LSEG Lipper Fund Awards.* These awards recognize "fund management firms that have excelled in providing consistently strong risk-adjusted performance relative to their peers." This obviously did not happen overnight. At the end of 2017, our firm made several changes to some of our portfolio management teams, including to the team managing the Fund. The changes were designed to reestablish a deep commitment to our firm's original investment philosophy and reinvigorate an investment-centric culture across the entirety of our firm. These are not goals in themselves but, rather, priorities and disciplines we believe improve the probabilities of producing compelling returns for our firm's clients, and for our own capital, over the long-term. It is, therefore, very gratifying to receive this award in acknowledgement of our entire firm's efforts.

During the quarter, the Fund enjoyed strong performance contributions from copper mining companies, Capstone Copper and Lundin Mining. In recent years, we have repeatedly articulated our thesis that a very challenging supply situation for copper, in combination with steadily increasing demand for copper, was likely to manifest in growing supply shortages, decreasing global copper inventories, and higher copper prices (*here, here*). That thesis remains unchanged and seems further corroborated by the recent strength of copper prices, contemporaneous with large price declines of other minerals associated with energy transition, such as lithium, cobalt, and nickel, which each have supply fundamentals far less supportive of high prices. The Fund also benefited from strong performances by offshore energy services company Tidewater, Japanese gas flow-control and measurement company HORIBA, and Italian-headquartered global cement company, Buzzi. Deutsche Bank, seemingly among our more controversial investments in recent years, also began the year strongly. Meanwhile, negative performance contributions during the first quarter were generated by Jardine Cycle & Carriage, Genting Singapore, Warrior Met Coal, Interfor Corp, and S4 Capital. With respect to S4 Capital, a March 2024 *Wall Street Journal* article described the company as the subject of multiple recent takeover offers, in one case at an offer price appearing to represent a multiple of the current share price. We were not surprised by the rumored offers, nor by Chairman Martin Sorrell allegedly rebuffing those offers as undervaluing the company. We, too, believe that the company is likely saleable today for a price well above the rumored offer price, although the most likely path forward still appears to be for the company to continue building a substantial amount of future business value as an independent company.

Performance is shown for the Third Avenue Value Fund (Institutional Class). 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 U.S. Lipper Fund Award for Best Equity Small Fund Family is based on a review of 185 qualified fund management companies that were eligible for the three-year period ending on 11/30/23. To qualify for Lipper's Overall Small Fund Family Group Award, Small fund family groups must have at least three equity portfolios. The group award will be given to the group with the lowest average decile ranking of its respective asset class results based on the three-year Consistent Return measure of the eligible funds.

REGARDING SCALABILITY

Regular readers of our letters haven't often seen discussions about Berkshire Hathaway or quotes from Warren Buffett. The two primary reasons are that we don't perceive there to be a lot of value in being one more person quoting Warren Buffett and, equally, because our value investing approach, as was the case with our firm-founder Marty Whitman before us, is fundamentally different than the one employed at Berkshire Hathaway. It is, therefore, worth noting that the most recent Berkshire Hathaway annual letter contained a powerful reminder of why its capital has been managed in a particular style. Many members of the value investing community are capable of reciting Charlie Munger's mantra of buying "wonderful businesses at fair prices, rather than fair businesses at wonderful prices." Many even treat those phrases as a value investing Rosetta Stone of sorts. Recitations seem particularly frequent among that segment of the value investing community predisposed to a more growth-focused approach and those determined to be less constrained by price-consciousness. It is not a huge mental leap to get from "wonderful businesses at fair prices" to growth at a reasonable price ("GARP").

Meanwhile, the success of Berkshire Hathaway over more than a half-century, and, separately, the resounding success of growth investing strategies, in general, over the last decade or so, have both encouraged a palpable shift towards the pursuit of businesses perceived to be "wonderful" at the time of initial investment. One aspect of the conceptual overlap stems from the fact that growth can certainly be an important facet of a wonderful business. My personal view is that this has left the more traditional, price-conscious, often contrarian, end of the value investing spectrum less trafficked and somewhat less competitive than was previously the case, say ten or twenty years ago. Yet, in this most recent letter, Buffett reminded us of the context in which Munger originally delivered his investing prescription. Back in 1965 Buffett had just recently come to control Berkshire Hathaway. Munger believed, quite rightly in retrospect, that Buffett needed to move away from the investment approach he had been employing to incredible success within his investment partnership. Buffett summarized, "In other words, abandon everything you learned from your hero, Ben Graham. It works but only when practiced at small scale."

That recollection touches on several tidal shifts coursing through the investment industry today. First, without the inclusion of "It works but only when practiced at small scale", Munger's first principle of buying "wonderful businesses at fair prices" lacks a very important qualifier. Munger wasn't necessarily saying that buying "wonderful businesses at fair prices" is a fundamentally better approach to investing than buying "fair businesses at wonderful prices", only that it is a more probable path to success if one is charged the formidable task of investing the huge float of an insurance company. This is a fundamentally different statement than saying it is a superior approach to investing at all scales. That those two investing deities concluded that Buffett's partnership approach was not practical for investing the float of an insurance company does not address the question of which approach is preferable for the purpose of generating investment returns for a smaller pool of capital. Indeed, from time-to-time Buffett has continued to publicly lament that he would certainly be capable of generating much larger returns were he not managing such a large pool of capital.

Furthermore, a scalable investment strategy is not only attractive to those in control of an insurance company. It is also highly attractive to ambitious asset management company executives, many of whom would prefer to preside over a large enterprise. The investment approach employed by the Third Avenue Value Fund is sufficiently scalable so that it can i) be offered to investors at a reasonable cost, ii) support an experienced team, iii) utilize some of the industry's highest-quality service providers, and iv) be an important piece of a high-quality investment boutique. It can't, however, be the flagship of a large investment firm. Nor, in all likelihood, could it even constitute a very important engine of growth for such a firm. In other words, a great investment strategy and a great investment management business are two different things, and they infrequently overlap.

Compounding the issue, the asset management industry has undergone wave after wave of consolidation in recent decades. An increasing majority of investment dollars are being consolidated into firms that are very unlikely to pursue a strategy like Third Avenue's, even among those large firms that remain committed to active, public equity investing strategies. Our strategies are just not a scalable business model by modern asset management industry standards. It is, therefore, intuitive that what remains of our competitive peer set today is mostly comprised of several other investment boutiques and a handful of value-oriented, very long-biased, private partnerships. In a perverse way, all of this is good news. As a result of an industry shift over the last decade or so towards approaches that emphasize investing in companies perceived to be "wonderful" at the time of investment, and those which appear to have favorable near-term prospects to grow, along with investment dollars being increasingly consolidated into scalable strategies, the business of price-conscious, fundamental, value investing does seem to have become lonelier and less competitive of late.

OUR STRATEGY, DISTILLED

The essence of what we do, within the Third Avenue Value Fund, is to strive to buy significantly undervalued, well-financed businesses that are run by honest and competent people. An opportunity to buy a significantly undervalued business in public equity markets usually derives from investors underestimating its prospects, which frequently occurs when something goes wrong, investor pessimism develops, and an excessive price reaction occurs. A dark cloud hanging over a company can take several forms, such as a macroeconomic event, an industrial recession, or an idiosyncratic challenge complicating life for a single company. Of course, it can be incredibly difficult, if not impossible, to predict the timing with which such clouds will abate, and the timing can sometimes stretch well beyond one's initial expectations. Therefore, we must focus on companies that have financial wherewithal to carry them to better days without the need to undertake actions, such as selling assets or raising capital at inopportune times, which may permanently harm the underlying value of our investment. In challenging environments, great balance sheets can also sometimes become a potent offensive weapon used to opportunistically create substantial shareholder value. More on that concept appears later in this letter. In other words, we try to significantly underpay for valuable businesses while simultaneously limiting our downside risk, and improving our upside potential, through a heavy emphasis on balance sheet quality and the prices we pay.

Moreover, we tend to hold about 30 positions at any given time and hold those positions for about 5 years, on average. This portfolio structure demands we make about 5 or 6 new investments per year, on average, which is not easy. Meanwhile, within the universe of active U.S. equity mutual funds, the average fund holds almost 100 holdings and churns those holdings at a rate of roughly 65% per year, which means that they make a huge number of new investments per year and that the average holding period of those investments is about 1.5 years. After all, one way that an active equity strategy can be made more scalable, as discussed above, is to own a huge number of holdings, as most funds do. But that also demands that the investment team come up with a huge number of great new investment ideas every year, which is exceedingly difficult. As an aside, if the average holding period of one's strategy is 1.5 years, it may be rational to avoid businesses where the near-term outlook is challenging, even if the business is obviously undervalued, because resolution of that company's issues may fall well beyond one's brief investment horizon. This is another reason that the contrarian end of the value community is inherently a bit lonely.

In pursuit of undervalued bargains, we sometimes purchase businesses experiencing deep cyclical depressions, which have very little, if any, accounting earnings at the time of our initial investment. These companies would rarely be described as "wonderful" at the time of our investment. We make contrarian investments of this type where we perceive there to be a very probable path for the industry to rebalance, allowing for improved operating performance for the companies able to endure the downturn. In these situations, we also take comfort when our purchase price represents a discount to our estimate of the liquidation value of the company. We do not, however, purchase businesses in industries we perceive to be in secular decline. In other cases, we purchase companies that have been producing muted operating performance in an environment with some type of headwind, but where our purchase prices are sufficiently low so that the muted returns offer respectable earnings or cash flow[6] yield, in the here and now, and where we believe there to be a strong probability of improving operating performance in the future. The high prevalence of this class of investment recently is, in my personal view, a result of the growth and GARP fixation overwhelming equity markets. In other words, there has been an entire class of very healthy and inexpensive, albeit slower growing, companies, which have simply suffered from benign neglect in recent years. Lastly, we also purchase special-situations that are misunderstood, difficult to model, or changing in some important way. Though genuine special-situation opportunities can be particularly difficult to identify, pursuit of them has, in our view, been worth the effort.

CASH FLOWS, CHEAP STOCKS, AND CAPITAL ALLOCATION

We offered the above review of our strategy because the strategy itself sets the stage for the large volume of shareholder capital returns from Fund holdings we are experiencing today. The prevalence of businesses that are simultaneously i) well-capitalized or even over-capitalized, ii) performing well, and iii) remain inexpensive, has created the opportunity and incentives for many of our companies to produce a veritable flood of shareholder capital returns. What follows is a discussion of how the interplay of financial position, operating performance, and public market valuation has manifested within one of the Fund's current holdings, Bank of Ireland, followed by several more abridged examples:

Bank of Ireland – When we purchased Bank of Ireland in mid-2019, the bank was producing a return on tangible book value[5] of roughly 7.5%, a pretty poor level of profitability resulting from a remarkably low interest rate environment and a decade of increasing regulatory capital requirements following the Global Financial Crisis. Even then, we believed the bank had reached the point of being arguably over-capitalized, and we were excited by the opportunity to buy shares at 60% of tangible book value. To this last point, the math of paying 60% of tangible book value for a company producing a 7.5% return on tangible equity implies an earnings yield[7], relative to our initial cost, of about 12.5%. It is important to note that if the company continued to earn a 7.5% return on equity in perpetuity, management illogically opted to retain all earnings within the company, and the company continued to be valued at 60% of tangible book value forever, Bank of Ireland would have produced a pretty modest return for us. This possibility compels our team's emphasis on the strength of financial position, which permits the company to *choose* how it allocates capital, as well as an appraisal of the management team and its incentives.

As time went by, two of Ireland's five largest banks decided to throw in the towel, exiting the Irish market completely. Customers and performing loan portfolios of those two banks were largely subsumed by Bank of Ireland and its largest peer. Industry attrition of this type is one of the ways that industries cyclically rebalance, as mentioned above. Furthermore, during downturns, there are frequently opportunities for an industry's best-capitalized competitors to build long-term business value through counter-cyclical acquisitions or investments. The consolidation of the Irish market into three banks provided enhanced scale and an improved competitive landscape for the remaining banks, which then enjoyed improved returns. Similarly, the unrivaled balance sheets of both Bank of Ireland and its largest competitor, put these two companies in a unique position to each purchase one of Ireland's two largest wealth management and capital markets firms during the downturn. In doing so, they each added large, capital-light lines of business into their respective banks, producing upward step-changes in returns on equity. And then interest rates began to normalize, producing a tailwind for returns, rather than a headwind, for the first time in years.

Bank of Ireland recently reported a return on tangible equity slightly above 17% for calendar year 2023, though it anticipates a figure closer to 15% prospectively. Bank of Ireland's price to tangible book ratio has improved to 106%, from 60% in 2019. Yet, its earnings multiple has compressed over that time, to roughly 7.2x, and its earnings yield has, therefore, increased to roughly 14%, even after strong share price appreciation. Because the company is already overcapitalized, and its shares offer an earnings yield similar to what it is earning on capital internally, it creates an incentive for the company to return a large portion of earnings, rather than retaining them and becoming ever-more overcapitalized, which would also likely serve to depress returns on tangible book value. While a willingness to distribute capital may exist, as a practical matter, a bank's ability to distribute capital is often a result of its ability to obtain regulatory approval, which is a direct result of its balance sheet strength. If Bank of Ireland was poorly capitalized, it would be compelled by regulators - or just common sense - to retain its earnings and add them to its capital base, but that is clearly not the situation here. In announcing 2023 operating results, Bank of Ireland announced a new capital distribution plan that effectively targets a return of 72% of 2023 earnings, as a combination of dividends and a sizeable share buyback program. Those returns of capital sum to a shareholder capital return, as a percentage of today's share price, well into the double-digits. The company arrived at the 72% distribution figure by estimating the level of capital it anticipates needing in order to support continued growth in lending activity at a rate in line with growth of the Irish economy. Mind you, Ireland is one of the fastest growing economies in Western Europe. All of this is to say that the bank anticipates that it can continue to grow earnings, book value, and business value, while retaining only about 28% of earnings.

Idiosyncratic as the details of Bank of Ireland's progress may be, many of the underlying principles are surprisingly common today. Deutsche Bank ("Deutsche") shares many similarities. Its capital base and balance sheet have improved dramatically in recent years. Management changes in 2018 precipitated sweeping changes in the way the bank is run, which, when combined with an improved interest rate environment, have led to Deutsche Bank's greatly improved operating results. During 2023, Deutsche produced a return on tangible equity of roughly 7%, and it presently trades at roughly 51% of tangible book value, which marries with a *price-to-earnings*[3] multiple of roughly 7x. Similar to Bank of Ireland, there is little incentive for Deutsche Bank to retain much of its earnings and continue to grow its capital base, unless compelled by regulators to do so, as long as each Euro of retained capital is being valued at roughly 50 cents. Deutsche recently announced that it will increase its dividend[5] materially in 2024, and plans to make additional, successive, 50% dividend increases in each of the next two years. The company also implemented a substantial share buyback, which is highly attractive from our long-term shareholder perspective, given that the shares are presently valued at roughly 50% of tangible book value and offer an earnings yield nearly twice the bank's return on equity.

Outside of the world of financials, Mercedes-Benz Group ("Mercedes") recently reported outstanding operating performance for 2023 and ended the year with EUR 32 billion of net cash and financial assets within its industrial business (i.e., outside of its financial services business). For perspective, its current market cap is roughly EUR 80 billion.

In recent years, the company has simultaneously funded large dividends, heavily invested in electric vehicle transition, and continued to invest heavily in its internal combustion engine vehicles, and still produced significant free cash flow after all of that. The company's balance sheet has evolved from being well-capitalized, to being patently over-capitalized. Management recently acknowledged as much when it committed to paying out virtually 100% of free cash flow from its industrial business, prospectively, in the form of dividends and buybacks. And again, even though Mercedes is highly profitable and presently earning respectable returns on capital, there is no need to continue adding to an already massive war chest. At the same time, there is a great opportunity to buy back shares at a significant discount to book value and at roughly 5.5x trailing earnings.

Furthermore, among our current holdings, there are many more examples of companies that are making large and growing shareholder distributions, and they are not specific to an industry or geography. A longer list would include Chilean holding companies, Vapores and Quiñenco, Italian-headquartered cement company Buzzi, auto maker BMW, U.S. insurance company Old Republic, and Norway-listed offshore engineering company Subsea7.

QUARTERLY ACTIVITY

During the quarter ending March 31st, 2024, the Fund initiated a new position in Harbour Energy plc ("Harbour"). Harbour is an independent oil and gas exploration and production company listed on the London Stock Exchange, with significant operational exposure to the U.K. North Sea. Founded by private equity firm EIG Global Partners in 2014, Harbour set out with a contrarian strategy to acquire conventional, producing assets outside of North America, ultimately acquiring offshore assets in the U.K. North Sea from motivated sellers, including Shell and Conoco. In 2021, the company was publicly listed through a reverse merger with Premier Oil.

More recently, during 2023, the U.K. offshore oil and gas industry suffered a major setback at the hands of its own government, which implemented the U.K. Energy Profits Levy, rightly described as a windfall tax. Subsequently, European gas prices declined significantly providing additional headwinds to the business and cause for shareholder dejectedness. In December 2023, however, Harbour announced a transformational deal to acquire most of the upstream assets of Wintershall Dea AG in a complex transaction that we believe is likely to create substantial value for Harbour shareholders. Importantly, the motivating factor in the sale of Wintershall Dea's assets is that its parent company, German chemicals giant BASF, has publicly committed to exit the business of gas production. However, BASF is faced with a very limited set of potential buyers. Expected to close in the fourth quarter of 2024, the pending deal will result in Harbour's diversification away from the U.K. North Sea, in favor of Norway. In addition to offering geographic diversification, the transaction will also result in improvements in the company's scale, production base, reserve life, cost structure, capital intensity, and credit profile. Moreover, as demonstrated by the pending deal, Harbour is led by an opportunistic management team with a proven ability to source value accretive acquisition opportunities, while maintaining a strong financial position. Insiders retain a significant equity stake in the company, creating alignment with outside shareholders.

Several forms of confusion surrounding the Wintershall Dea transaction continue to provide an additional impediment to stock price performance, albeit an impediment we expect to be temporary. As a result, the Fund was able to acquire shares at a modest multiple of our estimate of proforma cash flow and a significant discount to our estimated net asset value.

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

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, 2024 (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 16, 2024

[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. Source: MSCI.

[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] The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple. Source: Investopedia

[4] The dividend yield, expressed as a percentage, is a financial ratio (dividend/price) that shows how much a company pays out in dividends each year relative to its stock price. Source: Investopedia

[5] Tangible Book Value - Tangible book value per share (TBVPS) is a method by which a company's value is determined on a per-share basis by measuring its equity without the inclusion of any intangible assets. Intangible assets are those that lack physical substance, thus making their valuation a more difficult undertaking than the valuation of tangible assets.

[6] Cash Flow: Cash flow is the net cash and cash equivalents transferred in and out of a company. Cash received represents inflows, while money spent represents outflows.

[7] Earnings Yield - The earnings yield refers to the earnings per share for the most recent 12-month period divided by the current market price per share. The earnings yield (the inverse of the P/E ratio) shows the percentage of a company's earnings per share.

FUND PERFORMANCE

			Annualized				
	3Mo	1Yr	3Yr	5Yr	10Yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	8.58%	20.06%	16.03%	15.16%	8.33%	10.86%	11/1/1990
Third Ave Value Fund (Inv. Class)	8.52%	19.76%	15.72%	14.86%	8.06%	7.94%	12/31/2009
Third Ave Value Fund (Z Class)	8.60%	20.16%	16.14%	15.27%	N/A	10.31%	3/1/2018

TOP TEN HOLDINGS

Capstone Copper Corp.	6.0%
Warrior Met Coal, Inc.	5.0%
Deutsche Bank AG	4.3%
Tidewater, Inc.	4.3%
Bayerische Motoren Werke AG	4.3%
EasyJet PLC	4.1%
Bank of Ireland Group PLC	3.8%
Buzzi SpA	3.6%
HORIBA, Ltd.	3.5%
Valaris, Ltd.	3.5%
TOTAL	**42.4%**

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 1.20%, 1.45% and 1.11% , respectively, as of March 1, 2024.

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.

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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