



Portfolio Manager Commentary

SMALL-CAP VALUE FUND

Matthew Fine, CFA

*Joined Third Avenue in 2000
24 yrs investment experience*

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*Joined Third Avenue in 2004
29 yrs investment experience*

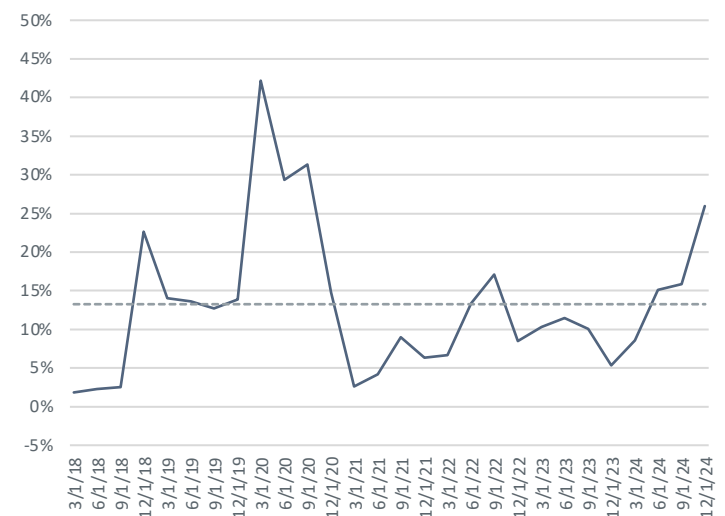
Ryan Dobratz, CFA

*Joined Third Avenue in 2006
20 yrs investment experience*

ATTRACTIVE UPSIDE TO OUR ESTIMATED NET ASSET VALUES

While the Fund's total return was modest in 2024, Fund Management was encouraged by the solid operating results and value creation in our underlying holdings. The portfolio holdings, in general, continued to successfully execute on their strategic priorities while reaping the benefits of supportive economic conditions leading to improved earnings, operating returns, and corporate value creation. As a result of the strong financial operating progress within the portfolio, we believe that the Third Avenue Small-Cap Value Fund has considerable potential to produce attractive absolute returns going forward. As the chart below indicates, Fund Management believes the portfolio, in aggregate, trades at a historically large discount to our mid-point estimate of underlying net asset value ("NAV").

HISTORICAL DISCOUNT TO NET-ASSET VALUE ESTIMATE



Source: Third Avenue Management estimates

Dear Fellow Shareholders,

The Third Avenue Small-Cap Value Fund (the "Fund") returned -4.38% during the fourth quarter of 2024, compared to a return of -1.06% for the Fund's most relevant benchmark, the Russell 2000 Value Index (the "Index").¹ The Fund returned +3.55% for the year ended December 31, 2024, compared to a return of +8.05% for the Index.

Infrastructure services provider MYR Group, ADHD drug company Supernus Pharmaceuticals, and regional bank UMB Financial Corporation generated the largest positive contributions to Fund performance for the quarter. Detractors from Fund performance during the quarter included agricultural conglomerate Seaboard Corporation, pain drug company Collegium Pharmaceutical, and government contractor ICF International.

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.

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IMPROVING BACKDROP FOR MERGERS & ACQUISITIONS

Furthermore, Fund Management remains convinced that the unusually large relative valuation gap between large-cap and small-cap companies will ultimately compress toward levels closer to historical norms. Historical precedents of mean reversion from similarly extreme valuation relationships have been very beneficial to small-cap relative performance. We also perceive there to be a good chance that the combination of a resilient U.S. economy, robust capital market system, and a more constructive regulatory landscape, could support an increase in takeover transactions, as well as other corporate activity. We believe the Fund could benefit from heightened merger and acquisition activity as the values of our underpriced assets become recognized by corporate and financial buyers, often at large premiums. While we do not control the timing of when these discrepancies between share price and NAV (or intrinsic value) are recognized, our experience has been that such discounts do not persist for long. That said, we believe that the probabilities of small-cap company takeovers may increase considerably throughout 2025 to the extent policy actions are taken to alleviate current regulatory impediments to various forms of otherwise sensible merger and acquisition activity.

RESOURCE CONVERSION – CATALYST TO CLOSE THE PRICE TO VALUE GAP

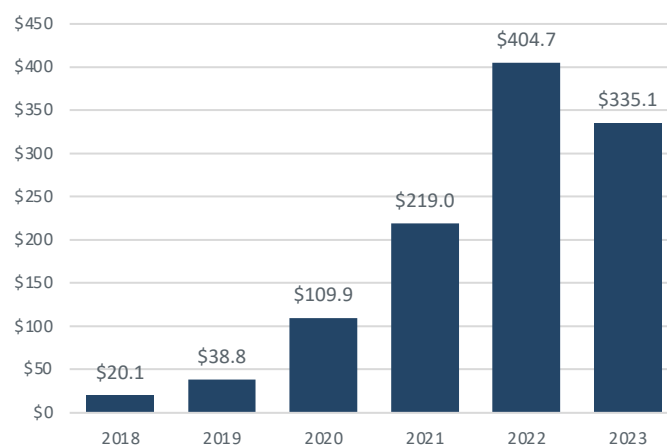
Third Avenue's founder, Marty Whitman, initially coined the phrase "resource conversion" to describe a variety of corporate actions, independent of the going-concern operations of the business, implemented to create shareholder wealth. Arguably, the most high-profile form of resource conversion comes from corporate events such as takeovers, mergers, and privatizations, which transfer ownership or control and often act as value-crystallizing events for equity owners of the business being acquired or merged. In a broader sense, resource conversions also include spin-offs of operating segments or asset dispositions. Equally, well-financed companies with excess liquidity have opportunities to convert their liquid assets into higher and better uses by purchasing the assets or operations of another company, executing large-scale share buybacks, or paying out special dividends. As a practical matter, while most equity analysts forecast future operating performance under a strict going-concern framework, in Fund Management's experience, very few U.S. small-cap corporations will go longer than five years without being involved in some sort of resource conversion activity whether it be refinancings, reorganizations, developing a new line of business, or being acquired.

PROBABILITIES OF PUBLIC-TO-PRIVATE TRANSACTIONS

As we enter 2025 with the potential easing of regulatory impediments to deal activity, the existing amount of private

equity capital raised over the past several years but not yet deployed ("dry powder") seems particularly relevant. Private-equity firms have accumulated hundreds of billions of dollars for new funds since 2020 according to Preqin (see chart) and yet rising interest rates in the U.S. have stymied private equity exits and new deal activity between mid-2022 and mid-2024. In fact, the pace of capital deployment and distributions to fund investors has slowed dramatically and funds that closed in 2020 with five-year investment periods could face growing pressure to materially invest these large cash hordes.

DRY POWDER AT U.S. PRIVATE EQUITY FUNDS BY VINTAGE YEAR AS OF MARCH 2024



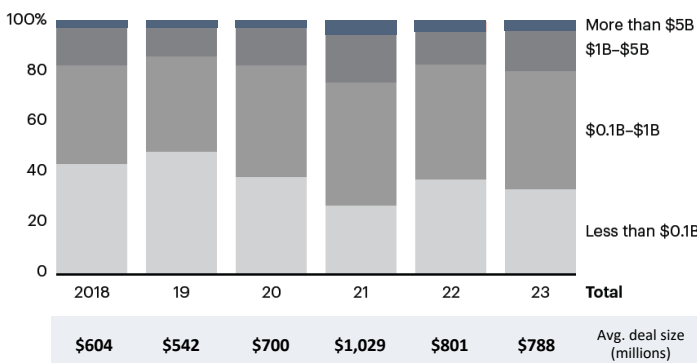
Source: Preqin, Wall Street Journal. Excludes venture funds. North America data represents North America-focused funds.

Fund Management believes the majority of the Fund's holdings fit well into the private-equity model with the unifying themes of trading at low valuations with overcapitalized balance sheets and resilient cash flow profiles. The Fund's non-financial holdings can define their strong balance sheets with a net debt to capital ratio of just 10.9% and nearly 24% of Fund holdings are at (or near) net-cash balance sheets. Balance sheet strength of an acquiree company generally represents another attractive quality for leveraged buyout ("LBO") sponsors by offering flexibility in how the company might be recapitalized following the takeover. A recent uptick in leveraged buyouts across multiple industries underscores the opportunities that exist in many smaller, undervalued companies. Furthermore, in recent years, the amount of capital raised in private equity strategies has caused increasing competition and rising acquisition multiples for private companies. Today, there is an argument to be made that the U.S. small-cap equity universe may offer some very attractive bargains, not only relative to U.S. large-caps but relative to the valuations at which private companies have been taken over in recent years. As private equity firms look to deploy record amounts of capital and can no longer count on decades of falling interest rates and rising valuation multiples, well-financed, publicly traded, small-cap companies should look like increasingly fertile ground.



Lastly, it is worth noting that buyout deals have historically focused on transaction sizes very much akin to U.S. small-cap market capitalizations, with the vast majority of deals falling into the \$100 million to \$5.0 billion transaction size range with the average deal size in 2023 at \$788 million. In other words, the typical market capitalization of Fund holdings sits right at the epicenter of deal sizes targeted by financial buyout firms. The Fund's median market capitalization currently stands at \$1.3 billion with over 30% of its holdings below the \$1 billion threshold.

DISTRIBUTION OF GLOBAL BUYOUT DEALS, BY TRANSACTION SIZE



Sources: Dealogic; Bain global private equity report 2024

We enter 2025 with an eye on accelerating merger and acquisition activity under a friendlier regulatory regime. Clearly, we will stop short of predicting the timing, size, and actual participants of such a wave of transactions across industries in coming years. That said, there are several areas where the Fund has been particularly active and for which we would not be surprised to see increasing transaction activity: (i) Regional Banks like Southside Bank, (ii) U.S. manufacturing capacity such as LSB Industries, (iii) Transmission & Distribution contractors like MYR Group, (iv) Aerospace suppliers such as Kaiser Aluminum, (v) Homebuilders & Land Developers such as TRI Pointe Homes and Five Point Holdings, and (vi) Biotechnology such as Supernus Pharmaceuticals.

A subset of the consolidation theme includes capital intensive businesses with high barriers to entry, that experience cyclicality. Today we find the opportunity to buy certain assets cheaply, coinciding with the potential exit of weaker players during challenging times. Such a rationalization could lead to improvements in industry structure and returns. Fund holdings LSB Industries and PBF Energy are two such operators that may benefit from consolidation and improving industry structure or otherwise might offer an acquirer an entrance into the U.S. market through the acquisition of assets for which new-build replication is not a practical possibility. Consistent amongst the Fund holdings that fit this description, we believe we have invested in well-capitalized companies, with competent management teams, which increase the probability of their survival and ability to prosper as the ranks of their peers are eventually thinned.

As it relates to the regulatory impetus for more resource conversion activity, we too anticipate a more sympathetic environment in regards to the supervision of consolidating transactions. In fact, a groundswell in multibillion-dollar takeover announcements has already transpired in January with direct implications for Fund holdings and performance. Most notably, Cintas Corporation, in its quest to acquire Fund holding Unifirst Corporation, recently launched a hostile \$5.3 billion takeover offer, amounting to a consideration of \$275 per share in cash (or +60% premium to the pre-announcement price). As is common among Fund holdings, the attractions to Unifirst include a strong balance sheet, a cash-generative business, an attractive leadership position in a consolidating market, and opportunities for operational improvements.

ACTIVITY

The Fund's cash holdings have now declined for three straight quarters as the Small-Cap Value team continues to find attractive opportunities at an encouraging pace. Cash, at quarter-end, was approximately 8% as compared to 12.9% as of September 30th, 2024. The Fund initiated two new positions during the quarter, OceanFirst Financial ("OCFC") and Ambac Financial Group ("AMBC"), and re-established a new position in previously-held Five Point Holdings ("FPH"). The Fund eliminated one position, InvenTrust ("IVT"), during the quarter. At quarter-end, the Fund held 26 positions.

Industry Consolidation (Acquisition Target)	Private Equity (Acquisition Target)	Platform Roll-up (Growing via Acquisitions)



OceanFirst Financial (“OceanFirst”) is a regional bank headquartered in New Jersey. Founded in 1902, it represents one of the largest and oldest community-based financial institutions. The bank has recently ascended to “large institution” status under the Volcker Rule by surpassing \$10 billion or more in assets. While the majority of the bank’s loan portfolio caters to local commercial real estate, it has maintained exceptional credit performance with historical net charge-off rates at just a small fraction of its peer commercial banks. To this point, OceanFirst was recently awarded investment grade status by Moody’s. We think highly of management and their deep expertise in the local commercial real estate markets they serve.

OceanFirst’s low-risk, low-net charge-off approach comes, symmetrically, with lower than industry returns on assets. Further, lending conservatism has manifested in a relatively slower rate of loan growth and the bank has historically maintained significant loan exposure to commercial real estate, which is today viewed with trepidation. Notwithstanding OceanFirst’s underwriting record in this area, across a wide range of economic conditions, this trait is contributing to a depressed valuation and the Fund’s ability to initiate its holding of OceanFirst at 62% of book value, or 89% of tangible book. On the other hand, OceanFirst has built a high-quality, very stable, and diversified deposit base catering to consumers, small business accounts, local government banking accounts, such as school districts and municipalities, and a well-diversified corporate cash management function.

To be clear, we would be content to own OceanFirst as a stand-alone bank, given its opportunities to improve returns, along with its high-quality balance sheet, which provides opportunities to build shareholder wealth through prudent capital allocation. At quarter-end, the bank was trading at a reasonable multiple of earnings, 10.4x, with a well-covered 4.42% dividend yield. However, attributes of OceanFirst certainly relate to the resource conversion discussion above. A lighter regulatory burden could lead to increasing consolidation in the U.S. regional banking industry, which, in spite of a great many mergers in recent decades, remains extraordinarily fragmented. We also believe that OceanFirst’s attractive deposit base might be viewed as a very desirable asset to a larger multi-regional bank with the scope of deploying those sources of funds into a more diversified set of geographies and loan exposures and with greater scale and operational efficiency.

Ambac Financial Group (“Ambac”) was formerly a business that provided financial guarantees and other insurance policies prior to the Global Financial Crisis. This summer, it announced a transformational deal with Oaktree Capital Management to sell its legacy business for \$420 million in cash, and a removal of all material debt encumbrances from the balance sheet.

It is anticipated that the transaction will close in the first quarter of 2025, at which point the business will have been transformed, with the majority of its NAV, in our view, represented by its significant net cash position and a tax-loss carryforward of \$1.3 billion that it will seek to monetize. Fund Management’s attraction to Ambac also stems from the attractive, asset-light nature of its other insurance-related operating businesses. While much work remains to be done, we see the potential to build a growing, high-margin operating platform of managing general agents who focus on specialized Excess & Surplus insurance lines. The existing Ambac operating units generate recurring revenue and earnings, based on a percentage of the insurance premium they underwrite on behalf of insurance carriers, an activity which generally does not assume balance sheet risk. We also see optionality for shareholders to benefit from resource conversion activity as the scope of the business grows, offering operating leverage improvements and NAV growth, but also through redeployment of significant net cash and monetization of very large tax assets. Conversion of net cash and tax assets into higher and better uses likely entails further acquisitions of managing general agents and underwriters. Ambac should be able to achieve a significantly higher valuation if it is able to execute on its strategic objectives. These include building its reputation as an asset-light, high-margin insurance operation, rather than as a legacy financial guarantee business, while growing its scale and margins, and converting balance sheet assets into high-quality operating assets.

Five Point Holdings (“Five Point”) is a position the Fund re-established during the quarter. The U.S.-based real estate operating company focuses on coastal California where it controls strategic land positions in Los Angeles, San Francisco, and Irvine. In total, the company has plans for more than 40,000 residential homes and 23 million square feet of commercial properties in these supply-constrained markets, largely through its three primary mixed-use communities (i.e., Great Park, Valencia, and the Shipyards).

Although the company has undeniably valuable land positions that are modestly encumbered, Five Point has a mixed track record as a public company. That is to say, the company spent the first five years of its public existence operating with more elevated levels of corporate overhead relative to expectations. Further, somewhat evasive financial communications left many market participants desiring more clarity on the company’s strategy to unlock value. In addition, significant delays in its Shipyards community created uncertainty relating to the timing (and viability) of the development plans for San Francisco. As a result, Five Point’s book value per share declined modestly over its first five years of being listed, and its common stock experienced a significant “derating” relative to its residential peers.



Notwithstanding, there have been significant enhancements more recently. In particular, the company has taken swift action under new leadership and (i) reduced the company's cost structure by more than 50%, (ii) pushed forward reconfigured plans for its Shipyards development in San Francisco, (iii) accelerated the monetization of certain land positions in its Valencia and Great Park developments, and (iv) utilized free cash flow to reduce debt levels and extend out the maturity on the remaining notes. As a result, the trajectory for Five Point has changed in Fund Management's view. In fact, the company's book value per share has increased by nearly 20% over the past two years and its cash position is expected to exceed \$300 million by the end of the year. Furthermore, Five Point is slated to resume development at the Candlestick Point portion of its San Francisco project in 2025 and indicated a willingness to bring in capital partners to the development (as well as its master-planned community in Valencia).

Should Five Point execute on these initiatives, the company could realize significant proceeds and even return to a "net cash" position. It would also increase the recurring management fees going forward as well as reinforce the value of these incredibly scarce land positions—which would be particularly helpful in San Francisco where activity has been more limited in recent years but yielded values exceeding \$20 million per acre in the past. In combination, such developments would also likely result in an improved cost of capital (i.e., a higher multiple) and be quite rewarding for Five Point shareholders. To wit, the common stock trades at less than 30% of book value and Third Avenue's conservative estimate of Net-Asset Value is more than four times prevailing prices.

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

Sincerely,

The Third Avenue Small Cap Value Team

Mike F. Ryan C. David

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, 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: January 17, 2025

¹ **The Russell 2000® Value Index** measures the performance of small-cap value segment of the US equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristic. Indexes are not securities that can be purchased or sold.

For the Third Avenue Glossary please visit [here](#).



FUND PERFORMANCE

	3Mo	1Yr	Annualized			Inception	Inception Date
			3Yr	5Yr	10Yr		
Third Ave Small-Cap Value Fund (Inst. Class)	-4.38%	3.55%	7.41%	8.64%	7.65%	8.54%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	-4.44%	3.33%	7.14%	8.37%	7.38%	8.81%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	-4.35%	3.69%	7.52%	8.75%	N/A	7.68%	3/1/2018

TOP TEN HOLDINGS

UMB Financial Corp.	6.7%	FRP Holdings, Inc.	4.5%
MYR Group, Inc.	6.2%	Atlanta Braves Holdings, Inc.	4.4%
Investors Title Co.	5.3%	Prosperity Bancshares, Inc.	4.4%
ProAssurance Corporation	5.2%	Supernus Pharmaceuticals, Inc.	3.9%
Encore Capital Group, Inc.	4.7%	Southside Bancshares, Inc.	3.8%
		TOTAL	49.1%

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 1.25%, 1.50% and 1.18%, 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, volatility associated with investing in small-cap securities, 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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