Portfolio Manager Commentary

VALUE FUND

Matthew Fine, CFA

Joined Third Avenue in 2000
25 yrs investment experience

Dear Fellow Shareholders,

For the three months ended December 31st, 2024, the Third Avenue Value Fund (the "Fund") returned -9.59%, as compared to the MSCI World Index[1], which returned -0.07%, and the MSCI World Value Index[2], which returned -4.06%.

Performance during the quarter was frustrating and, furthermore, led to a lackluster year in which the Fund returned -2.20%. That said, the Fund has materially outperformed relevant indices over the last three and five years, as well as over the 34 years since its inception. These larger goals simply cannot be accomplished without constructing a portfolio that is highly distinct from broad market indices. In other words, being out of sync with markets is a prerequisite for producing superior long-term returns, even if it is sometimes an unpleasant cross to bear.

Further, the ways in which the Fund is out of sync with broad market indices are manifold. The Fund held 30 positions at quarter end, making it substantially more concentrated than almost all global equity indices. As a result of concentration and bottom-up, fundamental security selection, the Fund ended the quarter with 99% active share, which is the portion of the Fund that does not overlap with index holdings. This level of active share is roughly the level at which the Fund has resided in recent years. As compared to indices, manifestations of the Fund's high active share can be easily seen in the far more modest valuation multiples of the Fund's holdings, the Fund's much smaller median market capitalization, and its far higher weighting towards companies listed outside of the United States. These latter two traits, smaller market caps and a preponderance of holdings outside of the U.S., are simply byproducts of the pursuit of undervalued securities, a task which we have found exceedingly challenging within the United States, particularly among larger companies.

Regarding the Fund's geographic exposure, at quarter end, U.S. listed securities represented approximately 14% of the Fund by weight. This is the lowest U.S. exposure held by the Fund in decades, if not ever. Again, this is simply a result of our team finding what we perceive to be far more attractive value outside of the United States without any influence of a prescribed top-down asset allocation or fear of significant differentiation from indices. It should not be surprising, given the nature of our strategy, that falling U.S. exposure has occurred alongside U.S. valuations, relative to the rest-of-the-world, having risen to premiums not seen in many decades.

Meanwhile, in addition to rising U.S. stock valuations, in recent years the weighting of U.S. stocks within the most notable broad global equity indices has also grown to multi-decade highs. For example, today, U.S. stocks represent approximately 74% of the MSCI World Index by weight, a record since the inception of the Index in 1986. In our humble opinion it is now somewhat of a stretch to refer to such an index as "global" and appropriate to question the extent to which such an index offers investor portfolios the diversification benefits many seek by investing in global

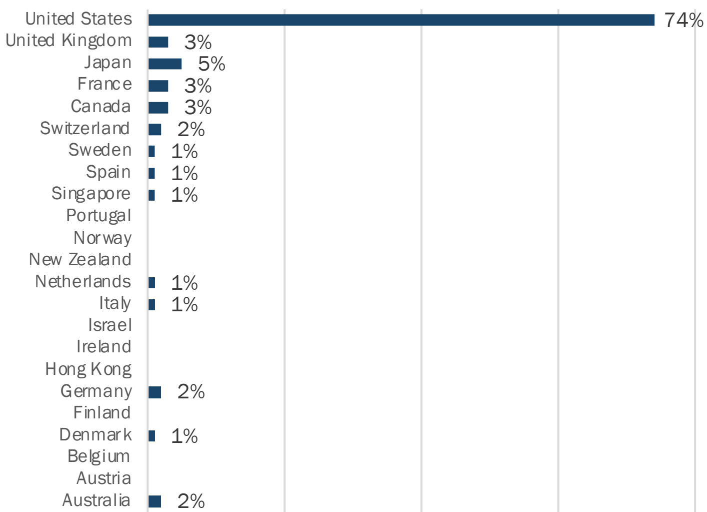
Performance is shown for the Third Avenue Value Fund (Institutional Class). Past performance is no guarantee of future results; returns include reinvestment of all distributions. The above represents past performance and current performance may be lower or higher than performance quoted above. Investment 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.

equities. This is especially true given the concentration level comprised by just a few of the largest U.S. companies. As of December 31, 2024, the top holdings of the MSCI World Index were entirely represented by U.S. mega-cap stocks, mostly the Magnificent 7 (Apple 5.03%, NVIDIA 4.73%, Microsoft 4.17%, Amazon 2.74%, Alphabet 2.57%, Meta Platforms 1.75%, and Tesla 1.38%), which tally to 22.4% of the index by weight. In summary, the historical record of prospective U.S. equity returns, from valuation starting points similar to where we reside today, appears very poor and rarely have equity investors been so (over)exposed.

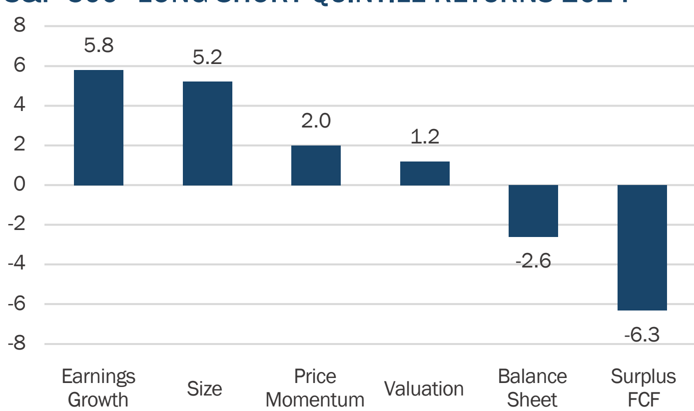
MSCI WORLD COUNTRY WEIGHTINGS

As of December 31, 2024 | Source: MSCI.



It is fair to characterize the 2024 performance results of world equity indices as follows: the more U.S., the more growth, and the more large-cap exposure, the better. Further, as depicted in the chart below from investment bank Berenberg's equity strategy team, within U.S. equities, those who focused on earnings growth, large companies, and stock price momentum were rewarded, while those who focused on valuation, balance sheet quality, and surplus free cash flow were penalized. It is frankly an environment in which we would expect to underperform.

S&P 500[3] LONG-SHORT QUINTILE RETURNS 2024



Finally, a myriad of other data confirms some highly unusual circumstances at present. Bank of America recently reported that U.S. equity market breadth (the number of stocks driving the returns of an Index) during December 2024 was at its lowest level ever in nearly four decades of data, exceeding the prior record set one month earlier. The Wall Street Journal recently published an article showing that trading of options contracts in the U.S. has exploded in the last five years to roughly 2.5x the volume of 2019. In 2024, trading volumes handily broke the previous all-time yearly record, set the year prior. The same article quotes a market research firm estimating that as much as half of options trading activity tied to the S&P 500 Index[3] is comprised of zero-day-to-expiry options. We have also read that various indices designed to track U.S. equity market momentum produced their best year on record in 2024. Michael Cembalest, Chair of JP Morgan's Markets and Investment Strategy Group, recently pointed out that U.S. equity markets just completed two consecutive years of 20%+ returns, a feat which has only been accomplished four other times during the last 150 years. Grimly, he notes, "only during the 1990s bull market did the good fortune continue."

To be clear, our team is certainly not arguing that these phenomena cannot continue. Several have already gone on longer, and grown far larger, than we would personally have expected. What we are saying is that, statistically speaking, there are some extremely unusual, even unprecedented, phenomena associated with the recent strength of U.S. large-cap stocks and that several of the world's most preferred equity indices currently offer unprecedentedly large exposures to those stocks. In our view, an awareness of equity valuation levels and a sense of financial market history argues very strongly for caution, at least for anyone other than those simply striving to participate in U.S. equity market momentum over very short-term investment horizons.

THE FOUR HORSEMEN OF THE AUTOPOCALYPSE

During 2024, two of the ten largest detractors from Fund performance were automobile manufacturers we have owned for several years, namely BMW and Mercedes-Benz Group. Amidst growing negativity during the year, compounded by significant Japanese yen volatility in the middle of 2024, we added a third auto manufacturing company, Subaru. Had we held Subaru from the beginning of the year, it too would likely have made the list of top detractors. We are surprised and somewhat confused by these developments though, when we say we are confused by stock price movements and continue to deploy increasing amounts of capital into that arena, invariably, what we really mean is that we think most other people have it wrong. Along with various smaller-capitalization Japanese companies, auto manufacturers represent one of our most important areas of investment activity of late so we hope you will tolerate a more thorough discussion than is typical of these letters. Numbers and facts still matter, even if equity investors seem more enraptured by stories, futuristic assertions, and stock price momentum.

During the last five years, the group of companies often referred to as “legacy” or “traditional” automakers have seen valuation multiples decline substantially, our investments included. Some have gone so far as to conclude that this group of companies is “uninvestable,” considering simultaneous challenges presented by The Four Horsemen of the Auto-Pocalypse: higher interest rates, a global battery electric vehicle (“BEV”) transition, an evolving Chinese competitive landscape, and the prospect of U.S. import tariffs. The confluence of these challenges has sometimes been described as a crisis, particularly by journalists providing context for events like the unceremonious firing of Stellantis’ long-time CEO or Volkswagen’s attempt to close plants in its home market, Germany, for the first time in its history. From our vantage point, as avid readers of automotive journalism and research, it appears that almost everyone has congregated on one side of the boat with an extreme focus on the current lack of upward business momentum and sweeping, often dubious, generalizations.

First, aside from higher and more comprehensive U.S. auto import tariffs, which today remain a twinkle in the eye of our recently inaugurated President, the other Horsemen have been challenges the auto industry has been grappling with for years. U.S. Interest rates began to rise sharply in early 2022, roughly three years ago. The BEV transition began even earlier, as did the growing strength of Chinese auto manufacturers within their own domestic market. In other words, in recent years, auto companies have been busily adapting to three of these challenges, enduring the headwinds and bearing the expenses associated with adaptation, the impacts of which continue to be reflected within each company’s operating performance.

Further, we challenge the hysterical characterization that “legacy” auto manufacturers are broadly facing a crisis. The largest of the Fund’s auto investments has been, and remains today, BMW. Pessimism has been palpable and can be seen in the stark valuation multiples decline that BMW has experienced. During the last five years, from the end of 2019 through the end of 2024, BMW’s price-to-earnings[4] multiple declined by approximately 30%, to the present level of roughly 6.4x consensus estimates of forward earnings. The company’s price-to-book-value multiple declined by roughly the same proportion to its current level of 54% of book value. During that same period, BMW produced an average annual return on equity of approximately 13.7%, while facing the challenges identified above. Additionally, that return on equity figure is almost identical to its average return on equity over the trailing ten-year period. Despite its “uninvestability” throughout these challenges, BMW has produced cumulative earnings per share of EUR 80.74 during the last five years (through 9/30/24), which is similar to its stock price today, paid out EUR 24.70 per share in dividends, and repurchased nearly 5% of its shares outstanding. The share repurchases have occurred almost entirely within the last two years and should be expected to continue. In this way, the most important variant perception may simply be a difference of opinion about what constitutes an attractive investment. We do expect BMW, as well as Mercedes-Benz Group and Subaru, to continue to grow and compound shareholder value in the future but the status quo performance alone, without improvement and growth, represents a very attractive investment proposition, in our view. In contrast, most other investors presently seem obsessively focused on a demonstrated improvement in the near-term outlook and participation in perceived mega-trends.

One potentially counter-intuitive mathematical fact is that, notwithstanding the profound decline of valuation multiples experienced by BMW, its shares have still produced a total shareholder return of positive 6.02%, annualized, over the last 5 years, in U.S. dollar terms. Over the same period, Mercedes-Benz Group has produced a total shareholder return, in U.S. dollars, of 9.55% annualized. This is the net result of producing fairly strong operating results, challenges notwithstanding, that have been sufficient to outweigh the valuation multiple declines. To add one more point, consensus expectations are for BMW’s soon-to-be-released 2024 operating profit (EBIT) to have grown by almost 70% since 2019. Maybe we need to adjust our definition of a crisis?

Admittedly, when used properly, valuation multiples are appraisals of the forward-looking prospects for a company, not a grading of its past. So, what is to be inferred from a price-to-earnings multiple of 6.4x consensus forward earnings expectations and a book value multiple of 0.54x, both of which are suggestive of distress, for a company that has historically produced a return on that book value of nearly 14%? Financial distress is patently not part of this debate, and we are not aware of anyone who has argued otherwise. Recent commentary from BMW’s management and adjustments to capital return plans should be viewed as an acknowledgment that the company is over-capitalized, which can also be said for Subaru and Mercedes-Benz. In other words, financial distress does not factor in this discussion and other sources of perceived existential threat must be at play. In a word, perceiving current industry challenges as potentially existential for BMW, Mercedes-Benz, and Subaru seems an incredible stretch. We will discuss the primary challenges below but, it should be noted that by striving to find the “reason” for BMW, Mercedes-Benz, and Subaru’s current valuations, we may be giving equity markets way too much credit by implying that current valuations must derive from informed, analytical opinions regarding long-term business value. It may simply boil down to auto manufacturers' lack of business and stock price momentum today in the context of the very unusual equity market environment described above. We may never know.

Higher interest rates in the U.S. have dampened demand for cars. U.S. light vehicles sold grew to roughly 16 million in 2024, continuing to lag behind the peak of roughly 17.5 million in 2016. Recently muted volumes have caused the average U.S. car on the road to creep older and older. Even though the appearance of muted volumes occurred well before interest rates began to rise, interest rate increases, which make cars less affordable for most people, have obviously not helped. That said, BMW and Mercedes-Benz focus on selling luxury autos, for which demand has historically exhibited less sensitivity to macroeconomic conditions because of the financial health of their average customer. Subaru, however, is a niche producer of approximately one million cars per year priced at mass market levels but sold to a fairly affluent customer base. Also, idiosyncratic to Subaru is that North American volumes represent nearly 70% of Subaru's business, with the U.S. representing the vast majority of those volumes.

Over the last five years, there has been an extreme amount of variability within the auto industry due to pandemic-related disruptions and subsequent recovery and shortages. However, 2024 was a year unimpacted by the pandemic and one in which interest rates accelerated higher throughout the end of the year. Yet, during 2024, BMW volumes sold in the U.S. rose 6.5% versus 2023, Mercedes-Benz passenger vehicle volumes in the U.S. rose 8% versus 2023, and Subaru volumes in the U.S. rose 5.6% versus 2023, each outperforming the broader U.S. car market, which rose about 2.3% versus 2023. In the case of BMW specifically, the company was forced to enact a very large product recall in Q3 2024 to fix a faulty braking system supplied by Continental, creating a temporary but significant negative impact on production volumes, vehicles sold, and operating performance. It is nearly certain that volume growth would have been higher absent the recall. In summary, while not helpful, the extent to which U.S. interest rates are negatively impacting North American volumes for BMW, Mercedes-Benz and Subaru remains unclear and operating performance remains robust.

What is also interesting about the 2024 U.S. performance data, for Subaru in particular, is that its inventory levels have been managed incredibly well relative to peers. The same can also be said for its much larger affiliated company Toyota Motor, which owns 20% of Subaru. Toyota carries the torch of defining automotive strategy for Japanese auto companies and was pilloried as recently as a couple of years ago for its unwillingness to fully commit to a strategy that would see internal combustion engines ("ICE") disappear from its product mix, in favor of BEVs, in the medium term. They, and Subaru along with them, have taken a more cautious approach that is designed to produce the types of products demanded by dealers and customers within their most relevant geographies. For Subaru, the commercial focus is on the U.S. and Japan. Alternative approaches, carried out by European mass-market producers especially, have seen North American inventories pile up. The result has been heavy price discounting, in order to move less demanded models that were pushed into the market by manufacturers rather than pulled by customers. When Subaru reports results in coming weeks, we would expect results to reflect resilient volumes, relatively little price discounting, and more help from a weak Japanese yen than was anticipated in earlier forecasts.

This brings us to the battery electric vehicle transition itself, which may prove to be the least fearsome of the Horsemen. In summary, the transition is in transition. In recent years, it has been taken as ordained that BEVs would become the globally dominant vehicle propulsion system. That perceived certainty, along with looming regulatory penalties for non-compliance, has led to many billions of dollars being spent in the development of new BEV models. As mentioned, Subaru has spent relatively little and developed relatively little to date, with only one BEV model currently available, representing a tiny percentage of its vehicles sold. This deliberate, and so far, successful strategy is a response to its North American and Japanese geographic focuses, where BEVs have limited demand and where the fear of regulatory penalties is lower. In Japan, which represents roughly 20% of Subaru's volumes, BEVs are virtually non-existent.

Mercedes-Benz, by comparison, has spent considerably but has had only lackluster results. In 2024, Mercedes-Benz BEVs sold were down 23% versus 2023, though its plug-in hybrid electric vehicle ("PHEV") sales rose 13%. BMW, on the other hand, has spent considerably developing a new dedicated BEV architecture called Neue Klasse. In 2024, BMW's global BEV volumes sold rose 13.5%, a year in which Tesla Motors, a BEV-only manufacturer, reported a year over year decline in global volumes sold. Amazing facts abound; according to Bloomberg consensus, BMW is expected to produce 56% more operating profit than Tesla in 2024, even with the massive BMW recall. From our vantage point, the jury has returned with a verdict. The fact that BMW has far higher global market share in BEVs that it has in internal combustion vehicles and is growing BEV volumes far faster than the world's most renowned BEV-native company completely dispels any notion that high-quality "legacy" manufacturers cannot compete in a BEV transition. BMW's commercial success has been so strong it almost begs for an accelerating BEV transition.

However, an accelerating BEV transition may or may not be afoot. It is important to discuss the state of affairs in a way that addresses huge regional differences. In the U.S., through the first 11 months of 2024, BEV penetration rates (BEV market share as a percentage of all passenger vehicles sold) were 7.7%, an increase of 0.40% from the prior year. Meanwhile, the popularity of hybrid electric vehicles ("HEV") has increased sharply with penetration rates and year over year growth rates far exceeding those of BEVs in 2024. With reference to criticism Toyota previously faced for its industrial strategy, Toyota currently makes several of the best-selling HEV models in the U.S., and HEV is the fastest growing category of U.S. passenger vehicles. Meanwhile, coming back to the topic of intentions verbally communicated by President Trump, a complete elimination of very generous U.S. zero-emission vehicle ("ZEV") credits would likely have a substantial negative impact on U.S. sales volumes of BEV cars and provide a strong competitive boost for BEVs, such as BMW's, which are currently disadvantaged by ineligibility for the credits.

In Europe, total passenger vehicles sold rose 0.9% in 2024 while BEVs sold fell by 1.3%, causing a slight decline in the 2024 BEV penetration rate to 15.4%. Within Europe there are wide variations from country to country. BEV volumes in Europe were greatly aided by substantial growth in the U.K., which, as investment bank Jefferies puts it, has been "driven by massive manufacturer discounting and a raft of new models. However, much of this growth has been driven by fleet demand." On the other hand, several of Europe's largest auto markets experienced zero, or even negative, growth of BEVs sold in 2024, including Germany, Italy, and Spain. The net has been a widely varied but broadly anemic European BEV market. Another interesting set of data has recently begun to emerge from Europe as well, which suggests that BEV volumes sold appear to be somewhat insensitive to the build-out of local charging infrastructure, which has long been put forth as a development that would spur demand growth. However, it is increasingly clear that government and manufacturer incentives, subsidies, tax credits, and price discounting continue to have a large influence on BEV volumes sold.

Even in China, now the world's largest auto market by a good margin, BEV volume growth is also slowing considerably. For the first 11 months of 2024, BEV penetration rates in China were 26.8%, an increase of 4% from the same period of 2023. In 2022, BEVs represented 21.3% of cars sold in China, an increase of 8.6% from 2021. Since 2022, BEVs have only gained an incremental 5.5% of the market, likely a reaction to the reduction of subsidies since that time. However, PHEVs have increased their share of the passenger vehicle market by 12.7% since 2022. Each geographic market continues to evolve with changing acceptance of propulsion system technologies and responses to different government subsidies and incentives, but it has become clear that the growth of BEV demand itself is in question and that mass production of BEVs alone will not ensure a manufacturer's competitive positioning in China or elsewhere. In other words, the "transition" itself uncertain and not the threat it has been made out to be, least of all for the likes of BMW, which is competing extremely well in that arena. Nor is it for Subaru which has an idiosyncratic geographic mix that has limited its exposure to the transition to date.

Yet, the evolving Chinese auto market itself does represent the third Horseman. Historically, the Chinese auto market has had several idiosyncrasies. When foreign automakers dominated the Chinese market a decade ago, the vehicles they sold in China were often tailored to specific Chinese tastes, famously feature-laden, and highly customized, which often made them high-margin business for the automakers. One less well-appreciated impact of the advent and government support for BEVs in China is that it created something of a blank slate for the reinvention of the passenger vehicle more broadly in ways that extended well beyond just the propulsion system. To oversimplify, the transition created an opportunity to rethink what a future car should be and the result has been the development of extremely tech-laden Chinese vehicles that offer user interfaces and customization that didn't previously exist. This phenomenon allowed Chinese automakers to grow very quickly within the world's largest and fastest-growing vehicle market. The combination of a technological head start, huge scale, and lots of government support has created the opportunity to build more vertically integrated supply chains and produce at very competitive costs, furthered by extremely low cost of capital. From our perspective, the upshot is that even though BEV growth may have acted as the impetus for Chinese automaker strength, that is no longer the primary source of their strength. Whether it is BEV, PHEV, HEV, or even ICE cars being made, the Chinese manufacturers are to be taken very seriously.

In particular, the development of Chinese domestically produced, low-cost, tech-laden cars has been particularly hard on the Chinese businesses of foreign mass-market auto companies. BMW and Mercedes-Benz have both seen meaningful volume headwinds in China, but their luxury brands still confer cache and volume impacts have been a fraction of the impact on foreign manufacturers in total. Today, the Chinese market represents an estimated 30% of BMW's auto profit pool and Mercedes-Benz is in a similar range. For Subaru, this discussion is largely moot unless Chinese passenger vehicles begin arriving in the U.S. and Japan in large numbers, which seems improbable today. To summarize, we think there are two primary concepts upon which to focus. First, if the entirety of BMW and Mercedes-Benz's Chinese profitability disappeared, the companies would still be trading at a single-digit multiple of earnings. Second, success in the auto industry hinges upon a company's ability to adapt. Over a couple of decades, the sport utility vehicle ("SUV") went from a niche utilitarian product to dominating U.S. market volumes. Ford, having been credited with creating the category with the Ford Explorer in the early 1990s, was perceived to have a huge competitive advantage. For companies like BMW, which was famous for European sport sedans at that time, and Merecedes-Benz, which was famous for large luxury sedans, it seemed very unlikely that they would even dream of trying to compete in that arena, which demanded a fundamentally different vehicle architecture. Years later, not only were both companies in the market with successful products but both had built enormous SUV-dedicated U.S. manufacturing facilities on the back of huge luxury SUV success. All foreign auto companies recognize the game has changed in China and have technological and user-interface catching up to do. It seems very closed-minded to assume a company like BMW, which is now growing BEV volumes faster than Tesla Motors, cannot evolve and tailor its products to remain highly desired in the Chinese market, particularly given the company's past innovative success, its huge war-chest of financial resources, and a brand that continues to be highly desired globally.

Finally, to the extent you are still with us, the self-described "Tarriff Man" is back in the White House and U.S. tariffs represent our final Horseman. As in the BEV geographic discussion above, granularity is important in a U.S. tariff discussion and the facts seem very poorly understood. Ironically, several foreign companies, BMW and Mercedes-Benz in particular, have very little net import exposure to the U.S. It was these underlying details that encouraged BMW's CEO, Oliver Zipse, to make the curious comment that the company might be advantaged by broad U.S. auto import tariffs. For both companies, their global SUV manufacturing hubs are in the southern U.S. from which they serve U.S. SUV demand but also export large volumes to global SUV customers. Both companies also import other models into the U.S. but, on a net basis, both companies are nearly neutral in terms of U.S. net imports and exports. Also ironic is that the U.S. auto companies themselves appear to have unusually high exposure to potential U.S. import tariffs because of the way they optimized their manufacturing footprints over decades under North American Free Trade Agreement, since renamed United States-Mexico-Canada Agreement (U.S.M.C.A.). Early signs are that Mexico's central role in the new administration's immigration goals make it a bullseye for "Tariff Man," which would have wide-ranging consequences for U.S.-based auto makers along with a number of other industries that are mission-critical to the U.S. economy. However, when taking a step back from the susceptibility of individual auto companies, it is very important to remember that the U.S. is a large net importer of automobiles and there is very little probability of a domestic auto manufacturing increase, in response to high tariffs, that could change a huge reliance on imports in the near-term, or even during a single presidential administration. With net imports of autos remaining a patent necessity for the foreseeable future, it seems very likely that U.S. customers, rather than automakers, would bear the bulk of potential tariffs in the form of auto price increases.

To conclude, we think that an informed opinion of the merits of auto company investments requires a granular view. Most auto companies are global in nature and represent idiosyncratic mixes of geographic exposures, customer segments, product mixes, and exposure to various tariff scenarios. We believe that sweeping top-down narratives obfuscate the facts and that with the granular view in hand, a handful of specific auto manufacturing companies appear weirdly cheap and extremely-well financed. We also believe that, as it relates to competitive pressures from new auto entrants, the evidence strongly suggests that a few "legacy" auto manufacturers are competing extremely well against new entrants. This is not to say that the pressures of a constantly evolving industry aren't material, merely that facts suggest the challenges are navigable and that we are being over-compensated for assuming those manageable risks today.

QUARTERLY ACTIVITY

During the quarter ending December 31st, 2024, the Fund exited its position in Lazard Inc. and did not initiate any new positions. That said, the Fund engaged in a fairly robust amount of trading during the quarter. The second half of 2024 was marked by very wide performance dispersion among Fund holdings and the fourth quarter offered a good opportunity to reallocate capital. The overriding theme could be described as trimming higher performing holdings - either because the valuation had become somewhat less exciting or because the position size had grown - and redeploying that capital into positions which have performed less well, or shrunk in position size, where we have high-conviction about the investment merits.

In addition to the Lazard sale, the Fund trimmed positions in U.S. financials, Comerica and Old Republic. The Fund also trimmed positions in mining companies Capstone Copper, Lundin Mining, and Warrior Met Coal, though two remain among the Fund's largest holdings. The Fund also trimmed its position in star-performer Deutsche Bank, which also remains a top holding, as well as Subsea7. Capital was redeployed into both BMW and Subaru, as well as Japanese small-cap companies Paltac and Horiba. Additions were also made to oil services company Tidewater and energy producer Harbour Energy and to long-time holdings Bank of Ireland and Brazilian fuel and logistics company Ultrapar. Lastly, a modest increase was made to the Fund's position in Close Brothers. The net result of investment activity caused cash holdings to increase modestly during the quarter.

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 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 23, 2025

[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 S&P 500 Index, or the Standard & Poor's 500 Index, is a market-capitalization-weighted index of the 500 largest publicly-traded companies in the U.S. It is not an exact list of the top 500 U.S. companies by market capitalization because there are other criteria to be included in the index.

[4] The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

For the Third Avenue Glossary please visit here.

FUND PERFORMANCE

			Annualized				
	3Mo	1Yr	3Yr	5Yr	10Yr	Inception	Inception Date
Third Ave Value Fund (Inst. Class)	-9.59%	-2.20%	11.34%	12.72%	6.79%	10.27%	11/1/1990
Third Ave Value Fund (Inv. Class)	-9.64%	-2.45%	11.04%	12.43%	6.52%	6.76%	12/31/2009
Third Ave Value Fund (Z Class)	-9.56%	-2.10%	11.45%	12.83%	N/A	7.48%	3/1/2018

TOP TEN HOLDINGS

Capstone Copper Corp.	5.7%
Bayerische Motoren Werke AG	5.2%
Deutsche Bank AG	4.9%
EasyJet PLC	4.7%
Bank of Ireland Group PLC	4.5%
Buzzi SpA	4.1%
Warrior Met Coal, Inc.	4.1%
Subaru Corp.	4.0%
HORIBA, Ltd.	3.7%
Tidewater, Inc.	3.4%
TOTAL	**44.3%**

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%, 1.47% and 1.13% , 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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