



Portfolio Manager Commentary

SMALL-CAP VALUE FUND

Matthew Fine, CFA

*Joined Third Avenue in 2000
25 yrs investment experience*

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recent acquisition of Heartland Financial and demonstrate a high degree of operational competence.

Negative performance contributors this quarter included Major League Baseball franchise owner, Atlanta Braves Holdings, an investment we still perceive to have a very attractive underlying asset base and a decent probability of favorable near-term resource conversion events. Other detractors from performance included UniFirst Corporation, which remains under pressure to fully demonstrate its value proposition as a stand-alone business after rebuffing an acquisition offer from Cintas Corporation earlier in the year. FRP Holdings, a D.C. metro area multi-family property developer and owner, also detracted from performance as a lack of confidence in the reliability of government spending has been impacting the region.

Dear Fellow Shareholders,

The Third Avenue Small-Cap Value Fund (the “Fund”) returned 7.18% during the third quarter of 2025, compared to a return of 8.97% for the MSCI USA Small Cap Value Index (the “Index”)¹ and a return of 12.60% for the Russell 2000 Value Index.² For the trailing three-year and five-year periods, the Fund produced annualized returns of 15.11% and 16.09%, respectively.

PERFORMANCE DETAIL

During the quarter, performance was led by positive contributions from a wide range of businesses. The single largest positive contribution was made by Supernus Pharmaceuticals, a company we discussed in the Fund’s previous shareholder letter. Supernus is benefitting from the strength of its financial position, current profitability, an expanding neurology drug portfolio, and a strong capital allocation framework that led to an attractive acquisition completed during the quarter. Other contributors to Fund performance included Investors Title Company, a company benefitting from a pickup in real estate refinancing activity and related title search demand, and UMB Financial Corporation, which continues to successfully integrate its

BUYING ONE SMALL-CAP CHRYSALIS AT A TIME

One way to describe the investment approach of the Fund is that we strive to buy companies in some type of transitional state, or some type of positive metamorphosis, if you will. An important aspect of buying companies in that state is that a demarcation, or punctuation, is being formed between the past and the future. On occasion, those moments may present a great opportunity to buy a business that is presently valued based upon an underwhelming past, without credit being given for the reasonable likelihood of a more favorable future.

It is in keeping with this approach that the Fund’s investment activity tends to consistently focus on businesses with a few common traits (i) they are well-financed, which provides the dry powder with which to execute corporate change, enables transformative acquisitions or recapitalizations, makes companies more attractive to potential acquirers, and

Performance is shown for the Third Avenue Small-Cap 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.



diminishes the importance of predicting the precise timing at which performance will improve, ii) their shares trade at levels not reflective of the potential for the business to improve or create value, and are otherwise trading at discounts to a conservative estimate of net asset value (“NAV”) and (iii) they generally have several identifiable levers that an aligned and entrepreneurial management team may utilize to create value and shareholder wealth, independent of broad equity market appreciation.

Further, it would not be unfair to classify the investment activity of the Fund into three broad types of opportunity:

1. Companies temporarily facing industry-wide headwinds, where operating pressures may be compelling management teams to take strong action to improve cost structures, improve balance sheets and dispose of poor returning divisions. This type of backdrop also frequently creates opportunity for companies with balance sheet strength to potentially acquire assets from financially stressed competitors or otherwise invest in their business counter-cyclically, leading to enhanced profitability and competitive positioning when industry environments improve (Visteon, BlueLinX Holdings, Boise Cascade, and Tidewater, for example).
2. Companies currently producing fundamental economic returns to shareholders that are “good enough as-is” in the here and now, but with the underappreciated opportunities for self-help; such as distribution of excess resources, conversion of latent resources into productive assets, monetization of tax assets, or the ability to drive impactful operational improvements (Rogers Corporation and SandRidge Energy, for example).
3. Event-driven, catalyst-oriented, special situations that offer an idiosyncratic return profile and an opportunity to participate in transformational resource conversion events, such as dispositions of large portions of the business to remake corporate strategy (Ambac Financial, for example), transformative acquisitions (Supernus Pharmaceuticals and UMB Financial, for example) or becoming a takeover target in a consolidating industry (Cantaloup Inc and PRA Insurance, for example).

It is also important to recognize that investing in businesses that are going through significant change, which renders an extrapolation of their past results erroneous, often proves a great challenge for many analysts and investors who most commonly analyze businesses as strict going-concerns and tend to emphasize time horizons measured in months or quarters rather than years. Across roughly 960 funds within the Morningstar actively managed small-cap value and small-cap growth fund universes, the average turnover ratio stands

at 91.7%. This figure translates to an average investment holding period of roughly one year. If one's investment horizon is this short, it does seem fairly rational to focus on the strict going-concern and near-term earnings forecasting. The types of material fundamental corporate changes in which Third Avenue seeks to participate tend to take place over periods of years and often in multiple stages. The Fund's annual turnover rate of roughly 20% translates to an average holding period of about five years. Furthermore, in our experience, few investment strategies place as much emphasis on balance sheet strength as Third Avenue Management. Balance sheet strength simultaneously buys time with which to enact significant change and provides resources with which to execute said change.

Further, with lengthy investment time horizons and the intent of investing in businesses that will create shareholder wealth over longer periods of time, we deem it important to avoid businesses at material risk of being in secular decline, or technological obsolescence. In other words, we don't do “cigar butt” investing. Conversely, however, we are generally quite comfortable investing in companies that are not publicly perceived as very high quality at the time of initial investment, the idea being that the companies in which we invest come to improve their public perceptions over the duration of our holding period and we eventually come to be sellers as the improved business quality is recognized in the company's valuation. We also believe that, while paying higher prices for highly regarded companies may reduce some aspects of business model or competitive risk, it certainly introduces higher levels of price risk, meaning the risk of disappointment relative to a set of high expectations and the risk of material loss, to the extent that high expectations are embedded in the price of the investment.

“The very thing that gave the giant his size was also the source of his greatest weakness...The powerful and the strong are not always what they seem.”

- Malcolm Gladwell in David and Goliath

METAMORPHOSIS IN REAL TIME

Ambac Financial (“Ambac”) is a position we have previously described as being in a state of significant transition. During the quarter, the company and Oaktree Capital Management finally received Wisconsin regulatory approval to complete the sale of Ambac's legacy financial guarantee business to Oaktree. Although the approval arrived later than originally anticipated, the approval enabled a rapid closure of the transaction and a significant cash inflow to Ambac. In coming quarters, Ambac's balance sheet will for the first time begin



to reflect Ambac's "go-forward" business. Less anticipated, however, was an announcement almost immediately thereafter disclosing that Ambac will purchase supplemental health program manager, ArmadaCare, from SiriusPoint Ltd. for \$250 million, funded in large part with the proceeds from the sale of its financial guarantee business.

Further, the combination of these two proximate transactions will dramatically accelerate Ambac's business transformation. The transformed Ambac will be highly focused on insurance distribution businesses through a portfolio of managing general agents ("MGA") and managing general underwriters ("MGU") whose focus is on generating business in specialized excess and surplus insurance lines. Financial releases from Ambac should, in the coming quarters, begin to reflect its focus on a business model that is relatively fast growing, high margin, has generally recurrent revenue and earnings, and generally assumes very little on-balance sheet risk and, therefore, relatively little capital intensity.

Finally, we think the cleaned up balance sheet, and newly found scale coming from the recent bout of resource conversion activity puts Ambac in a good strategic position to (i) grow volumes organically by expanding current and launching new MGAs, (ii) use cash from operations to increase their ownership interests in current MGA companies over time, (iii) reduce overhead expenses and (iv) accelerate the utilization of a very significant quantity of tax-loss carryforwards.

ACTIVITY

During the quarter, the Fund initiated new positions in building materials distributor and manufacturer, Boise Cascade, and electronic and materials technology solutions provider, Rogers Corporation. The Fund also added to several existing positions during the quarter, most notably UniFirst Corporation. The Fund fully exited its position in Hamilton Beach Brands and the Fund's cash position ended the period at 4.5%.

Boise Cascade ("Boise") is a leading manufacturer and distributor of building materials in the United States. The company operates through two segments, building materials distribution and wood products. On the distribution side, Boise distributes various products through the wholesale channel, including wood products, siding, composite decking, insulation, and roofing. On the wood products side, Boise primarily manufactures engineered wood products, such as laminated lumber veneer (LVL), I-joists, and plywood.

After a decade of respectable results, Boise's profitability began to soften in 2024 while facing headwinds from slowing housing-related activity. While the near-term outlook remains

challenged, Boise retains a strong financial position, which should provide the company with staying-power to participate in an eventual recovery in housing-related demand. Furthermore, the building material distribution industry has seen a substantial amount of consolidation activity in recent years, which could provide a backstop to valuation, as well as offer additional options for management to surface value transactionally.

In summary, we perceive Boise to be inexpensive on a "what-is" basis with a good probability that, in the future, less depressed markets for U.S. homebuilding and renovation & remodeling could return the company to much higher levels of profitability. Meanwhile, a net cash balance sheet and a relative absence of liabilities offer the company a considerable amount of staying power. Finally, in our view, the attractiveness of Boise's portfolios of distribution and manufacturing assets raises the probability that high levels of consolidation activity could one day involve Boise.

Rogers Corporation ("Rogers"), headquartered in Chandler, Arizona, manufactures a portfolio of electronic and materials technology solutions for a wide range of industrial applications. Broadly speaking, the company operates in two segments, Advanced Electronic Solutions, which designs and manufactures substrates, interconnects and circuit materials, and Elastomeric Material Solutions, which provides urethane and silicon materials solutions to its customers. The company operates globally and serves customers such as electric vehicle manufacturers, aerospace companies, clean energy companies, portable electronics, and a wide range of industrial customers.

It is our view that Rogers has a valuable portfolio of intellectual property and technical expertise that it utilizes to create tailored industrial solutions for its customers. It also appears that Rogers serves a number of attractive and growing end markets. We believe this perception was shared by Dupont when the company attempted to purchase Rogers in 2021 for more than three times its current share price. However, since that period the company has struggled to grow, its manufacturing footprint has not adjusted well to geographic changes in its end markets and, it appears that the company would be well served to foster some cultural changes to enhance its competitive spirit.

Further, our team began initial research on the company more than a year ago, though it had not resulted in any activity until recently. During the past year, however, the company's share price continued to weaken meaningfully, even while the company has been increasingly influenced by a long-term activist investor, its board has seen a substantial



reconstitution, and its CEO was recently replaced by the new board. In our view, recent announcements by Rogers' management reflect a new sense of urgency in adjusting its manufacturing footprint and substantial opportunity for cost savings and margin improvement. It is also notable that the company remains quite profitable, and its balance sheet holds a significant net cash position offering resources and time to implement strategic improvements and face any future resource conversion opportunity from a position of financial strength.

We thank you for your continued confidence and trust. Please don't hesitate to contact us with any questions or comments at clientservice@thirdave.com.

Sincerely,

The Third Avenue Small-Cap Value Team





IMPORTANT INFORMATION

This publication does not constitute an offer or solicitation of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this publication has been obtained from sources we believe to be reliable, but cannot be guaranteed.

The information in this portfolio manager letter represents the opinions of the portfolio manager(s) and is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed are those of the portfolio manager(s) and may differ from those of other portfolio managers or of the firm as a whole. Also, please note that any discussion of the Fund's holdings, the Fund's performance, and the portfolio manager(s) views are as of September 30, 2025 (except as otherwise stated), and are subject to change without notice. Certain information contained in this letter constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe," or the negatives thereof (such as "may not," "should not," "are not expected to," etc.) or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of any fund may differ materially from those reflected or contemplated in any such forward-looking statement. Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

Date of first use of portfolio manager commentary: October 14, 2025

¹ **The MSCI USA Small Cap Value Index** captures small cap securities exhibiting overall value style characteristics across the US equity markets. 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. The index is not a security that can be purchased or sold.

² **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 characteristics. The index is not a security 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)	7.18%	4.23%	15.11%	16.09%	9.36%	8.64%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	7.15%	3.98%	14.83%	15.80%	9.10%	8.96%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	7.19%	4.31%	15.23%	16.20%	N/A	8.13%	3/1/2018

TOP TEN HOLDINGS

UMB Financial Corp.	6.8%	Encore Capital Group, Inc.	4.2%
Supernus Pharmaceuticals Inc.	5.3%	Collegium Pharmaceutical Inc.	4.2%
ProAssurance Corp.	5.1%	Kaiser Aluminum Corp.	4.1%
Atlanta Braves Holdings, Inc.	5.0%	Prosperity Bancshares, Inc.	4.0%
MYR Group Inc.	4.4%	LSB Industries, Inc.	3.7%
Allocations are subject to change without notice		TOTAL	46.8%

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%, 1.51% and 1.18%, respectively, as of March 1, 2025.

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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