Portfolio Manager Commentary

SMALL-CAP VALUE FUND

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Dear Fellow Shareholders,

The Third Avenue Small-Cap Value Fund (the “Fund”) returned 4.62% during the fourth quarter of 2025, as compared to a return of 3.13% for the MSCI USA Small Cap Value Index (the “Index”)[1]. For the year ended 2025, the Fund returned 14.04%, as compared to 10.80% for the MSCI USA Small Cap Value Index.

PERFORMANCE DETAIL

Fourth quarter performance was led by North American aluminum manufacturer, Kaiser Aluminum, following strong quarterly financial results and progress on its multi-year investment to upgrade and expand production capacity in aerospace and packaging. U.S. pain medication specialist, Collegium Pharmaceutical, also generated a strong performance contribution in the quarter after producing record quarterly revenue and disclosing improved operating income guidance and a new share repurchase authorization. Specialty finance company, Encore Capital Group, also provided an important contribution on the back of better than anticipated financial performance.

The largest negative performance contributions this quarter derived from Atlanta Braves Holdings, FivePoint Holdings and BlueLinx Holdings. The latter two investments have faced headwinds from the slowdown in U.S. housing construction activity, an area of increasing interest and investment activity for the Fund. UMB Financial also contributed negatively.

ONE OF THE TOUGHEST PARTS OF THE JOB

The Fund is not a “control investor.” The Fund invests in publicly traded companies stewarded by boards of directors, sometimes controlled by individuals or families, and operated by executive management teams who act independently from the Fund. Some control parties – families, boards, or executives – highly prioritize the well-being of minority shareholders. Others much less so. Because the extent to which control parties prioritize the shareholders’ experience does, in our view, often have a significant impact upon shareholder outcomes, we tend to care quite a bit about identifying opportunities where alignment of interests and incentives are strong. In this vein, we have in past shareholder letters discussed aligning ourselves with companies embodying an “owner-operator model.” The term may be self-explanatory, but we use it to describe operators of a business who behave as long-term owners of a business would, either because they are long-term owners of the business, they have incentive structures that synthesize long-term ownership, or because their board of directors mandates an approach designed to reward long-term owners of the business.

> **“Show me the incentive and I'll show you the outcome.”**
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> - *Charlie Munger, Berkshire Hathaway*

There are many data points that a long-term investor might use ex-ante in attempting to assess alignment. Obvious aspects of a company’s approach to governance, such as

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.

dual-share class structures, staggered board elections and lack of independent directors, can be clear warning signs. Stale boards with very little historical turnover of long-tenured directors can serve as another data point helping piece together a mosaic with which one may judge the true motivations of a company's board. In addition to evaluating these types of governance policy choices, reviewing the historical record of behavior and speaking directly to management teams and occasionally board members, our team also routinely analyzes executive compensation policies to assess incentive structures and the metrics by which management is measured by the board of directors. Additionally, how a company finances itself can reveal quite a bit about the mentality of control parties. The amount of financial liabilities, the nature and duration of liabilities, and the purposes for which the liabilities were incurred can all be windows into the mentality of those in control. Further, the capital deployment framework employed by management, historically and prospectively, is often indicative of management's genuine underlying goals and may illuminate which constituencies the company's allocation of capital is designed to serve. The underlying principles of the capital allocation framework may also evidence the degree of rigor involved in decision making. For example, is the company buying back shares because it is clearly among the company's best options for a return on reinvested capital? Or are they just trying to neutralize dilution from share issuance to executives at whatever the prevailing share price may be? Is the company acquiring assets or other companies because there is a clever and clear line of sight to creating material shareholder wealth for long-term investors? Or is the purpose just to make a larger company over which executives will preside?

While these principles are relatively straightforward, conceptually speaking, applying them in practice can be challenging. As described within the walls of Third Avenue Management, we are trying to evaluate control parties as I) Operators, II) Investors and III) Financiers. As a practical matter, there are two general areas that make the application of this approach challenging in the real world. First, many people who rise professionally to senior executive or director positions are both intelligent and capable of communicating in a reasonably compelling way. They are frequently aware of the type of decision making that is expected of them by long-term investors, such as Third Avenue. Disingenuous or unethical executives and board members sometimes have both the willingness and ability to mislead and mischaracterize when it serves their purpose. Sniffing out the disingenuous requires diligence, experience and judgement. Second, the Fund pursues a decidedly value-oriented investment approach, seeking to underpay for ownership of a business. Businesses and management teams that have records of high-quality decision making and great stewardship of long-term investors' capital often have excellent reputations and are rarely undervalued. Finding the rare nexuses of good people, good assets and good prices is the difficult challenge we take on every day.

Finally, there is an argument to be made that, within the small cap investment universe, the analytical owner-operator framework may be more important and impactful than in other areas of the investment universe. It is our belief that the potential for outsized rewards from the actions of thoughtful, long term-oriented and capable leadership is very high for smaller companies. Many small cap companies tend to be narrowly focused on a single line of business, or a relatively limited set of products or services. While there may be business risk associated with being a narrowly focused company, the relative ease of turning around or significantly improving the performance of the business is relatively higher than for larger, more complex companies. Consider the degree of difficulty associated with significantly improving the corporate culture of a 500-employee enterprise, which operates entirely in its domestic market in a narrow line of business, as compared to a 50,000-employee, large-cap enterprise operating globally across a number of disparate lines of business. Access to capital can also be more tenuous for smaller companies and the behavior of management teams and boards as financiers can make an enormous difference. A bit of conservatism and sobriety in the best of times can enable not just durability in difficult times but also a lot of proactive, counter-cyclical shareholder value creation. Finally, while volatility is a dirty word in many financial circles, a little bit of added stock price volatility in small cap companies, as compared to large cap stocks, can create opportunities to materially enhance shareholder wealth, if the company is sensibly financed and leadership is prepared to opportunistically adjust capital allocation strategies, including buying back shares when they trade at unreasonably low prices.

A LITMUS TEST

Appraising management teams requires both analysis and judgement. In a word, it is a difficult part of the process. Across decades of investment experience, the Fund's management team has partnered with many company management teams that have done admirable jobs building shareholder wealth as operators, investors and financiers. The management teams of a number of current Fund holdings have carried themselves admirably as well. In previous letters we have highlighted the success of MYR Group's management team in terms of business building and long-term shareholder wealth creation. Alamo Group has produced a similar experience over a long period of time, building shareholder wealth through operational growth, but also through a long record of well-conceived transactions.

UMB Financial has also been a model of the owner-operator mentality. Many of the traits described above relating to how a good owner-operator company finances itself and guides capital reinvestment decisions can be seen in UMB Financial, which has established a long record of excellent financial stewardship. While we have cited a few success stories, we have also had a few disappointments here and there and probably will again.

This brings us to the ongoing case of Fund holding, UniFirst Corporation ("UniFirst"). UniFirst is a national uniform and laundry services business headquartered in Massachusetts. Today, governance of the company is controlled by Unifirst's founding family through a dual-class share structure, though the family owns a distinct minority of the shares and we are now two generations removed from the founder. We do not believe it is controversial to say that operating performance of the company has been mediocre, and shareholders have little, if any, return to show for their ownership during the last five or six years. Simply put, there are two primary means by which Unifirst can materially increase shareholder value. One option, which has ostensibly been the preference of management and the board, is for the company to invest internally to improve Enterprise Resource Planning systems ("ERP" systems) and to invest in business development hiring and its competitive positioning. To this end, the company has, in recent years, laid out a series of operational goals that look very ambitious but have generally been slow in arriving, raising many questions around operational execution. Regarding Unifirst's competitive positioning, the company often competes directly against Cintas Corporation ("Cintas"), a company with revenue four times that of Unifirst and a valuation ten times larger than Unifirst. Cintas' huge valuation premium derives from far higher profitability, which, in turn, derives from superior scale, efficiency, and route density, areas where Unifirst has continued to leave investors disappointed.

Further, it is fair to say that we too have been disappointed by Unifirst's progress towards operational improvement. Our December shareholder vote and public press release in support of shareholder-proposed changes to Unifirst's board composition was a reflection of that viewpoint. Our view remains that governance changes would likely improve the probabilities of favorable outcomes for all shareholders.

However, the other option for Unifirst to create significant shareholder wealth is through a sale of the business, provided the acquirer is willing to pay a full price representing corporate value that Unifirst would be unlikely to produce on its own. Decision making processes during these moments offer an opportunity to appraise management teams as "investors". In recent years, Unifirst has been the target of several takeover attempts by Cintas, including a currently active takeover attempt initiated in December 2025.

Cintas' most recent takeover offer of $275 per Unifirst share represents a very large premium to Unifirst's pre-offer trading price, as well as its current trading price. With regard to the latter, the huge spread between the offer price and the current trading price is a clear expression of doubt that Unifirst's board will engage with Cintas in an earnest and sincere manner. Cintas's most recent offer does represent a full price driven by Cintas' unique ability to create large-scale synergistic value through a combination with Unifirst and Cintas' willingness to share that synergistic value with Unifirst shareholders in the form of a full acquisition valuation. Having spoken to Unifirst management several times regarding the company's rationale for rebuffing Cintas' earlier offers, we were left with a strong feeling that their objections to engaging fully were hinged upon obstacles that were likely surmountable. On this last point, we were impressed by the adjustments Cintas made in its latest approach that specifically addressed deal risks flagged by Unifirst in Cintas' previous approaches, further eroding Unifirst's grounds for recalcitrance.

Today, we are watching the Unifirst and Cintas transaction process unfold with great interest. Cintas' latest offer puts Unifirst board of directors in a very difficult position. Unifirst's board now must choose whether it will weigh the economic merits of the transaction and the well-being of all shareholders, or whether it will subordinate fiduciary considerations in favor of sentimentality and preservation of family control. It is pretty much that simple. We have evaluated management's operational plans and listened intently as they were further described on the company's recent year-end conference call. It is our view that even if management achieves its operational improvement goals, driving revenue growth and margins improvement to levels not seen in many years, and the public equity market rewards the company with a substantially higher valuation multiple, that scenario is not superior to the Cintas' current bid in present value terms. By management's own description, operational improvements are expected to bear fruit in the 2027 – 2028 timeframe. We feel extremely strongly that the correct lens through which Unifirst's board of directors must evaluate Cintas' bid, as compared to its alternative go-it-alone plan, is in present value terms. Cintas' bid is a near-term, highly certain value at a substantial premium to any valuation at which Unifirst has ever traded publicly, outside of the context of previous Cintas takeover offers. Meanwhile, success of management's operational plan is highly uncertain, as is the valuation the company might be afforded if successful and the timeline to success is a multi-year path, which must be reflected by adjustments to the present value of such success.

Finally, the best laid plans of mice and men often go awry. What if there is a recession during the next few years and achievement of management plans is frustrated or delayed by macroeconomics further diminishing present value of eventual success? What if Cintas is rebuffed again and becomes far more commercially aggressive where it competes directly with Unifirst in an effort to produce organic growth in markets where it was unable to grow through acquisition? To us, economic and fiduciary considerations make Unifirst's decision quite straightforward. If we were directors of Unifirst, we would engage in earnest and potentially negotiate for an even larger purchase price. Failure to do so, in our view, would be clear confession from the board of directors that they are there to protect the interests of one subset of shareholders and facilitate the control of the founding family.

ACTIVITY

During the quarter, the Fund initiated a new position in Flagstar Bank, NA and added to several existing positions, including Alamo Group, Octave Specialty Group (recently renamed from Ambac Financial), and ICF International. The Fund exited its position in Seaboard. Cash holdings ended the period at 5.2%.

Flagstar Bank, National Association ("Flagstar") is a regional bank headquartered in New York and founded in 1859. Over the past few years, Flagstar has been undergoing a highly visible transformation featuring the legacy Flagstar Bank's acquisition of New York Community Bank (2022) and the absorption of former Signature Bank assets purchased from the FDIC during the depths of the 2023 regional banking crisis. Fund management has been following the progress of Flagstar since 2023, with increased interest following a series of 2024 developments including a greater than $1 billion capital infusion led by former Treasury Secretary Steve Mnuchin, through Liberty Strategic Capital, the sale of $5 billion of warehouse loans, divestment of its Mortgage Servicing division to Mr. Cooper and the appointment of Joe Otting as CEO and Chairman.

Combining the portfolio of New York Community Bank and Signature Bank resulted in an aggregation of portfolios with significant exposure to New York City rent-regulated multi-family properties. In recent years, changes to New York's rent regulations have caused significant credit stress in the loan books of virtually all lenders historically active in this market. However, entering Q4 2025, Flagstar had made significant progress reducing its exposure to New York rent-regulated multi-family loans through asset sales, write-downs, restructuring and allowing maturing loans to be refinanced elsewhere. Progress shrinking this loan exposure has been impressive and is likely to continue.

Most recently, however, the New York City mayoral election of Zohran Mamdani has driven renewed fear of further onerous changes to rent regulations and depressed the valuation of Flagstar. The Fund has used this opportunity to initiate its position at a large discount to tangible book value, a seemingly attractive price for a bank that has taken large, aggressive write-downs on the challenged part of its legacy loan book, has been recapitalized, and has a credible path to achieve profitability more typical of a U.S. regional bank.

In the context of assessing Flagstar's management team, we believe senior management has an unusually strong operating background demonstrated at previous banks, a credible plan to grow areas of lending other than commercial real estate, and exhibited a seriousness of purpose and skill as financiers. We perceive the company's executive compensation to be structured in a way that creates attractive shareholder alignment and encourages resource conversion during a period of increasing consolidation in the U.S. regional banking industry. If Flagstar is successful in achieving its 2027 ambitions, it should go a long way towards shrinking the present discount to book value, while growing book value per share in the process.

CONCLUSION

As we reflect upon 2025, we are reasonably pleased with the Fund's returns and are encouraged by the operational performance and shareholder value creation of many of the Fund's holdings. We are optimistic for more progress in 2026.

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

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, 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: January 16, 2026

[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.

For the Third Avenue Glossary please visit here.

FUND PERFORMANCE

			Annualized				
	3Mo	1Yr	3Yr	5Yr	10Yr	Inception	Inception Date
Third Ave Small-Cap Value Fund (Inst. Class)	4.62%	14.04%	12.91%	12.20%	9.82%	8.73%	4/1/1997
Third Ave Small-Cap Value Fund (Inv. Class)	4.50%	13.71%	12.62%	11.92%	9.55%	9.11%	12/31/2009
Third Ave Small-Cap Value Fund (Z Class)	4.62%	14.11%	13.03%	12.31%	N/A	8.48%	3/1/2018

TOP TEN HOLDINGS

Kaiser Aluminum Corp.	5.7%
Collegium Pharmaceutical Inc.	5.4%
Supernus Pharmaceuticals Inc.	5.4%
Encore Capital Group, Inc.	5.4%
UMB Financial Corp.	5.2%
Atlanta Braves Holdings, Inc.	4.6%
MYR Group Inc.	4.5%
ProAssurance Corp.	4.1%
Prosperity Bancshares, Inc.	4.1%
LSB Industries, Inc.	3.9%
TOTAL	**48.3%**

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 1.25%, 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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MANAGEMENT

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