



Portfolio Manager Commentary

# REAL ESTATE VALUE FUND



**Jason Wolf, CFA**

Joined Third Avenue in 2004  
31 yrs investment experience



**Ryan Dobratz, CFA**

Joined Third Avenue in 2006  
21 yrs investment experience

Dear Fellow Shareholders,

We are pleased to provide you with the Third Avenue Real Estate Value Fund's (the "Fund") report for the quarter ended December 31, 2025. For the most recent calendar year, the Fund generated a return of +11.61% (after fees). In comparison, the Fund's most-relevant benchmark, the MSCI ACWI IMI Core Real Estate Index<sup>1</sup>, generated a return of +9.86% (before fees) over the same time-period.

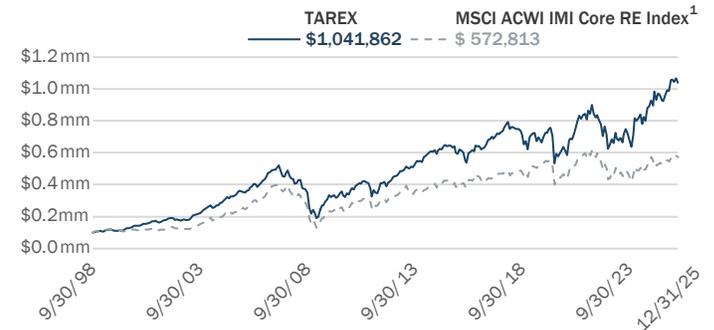
The primary contributors to the Fund's performance this quarter included investments in National Storage REIT (a leading owner of self-storage facilities in Australia that agreed to be taken private) and several real estate investment trusts ("REITs") involved with industrial and logistics real estate (Prologis, First Industrial, and Segro plc). Notwithstanding, these gains were offset by detractors in the period, including the Fund's investments in U.S.-based homebuilders (Lennar Corp., PulteGroup, and D.R. Horton) and certain U.K.-based

property companies (Berkeley Group and Unite Group plc). Further insights into these enterprises, as well as Fund's most recent addition (FirstService Corp.), are included herein.

Despite the differentiated performance this year, Fund Management considers the Fund's long-term results the most relevant scorecard. To that end, the Third Avenue Real Estate Value Fund has generated an annualized return of +8.96% (after fees) since its inception in 1998. This performance indicates that an initial investment of \$100,000 in the Fund would have a market value exceeding \$1,000,000 at year-end (with distributions reinvested)—or more than the same \$100,000 would be worth had it been placed into a passive mutual fund tracking the benchmark over the same time-period.

## VALUE OF \$100,000 SINCE SEPTEMBER 1998

As of December 31, 2025



Hypothetical Investment since September 30, 1998 (Fund Inception Date September 17, 1998). Past performance does not guarantee future performance results.

**Performance is shown for the Third Avenue Real Estate Value Fund (Institutional Class). Past performance is no guarantee of future results; returns include reinvestment of all distributions. 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](http://www.thirdave.com).**

The LSEG Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The LSEG Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the LSEG Lipper Fund Award. The 2025 LSEG Lipper Fund Awards for the Best Global Real Estate Fund Over Three Years and Best Global Real Estate Fund Over Five Years were based upon a review of 135 and 131 qualified shares classes that were eligible in the United States, respectively. For more information, see [lipperfundawards.com](http://lipperfundawards.com). Although LSEG makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, their accuracy is not guaranteed by LSEG Lipper.

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## ACTIVITY

This year marks four decades of operations for Third Avenue Management (“Third Avenue” or “the Firm”). In Fund Management’s opinion, such a milestone demonstrates the Firm’s commitment to its core principles, as well as a willingness to adapt in its pursuit of long-term wealth creation for Third Avenue clients.

For instance, the Firm has refined its product offering to focus on an expanded set of core competencies, while also strengthening certain aspects of the investment and portfolio construction process over the years. At the same time though, Third Avenue’s distinct approach to value investing has largely endured. In fact, the Firm seems more resolute than ever in targeting well-capitalized enterprises with discounted securities and prospects to compound capital over time. To wit, each Third Avenue Mutual Fund strategy was recognized by Morningstar with a 5-star Overall Rating at year-end. (See *important disclosures below*)

Other hallmarks that have persisted include the Funds having little overlap with broad-based indices, as well as the passive funds that track such composites. In addition, Third Avenue’s portfolios tend to be prudently concentrated around a “select-set” of opportunities, presenting prospects for discernible outcomes over time. The holdings also seem unconventional in other respects, most notably as well-capitalized entities that frequently engage in “resource conversion”—a term Third Avenue has coined to describe corporate actions intended to surface value, including privatizations, mergers, spin-offs, special dividends, share repurchases, and strategic investments.

Coincidentally, the recent quarter was one of the most active periods of resource conversion for the Real Estate Value Fund holdings in many years. As a matter of fact, more than one-third of the underlying portfolio engaged in (or announced) such initiatives during the period, with some of the most notable including:

- **National Storage REIT**, a leading owner, manager, and developer of self-storage facilities in Australia agreeing to a \$4.0 billion AUD privatization transaction with entities (and funds) affiliated with Brookfield Asset Management and GIC. The well-executed agreement not only reflects a 25% premium to the price prevailing for National Storage

common stock before the announcement, but it also includes a modest premium to the company’s Net-Asset Value (“NAV”) for “control”.

- **Rayonier**, one of the largest owners of timberlands in the U.S. completing the divestiture of its New Zealand venture, paying a special dividend, and announcing a merger with industry peer PotlatchDeltic. Once completed, the combined company will benefit from additional efficiencies within its timber segment, in Fund Management’s opinion, as well as more scale in its real estate and resources portfolio that includes substantial sub-surface rights in the Smackover Formation.
- **Brookfield Corp.**, a leading investor and manager of real assets globally announcing the acquisition of the remaining 26% of Oaktree Capital in conjunction with an affiliate (Brookfield Asset Management). In addition, the company (i) announced that certain subsidiaries entered an \$80 billion strategic partnership with the U.S. government to build a new fleet of nuclear factories and (ii) indicated that it intends to recapitalize its Center Parcs hospitality platform for nearly \$6 billion, surfacing value on both fronts.
- **Lennar Corp.**, the second largest homebuilder in the U.S. completed an exchange offer for its remaining 20% stake in Millrose Properties, a “land banking” company that Lennar spun-out earlier in the year. The transaction effectively acted as an accelerated share repurchase, with Lennar exchanging the Millrose shares for 5% of its outstanding A shares. Not only does this deal move Lennar closer to a “land light” model, but it also seems to enhance the company’s long-term earnings potential on a per-share basis.
- **Fidelity National Financial**, the largest provider of title insurance for residential and commercial properties in the U.S. distributing a near \$500 million stake in its life insurance affiliate F&G Annuities and Life (“F&G”). The transaction will increase the public float of the separately listed entity, with the aim of improving (i) F&G’s cost of capital (i.e., implied multiple) relative to other market comparables in this line of insurance and (ii) the “sum of the parts” value for Fidelity National when also factoring in its other distinctive title insurance and transactions businesses.

*Overall Morningstar rating, as of December 31, 2025, vs. 150 funds. TAREX was rated against the following numbers of Global Real Estate Category Funds over the following time periods: 150 funds in the last three years, 145 funds in the last five years and 123 funds in the last ten years. Overall Morningstar rating, as of December 31, 2025, vs. 166 funds. TAVFX was rated against the following numbers of Global Small/Mid Stock Category Funds over the following time periods: 166 funds in the last three years, 150 funds in the last five years and 90 funds in the last ten years. Overall Morningstar rating, as of December 31, 2025, vs. 462 funds. TASCX was rated against the following numbers of Small Value Category Funds over the following time periods: 462 funds in the last three years, 439 funds in the last five years and 362 funds in the last ten years. Overall Morningstar rating, as of December 31, 2025, vs. 150 funds. REIFX was rated against the following numbers of Global Real Estate Category Funds over the following time periods: 150 funds in the last three years, 145 funds in the last five years and 123 funds in the last ten years.*



- **Prologis**, the largest owner of modern logistics and industrial properties globally sponsoring a REIT that was listed in China to focus on investing in strategic properties within the “Greater Bay” region. The offering further expands the \$65 billion investment management platform at Prologis, which is likely to scale up more in the year ahead, alongside the company’s focus on unlocking data center opportunities alongside institutional partners.

In parallel to these developments, the Fund initiated a position in the common stock of another enterprise that is well-versed in resource conversion: FirstService Corporation (“FirstService”).

Founded in 1989, **FirstService** is a Canadian-based real estate services company with two key business segments: FirstService Residential and FirstService Brands. Through the residential segment, the company is the largest provider of property management and ancillary services for residential communities in North America, with a particular focus on serving condominiums, homeowner’s associations (“HOA’s”), and master planned communities. FirstService also has a well-established presence within its brands segment, where the company is a leading provider of services for commercial properties, including essential functions such as restoration, roofing, and fire protection.

In addition to controlling these strategic platforms, FirstService meets the Real Estate team’s key investment criteria. That is to say, the company is very conservatively capitalized with a net-debt-to-asset ratio of less than 10%, a fixed-charge coverage ratio of nearly 7.0 times, and ample free cash flow with minimal “capex”. FirstService is also very well-managed and run by an aligned control group that shares a long-term view. In fact, insiders own approximately 10% of the company, and the team has compounded book value per share by 20% per year over the past 10 years, including dividends.

Despite those attributes, FirstService common trades at implied multiples that haven’t been obtainable in a decade, as well as ones that seem quite modest for such resilient businesses (e.g., the renewal rate on the residential management contracts is greater than 95%). Notwithstanding, Fund Management recognizes that the company has experienced an “earnings shortfall” in its restoration segment without any hurricanes making landfall during 2025—an occurrence that any decent actuary would likely avoid underwriting into perpetuity.

Therefore, Fund Management believes that over the medium-term FirstService is likely to: (i) further expand its residential business, with 80% of single-family homes now being built in HOA communities, (ii) make additional “tuck-in” acquisitions within its brand verticals, including the accretive buyout of certain franchisees, and (iii) return to more “normalized”

levels of profitability within restoration. In combination, these items should lead to an improved cost of capital. If not, it would not be inconceivable for FirstService to engage in some sort of resource conversion, potentially even splitting off a segment similar to when the company separated Colliers International Group (a commercial real estate brokerage and services firm) in 2015.

Outside of this addition, the Fund’s activity was modest in nature. The other primary changes included the Fund adding to issuers where the price-to-value gap widened, including the Unite Group (U.K. student housing), Fidelity National Financial, and AMH Inc. (U.S. single-family rentals). The Fund also trimmed back CBRE Group and JLL Inc. (global real estate services businesses) alongside recent performance, received a special dividend from Rayonier, and extended the Fund’s British Pound hedge.

## POSITIONING

Following this activity, the Fund had 40.3% of its capital invested in U.S.-based companies focused on **Residential Real Estate**, including those involved with: Homebuilding (Lennar Corp., D.R. Horton, PulteGroup, and Champion Homes); Niche Rental Platforms (Sun Communities and AMH); Land and Timber (Five Point, Rayonier, and Weyerhaeuser); and Mortgage and Title Insurance (Fannie Mae, Freddie Mac, and Fidelity National). In Fund Management’s view, each enterprise has a well-established position in the residential value chain and is supported by fundamental drivers, including: (i) near-record low levels of for-sale inventories, (ii) near-record high demand for affordable product, and (iii) industry dynamics favoring scaled players over time.

An additional 27.5% of the Fund’s capital is invested in North American-based companies involved with **Commercial Real Estate**, including: Real Estate Services (CBRE Group, JLL, and FirstService); Asset Management (Brookfield Corp.); Industrial and Logistics (Prologis, First Industrial, and Wesco); and Self-Storage (U-Haul Holdings). In Fund Management’s opinion, these holdings represent platforms that would be very difficult to reassemble. They also comprise select pockets of commercial real estate that seemingly favor long-term investors with (i) structural demand drivers, (ii) limited maintenance “capex”, and (iii) prospects to “self-finance” value-enhancing initiatives.

The Fund also had 27.6% of its capital invested in **International Real Estate** companies. These businesses are largely focused on the same types of activities as outlined above, simply with leading platforms in their respective regions. At quarter-end, these included companies involved with: Commercial Real Estate (Big Yellow, CK Asset, National Storage, Jardine Matheson, Segro, and Wharf); Residential Real Estate (Berkeley, Unite Group, and Ingenia); and Real



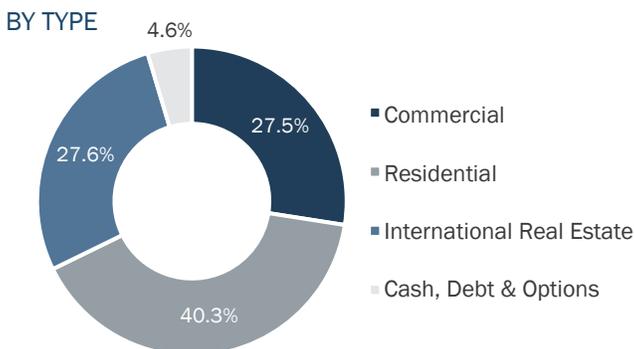
Estate Services (Savills and Accor). The holdings are also listed in developed markets where Fund Management believes there are (i) adequate disclosures and securities laws and (ii) ample opportunities for change of control transactions (i.e., the U.K., Australia, France, Hong Kong, and Singapore).

The remaining 4.6% of the Fund’s capital is in **Cash, Debt & Options**. These holdings include U.S.-Dollar based cash and equivalents, short-term U.S. Treasuries, and hedges relating to certain foreign currency exposures (Hong Kong Dollar and British Pound).

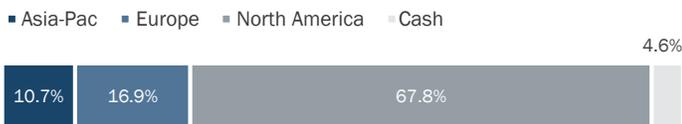
The Fund’s allocations across these segments and geographies are outlined below. It also remains Fund Management’s opinion that when viewed in the aggregate, the portfolio continues to represent “strategic real estate at value prices”. Put otherwise, the Fund’s holdings include some of the premier real estate platforms globally, while trading at more than a 20% discount to our estimates of NAV at year-end—nearly twice the long-term average.

### ASSET ALLOCATION

As of December 31, 2025 | Source: Company Reports, Bloomberg



### BY REGION



### FUND COMMENTARY

In the 2025 edition of *The Land Trap: A New History of the World’s Oldest Asset Class*, up-and-coming financial author Mike Bird dives into the history of real estate, as well as the role land has played in various regions over time. Within the work, he also details that real estate remains the “world’s largest single asset class by some magnitude” with McKinsey & Co. estimating that land, residential, and commercial property account for approximately two-thirds of “real wealth”

globally. Additionally, Bird spells out the “three critical factors” that explain why land is “still such a store of enormous wealth” including its “fixed-amount, immobility, and lack of material decay”.

Fund Management shared similar observations within this recent feature on real estate securities: [A Strategic Roadmap for Listed Real Estate](#). The Third Avenue team noted other potential benefits of investing in real estate, including the prospects to generate current yield and capital appreciation, as well as gain inflation attributes and portfolio diversification.

That said, Bird largely skipped over the transformation of listed real estate in recent decades—thus democratizing the asset class that he seems to suggest is often unattainable. In fact, if Bird were to have investigated further, he would have found that there are now more than \$6 trillion of publicly traded real estate companies that investors can access globally. Not only that, Bird would have likely found that investing in real estate through the public markets has certain advantages, including having provided superior outcomes relative to private real estate vehicles over various periods of time, as outlined in this study: [REITs Outperform Private Real Estate by More Than 2.0% in DB Plans](#).

Bird is certainly not at fault for overlooking this angle though, as a disproportionate share of “fund flows” into real estate in recent years have also skewed towards private real estate. As a matter of fact, Citigroup estimates that \$97 billion of capital was invested into private U.S. REIT vehicles from January 2020 through December 2024. Whereas real estate focused funds in the listed space in the U.S. experienced more than \$35 billion of net redemptions over the same period.

Insofar as Fund Management can gather, the primary driver of this shift has been the desire to mitigate “volatility” through private funds, as listed real estate strategies are essentially “marked-to-market” daily. Nonetheless, it is a trend that is on the verge of reversing in the second half of this decade, in Fund Management’s opinion, for two primary reasons:

1. **A lack of volatility doesn’t always lead to superior investment outcomes.** The most recent example of which includes a large private real estate fund electing in December 2025 to convert from a privately traded fund to a publicly traded “closed end” fund to meet redemption requests, only to have the shares begin trading at more than a 35% discount to the previous “appraised value”. While the initial years may have provided a “smooth” experience for the investors in this fund, recent events seem more testing as covered by Jason Zweig in this Wall Street Journal article: [When Your Private Fund Turns \\$1 Into 60 Cents](#).



2. **Valuations for listed real estate are compelling on both a relative and absolute basis.** As Fund Management also alluded to in the Strategic Roadmap, broader equity markets (as measured by the S&P 500 Index) imply record high multiples on most fundamental metrics (e.g., price to earnings multiples, price to sales, etc.). On the other hand, listed real estate in the U.S. was trading at a historically wide discount to broader equities on traditional cash flow metrics at the end of the year (e.g., price to earnings, funds from operations, etc.) as well as a 10% discount to liquidation value, per Green Street Advisors, when viewed on an equal-weight basis.

Given these dynamics, Fund Management believes the next five years could end up being analogous to the early 2000s—a period when compelling valuations for listed real estate in the U.S. led to a multi-year period of net inflows, as well as vastly differentiated returns relative to broader equities. Such a path is even more likely, in our view, for global real estate strategies that have the flexibility to include international allocations, where the price-to-value disconnect is more pronounced.

In fact, should these outcomes materialize, the period ahead may prove similar to the early 2000s in another respect: it was amongst the most rewarding times to be invested in listed real estate, as well as the Third Avenue Real Estate Value Fund. It might also compel Bird to highlight the evolution of real estate securities in the next edition of *The Land Trap*, as well as the various opportunities in listed real estate available for all types of investors.

We thank you for your continued support and look forward to writing to you again next quarter. In the meantime, please don't hesitate to contact us with any questions or comments at [realestate@thirdave.com](mailto:realestate@thirdave.com).

Sincerely,

The Third Avenue Real Estate 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 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 14, 2026

<sup>1</sup> The MSCI ACWI IMI Core Real Estate Index is a free float-adjusted market capitalization index that consists of large, mid and small-cap stocks across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries engaged in the ownership, development, and management of specific core property type real estate. The index excludes companies, such as real estate services and real estate financing companies, that do not own properties. Results for the index are inclusive of dividends and net of foreign withholding taxes.

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



## FUND PERFORMANCE

	3Mo	1Yr	Annualized			Inception	Inception Date
			3Yr	5Yr	10Yr		
Third Ave Real Estate Value Fund (Inst. Class)	-1.69%	11.61%	16.31%	8.58%	5.68%	8.96%	9/17/1998
Third Ave Real Estate Value Fund (Inv. Class)	-1.77%	11.33%	16.02%	8.31%	5.41%	7.06%	12/31/2009
Third Ave Real Estate Value Fund (Z Class)	-1.68%	11.71%	16.42%	8.68%	N/A	4.41%	3/1/2018

## TOP TEN HOLDINGS

Brookfield Corp.	6.6%	Five Point Holdings, LLC	4.6%
Fannie Mae Preferred	6.5%	Lennar Corp.	3.7%
Freddie Mac Preferred	6.4%	Big Yellow Group PLC	3.5%
CBRE Group, Inc.	6.2%	Berkeley Group Holdings PLC	3.3%
Prologis, Inc.	4.9%	U-Haul Holding Co.	3.2%
		<b>TOTAL</b>	<b>48.9%</b>

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](http://www.thirdave.com). The gross expense ratio for the Fund's Institutional, Investor and Z share classes is 1.17%, 1.50% and 1.10%, respectively, as of March 1, 2025.

Distributions and yields are subject to change and are not guaranteed.

Risks that could negatively impact returns include: overbuilding and increased competition, increases in property taxes and operating expenses, lack of financing, vacancies, environmental contamination and its related clean-up, changes in interest rates, casualty or condemnation losses, and variations in rental income.

The Morningstar Rating™ for funds, or "star rating," is calculated for mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period has the greatest impact because it is included in all three rating periods. Morningstar Rating is for the Institutional share class only; other classes may have different performance characteristics.

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**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](http://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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