



Portfolio Manager Commentary

# INTERNATIONAL REAL ESTATE VALUE FUND



**Quentin Velleley, CFA**

Joined Third Avenue in 2020  
26 yrs investment experience

Dear Fellow Shareholders,

We are pleased to provide you with the Third Avenue International Real Estate Value Fund (the “Fund”) report for the quarter ended December 31, 2025. The Fund delivered a +25.56% return (after fees) for the calendar year, outperforming the MSCI ACWI ex USA IMI Core Real Estate Index<sup>1</sup>, which returned +21.42% over the same time period.

## PERFORMANCE AND EXCESS RETURN

As of December 31, 2025

	3 Mo	1 Yr	Annualized			
			3 Yr	5 Yr	10 Yr	Inception*
Third Ave Int'l Real Estate Value Fund (REIFX)	-1.16%	25.56%	10.48%	5.55%	7.08%	5.95%
MSCI ACWI ex USA IMI Core Real Estate Index <sup>1</sup>	0.85%	21.42%	6.94%	-0.23%	2.45%	2.42%
Third Ave Int'l Real Estate Value Fund Excess Return <sup>2</sup>	-2.01%	4.14%	3.54%	5.78%	4.63%	3.53%

\*Inception Date 3/19/2014. Source: Third Avenue Management, Company Reports, Bloomberg.

The Fund’s total return for the year was supported by the 13% share price appreciation for the holdings (in local currency), a 4% dividend yield on the underlying holdings, and an 8% tailwind from a weaker U.S. Dollar. At the same time, active capital recycling and strong earnings growth helped maintain the Fund’s forward price-to-earnings ratio at just 13 times, as

**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).**

well as a 30% discount to our conservative estimate of real estate value as measured by net asset value (“NAV”) for the holdings at year-end.

## ACTIVITY

At the [start of 2025](#), Fund Management highlighted a growing disconnect between the earnings-compounding ability of the Fund’s holdings and the low multiples at which they were trading. In fact, we noted that, if this disconnect persisted, privatization activity at meaningful premiums could accelerate.

By year’s end, this thesis materialized: three holdings entered privatization discussions, with two transactions confirmed. Given the Fund’s low earnings multiple and wide discounts to our conservative estimates of net asset value, we anticipate that elevated merger and privatization activity will continue in the year ahead.

The Fund’s top performer in 2025 was **Mandarin Oriental**, which returned +95%. Early in the fourth quarter, its largest shareholder, Jardine Matheson, offered to privatize the company at a 52% premium to its current share price. For context, Fund Management’s [2022 investment thesis](#) anticipated this outcome. At the time, Mandarin was completing a US\$2 billion office and retail development in Hong Kong, the value of which was expected to equal the company’s entire market cap and imply no value for the substantial hotel portfolio and management platform. Alibaba’s subsequent agreement to acquire half of the asset triggered a complete privatization of the remaining shares. The transaction also highlights the significant value inherent in listed Asian real estate companies, in Fund Management’s opinion.



Two of the Fund’s self-storage holdings also entered privatization negotiations during the quarter. Such developments align with Third Avenue’s long-held view that valuations in international self-storage remain unreasonably low, despite the scalability and structural growth of these platforms—many of which operate 10–20 years behind the more mature U.S. market.

Of note, **National Storage (Australia)** received a privatization offer from Brookfield Asset Management and the Government of Singapore Investment Corporation (“GIC”) at a 27% premium, consistent with our NAV estimate. The company exemplifies attributes common across many Fund holdings: irreplaceable assets in high-demand markets, inflation-resistant cash flows, a value-accretive operating platform, a straightforward capital structure, and strong alignment between management and minority shareholders. Yet like many investments across the Fund, its shares trade at a steep discount to intrinsic value prior to the privatization effort, resulting in a sharp uplift alongside the agreement.

On the other hand, Blackstone’s discussions with **Big Yellow** in the U.K. did not result in a transaction; however, we believe that any future privatization would likely require a premium of ~35% above the current share price. The founders—who collectively own more than £100 million of shares—appear open to a sale at the right valuation.

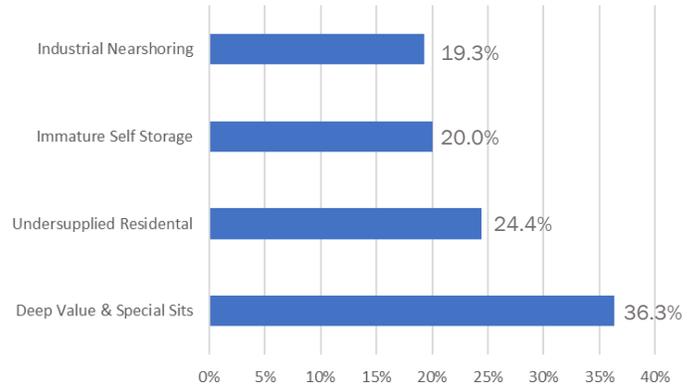
During the quarter, Fund Management took advantage of share price volatility to increase exposure to two existing Fund positions. First, Australian diversified developer and asset manager **Lendlease Corporation Ltd.** (“Lendlease”), which continues to trade at around half of our assessment of its NAV despite making significant progress on asset sales, business simplification, and the expansion of its high-quality Australian project pipeline in a capital-efficient manner. Sometime this year, Lendlease is likely to sell enough assets and reduce leverage sufficiently to commence a highly accretive share buyback, which should act as a share price catalyst. Second, the Fund’s position in German and Polish residential owner and developer **TAG Immobilien** (“TAG”). Underpinned by a portfolio of over 83,000 resilient German rental units, TAG continues to expand into the higher-growth Polish residential market, where favorable market conditions exist. Despite now accounting for almost half of TAG’s earnings, the Polish exposure remains significantly underappreciated at the current share price. Ongoing favorable fundamentals should act as a catalyst for TAG shares over time.

### POSITIONING

Including the above referenced activity, the allocations for the Third Avenue International Real Estate Value Fund remain broadly consistent with recent quarters. That is to say, the Fund’s exposure continues to emphasize investments in (i)

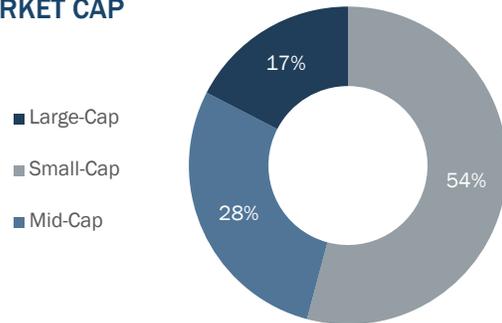
deep value and special situations, (ii) undersupplied residential markets, (iii) self-storage platforms with long runways for growth, (iv) mid-cap companies with specialized, non-traditional real estate assets, and (v) diversified geographic exposure as highlighted in the following charts.

### INVESTMENT THEMES



Source: Bloomberg, TAM

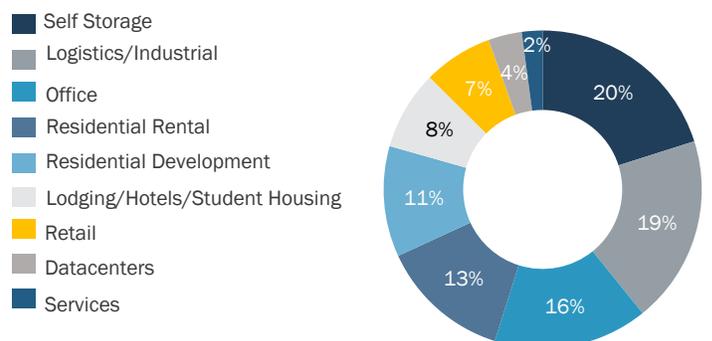
### MARKET CAP



Source: Bloomberg, TAM

### CURRENT ASSET TYPES

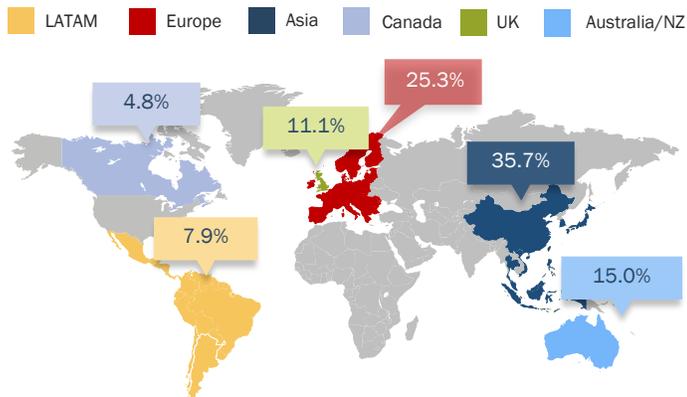
As of December 31, 2025 | Source: Company Reports, Bloomberg, TAM





### DIVERSE REGIONAL EXPOSURE\*

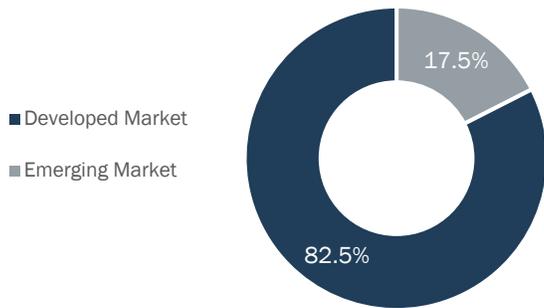
As of December 31, 2025 | Source: Bloomberg, TAM



\*Third Avenue International Real Estate Value Geographic exposure at 12/31/2025. Regional exposure is on a look-through basis, where the underlying assets are located.

### EMERGING MARKET EXPOSURE

As of December 31, 2025

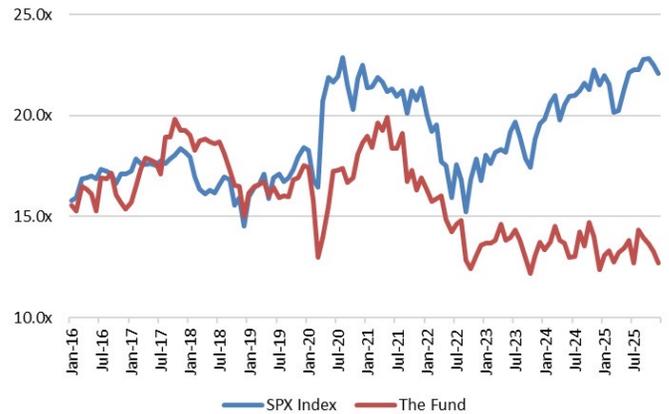


Source: Bloomberg, TAM. Geographic exposure as of 12/31/2025, based on the location of the assets.

### OUTLOOK COMMENTARY

Despite a strong 2025, Fund Management remains constructive about 2026. Valuation remains a key advantage, in our view, with the price-to-earnings ratio for the Fund's holdings at 13 times (in the aggregate) when compared to 22 times for the S&P 500—the widest relative discount in a decade, as shown below.

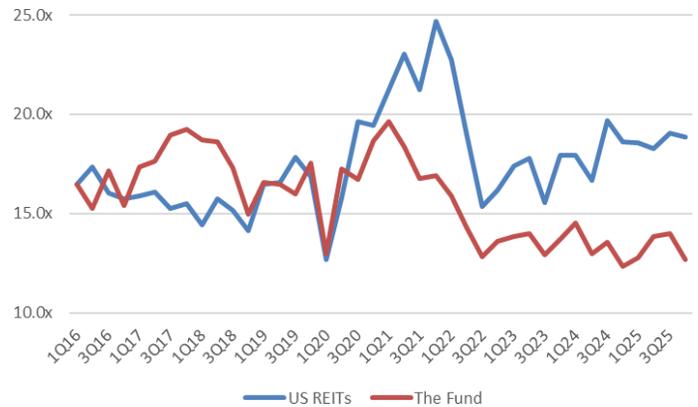
### UNWARRANTED DISCOUNT VERSUS US EQUITIES...



Source: Bloomberg, company reports, TAM.

The Fund's low multiple is particularly compelling given its earnings growth potential. Not only that, but the Fund's holdings also trade at a meaningful discount to the U.S. REIT sector despite expectations for higher earnings growth in the year ahead.

### ...AND VERSUS US REITS



Source: Bloomberg, Citi Investment Research, company reports, TAM

With that being the case, it seems probable that several macro factors could support multiple expansion, including (i) a regime shift in global capital flows toward international markets and tangible assets, (ii) continued U.S. Dollar weakness, which directly benefits Fund returns and improves liquidity (and the cost of capital) internationally, and (iii) potential interest rate cuts, which have historically supported real estate valuations and led to fund flows into listed property securities.



Even if valuation discounts persist and multiples remain stable, the setup of NAV growth, earnings expansion, and robust earnings yield can generate attractive total returns, in Fund Management's view, with an earnings yield of close to 8% and the potential for high single-digit earnings growth. In this regard, the Fund's underlying investments target those select-pockets with idiosyncratic drivers of value from ongoing operations, including (i) improving fundamentals in Hong Kong, where rising capital formation is supporting residential, retail, and office markets, (ii) severely undersupplied housing markets in Sydney, Dublin, Melbourne, and Poland, which should see rising rents, home prices, and transaction volumes, (iii) self-storage demand growth, supported by rising housing activity and normalizing expense trends, and (iv) industrial strength in Mexico, Central and Eastern Europe, Thailand, and Vietnam, driven by supply chain diversification away from concentrated Chinese manufacturing.

Furthermore, the Fund's investments often involve significant 'resource conversion' opportunities, where a company creates value not through its ongoing operations but by restructuring assets, liabilities, or ownership to unlock hidden or latent value. These investments include (i) several Asia-Pacific companies focused on strategic initiatives like selling non-core assets, simplifying operations, and using proceeds to buy back shares at discounts, (ii) firms completing large development pipelines, such as datacenter projects in Spain

and Hong Kong, that will notably boost cash flow, and (iii) exposure to Japanese property firms that actively enhance value and trade assets to realize their worth.

Ultimately, resource conversion may involve fully privatizing a real estate company, as seen this quarter with Mandarin and National Storage. Fund Management maintains the view that if the public markets do not recognize the value of listed real estate internationally through increased share prices, the private markets will do so through privatization at significant premiums.

With a compelling combination of sector-level tailwinds and company-specific catalysts, Fund Management remains highly optimistic about the Fund's future. We also deeply appreciate your continued trust and support. Please reach out at [realestate@thirdave.com](mailto:realestate@thirdave.com) with any questions, comments, or ideas. Otherwise, we look forward to updating you again next quarter.

Sincerely, The Third Avenue Real Estate Value Team

Quentin Velleley, CFA Portfolio Manager

## 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 13, 2026

**FUND RISKS:** *In addition to general market conditions, the value of the Fund will be affected by the strength of the real estate markets. Factors that could affect the value of the Fund's holdings include the following: overbuilding and increased competition, increases in property taxes and operating expenses, declines in the value of real estate, lack of availability of equity and debt financing to refinance maturing debt, vacancies due to economic conditions and tenant bankruptcies, losses due to costs resulting from environmental contamination and its related clean-up, changes in interest rates, changes in zoning laws, casualty or condemnation losses, variations in rental income, changes in neighborhood values, and functional obsolescence and appeal of properties to tenants. The Adviser's use of its ESG framework could cause it to perform differently compared to funds that do not have such a policy. The criteria related to this ESG framework may result in the Fund's forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. For a full disclosure of principal investment risks, please refer to the Fund's Prospectus.*

<sup>1</sup> The MSCI ACWI ex USA IMI Core Real Estate Index is a free float-adjusted market capitalization index that consists of large, mid and small-cap stocks across 22 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.

<sup>2</sup> Excess Return refers to the return from an investment above the benchmark. Source: Investopedia

Index Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. An investor cannot invest directly in an index, and index performance does not reflect the deduction of fees and expenses.

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



## FUND PERFORMANCE

	3Mo	1Yr	Annualized			Inception	Inception Date
			3Yr	5Yr	10Yr		
Third Ave International Real Estate Value Fund (Institutional Class)	-1.16%	25.56%	10.48%	5.55%	7.08%	5.95%	3/19/2014
Third Ave International Real Estate Value Fund (Z Class)	-1.19%	25.49%	10.49%	5.55%	N/A	8.48%	4/20/2018

## TOP TEN HOLDINGS

National Storage REIT	5.7%	CTP NV	4.5%
Big Yellow Group PLC	4.8%	TAG Immobilien AG	4.5%
Tosei Corp.	4.7%	Hongkong Land Holdings, Ltd.	4.4%
Glenveagh Properties PLC	4.7%	Corp. Inmobiliaria Vesta S.A.B. de CV.	4.4%
StorageVault Canada, Inc.	4.6%	Lendlease Corp. Ltd.	4.4%
		<b>TOTAL</b>	<b>46.7%</b>

Allocations are subject to change without notice

Past performance is no guarantee of future results; returns include reinvestment of all distributions. The chart 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 and Z share classes is 1.54% and 1.48%, respectively, as of March 1, 2025.

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

**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.**

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:



**THIRD AVENUE**  
MANAGEMENT

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