



Portfolio Manager Commentary

VALUE FUND



Matthew Fine, CFA

*Joined Third Avenue in 2000
26 yrs investment experience*

Dear Fellow Shareholders,

For the three months ended September 30, 2026, the Third Avenue Value Fund (the “Fund”) returned 8.80%, as compared to the MSCI World Index, which returned 1.88%¹, and the MSCI World Value Index, which returned 3.84%². Performance during the quarter increased the Fund’s year-to-date return to 18.19% through September 30, 2026, as compared to 11.75% for the MSCI World Index and 14.74% for the MSCI World Value Index. As of quarter-end, annualized Fund performance for the trailing three-year and five-year periods was 19.60% and 17.08%, respectively.

PERFORMANCE DISCUSSION

The Fund performed well during the quarter and performance for the year-to-date period has also been strong. During the quarter, the Fund’s most important contributions to performance were produced by Ultrapar, Tidewater, thyssenkrupp, TS Lines, and S4 Capital. This list of leading contributors includes companies from a wide geographic range including Brazil, the U.S., Germany, Hong Kong, and the U.K. Sources of negative contribution during the quarter were limited but included Buzzi, Horiba, Boise Cascade, BMW, and Rogers Corp.

In our view, Ultrapar’s recent returns have been driven by strengthening operating results in its core Brazilian retail fuel distribution business. The company’s operating results have,

in turn, been driven by several factors including i) excellent management, ii) a major government initiative to stamp out criminality, money laundering and tax evasion in the Brazilian fuel distribution market, which is beneficial to the legitimate operators and iii) government policies related to fuel import prices. The latter periodically creates profitable opportunities for the largest, most sophisticated fuel distributors who utilize substantial fuel storage capacity. It is fair to link Tidewater’s performance strength to rising energy prices and a growing global fear of energy insecurity, both of which add support to an already improving offshore energy investment environment. While the Fund’s thyssenkrupp position was only initiated in the preceding quarter, the conglomerate’s holistic restructuring has been gaining pace with the launch of a process to spin-off one subsidiary during the quarter, while also signaling that another major subsidiary spin-off may soon follow. TS Lines, which is one of the least well-known publicly traded container shipping companies due to the company’s focus on intra-Asia container trade, has been producing admirable operating results for some time, even while its valuation remained inexplicably modest. That stark disconnect appears to be catching the interest of investors lately, helping to propel the stock to the strongest third quarter shareholder return among all Fund holdings. Lastly, S4 Capital has made several improvements to its cost structure and working capital management in recent quarters, strengthening both its balance sheet and its cash flow. On the back of that strength the company has increased shareholder distributions and will likely pursue a debt refinancing that should improve profitability. These relatively modest self-help accomplishments have sufficed to improve the valuation of the business, though we feel strongly that if the company ever sees top-line growth again, as and when industry dynamics cyclically improve, the valuation of the business could increase multi-fold.

Performance is shown for the Third Avenue Value Fund (Institutional Class). Past performance is no guarantee of future results; returns include reinvestment of all distributions. The above represents past performance and current performance may be lower or higher than performance quoted above. Investment return and principal value fluctuate so that an investor’s shares, when redeemed, may be worth more or less than the original cost. For the most recent month-end performance, please visit the Fund’s website at www.thirdave.com.



TINKERING WITH THE PRICE OF MONEY

The first words of this letter were written on September 16th, the same day that the U.S. Federal Reserve Board Chairman Kevin Warsh took to the lectern in what was undoubtedly one of the most eagerly anticipated Fed Chair speeches in years. To state it modestly, Chairman Warsh and the broader committee are in a difficult position. On one hand, U.S. inflation is running well ahead of the explicitly stated Fed target of 2% and hasn't flirted with that level in more than five years, all while economic activity is chugging along and U.S. unemployment remains quite low. In theory, and probably in practice, this begs for more restrictive policy. In response, the Fed did increase the fed funds rate by 25-basis points at that meeting.

On the other hand, it does appear clear that a significant portion of above-target U.S. and global inflation is currently being produced by increased energy prices that have resulted from the Iran War energy supply shock and war-damaged Russian refining capacity. It is uncertain whether a 25-basis point increase will have any impact upon those sources of inflationary pressure. However, whether inflationary surges are driven by relatively distinct sources - such as a post-pandemic boom followed by a war-related energy supply shock - tends not to matter all that much in the minds of the non-economist citizens who suffer from high rates of inflation. Today's central bankers appear rightly focused on the real risk that recurring bouts of inflationary pressure can cause high inflation expectations to become psychologically embedded. For this reason and others, we perceive the decision to increase the fed funds rate as the best choice and certainly a desirable one from an investor perspective in so far as it serves to reinforce the continued independence of the U.S. Federal Reserve Board's decision making.

While the Fed continues to adjust the fed funds rate in faithfulness to its mandate, longer-term market rates of interest on government and corporate bonds are not set by decree. At the moment, the most obvious influences upon U.S. treasury market pricing appear to be a huge, protracted, non-recessionary Federal deficit, inflation that has been running well ahead of Fed targets for more than five years and has recently accelerated as a result of energy supply disruptions, a huge amount of government and corporate credit issuance competing for debt capital, and maybe some fear that Fed independence remains at risk. We won't make any predictions about the future of government or corporate bond yields but, given our perception of the driving forces behind recently rising yields, we are not at all confident that a 25-basis point increase of the fed funds rate will have much impact on inflationary pressures or on longer-term government bond yields.

Interestingly, while the distance traveled over the last few years has been remarkable, there is very little about treasury market yields today that look unusual by historical standards. A U.S. ten-year treasury yield above 5% has garnered an enormous amount of press but, with a longer historical view, it appears unextraordinary. The steepness of the U.S. treasury rate curve also looks unnoteworthy, as do real yields on U.S. treasuries, through the lens of any lengthy historical perspective. What is admittedly unusual by historical standards is the pace of the adjustment from the extraordinarily low post-Covid rate environment to more "normal" levels of treasury yields. Notwithstanding the apparent normalcy, there are clearly areas of financial markets that have been strained by the adjustment to a world in which borrowing money costs money. Private equity buyout transaction activity and investment realizations have slowed significantly and stress in private credit has appeared fairly quickly. Higher borrowing costs also have very real implications for many asset values and debt collateral values, some of which have not yet been acknowledged. Lower quality U.S. corporate bond yield spreads have recently expanded very rapidly, and credit stress has developed in some areas of commercial real estate, such as multi-family real estate developers who launched projects to meet booming demand coinciding with ultra-low interest rates. The volume of existing single-family home transactions also continues to plumb very low levels.

Finally, while our discussion of U.S. Federal Reserve policy is specific to the U.S., the crux of what has been said above applies to much of the developed world. Just five years ago, there were many trillions of euros of European sovereign bonds trading at negative yields, Dutch mortgages at negative yields, and U.K. and Japanese sovereign bond yields at multi-decade lows, if not all-time lows. Negative yields have disappeared. Japanese and U.K. government bonds yields have risen considerably. An increased cost of debt is a global phenomenon, just as an environment marked by historically low borrowing costs was previously. Since the end of 2021 (12/31/2021 - 9/30/2026), ten-year government bond yields have risen by approximately 3.77% in the U.S., 4.45% in the U.K., 3.76% in Germany, 3.56% in Italy, 3.68% in Australia and 3.00% in Japan. The cost of money has risen substantially almost everywhere, and the tide has gone out very quickly for some businesses and investment strategies whose success was contingent upon a long stretch of low and falling borrowing costs or the related phenomenon of rising asset prices and increasing amounts of financial leverage.

"Snap back to reality, ope, there goes gravity."

Marshall Mathers



THE PRICE OF MONEY MATTERS

In early 2023 we published a brief white paper titled “[Rates, Ruses & Regime Changes](#)”, which grappled with the then very recent, very sharp yield increases across U.S. government and corporate credit markets. Post-Covid inflationary pressures had finally shown themselves to be “non-transitory,” forcing the hand of the U.S. Federal Reserve and credit markets broadly, producing a rapid change in the price of borrowing. We made a few observations in that paper, including the conclusion that the interest rate environment did not appear to be a particularly important component in explaining the recent decade of performance strength for growth investing strategies, relative to value investing strategies, in public equity markets. That was a controversial conclusion at a time when hyper-low interest rates had widely been cited as a rationalization for the performance strength of growth investing strategies. However, now five years into a historically rapid interest rate lift-off, it is certainly not obvious that growth investing strategies have yet suffered from far higher interest rates or that value strategies have been relatively advantaged.

More importantly, we also reminded readers that a central tenet of our firm’s investment philosophy has always been that investing in companies with strong balance sheets is paramount to our success. We buy well-capitalized companies which generally don’t need continuous access to capital and, as a result, control the timing with which they access capital. Well-financed companies can also often endure a wider range of unanticipated macroeconomic challenges and excess financial resources can often be used by entrepreneurial management teams to opportunistically increase shareholder wealth. By reminding readers of our approach and putting it into a historical context, we were pointing out the irony that our firm’s founding in 1986 put that investment approach into action at the outset of a 35-year stretch of declining interest rates, leading to increasingly cheap and available capital. The white paper showed that, when viewed in 5-year increments, there was not a single 5-year period since the inception of the Fund in which average U.S. ten-year yields were higher than in the preceding 5-year period. There were certainly times when it was hard to see the full benefit of our focus on corporate financial self-sufficiency in an environment marked by ever cheaper and more available borrowing. Simply put, those decades were tailor-made for financially leveraged strategies, which is, more or less, the antithesis of our approach.

In analyzing history in that way in early 2023, we were obviously pondering how our strategy might perform in some future environment in which capital has a higher cost and is potentially more difficult to obtain. With that long pattern of interest rate declines now broken, we are certainly pleased

by early indications of how the Fund’s approach has performed in a more normalized rate environment over the last few years. In summary, our view is that, whether one describes their investment approach as growth, value or something else, the important regime change is that a starkly different interest rate environment has begun to render a focus on balance sheet strength important again.

ADJUSTING TO CHANGES IN THE PRICE OF MONEY

While Third Avenue’s philosophical approach has been unchanging over time, our implementation of that approach does adjust to changing circumstances, in this case changes in the interest rate environment. For example, back in 2018 and 2019, European Central Bank policy rates and European sovereign bond yields were at extraordinarily low levels, even prior to the pandemic. At that time, the combination of an increasingly onerous regulatory and capital requirement regime in Europe and record low sovereign yields created a deeply challenging operating environment for the European banking sector. Profit and operating returns were compressed to very low levels. While varying by country and by bank, most European banks had possibly never operated in a more difficult rate environment. Many were responding accordingly by improving balance sheets, reducing costs, and shedding lines of business where returns did not offer adequate compensation for risk.

However, investing in extreme environments has its benefits. We initiated investments in Deutsche Bank in 2018 and Bank of Ireland in 2019. While certainly not guaranteed, it was our view that over a multi-year investment horizon, there was a good probability that the interest rate environment would become incrementally less challenging than its then-unprecedented state and that the regulatory creep likely had some eventual limit. In other words, we thought the probabilities were strongly in favor of it getting “less bad” given the extremely unusual, if not unprecedented, conditions at the time. While Bank of Ireland’s absolute operating returns were admittedly poor, even then the bank was producing a return on equity that was adequate relative to our purchase price of a modest fraction of book value. Yes, European rates fell even lower during the exogenous shock of the pandemic but eventually became less extreme, greatly lessening headwinds to banking sector profitability. Stifling regulatory and capital requirements have also begun to be reversed in some cases.

Today, the interest rate environment is far less extreme in many countries, as described above, and the future direction of rates seems far harder to gauge, probabilistically speaking. We could describe credible, reasonably probable scenarios in which rates continue to increase, and also scenarios in which rates begin to decline. The direction of travel is tougher to



gauge from that starting point. In that way, a more normalized interest rate environment paradoxically makes investing in interest rate-sensitive businesses more challenging. This is obviously not how most investors appraise the situation. Back in 2019, Bank of Ireland had no immediate prospects for earning what most people would consider to be its own cost of capital, suggesting a low-quality business that deserves to trade at a large discount to book value, which indeed it did. Today, after a normalization of the interest rate environment and significant consolidation of the Irish banking market, which resulted directly from the low return environment, Bank of Ireland is producing admirable returns on equity well in excess of investors' perception of its cost of capital. Today, the company trades at a large premium to book value and is widely perceived as a high-quality business. It is the exact same bank, run by mostly the same people. It merely exited an unprecedentedly difficult environment, experienced a normal capital cycle in the banking industry and made a few sensible decisions along the way. The extremes are gone and it is far more difficult for us to have probabilistic confidence about the direction of travel from here. In response, during recent quarters we have exited Deutsche Bank and we have reduced our Bank of Ireland position, notwithstanding the respect we have for both companies and their executives.

Furthermore, as we evaluate management teams and control parties of the companies in which we invest, we assess them as both operators of their businesses and as allocators of our shareholder capital. Having a consistent and sound philosophical approach in these areas demands that decision makers are responsive to opportunities available to them, which evolve over time. Several years ago, an unprecedentedly low interest rate environment meant that some businesses and investment strategies had access to large amounts of capital at extraordinarily low cost. That seemed especially true for many businesses designed to produce reliable cash flow streams, for example, companies set up to purchase and operate networks of cell towers. A huge amount of debt was used during the good times to purchase cell tower portfolios, mostly from telecom companies, at very high prices. If borrowing costs are low enough, paying incredibly high prices can be rationalized on the basis that even very low cash flow yields, relative to the price of the purchased assets, may still offer a positive spread to a super-low cost of debt. Given that a business approach based on making leveraged purchases of expensive assets is roughly the antithesis of our investment approach, we were very pleased when CK Hutchison took advantage of an opportunity to sell its European cell towers to Cellnex for roughly 10 billion euros in 2021. We estimated that Cellnex's purchase price amounted to roughly 30 times cash flows of the assets at a time when CK Hutchison itself was trading at roughly 7.5 times cash flow. We wonder out loud whether a sale at that type of pricing will ever be

available to CK Hutchison again in our lifetime. This type of responsiveness to very unusual circumstances is exactly the type of opportunistic, wealth creating activity we hope to see from management teams.

Furthermore, for other types of businesses, such as non-life insurance and reinsurance companies, significant changes in bond yields raise our antennae for changes in management behavior over time. In very low interest rate environments, insurance company investment portfolios generally produce less income. This creates an added incentive to produce decent profits from insurance underwriting activities, because a combination of poor underwriting results and low investment returns could be disastrous for returns. In other words, all else equal one would expect that underwriting would be done with a lot of discipline in a low yield environment because poor underwriting can easily wipe out a small level of investment returns and because there is less incentive to take on poor quality insurance business for the purpose of expanding an investment portfolio that is producing very small yields. In that environment, we might place added analytical emphasis on risks an insurance company might be taking by "stretching" for investment yield in its investment portfolio. Conversely, we are now in an environment in which investment portfolio yields are far more attractive. A typical property and casualty reinsurance company might have an investment portfolio that is two or three times the size of its shareholders' equity. Hypothetically speaking, a high-quality reinsurance investment portfolio may now yield 5%, for example, and the yield from the investment portfolio alone might put the company in a position to earn double digit returns on equity. In that type of environment, there is the potential that a company may become less risk averse in its underwriting activities because its returns on equity are fairly high even without producing strong underwriting results and because there is an incentive to grow the volume of its underwriting for the purpose of expanding its investment portfolio. So, as circumstances change, company management incentives change and one's analytical attention should adapt.

Finally, one current example of an industry currently suffering from changes in the interest rate environment is that of homebuilding, both in the U.S. and U.K. Significant collateral damage has also been felt by building products companies and building products distribution companies. Many companies in this broad ecosystem were stock market darlings during the period of hyper-low interest rates and post-Covid housing demand boom. Now, the inter-related factors of inflation, cost of living pressures, higher borrowing costs and higher house prices have conspired to first slow existing home transactions and, more recently, slow new home construction. Both existing home transaction volumes and new home construction are important factors for building



products demand and, as a result of the slowdown, many companies have been significantly repriced in public equity markets. While the current interest rate environment is not one of them, there are elements of current conditions that are unambiguously extreme, such as the level of existing home transactions in the U.S., particularly when viewed relative to the scale of housing stock and in a historical context. Again, we don't have a strong view as to where U.S. or U.K. government bonds yields or mortgage rates may go from current levels, but we can see several paths for a volume recovery of existing home transactions and new housing construction. Some potential salvation could come in the form of flat housing prices combined with rising wages over time, falling housing prices would certainly improve demand, enactment of government policies designed to support home purchases could improve conditions and yes, should interest rates and mortgage rates decline for some period of time it would likely be very helpful. Meanwhile, it is helpful to our approach that there are a number of well-financed companies producing operating results, even at depressed levels, which offer respectable earnings or cash flow yields relative to very low public market business valuations. Meanwhile, given the near certainty that the current depression is cyclical rather than secular, it is not surprising that both building products and homebuilding in the U.S. have been hotbeds of takeover activity, which is certainly an added investment attraction. To date we have focused relatively more effort on building products and distribution than homebuilding itself, though the investment activity section directly below offers one exception to that rule.

QUARTERLY ACTIVITY

During the quarter ending September 30, 2026, the Fund initiated a new position in Persimmon plc. The fund also completed its gradual disposition of Rogers Corporation and exited its position in Paltac Corp through a tender offer by Paltac's controlling shareholder, Medipal, which ultimately led to a full takeover of the company.

Persimmon plc ("Persimmon") is a leading housebuilder in the United Kingdom. The company offers homes marketed under three separate brands covering a range of price points, though the company's product mix is skewed toward the value and first-time buyer segment of the market. It is also noteworthy that, among U.K. housebuilders, the company has an appealing absence of exposure to London and surrounding areas. Other attractions to Persimmon come in the form of its large low-cost landbank, vertical integration and strong financial position.

Founded in 1972, Persimmon has historically generated industry-leading returns and impressive net asset value growth across full market cycles. Like other U.K. housebuilders, Persimmon experienced strong results from 2010 to 2022. Since then, however, the industry outlook has become significantly more challenged after nearly four years of declining industry earnings, the 2023 expiration of a government scheme to support house purchases, rising interest rates and borrowing costs, stretched affordability and build cost inflation. Recent U.K. government legislation has also impacted housebuilders broadly by creating very large building safety remediation liabilities, though this is another area where Persimmon compares favorably. The low-rise homes upon which Persimmon focuses require substantially less expensive forms of remediation to meet current safety requirements. Persimmon's relative strengths notwithstanding, broad industry pressures and little visibility for improvement in the near-term outlook have led to Persimmon's price-to-book multiple declining by over 75%, reaching its lowest level since 2012.

Despite weak industry conditions and depressed volumes, Persimmon has been able to generate respectable margins and reasonable returns on equity thanks to advantaged positioning, low land costs, and strong execution. Should volumes remain depressed, we believe Persimmon shares could generate an adequate shareholder return on an "as is" basis but would expect a far more substantial return should an eventual recovery in volumes and returns on capital develop over time. As it relates to the potential for improving operating conditions, it is noteworthy that subsequent to the Fund's purchase of Persimmon, the U.K. government has announced plans to resume a program offering generous purchase support for first time home buyers.

Thank you for your confidence and trust. We look forward to writing again next quarter. In the interim, please do not hesitate to contact us with questions or comments at clientservice@thirdave.com.

Sincerely,

Matthew Fine



IMPORTANT INFORMATION

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

The information in this portfolio manager letter represents the opinions of the portfolio manager(s) and is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed are those of the portfolio manager(s) and may differ from those of other portfolio managers or of the firm as a whole. Also, please note that any discussion of the Fund's holdings, the Fund's performance, and the portfolio manager(s) views are as of September 30, 2026 (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 7, 2026

¹ The MSCI World Index captures large and mid-cap representation across 23 Developed Markets (DM) countries. With 1,249 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Results for the index are inclusive of dividends and net of foreign withholding taxes.

² The MSCI World Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets (DM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. Results for the index are inclusive of dividends and net of foreign withholding taxes.

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

FUND PERFORMANCE

	Annualized					Inception	Inception Date
	3Mo	1Yr	3Yr	5Yr	10Yr		
Third Ave Value Fund (Inst. Class)	8.80%	27.02%	19.60%	17.08%	12.02%	11.20%	11/1/1990
Third Ave Value Fund (Inv. Class)	8.72%	26.70%	19.30%	16.79%	11.74%	9.03%	12/31/2009
Third Ave Value Fund (Z Class)	8.80%	27.08%	19.69%	17.19%	N/A	11.90%	3/1/2018

TOP TEN HOLDINGS

Tidewater, Inc.	5.4%	Subaru Corp.	3.5%
Ultrapar Participacoes S.A.	4.7%	Capstone Copper Corp.	3.5%
easyJet plc	4.5%	Bayerische Motoren Werke Aktiengesellschaft	3.4%
CK Hutchison Holdings, Ltd.	3.6%	JEOL, Ltd.	3.4%
Lundin Mining Corp.	3.6%	Boise Cascade Co.	3.3%
Allocations are subject to change without notice		TOTAL	38.9%

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 1.16%, 1.39% and 1.09%, respectively, as of March 1, 2026.

Risks that could negatively impact returns include: fluctuations in currencies versus the US dollar, political/social/economic instability in foreign countries where the Fund invests lack of diversification, and adverse general market conditions.

The fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-443-1021 or visiting www.thirdave.com. Read it carefully before investing.

Distributor of Third Avenue Funds: Foreside Fund Services, LLC.

Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

Third Avenue offers multiple investment solutions with unique exposures and return profiles. Our core strategies are currently available through '40Act mutual funds and customized accounts. If you would like further information, please contact a Relationship Manager at:



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