THIRD AVENUE VALUE FUND

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

December 31, 2018

Matthew Fine, CFA | Portfolio Manager
Michael Fineman, CFA, CFP® | Portfolio Manager

Dear Fellow Shareholders,

For the three months ended December 31st 2018, the Third Avenue Value Fund (the "Fund") returned negative 19.75%, compared to MSCI World Index, which returned negative 13.31%.[1] For the full year 2018, the Fund returned negative 20.84%, compared to negative 8.19% for the MSCI World Index.[1]

This has been among our team's most disappointing calendar year results and is obviously not the type of result we work to produce. We are deeply invested in this enterprise as a matter of our professional reputations as well as our substantial personal investments in the Fund. For all of us, 2018 has indeed been a frustrating experience. Upon assuming management of the Third Avenue Value Fund in late 2017, our team set out to return the Fund to its philosophical roots over time by investing in well-capitalized businesses with tangible assets underpinning their respective net asset values. Furthermore, we endeavored to completely avoid businesses where we perceive there to be even modest risk of secular decline. Most importantly, we aim to pay far less for businesses than our conservative estimates of their value would suggest that they are worth. We continue to believe we have executed on that agenda fairly well and built an unusually attractive portfolio of investments. Yet, during the fourth quarter of 2018, and throughout a good portion of the year, our deeply undervalued investments remained unappreciated. This has been a confounding period in which intellectually sound and time-tested strategies have been frustrated. We will spend much of this letter discussing that topic.

Today, the Fund is generally comprised of holdings in extremely well-capitalized businesses trading at unusually large discounts to our estimates of net asset value. Contrarian and special situations opportunities at very attractive prices have been, and are today, available to the team. We have availed ourselves of opportunities in the U.S. homebuilding industry, the metals and mining industry, the oil services industry, the luxury automotive industry, the cement industry and the airline industry, to name a few. In a great many cases our businesses are among the very best capitalized companies in their respective industries such as: Warrior Met Coal, Lundin Mining, Interfor Corp., Buzzi Unicem, BMW AG, and Tidewater Inc. Ironically, we have seen the vast majority of our businesses continue to perform as expected, operationally speaking, yet simultaneously see their share prices devalued from levels that were very inexpensive to levels that are in some cases simply inexplicable, in our view.

On a positive note, periods such as the 2018 year have often been harbingers of potentially very strong future performance and, at the time of this writing, 2019 has begun in that manner. Further, future performance will of course be influenced by the attractiveness of the Fund's present holdings and, in the portfolio managers' opinions, today the Third Avenue Value Fund is as attractive as it has been since the Global Financial Crisis. Many members of our team have recently made additions to personal investments in the Fund (as well as other Third Avenue funds) and are extremely excited about what historical precedent in similar situations suggests for future returns. A number of executives and board members of our portfolio companies appear to feel similarly as we have seen a meaningful acceleration of insider buying and corporate buybacks throughout the Fund's holdings.

The majority of this letter will provide a discussion of the dynamics at play in equity markets impacting Fund performance and, more broadly, a discussion on the state of value investing.

The State of Value Investing

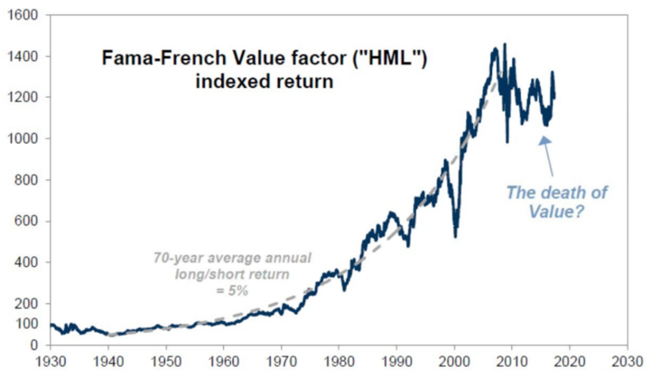
"Now That the Thrill is Gone, Investors Turn Back to Basics" – NY Times October 30th, 2000

Value Investing strategies have, in general and to varying degrees, performed relatively poorly over the most recent ten year period. Growth strategies have, in general and to varying degrees, performed far better. The one meaningful exception to that rule was calendar year 2016. The last ten years notwithstanding, value strategies have significantly outperformed growth strategies over multi-decade periods of time. It is also apparent to us that Third Avenue's investment approach has historically been particularly effective in periods in which value investing strategies are effective. We are surprised and frustrated by the duration of this cycle of growth investing supremacy, but are convinced that the longer-term history is the correct precedent. Furthermore, we have lived and invested through very similar periods before.

According to economists Eugene Fama (Nobel Prize winner) and Ken French, who are widely regarded as having conducted the most comprehensive studies of value investing strategies as compared to growth investing strategies over multi-decade periods, the performance of value investing strategies have far outpaced the performance of growth strategies. On average, low-priced stocks have performed meaningfully better than high-priced stocks, most of the time.[2] Richard Thaler (Nobel winner) and Werner DeBondt have famously studied similar phenomena through the lens of mean

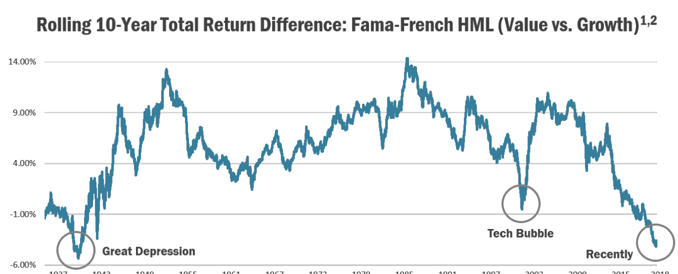
1 The MSCI World Index is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 of the world's most developed markets. **Please see Appendix for performance table and information**
2. For more information and details on Farma/French HML portfolios please the following link: http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/Data_Library/f-f_portfolios.html"

reversion of stock performance and concluded that the purchase of stocks that have performed poorly over recent years is a far superior strategy to purchasing those that have recently performed well – another endorsement of the efficacy of value investing and contrarian principles.



Source: Kenneth French, Goldamn Sachs Investment Research

However, it can get lost in the long-term averages that there are a great many multi-year periods in which growth strategies have outperformed value strategies, sometimes by large margins. The late 1990s was particularly notable yet, by measurements such as ten-year rolling returns, the most recent ten years has been even more lopsided in favor of growth investing.



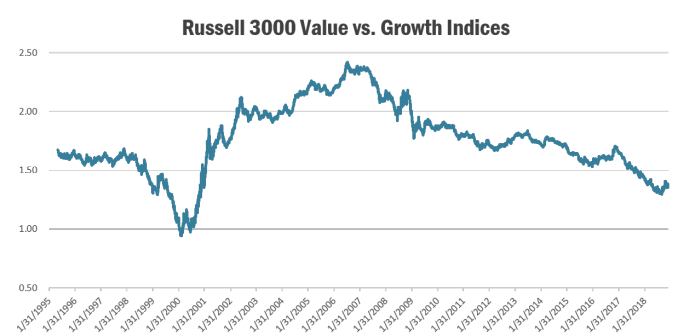
1. Data ends December 31, 2018. Calculated based on data from Kenneth French's website (http://mba.tuck.Dartmouth.edu/pages/faculty/ken.french/index.html), which was derived from the CRSP (Center for Research in Security Prices) /COMPUSTAT merged database. CRSP recently completed a data series project that added new daily data, which resulted in changes to month-end prices are dividend ex-dates and also changed historical returns on French's website. This chart includes the restated data as of July 31, 2017.
2. High minus Low (HML) is one of three factors in the Fama-French model and accounts for the spread in returns between value and growth stocks. The Fama-French portfolios used to calculate the chart above include all NYSE, AMEX and NASDAQ firms with the necessary data.

2018 was another such year in which higher priced stocks performed better than lower priced stocks and in that environment the Fund did struggle from a performance perspective. However, we continue to place more weight on nearly 100 years of equity market history than we do upon the last ten years of that history. We also continue to believe, that the economic returns generated by a business for its shareholders will over time have a considerable influence upon the valuation of that business. If we are wrong about this second point, capitalism itself is in jeopardy. Just as the tech bubble came and went, we expect that value investing strategies will reassert superiority and furthermore that the Third Avenue Value Fund can thrive in that environment. Though we can't profess to know when that turn will occur (it is possible that it already has), the portfolio we have constructed today is by almost any measure far less expensive than the general market and many of the areas in which we are finding value today are in industries experiencing cyclical lows that are likely to see improving operating conditions.

	Third Avenue Value Fund	MSCI World Index
P/E using FY1 Est (Incl. Negative Values)	9.93	14.31
P/E Adj. Trailing 12-Mo	6.54	15.01
Price to Book	0.79	2.07
Return on Equity	14.30	17.71
Price to Sales	0.99	1.50
Price to Cash Flow	5.18	9.68
Wtd Avg Mkt Cap ($M)	18,266	138,236
Median Mkt Cap ($M)	10,091	16,197
# of Positions	28	1,180
U.S. Exposure	32.0%	--
Port. Ending Active Share	99.06%	--

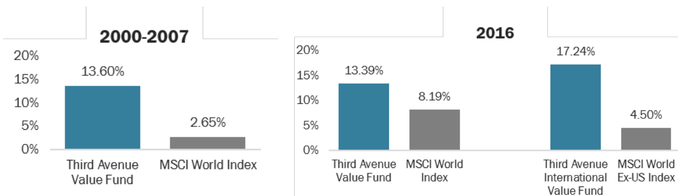
Source: FactSet

When viewed in the context of value investing versus growth investing, the last twenty years can be divided roughly into two periods. In the first period, value investing strategies performed extremely well from the end of the tech bubble until the Global Financial Crisis (2000 – 2007). In the second period, from the end of the Global Financial Crisis through 2018, growth strategies have produced significant and almost uninterrupted outperformance. Again, the one interruption was calendar year 2016, when value strategies performed well.



Russell 3000 Value Index is a market-capitalization weighted equity index maintained by the Russell Investment Group and based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform. Included in the Russell 3000 Value Index are stocks from the Russell 3000 Index with lower price-to-book ratios and lower expected growth rates. The MSCI World Index is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 of the world's most developed markets. The Russell 3000 Growth Index is a market capitalization weighted index based on the Russell 3000 index. The Russell 3000 Growth Index includes companies that display signs of above average growth.
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.

In both periods of value investing supremacy, the Third Avenue Value Fund performed very well. Over the 2000 – 2007 period, the Third Avenue Value Fund returned 12.6% per year, which amounts to outperformance of 9.1% per year relative to the MSCI World Index. During 2016, the Third Avenue Value Fund returned 13.4%, which offered outperformance of 5.2% relative to the MSCI World Index. Meanwhile the Third Avenue International Value Fund, previously managed by one of your portfolio managers, produced a return of 17.2% in 2016, besting the MSCI ACWI ex US Index by 12.1% that year.



Performance is shown for The Third Avenue Value Fund (Institutional Class) and the Third Avenue International Value Fund (Institutional Class) for the periods 12/31/1999 to 12/31/2006 and 12/31/2015 to 12/31/2016.

The MSCI World Index is an unmanaged, free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 of the world's most developed markets. Index performance reported since inception of Institutional Share Class.

The Morgan Stanley Capital International All Country World ex USA Index is an unmanaged index of common stocks and includes securities representative of the market structure of over 50 developed and emerging market countries (other than the United States) in North America, Europe, Latin America and the Asian Pacific Region. Index performance reported since inception of Institutional Share 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.

It is our expectation that the investing public's appreciation of the attractiveness of the Fund's holdings will grow in time and, given the magnitude of today's undervaluation, a return to more reasonable valuations has the potential to produce very good results. With an outstanding portfolio and decades of history on our side, we remain confident that we have positioned the Fund very well for the most probable versions of the future.

During the quarter the Fund used significant declines in equity market prices to initiate positions in four exceptionally high-quality businesses at inexpensive prices. Three of these businesses operate in industries which represent existing investment themes within the Fund and one is a large-scale special situation investment in an industry where we were not previously involved.

Quarterly Activity

DowDuPont Inc ("DowDuPont")

The Fund initiated a position in DowDuPont during the fourth quarter. Currently the largest global chemical company, DowDuPont is the result of a 2017 merger of chemical giants DuPont and Dow Chemical. The merger was designed to create a clear industry leader in several lines of business where Dow and DuPont overlapped and contemplated a future separation of the combined company into three independent companies, each with considerable scale in their respective areas of business. The merger also created significant synergistic benefits in the form of shared costs and vertical integration. We had been attracted to this long running special situation opportunity, and the recruitment of seasoned restructuring CEO Ed Breen of Tyco fame to manage the process, prior to the fourth quarter of 2018, but the recent equity market swoon finally brought pricing into (and below) our hoped-for purchase price.

Throughout 2019 DowDuPont will split itself into three pieces – an agricultural chemicals business ("Corteva"), a materials science business (new "Dow") and a specialty chemicals business (new "DuPont"). Each business will be a global industry leader or formidable competitor in each of their many niches. Highly competent and increasingly focused management teams have been formed for each business and we expect increasing cost savings and synergies to continue to be wrung out of them to the benefit of shareholders. Furthermore, the newly formed DuPont is comprised of four separate businesses, each of sufficient size and scope to offer further ongoing resource conversion opportunities should the value of those businesses not be fully appreciated by the investment community. We purchased shares of DowDuPont at a meaningful discount to our estimate of today's business value, giving little credit for its array of opportunities to create shareholder value.

Daimler AG ("Daimler")

During the quarter the Fund initiated a position in Daimler AG, a global manufacturer of both premium passenger and commercial vehicles. The context of the purchase was an environment in which the share prices of public companies across the global automotive value chain, from suppliers to OEMs to dealerships, experienced broad-based selling pressure. The global concerns related to autos have already impacted company fundamentals, as evidenced by a spate of profit warnings, including from Daimler itself. Moreover, the forward-discounting mechanism of the equity market has also expressed concern for the future of auto sector cash flows, causing a significant and broad-based reduction of the valuation multiples assigned to earnings and book values in anticipation of bleak prospects. In this context, we purchased shares of Daimler, which we believe is – along with existing holding BMW – one of the best-positioned companies to navigate an evolving industry. A strong financial position combined with improved through-cycle profitability and a cheap valuation underpin the attractiveness of this investment.

Indeed, many characteristics of our Daimler investment are analogous to our current holding in BMW, which is discussed in detail in the Fund's 2018 Q1 shareholder letter. Along with the BMW brand, Volkswagen's Audi and Daimler's Mercedes-Benz brands dominate the global luxury auto market, one which we find offers a more attractive investment proposition versus the mass-market segment. Yet in addition to its leading passenger vehicle position, Daimler also owns the title as the largest heavy truck manufacturer in the world as maker of brands such as Freightliner, Western Star, Mercedes-Benz, Fuso, and BharatBenz. Also similar to BMW, Daimler is a well-capitalized and profitable manufacturer with industry-leading engineering expertise. Daimler also likely offers a higher probability of significant resource conversion in the form of a possible future separation of its trucks business from its passenger vehicle business in an effort to surface latent value. We believe we have paid an unusually low price characterized by a mid-single digit multiple of earnings and a large discount to tangible book value, which is arguably cheaper than Daimler's valuation in the midst of the European Sovereign Crisis.

Antofagasta plc ("Antofagasta")

The second half of 2018 also saw sentiment turn quite negatively against the equities of companies that mine industrial metals. We used this opportunity to purchase shares of Antofagasta, which is among the highest quality copper mining companies globally. The purchase of Antofagasta represents a quality "upgrading" of our existing investments in the copper mining space afforded by seemingly irrational market price movements in late 2018. Sentiment notwithstanding, Antofagasta and companies like it, remain handsomely profitable at current copper prices. Current copper prices, neither high enough to incentivize new supply nor low enough to stress most existing assets, are a function of a copper market that remains fairly well balanced from a supply and demand perspective. On the other hand, global copper inventories have been steadily declining and recent years of underinvestment have made virtually certain that very limited supply increases are possible in the medium-term. Further, it is tangential to our investment thesis but we remain completely perplexed by the perceptual inconsistency of an investment community who views a global electric vehicle revolution as a near certainty and yet remains pessimistic about the future fortunes of copper mining companies. The amount of copper required to meet currently predicted electric vehicle penetration rates would have the potential to create one of the best operating environments the copper mining industry has ever experienced.

Returning to Antofagasta specifically, virtually all of the company's operating assets are located in Chile, which is highly favorable from a political risk perspective within the world of mining. Antofagasta's Los Pelambres mine is among the copper mining world's trophy assets and its other operating assets are also well above average quality as measured by size and cost of production. We believe it is fair to say that private market values for Antofagasta's mines would be far in excess of the company's current valuation. This collection of assets is housed in a company that has historically maintained one of the mining industry's best balance sheets and that is certainly the case today, even after the company's 2015 purchase of 50% of Barrick Gold's Zaldivar copper mine at a time when copper prices were depressed and Barrick needed to improve its financial position. The combination of outstanding assets, a pristine balance sheet and a controlling family who has an exceptional record of investing counter-cyclically has produced one of the mining industry's great long-term records of total shareholder return.

Subsea 7 S.A. ("Subsea 7")

Subsea 7 is an engineering, construction, and services contractor to the offshore energy industry. The company has also diversified into the renewable energy industry, utilizing its offshore construction expertise in the installation of offshore wind farms. Subsea 7's largest contracts are typically greenfield projects that are long-term in nature. Similar to other investments initiated this quarter, recent rampant selling in equity markets gave us an opportunity to purchase a very high quality company within one of the Fund's pre-existing thematic investment opportunities, offshore oil services. Subsea 7 is controlled by its chairman, Kristian Siem, who has one of the oil service industry's most outstanding records (shipping, too). The company's fleet contains 34 modern vessels as well as an infrastructure of fabrication and support yards. In our estimation the company's stock is trading well below the replacement value of those assets. Further, the nature of Subsea 7's business involves longer duration projects and thus enjoys the benefit of a very sizeable backlog of business providing operating performance resilience, while the industry awaits a more substantial cyclical recovery. The company's balance sheet has cash in excess of its debt and greater than half a billion dollars in unutilized revolving credit. Siem has continued his penchant for investing counter-cyclically, expressing it this time through Subsea 7 stock, as the company has been actively buying back shares at prices below tangible book value. While not central to our thesis, we recognize the trend towards consolidation among service providers and Subsea 7's attractive assets and strategic position could make it a very desirable target.

Thank you for your confidence and your loyalty. We look forward to writing again next quarter.

Sincerely,

Matthew Fine, CFA   Michael Fineman , CFA, CFP

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, 2018 (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 21, 2018

December 31, 2018

FUND PERFORMANCE

as 12/31/18	1 yr	3 yr	5 yr	10 yr	Since Inception	Inception Date
TAVFX (Institutional)	-20.84%	0.82%	-0.31%	6.89%	9.76%	11/1/1990
TVFVX (Investor)	-21.04%	0.56%	-0.56%	(n/a)	3.13%	12/31/2009

TOP TEN HOLDINGS

	% of Portfolio
Warrior Met Coal, Inc.	7.0%
Interfor Corp.	6.2%
Lundin Mining Corp.	6.1%
Buzzi Unicem SpA	5.8%
Lennar Corp.	5.5%
Bayerische Motoren Werke AG	5.4%
CK Hutchison Holdings, Ltd.	5.0%
Royal Boskalis Westminster N.V.	4.8%
Brookfield Asset Management, Inc.	4.6%
CK Asset Holdings, Ltd.	4.2%

Allocations subject to change

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 1.13%, 1.38% and 1.03% respectively, as of March 1, 2018. 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.

Third Avenue Funds are offered by prospectus only. The prospectus contains important information, including investment objectives, risks, advisory fees and expenses. Please read the prospectus carefully before investing in the Funds. 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 updated information or a copy of our prospectus, please call 1-800-443-1021 or go to our web site at www.thirdave.com. 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.

www.thirdave.com

/third-ave-management

622 Third Avenue
New York, NY 10017

212.906.1160

clientservice@thirdave.com