THIRD AVENUE MANAGEMENT

THIRD AVENUE VALUE FUND

Portfolio Manager Commentary

INSTITUTIONAL: TAVFX | INVESTOR: TVFVX | Z: TAVZX

September 30, 2019

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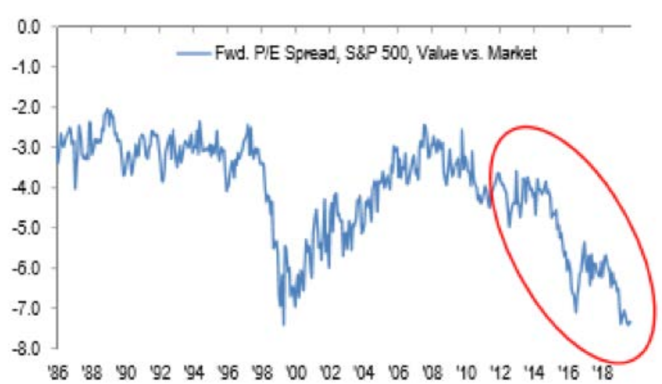
Dear Shareholders,

For the three months ended September 30th, 2019, the Third Avenue Value Fund (the "Fund") returned (9.93%), compared to the MSCI World Index, which returned 0.66%[1]. This exceptionally frustrating performance includes the month of September, in which the Fund produced outperformance, though not sufficient to mitigate underperformance endured in July and August. The escalation of the U.S. and China trade war during recent quarters has, broadly speaking, been a substantial headwind to Fund performance.

That said, our companies have generally continued to perform in keeping with our expectations and several have produced pleasant surprises. We view recent developments as having impacted stock prices far more than business performance or business value. Further, in ranking relative performance challenges, it is our view that trade wars pale in comparison to the profound outperformance of growth and momentum investment strategies in recent years. The year to date period has been a furtherance of what, by some measures, is the most acute period of value underperformance on record. Buying low-priced businesses has, on average, been a losing strategy. JP Morgan, for example, recently showed that low-priced U.S. stocks are trading at their widest earnings spread to the broader S&P 500 at any point during the last 30 years, exceeding the late 1990s.

Figure 11: Fwd P/E Spread: Value vs Market



Source: J.P. Morgan U.S. Equity Strategy and Quantitative Research.

Third Avenue Value Fund has historically produced exceptional performance in periods in which value strategies were broadly effective. September was a period in which value strategies did perform reasonably well and, not surprisingly, the Fund produced solid performance. Further, while value investing may seem out of date and behind the curve at the moment, value strategies are one of very few strategies that have been shown to produce meaningful amounts of outperformance over long periods of time. Using the most widely recognized data series, produced by Eugene Fama and Ken French, it is unambiguous that, over many decades, buying cheap companies has been an outstanding way to outperform, even though value strategies have produced rolling ten year periods of underperformance fairly frequently. So, in a sense, while this current rolling ten year period appears to be a statistical record of value underperformance, the occurrence of periods similar to this are not new. Furthermore, in spite of the recent multi-year stretch of underperformance, the Third Avenue Value Fund has still substantially outperformed the MSCI world Index since the Fund's inception. We are confident that we have built a portfolio of businesses with enduring value that are deeply undervalued today and will ultimately do very well.

If it is not clear already, we view the current state of the equity market as anomalistic and, in many ways, irrational. We think this is evidenced clearly by both the top-down evidence presented above as well as the bottom-up fundamental work in which Third Avenue Management specializes. Below, we provide a case study of one area where we believe there to be clear irrationality and, in turn, a great opportunity in keeping with the Third Avenue Value Fund strategy.

Copper in an Irrational World

The dichotomy of a deep level of pessimism about the copper mining industry and simultaneous exuberance for the investment opportunities presented by electric vehicles and renewable sources of energy is befuddling. Wind and solar power, as well as electrified vehicles, are all incredibly copper-intensive. If the electric vehicle

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.**

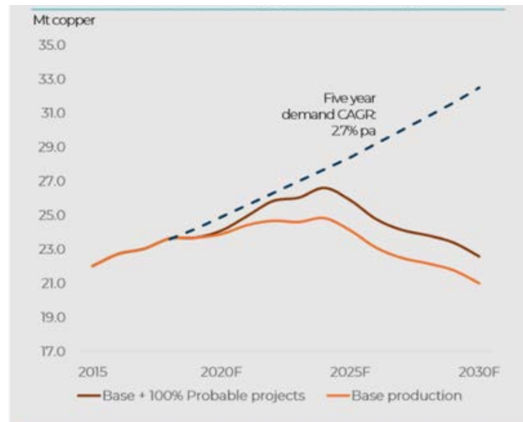
revolution and the renewable energy revolution do transpire—and based on clean energy stock prices, capital markets appear to be saying that it is highly probable—it appears that the copper market will likely be profoundly undersupplied. The copper market is actually already slightly undersupplied without these enormous secular developments and we expect that continued growth in copper demand over time, combined with few supply additions, will eventually put the copper market into substantial deficit, even without clean energy and electric vehicle revolutions. This is obviously exactly what one hopes for as an owner of copper mines. Yet copper mining companies are trading at steep discounts to historical levels, to private market transaction values, to reasonable levels of current cash flows and to most estimates of their net present values. Today, the Third Avenue Value Fund holds investments in two copper mining companies, Lundin Mining and Capstone Mining, totaling 8.2% of the portfolio by weight.

Let's talk a little bit about the copper mining industry to understand how we got here and where we may be going.

Copper Mining Is a Cyclical Industry – Copper demand has grown by roughly 3.4% per year over the last 120 years, which is similar to what we have experienced during the last ten and twenty year periods during China's economic miracle[2]. It is estimated that copper demand dropped by slightly less than one percent in 2008, as compared to 2007, during the Global Financial Crisis, and then rose slightly in 2009[2]. In other words, demand has been steadier than many seem to appreciate. Yet, because building a new mine is often incredibly expensive, investment decisions to build new mines generally occur when times are good, which causes new supply to come in waves, which can from time to time oversupply demand. The eventual excess of supply causes prices to fall, which leads to a deferral of new mine development decisions, which eventually causes supply to become constrained and prices to being rising again. Rinse and repeat. We are currently at the tail end of a multi-year increase in supply that resulted from decisions made many years in the past. In this most recent cycle, copper prices peaked in 2011 at roughly $4.56 per pound. A number of new projects were initiated in the 2006-2011 period, when copper prices were higher, and we have been seeing that supply coming into the market in recent years. However, the pipeline of new copper supply coming to market in future years is quite visible and it has shrunk substantially.

Copper Currently In Supply Shortfall – It is estimated that world copper consumption will exceed supply by approximately 320,000 metric tons in 2019[2], or roughly 1.3% of world consumption, suggesting a very balanced, but slightly undersupplied, market. Visible copper inventories have been drawn down to decade lows and copper smelters have been competing more aggressively for copper concentrates, all suggesting a tightening physical market.

Historical Demand Trends Imply Continued Copper Deficits



Source: Glencore estimates, Wood Mackenzie, CRU.

Our Copper Mines Are Old – Copper is not like oil. We do not know where to find many more high quality mines, even if copper prices were substantially higher. Of the world's twenty largest mines, the weighted average year of discovery is 1928 and the most youthful among them was discovered in 1996[3]. Copper discoveries of any significance have been virtually nonexistent during the last decade.

Grades Are Falling – Because mining companies generally try to mine the higher quality areas of the mine as soon as possible, ore grades generally decline over the life of a mine. This grade degradation can easily be seen for the industry and it will almost certainly continue as the grades of reserve ore, which is the ore that will be mined in future years, are even lower and also declining steadily.

Average Industry Copper Grade

Source: Citi, Wood Mackenzie.

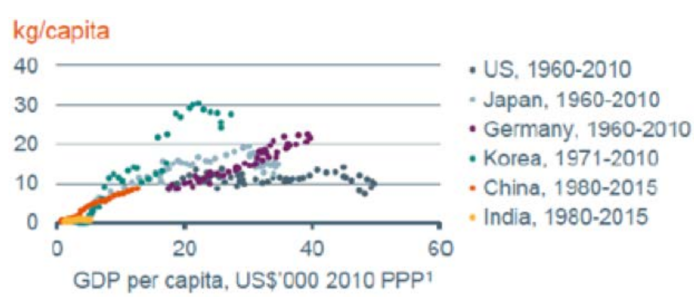
2 International Copper Study Group.
3 USGS, Wood Mackenzie, Sanford Bernstein.

As a specific example, the state-controlled mining company of Chile, Codelco, is the largest copper miner in the world and represents roughly 7% of global copper production. The company has seen its ore grades decline by 14% in the last 5 years through 2018. That means there is 14% less copper contained in each ton of rock mined. The company has had to treat 10% more ore in an effort to keep copper production up but has nonetheless seen production fall over that period. The less copper the rocks contain, the more rocks you have to move, crush and treat to produce a pound of copper. That means costs go up, which is exactly what has been happening.

Incentive Prices Are Higher – An incentive price is the price of copper that would provide enough economic incentive to invest in a given copper project. It is estimated that, based on the known available copper projects, the incentive price for most new projects is somewhere around $3.25 per pound. Today copper is priced at roughly $2.62 per pound. This means that we are very unlikely to see any meaningful new investments in supply until prices are far higher. And note that if a copper miner produces copper at $2.00 cash costs, which is similar Capstone Mining's cash costs (C1), the miner's cash margin would roughly double if copper was at the industry's estimated average incentive price, as compared to today's price. However, it usually takes about a decade to build a new mine so, even if we were at or above the incentive price today, it would likely be quite a few years before meaningful amounts of new supply could be available. This is why relatively long periods of elevated copper prices have historically been a part of the copper cycle.

Electric Vehicle Revolution – The electric vehicle ("EV") revolution is on the verge of being regulated into reality. One of the more common predictions is that EVs will comprise 30% of passenger vehicles sold by 2030. Some forecast even more rapid growth with a sharp acceleration beginning next year as a slew of compelling new EV models hit the market for the first time. Personally, we would be very surprised if volumes reach those predicted levels on the predicted timelines. However, the typical battery EV requires approximately four times the amount of copper as a combustion engine car, meaning an extra 127 pounds per car on average. Something in the area of 90 million cars will be sold globally in 2019. If the passenger vehicle market grows by 1% per year until 2030 and 30% of those turn out to be electric vehicles, somewhere around 30 million electric vehicles would be produced and would probably comprise a mix of hybrid, plug-in hybrid and battery EV. It is estimated that this would require an additional 3 million metric tons of copper in 2030 and when including required charging stations and electric grid upgrades, the estimate rises to roughly 4 million metric tons per year. That is about 16% of the entire copper market today. And remember, we are in a slight deficit already. Further, even if we had the available copper projects today and were at a copper price that incentivized development, the timeline to 2030 is a mere eleven years presenting substantial challenges. It is our view that, if we get anywhere close to the predicted rates of EV penetration, it would put the copper market into a very large supply deficit. Meanwhile, the massive premium accorded Tesla, a luxury battery electric vehicle manufacturer, as compared to the world's most successful traditional luxury auto manufacturing companies, makes it very clear that equity markets are assigning a high probability to rapid proliferation of EVs.

Developing Countries – Copper intensity in an economy is closely tied to rising living standards. Per capita copper consumption rises substantially as economies and per capita wealth grow from low levels. Basic electrification, refrigeration, air conditioning, kitchen appliances, cell phones, computers and the like all consume copper. It is estimated that today 14% of the world's population, roughly 1 billion people, still do not have basic access to electricity. With China receiving all of the attention for its large share of global metal consumption today, it should be noted that, out of the twenty largest populations in the world, seventeen of them are developing countries, many of which have among the fastest growing populations in the world. Many countries on that list are in Africa, though India might be the single most notable example with a population approaching 1.4 billion. Today Indian GDP per capita is estimated at a very low USD 2,104 but is growing and has been supported by GDP growth of roughly 6% or 7% in recent years[4]. While Indian copper consumption is very low today, it is interesting to note that its GDP per capita figure is approaching a level where other developing countries have historically begun to see substantial increases in per capita copper consumption.



[1]PPP = Purchasing Power Parity
Source: BHP.

4 The World Bank.

In summary, we believe that the copper market is in deficit today. While we do not share the current equity market's level of enthusiasm for many investments in clean energy and electric transportation, we view an increasing proliferation of those underlying technologies as highly likely. If that turns out to be the case, it appears very likely to test the ability of the copper mining industry to supply the required quantity of copper. We are particularly confident that the amount of copper demanded by successful electric vehicle and clean energy revolutions can't possibly be supplied with copper at the current price level. It also appears clear to us that, should these developments take place, a substantial portion of the rewards would accrue to copper mining companies. Yet equity markets today appear to price those various probabilities in a radically different way.

Both Lundin Mining and Capstone Mining are well-financed and decidedly profitable even at the currently depressed price of copper. They have attractive internal production growth opportunities and operate exclusively in low political risk jurisdictions. We view Lundin Mining as uniquely attractive in light of its high quality mines with low production costs, very capable management team and a balance sheet that is among the industry's best. Recently, Lundin's unusually strong financial position has offered the rare ability to invest in copper assets counter-cyclically. We think it is clear that as incremental copper volumes are demanded, an increasing copper price is likely to create substantial increases in the two companies' cash flows. We also believe the dynamics of the copper market described above are widely understood within the broader mining industry and would be reflected in any potential private or public market transaction for our two investee companies, or their assets, in the form of purchase prices at substantial premiums to current public market prices for each company.

Quarterly Activity

During the quarter ended September 30th, the Fund purchased shares of The Drilling Company of 1972 ("Drillco" or "Maersk Drilling") and sold its entire position in Transocean Ltd. We had received shares of Transocean as a result of its takeover of Ocean Rig UDW Inc. at the end of 2018. Transocean carries a meaningful amount of financial leverage and our sale offered an opportunity to do a bit of tax management. Meanwhile, the purchase of Drillco offered various attractive aspects of special situations investing, a strong financial position and a dominant position in unique niche within offshore drilling.

The Fund also purchased put options[5] on SPDR S&P 500 ETF Trust during the quarter as a market-related portfolio hedge, which may be thought of a small amount of insurance against a substantial market disruption. Our primary risk management tools remain acute attention to the financial positions of our investee companies and deep fundamental analysis as it relates to business risks that could pose a risk of permanent impairment of our capital.

The Drilling Company of 1972 A/S ("Drillco") – Drillco is a newly formed company that was spun out of its parent company, Maersk A/S, in April of this year. Maersk A/S is the world's largest container shipping company. Previously, The Drilling Company of 1972 was known as Maersk Drilling and the two names continue to be used almost interchangeably. The company arrived on the Copenhagen exchange earlier in 2019 with a very respectable balance sheet, an unusually high quality portfolio of offshore drilling rigs and a substantial backlog of future work. Similar to several other offshore drilling rig portfolios, Maersk Drilling operates jack-ups, semi-submersibles and drillships. However, what is unique to Maersk is a portfolio of ultra-harsh environment jack-up rigs. These particular rigs are a technical innovation developed within Maersk and are specifically designed to operate in deeper water, and in harsher conditions, than a typical jackup while simultaneously providing the advantages that a jackup offers as compared to a floating rig. Because of these very unusual capabilities, Maersk operates these rigs in a small niche, benefiting from minimal competition, which results in high utilization and good pricing for its services. Maersk's floating rig fleet is also quite modern and of high quality. We view the company to be conservatively and competently run and certainly in position to take advantage of offshore drilling industry conditions as they continue to improve. We were also attracted to the company's relative obscurity and that the shares had become depressed, we believe, at least partly, because some holders of its parent company chose not to keep the shares they received in the spin-off.

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

Sincerely,

Matthew Fine, CFA   Michael Fineman, CFA, CFP®

5 A put option is a contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a pre-determined price within a specified time frame.

IMPORTANT INFORMATION

Date of first use of portfolio manager commentary: October 28, 2019

September 30, 2019

FUND PERFORMANCE

As of 9/30/19	3 mo.	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date
Third Avenue Value Fund (Institutional Class)	-9.93%	-20.28%	-2.04%	-1.36%	3.39%	9.47%	11/1/1990
Third Avenue Value Fund (Investor Class)	-10.00%	-20.49%	-2.28%	-1.61%	N/A	2.80%	12/31/2009

TOP TEN HOLDINGS

	% of Portfolio
Interfor Corp.	6.9%
Lundin Mining Corp.	6.9%
Bank of Ireland Group PLC	5.9%
Buzzi Unicem SpA	5.1%
Hawaiian Holdings, Inc.	4.7%
Bayerische Motoren Werke AG	4.7%
CK Hutchison Holdings, Ltd.	4.7%
Warrior Met Coal, Inc.	4.3%
Lennar Corp.	4.3%
Tidewater, Inc.	4.3%
Total	**51.8%**

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 1.17%, 1.45% and 1.09%, respectively, as of March 1, 2019. 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 website 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.

THIRD AVENUE MANAGEMENT

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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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