Dear Shareholders,

For the three months ended March 31, 2023, the Third Avenue Value Fund (the “Fund”) returned 8.68%, as compared to the MSCI World Index¹, which returned 7.88%. For further comparison, the MSCI World Value Index² returned 1.12% during the quarter. In summary, we are pleased with Fund performance during the past quarter. An absolute return of 8.68% is an acceptable outcome in almost any quarter, but also satisfying is the Fund’s modest relative outperformance, as compared to the MSCI World Index, during a quarter in which value-oriented strategies broadly underperformed the MSCI World Growth Index³ and MSCI World Index by wide margins. During the quarter, the MSCI World Growth Index underperformed the MSCI World Value Index by 14.05%.

While Fund performance during the quarter was favorable in total, the Fund was not immune to a considerable amount of recent upheaval in global equity and capital markets. The largest detractors from Fund performance during the quarter included two banks, Comerica and Deutsche Bank. S4 Capital, a digital advertising firm, Hawaiian Holdings, an airline, Valaris, an oil services firm, and Lazard, an advisory and asset management business, also provided negative contributions. On the other hand, Tidewater, an oil services firm, ranked among the Fund’s largest positive contributors to returns and other important positive contributions were produced by easyJet, an airline, Capstone Copper, a copper miner, BMW AG, an auto manufacturer, Buzzi Unicem, a building products company, and Bank of Ireland, a bank. While we don’t always articulate performance contribution within these letters, we found it unusual that banks, oil services firms, and airlines were all represented within the lists of both the largest contributors and largest detractors from performance, an observation that argues strongly against making sweeping, over-generalized, top-down statements about recent developments and the investment merits of various industries. The following discussion attempts to summarize a somewhat more nuanced set of views on recent developments.

**OVERVIEW**

Banking turmoil encompassing both the U.S. and Europe was enabled by, and then further exacerbated, considerable volatility in treasury markets and rapidly shifting expectations for future interest rates. The confluence of these factors led to a substantial underperformance of value strategies, broadly speaking, in no small part because of the banking and energy exposure held within value indices and many value-oriented funds. Interest rates in developed markets generally declined during the first quarter as banking turmoil depressed the broader macroeconomic outlook, drove credit concerns, and, in turn, diminished the perceived urgency of the global fight against inflation. These dynamics emboldened a speculative rebound in U.S. equity markets that had already begun throughout the early part of 2023.

The prevailing narrative in recent years has been that the equities of growth-oriented companies are longer-duration assets, and are, therefore, beneficiaries of low interest rates. We believe this narrative is flawed in many important ways, but more on that subject later on.

**BANKS**

The main events in global capital markets during the past quarter were the collapse of Silicon Valley Bank (“SVB”) and the closure of Signature Bank (“SBNY”), followed by the forced combination of Credit Suisse (“CS”) with UBS. It is beyond the scope of this letter to comprehensively address the developments that led to the collapse of two fairly large U.S. banks, or the end of independence for one of what was once among Europe’s most venerable investment banks. However, it is our view that SVB, in particular, was very unusual—possibly unique—in the extent to which it combined a number of banking vulnerabilities. First, SVB’s deposit base was highly concentrated in large corporations, which themselves were concentrated in a fairly narrow set of industries. Many of these depositing corporations were also at a certain point in their life cycle during which it is common to consume lots of cash in the name of growth. Second, SVB also had a similarly narrow, and not particularly strong, lending franchise, which led to the asset side of its balance sheet being comprised of a high proportion of securities, rather than loans. As a result, as interest rates rose sharply, the bank developed an especially large amount of unrealized mark-to-market losses on securities portfolios, which prevented the bank from liquidating securities to meet withdrawals without putting huge holes in its capital base. SVB was an outlier in that mark-to-market losses on held-to-maturity securities exceeded tangible book value, rendering the company insolvent on a mark-to-market basis. SVB also appears to have been unusually cavalier in managing interest rate and duration risk in its structuring of those securities portfolios, presumably in an effort to stretch for asset yield from securities in order to bolster near-term earnings at the expense of long-term durability of the bank. SBNY shared a few, though not all of those vulnerabilities, and the bank’s very sudden closure, in close proximity to the collapse of SVB, naturally encouraged fear of all regional banks that shared any of those characteristics. With regard to SBNY specifically, regulators also continue to refer to a crisis of confidence in SBNY’s executive management team, a conclusion I suspect we will hear more about at some point in the future. Banks with large portions of their deposit base held in uninsured deposits (often corporate deposits), which are perceived to be most incentivized to withdraw at any sign of fragility, and large mark-to-market losses in securities portfolios—traits which describe both SVB and SBNY, but also a number of other regional banks—became a central focus in the rapid and merciless U.S. regional bank sell-off.
As an aside, it is incredibly obvious, in hindsight, that large losses on securities portfolios, which have not yet been recognized in bank capital ratios, create a serious vulnerability to deposit runs for banks that are not very well capitalized. Many commentators have lately used the expression “hiding in plain sight” but few, if any, were sounding the alarm prior to the very rapid and highly idiosyncratic deposit run on SVB, which first manifested that vulnerability. Indeed, the extent to which bank regulators seem not to have emphasized stress testing scenarios in which interest rates rise rapidly, which produced large-scale mark-to-market losses and considerable duration extension of mortgage-backed securities (MBS) portfolios, is now being heavily scrutinized. The recent experience highlights how little experience bank executives, bank regulators, and investors have with an environment in which interest rates rise rapidly and substantially. It seems likely that our collective lack of experience, and possibly lack of imagination, will lead to more surprises, not just in banking but elsewhere.

As it relates to the Fund specifically, events within U.S. banking applied most directly to our investment in Comerica, a U.S. super-regional that does have a large portion of corporate deposits and is not classified as a globally systemically important bank (“G-SIB”), which means it has not recognized certain mark-to-market securities losses in its regulatory capital. Comerica was a 2.6% position at the beginning of the quarter, prior to a roughly 34% stock price decline during the quarter. After purchasing more shares following the stock price decline, the Fund’s position in Comerica was approximately 2.3% at quarter end. While the general contagion fears and bank depositor behavior remain a fluid situation today, we took some confidence from immediate, forceful and targeted actions by the Fed, FDIC and Treasury. In our view, the Fed’s Bank Term Funding Program (“BTFP”) seems a well-tailored and appropriate near-term liquidity solution that allows banks to obtain immediate liquidity, collateralized by the par value of securities, to meet any near-term deposit outflows. At the time of this writing, early signs are that the deposit flight from regional banks is calming rapidly and depositor psychology is improving, though this could change. To the extent that calming continues, our suspicion is that there may be very attractive bargains to be had among regional banks. More will be known in the coming days and weeks as information regarding deposit flows emanates post-quarter end. That said, there will remain some mystery around the extent of the bargains on offer because increases in FDIC funding, increases in regulatory capital requirements, more stringent liquidity stress testing, and changes to the list of banks subject to G-SIB regulatory regimes are all on the table now. It is also very likely that deposit costs, which had been rising very slowly, will rise much more rapidly as commercial banks work harder to entice depositors to stay put. None of these developments, if they eventuate, are likely to impact banks’ returns and earnings in a positive way.

More broadly, the Third Avenue Value Fund owned investments categorized as financials totaling 15.94% by weight, at quarter end. This category includes non-bank financials such as Old Republic, a U.S. property and casualty insurer and title insurance business, Lazard, an advisory business and asset management firm, and Ashmore, a U.K. asset management firm specializing in emerging markets credit. The Fund’s actual bank exposure at quarter end totaled 9.52% and is comprised of Bank of Ireland, Deutsche Bank and Comerica, in order of position size. Our view is that the circumstances giving rise to depositor fear in a subset of U.S. regional banks are almost entirely absent for Bank of Ireland. Bank of Ireland does not have a high concentration of corporate deposits, it has a very strong loan franchise, and ECB rules related to the impact upon bank capital from mark-to-market losses on securities are materially stricter. Regardless of regulatory rules, Bank of Ireland doesn’t have material mark-to-market losses. Bank of Ireland also has far more regulatory capital than the average U.S. bank. Furthermore, the structure of the Irish banking market is a highly concentrated oligopoly in which Bank of Ireland represents one of two leading banks. In other words, they are likely to be a beneficiary of any depositor flight to quality.

As it relates to Deutsche Bank (“DB”), we deem the current operating environment somewhat more difficult to gauge, primarily because of the nature of DB’s business lines. A significant portion of the business is comprised of various forms of investment banking in which it is critical that customers continue to have confidence in the bank as a strong and safe counterparty. The transactional daisy chain that runs from investment bank to investment bank, which has from time-to-time spread liquidity and solvency problems from investment bank to investment bank, is real and was brought back to the fore by growing fears over Credit Suisse’s solvency as clients fled in an accelerating trend. To date, it appears that DB has handled the turmoil well, maintained the confidence of its clients, and possibly even benefited on the margin with early reports of some additional client flows and hiring of former CS bankers. Had DB not spent the last several years improving its capital base, reducing leverage, reducing costs, exiting various business lines, laying past crises to rest, and improving controls, it is entirely possible that DB would be right alongside Credit Suisse on the front page of the financial news for all of the wrong reasons. Again, the situation continues to be fluid but DB’s ability to weather the turmoil to date, including some very peculiar activity in the credit default swap market that created some appearance of panic, strikes us as a testament to all of the heavy lifting done by DB’s management team in recent years.

INTEREST RATES

Interest rates in the United States have risen very sharply since the end of 2021. Rates have also risen meaningfully in most developed nations, though much less so in Japan. So that we don’t keep readers in suspense, we are not going to make interest rate forecasts within this letter (or any other letter). At the time of this writing, we believe that we could form a very compelling argument that inflation will continue to decline in the U.S. and that the U.S. Federal Reserve will be relieved of pressure to continue increasing rates, and an equally compelling argument that rates need to move a good bit higher to get inflation genuinely under control and to prevent the fits and starts pattern which has historically marked long periods of high inflation. We simply don’t know. Going back to 2019, we purchased Bank of Ireland on the basis that the equity was priced so cheaply that we would probably do reasonably well even if rates stayed at unprecedentedly low levels. We also believed that probabilities were decidedly in favor of interest rates moving higher in the future, rather than lower, and that higher rates were likely to be a powerful tailwind enabling higher returns on assets, wider net interest margins, and higher returns on equity. This thesis played out very nicely for Bank of Ireland. Higher rates did indeed provide a tailwind for most commercial banks operating in countries where interest rates rose materially. This is true for both Comerica and DB’s retail and transaction banking businesses too. Today, we would characterize the interest rate environment as more “normal” by historical standards.
Surprisingly, in the United States, interest rates rose so sharply in such a short period of time that it did not allow for a gradual rolling turnover of bank securities portfolios as market conditions changed and large mark-to-market losses were accumulated on bank balance sheets very quickly. Most ironic is that the losses and runs on deposits at regional banks, combined with the fear that credit will be restricted as a result, are understood to be recessionary and deflationary forces, which diminish the urgency of the inflation battle and, in turn, lower the interest rate outlook, at least in the minds of many. In this line of thinking higher rates have sown the seeds of their own destruction. Furthermore, the most recently published data disclosing unrealized securities portfolio losses for most banks is as of year-end. As a result of interest rate compression during the first quarter, one could reasonably expect some of the unrealized losses, which are causing so much consternation, to have abated during the quarter. All of that said, Fed Chair Powell has worked very hard to dissuade investors from thinking the inflation fight would be tempered by recent events.

Meanwhile, in the short-term, tempered expectations for interest rates appear to have provided additional fuel for a rebound in speculative growth stocks that began early in 2023, prior to banking troubles and the resulting shifts in rate expectations. In recent years, there has been a relatively strong and growing correlation between low interest rates, or a falling interest rate outlook, and the outperformance of growth strategies in public equity markets. This notion that there is a causal relationship at work has become more deeply ingrained over the last couple of years. We recently published a whitepaper titled “Rates, Ruses & Regime Changes” that looks at some aspects of the historical relationship between interest rates and growth strategy outperformance. In short, our view is that there is scant evidence of any historical relationship and that today’s conventional wisdom is a relatively new narrative that has served to rationalize the ridiculous pricing of a subset of public equities. We discuss this dynamic in greater depth within the whitepaper, as well as some of the flaws in how discounted cash flow math has been used to justify soaring prices of growth stocks in recent years. The paper also addresses how the Third Avenue Value Fund strategy has been impacted by the changing interest rate environment over its more than thirty years of operation.

Finally, while we can’t control the Fed, the ECB, or narratives rationalizing speculative growth manias, one thing that will influence our decision making, on the margin, is that yields on the Fund’s cash holdings have risen from basically zero to north of 4%. If we think of long-term equity market returns being in the range of 8%-10%, and the Fund having been able to produce an annualized return of somewhat more than 10% since inception, an increase of more than 4% on cash yields comes close to halving the opportunity cost of holding cash. Our strong preference is to be able to identify global investment opportunities that, in our view, give us a strong probability of outperforming long-term equity returns, but a yield of more than 4% on cash does remove some of the cost of being patient during a careful and slow-paced redeployment of cash. At the end of Q1 2023, the Fund’s cash holdings increased somewhat to 13%, as we trimmed several successful investments that had become rather large positions and have remained measured and price conscious in our efforts to redeploy the proceeds.

QUARTERLY ACTIVITY

During the quarter ended March 31, 2023, the Fund saw positive net inflows and deployed cash by purchasing a range of existing positions. The largest uses of cash included CK Hutchison Holdings, Comerica, Hawaiian Holdings and Ultrapar. The Fund also purchased puts on the S&P 500 ETF Trust in January, an instrument the Fund has held periodically in the past. The Fund trimmed a number of existing positions including Tidewater, Bank of Ireland and Subsea, and eliminated holdings of Five Point Holdings.

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, CFA
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 March 31, 2023 (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: April 14, 2023

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. One cannot invest in an index.

2 MSCI World Value: 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. Source: MSCI

3 The MSCI World Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries.
### FUND PERFORMANCE
As of March 31, 2023

<table>
<thead>
<tr>
<th>Fund Class</th>
<th>3 mo</th>
<th>1 yr</th>
<th>3 yr</th>
<th>5 yr</th>
<th>10 yr</th>
<th>Inception</th>
<th>Inception Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third Ave Value Fund (Inst. Class)</td>
<td>8.66%</td>
<td>11.12%</td>
<td>42.69%</td>
<td>8.55%</td>
<td>7.72%</td>
<td>10.59%</td>
<td>11/1/1990</td>
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<tr>
<td>Third Ave Value Fund (Inv. Class)</td>
<td>8.60%</td>
<td>10.82%</td>
<td>42.32%</td>
<td>8.27%</td>
<td>7.44%</td>
<td>7.09%</td>
<td>12/31/2009</td>
</tr>
<tr>
<td>Third Ave Value Fund (Z Class)</td>
<td>8.70%</td>
<td>11.25%</td>
<td>42.84%</td>
<td>8.66%</td>
<td>N/A</td>
<td>8.47%</td>
<td>3/1/2018</td>
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</tbody>
</table>

### TOP TEN HOLDINGS
Allocations are subject to change without notice

<table>
<thead>
<tr>
<th>Stock Name</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tidewater, Inc.</td>
<td>5.6%</td>
</tr>
<tr>
<td>Capstone Copper Corp.</td>
<td>5.4%</td>
</tr>
<tr>
<td>Warrior Met Coal, Inc.</td>
<td>5.4%</td>
</tr>
<tr>
<td>Bayerische Motoren Werke AG</td>
<td>4.8%</td>
</tr>
<tr>
<td>Bank of Ireland Group PLC</td>
<td>3.9%</td>
</tr>
<tr>
<td>S4 Capital PLC</td>
<td>3.6%</td>
</tr>
<tr>
<td>easyJet PLC</td>
<td>3.6%</td>
</tr>
<tr>
<td>CK Hutchison Holdings, Ltd.</td>
<td>3.5%</td>
</tr>
<tr>
<td>Subsea 7, S.A.</td>
<td>3.5%</td>
</tr>
<tr>
<td>Deutsche Bank AG</td>
<td>3.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42.7%</strong></td>
</tr>
</tbody>
</table>

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 1.22%, 1.47% and 1.16%, respectively, as of March 1, 2023.

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 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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