THIRD AVENUE FUNDS

Third Avenue Value Fund

Third Avenue Small-Cap Value Fund

Third Avenue Real Estate Value Fund

Third Avenue International Value Fund

Third Avenue Focused Credit Fund

PORTFOLIO MANAGER COMMENTARY AND FIRST QUARTER REPORT

JANUARY 31, 2013

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Third Avenue Funds are offered by prospectus only. Prospectuses contain more complete information on advisory fees, distribution charges, and other expenses and should be read carefully before investing or sending money. Please read the prospectus and carefully consider investment objectives, risks, charges and expenses before you send money. Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost.

If you should have any questions, please call 1-800-443-1021, or visit our web site at: www.thirdave.com, for the most recent month-end performance data or a copy of the Funds' prospectus. Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

M.J. Whitman LLC, Distributor. Date of first use of portfolio manager commentary: March 1, 2013.

This booklet consists of two separate documents.

THIRD AVENUE FUNDS
PORTFOLIO MANAGER COMMENTARY

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FIRST QUARTER PORTFOLIO MANAGER COMMENTARY

JANUARY 31, 2013

Letter from the Chairman
(Unaudited)

Dear Fellow Shareholders:

Investing in the common stocks selling at substantial discounts from net asset values ("NAV") of companies which are eminently credit-worthy seems to make very good sense in 2013. Such investments ought to work out satisfactorily over the long term almost regardless of the global economic outlook. If such investments don't work out well over the long term, it is unlikely to be so for purely economic reasons. Rather, all equity investment bets are off in economies likely to suffer from protracted periods of social unrest and/or physical violence.

Most market participants seem to forget that prior to the 2008 economic meltdown, but during the period from 1945 to 2008, almost every American industry, at one time or another, went through depressions as bad as anything seen in the 1930s. The difference between the period from 1945 to 2008 and the Great Depression was that the post-1945 industry depressions really had no domino effects – no industry depressions ever spread to the entire economy.

Post-1945 depressions included textiles, shoe manufacturers, TV set manufacturers, steel, aluminum, savings and loans, petroleum, Texas commercial banks, railroads, machine tools, automobiles, automobile suppliers, row crops, real estate investment trusts, dot coms, retail, airlines, etc. Yet, despite these industry depressions, the U.S. Economy was on a general growth trend, as were stock market indexes, during this lengthy post World War II period.

Post 2008, however, the bursting of the housing bubble coupled with unsound lending practices of commercial banks and other financial institutions did have a domino effect spreading to various other areas of the U.S. economy. But this general downdraft was contained enough so that, by 2012, a modest economic recovery had occurred. Most important of all, the downturn did not result in material social unrest or physical violence in the streets. This was true not only for the United States but also for the major industrial countries which make up the G-7. Specifically, though, political stability seems to exist in all countries where Third Avenue Funds ("Third Avenue"), as a common stock investor, invests most of its money.

In 2013, and beyond, there seems no question that there will continue to be industry-wide depressions and also regional depressions, such as those that exist today in Southern Europe. Particularly troublesome to me are: the lack of credit-worthiness among European sovereigns; weak portfolios of European banks; dysfunctional U.S. Governments; persistent unemployment in various industrial countries; and uncertainties about the new leadership in mainland China. Will such troubles result in economic depressions with domino effects or even social unrest in industrialized countries? I don't know; but, based on the long-term record, 1945-2013, the odds seem to be in favor of relative economic and political stability in the three major industrial areas of the World – North America, Europe and East Asia.

When analyzing from the bottom up, rather than heavily weighting top-down macro factors, the investment climate seems highly attractive for the types of investments that dominate the various Third Avenue Fund portfolios; to wit, the common stocks of financially strong companies trading at prices that represent meaningful discounts from NAVs. Common stocks of well financed companies selling at meaningful discounts from NAV appear attractively priced, insofar as the analyst gives weight to balance sheet considerations for a number of reasons.

The last time the Dow Jones Industrial Averages approached the 14,000 level before January 2013 was October 2007. However, at January 31, 2013, the Index-Weighted Book Value of the 30 stocks in the Index was 66.3% larger than it had been at October 31, 2007. More importantly, in 2013, the quality of the balance sheets of publicly-traded companies (and therefore their credit-worthiness) seems to have become manifestly better than it had been in 2007. For example, cash holdings of the companies in Standard & Poor's 500 Stock Index had by 2012 increased to almost $1.8 trillion, from under $1.2 trillion in 2007. Also, it is likely that companies whose common stocks are in the Third

Avenue portfolios are much more efficient operations-wise today than they had been in 2007. These companies are mostly located in the United States, Canada, Hong Kong, South Korea, Japan, Scandinavia and Brazil.

At January 31, 2013, the 30 common stocks in the Dow Jones Industrial Average were selling at 2.75 times the Index Weighted Book Value. At October 31, 2007, the 30 Dow Jones stocks were selling at 4.61 times the Index Weighted Book Value. In contrast, a large proportion of the common stocks in the Third Avenue portfolios are selling at 0.6 times to 0.8 times book value. From the point of view of fundamental finance, this discrepancy between Dow Jones Index book values and Third Avenue book values makes no sense. The portfolio companies whose common stocks are in various Third Avenue Funds portfolios have the following characteristics:

- The companies are extremely well financed.
- The realizable value of the book value through the sale of assets is readily ascertainable.
- The companies provide terrific disclosures and trade in markets where regulators provide meaningful stockholder protection. (This is also true for the issues in the Dow Jones Index.)
- Prospects for long-term growth are promising.
- Return on Equity is comparable to the Dow Jones companies, which means that these Third Avenue issues trade at lower PE ratios than companies selling at premiums above book value.

Individual Third Avenue Funds seek to invest in the equity issues of well financed companies selling at material discounts from NAV. Such common stocks held in various portfolios include Brookfield Asset Management, Capital Southwest, Cheung Kong Holdings, Forest City Enterprises, Guoco Group, Henderson Land, Investor AB, Lai Sun Garment International, Pargesa Holdings, Toyota Industries and Wheelock and Company.

If industries are to continue to experience meltdowns and if certain companies are to be poorly financed, then well-financed companies with opportunistic managements will continue to have opportunities to make ultra-attractive investments into situations by reorganizations, capital infusions or by acquiring assets. Third Avenue Funds own many common stocks of well-financed companies with opportunistic managements. In addition Third Avenue Funds (or its predecessor) have been major and active participants in four capital infusions or reorganizations of troubled companies, of which three appear to have been successes (the fourth is still playing out).During the last 15 to 20 years, many credit-worthy companies were able to make extremely attractive investments because industries or companies became troubled. Examples of credit-worthy companies making attractive investments include the following:

- Wharf Holdings, Ltd. through a capital infusion obtained a 35% equity interest in Greentown China Holdings, a leading mainland China residential developer.
- Berkshire Hathaway made high dividend preferred stock investments with equity kickers into Goldman Sachs and General Electric.
- Fiat obtained control of Chrysler Corporation.

"If industries are to continue to experience meltdowns and if certain companies are to be poorly financed, then well-financed companies with opportunistic managements will continue to have opportunities to make ultra-attractive investments into situations by reorganizations, capital infusions or by acquiring assets. "

- Brookfield Asset Management obtained control of a huge amount of Australian assets and, also, in another situation, control of General Growth Properties.
- J.P. Morgan Chase acquired control of Bear Stearns.
- Barclay's Capital acquired control of Lehman Brothers' brokerage operations.

The Third Avenue (or predecessor) associated deals where Third Avenue entities had elements of control over the restructuring process were as follows:

- Danielson Holding Corporation acquired control of Covanta Energy Corporation, the leading U.S. Waste to Energy Company, in a Chapter 11 case. Danielson's name was then changed to Covanta.
- In partnership with Cavco Industries, Third Avenue Value Fund obtained a 50% equity interest in Fleetwood Homes in a Chapter 11 auction. Fleetwood then obtained control of Palm Harbor Homes after another Chapter 11 auction. Today, Fleetwood is fully integrated and is the second largest producer of manufactured housing in the country. If housing recovers in the U.S., Fleetwood has promise of becoming an important beneficiary.
- Nabors Drilling emerged from Chapter 11 with an all equity capitalization, the only U.S. drilling company not burdened with onerous debt created as a consequence of the petroleum bubble of the late 1970s to the mid-1980s. Nabors bought up rigs and other oil field equipment at huge discount prices. Today, Nabors is the largest land drilling company in the world.
- Third Avenue Value Fund participated in a Chapter 11 Reorganization of Home Products International principally by acquiring $20 million of a new issue of PIK convertible notes. Home Products International's outlook remains clouded.

Third Avenue analysts remain on the alert for future opportunities which might prove to be comparable to Nabors, Covanta or Fleetwood, albeit the various portfolio managers' principal focus will remain on acquiring the common stocks of healthy companies in secondary markets. Nonetheless, Third Avenue now has a much expanded capability for participation in reorganizations, asset purchases and capital infusions. David Resnick, formerly Chairman of Global Financing Advisory and Head of Restructuring at the investment banking firm Rothschild Inc., has joined Third Avenue Management as President. While at Rothschild, Mr. Resnick built the bank's restructuring practice, turning it from a small New York operation into a U.S. and global business with more than 200 high level employees. We believe that his experience leading a large and growing organization is a significant asset for Third Avenue. Mr. Resnick will also help Third Avenue's analysts identify investment opportunities; he has represented a diverse group of companies, secured and unsecured creditors and official committees on both in-and-out-of-court restructurings. Mr. Resnick has extensive experience advising companies on complex financial advisory assignments, such as recapitalizations, spinoffs as well as acquisitions of companies in bankruptcy. Some of Mr. Resnick's more notable restructuring transactions include advising American Airlines, the Board of AIG, Access Industries on the recapitalization of LyondellBasell, Delphi Corporation, Pacific Gas & Electric, The Walt Disney Company on the recapitalization of EuroDisney, JBS on its acquisition through bankruptcy of Pilgrim's Pride, and the creditors of Eurotunnel.

Third Avenue has also entered into a joint venture with Jim Millstein, the former Chief Restructuring Officer of the U.S. Treasury and the man most credited by AIG CEO Bob Benmosche with guiding the Treasury towards a profitable resolution of its investment in AIG. I have written many times since the Financial Crisis that the Treasury's intervention in AIG should be properly understood as an investment rather than a bailout. Jim's efforts in that regard are evidence for my argument. Prior to his time in Treasury, he spent two decades working on the world's largest corporate restructurings and served as Global Co-Head of Corporate Restructuring at Lazard. Now back in private life, he has founded Millstein & Co. a boutique investment bank and restructuring advisory firm. Third Avenue has found an excellent corporate partner in Millstein & Co.

I shall write you again when the quarterly report for the period to end April 30, 2013 is published.

Sincerely yours,

Martin J. Whitman
Chairman of the Board

Third Avenue Value Fund
(Unaudited)

Dear Fellow Shareholders:

During the quarter, the Third Avenue Value Fund (the "Fund") initiated three new positions, increased seven existing positions, trimmed 12 positions and eliminated two positions.

QUARTERLY ACTIVITY

Number of Shares	New Positions
2,699,323 shares	Intel Corp. Common Stock ("Intel Common")
2,082,456 shares	Investor AB Class B Common Stock ("Investor AB Class B Common")
2,150,000 shares	NVIDIA Corp. Common Stock ("NVIDIA Common")
	Positions Increased
1,000 shares	Alleghany Corp. Common Stock ("Alleghany Common")
430,000 shares	Comerica Inc. Common Stock ("Comerica Common")
356,230 shares	Devon Energy Corporation Common Stock ("Devon Common")
152,200 shares	Encana Corp. Common Stock ("Encana Common")
180,000 shares	KeyCorp Common Stock ("KeyCorp Common")
12,383,000 shares	Lai Sun Garment International, Ltd. Common Stock ("Lai Sun Garment Common")
2,683 shares	White Mountains Insurance Group, Ltd. Common Stock ("White Mountains Common")

Number of Shares	Positions Decreased
400,000 shares	Bank of New York Mellon Corp. Common Stock ("Bank of New York Common")
715,900 shares	Brookfield Asset Management, Inc., Class A Common Stock ("Brookfield Common")
3,698,000 shares	Cheung Kong Holdings, Ltd. Common Stock ("Cheung Kong Common")
4,500,000 shares	Daiwa Securities Group, Inc. Common Stock ("Daiwa Common")
507,365 shares	Forest City Enterprises, Inc., Class A Common Stock ("Forest City Common")
1,892,000 shares	Hang Lung Group Ltd. Common Stock ("Hang Lung Common")
6,327,000 shares	Henderson Land Development Co., Ltd. Common Stock ("Henderson Common")
5,479,819 shares	Investor AB Class A Common Stock ("Investor AB Class A Common")
188,000 shares	Posco ADR Common Stock ("Posco Common")
256,456 shares	Tejon Ranch Co. Common Stock ("Tejon Ranch Common")
498,100 shares	Toyota Industries Corp. Common Stock ("Toyota Industries Common")
11,036,000 shares	Wheelock & Co., Ltd. Common Stock ("Wheelock Common")
	Positions Eliminated
51,770 shares	Capital Southwest Corp. Common Stock ("Capital Southwest Common")
4,626 shares	Ecclesiastical Insurance 8.625% Preferred Stock ("Ecclesiastical Preferred")

Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of January 31, 2013: Wheelock & Co., Ltd., 7.40%; Posco (ADR), 5.80%; Henderson Land Development Co., Ltd., 5.50%; Bank of New York Mellon Corp., 5.46%; Covanta Holding Corp., 5.27%; Toyota Industries Corp., 4.69%; Devon Energy Corp., 4.67%; Daiwa Securities Group, Inc., 4.47%; KeyCorp, 4.38%; and Hang Lung Group, Ltd., 4.18%.

The Fund initiated positions in two well-financed technology companies, Intel and NVIDIA, during the quarter. Both have been negatively impacted by weak PC end-user demand and general macro-related weakness in IT spending. Intel is a household name that probably needs no introduction—it is the world's leading manufacturer of microprocessor chips. NVIDIA makes graphics and mobile processing chips.

Intel has built, over the years, a solid franchise in microprocessors ("Intel Inside") for PCs and has continued to enhance it through its technological and manufacturing leadership. Less obvious to many is Intel's dominance in and profitability generated from the server market, where data center growth has been driven by demand for cloud infrastructure build-outs. While Intel has struggled to capture share in the faster growing mobile markets versus the likes of Qualcomm, Apple, Samsung and others who utilize cheaper, lower power ARM-based designs (licensed from ARM Holdings plc, a British company), we believe there is substantial value in its core business. Over the longer term, there are a number of opportunities for growth: e.g., should an upgrade cycle be driven by Windows 8, should ultrabooks and/or other tablet hybrid computers take off, should PC growth in emerging markets accelerate. In the meantime, the stock pays a roughly 4.24% dividend; the Fund was able to acquire shares at around 4.6 times EBITDA and 10 times earnings.

Our primary attractions to NVIDIA are its leading market position in graphics processors (GPUs) and, more recently, the strides it has taken to address the growing mobile computing market (tablets and smartphones). Its tablet and smart phone offerings are based on ARM designs for low power applications, enabling us, as investors, to benefit from growth in the adoption of ARM designs, but at much more attractive pricing than buying ARM shares directly. The GPU market is being driven by an increasing demand for graphics due to increasing digital content design (e.g., videos, commercials, 3-D interactive content, product design) and are used heavily in workstations and supercomputers, where high-end computing is used for design and simulation capabilities, and gaming, where graphics at the high end has become very sophisticated and more realistic looking. NVIDIA GPUs are used in some 20% of PCs, mainly focused on special-purpose PCs for gaming, workstations, accelerated computing and premium PCs. Its main competitor in GPUs, AMD, has been facing financial difficulties, enabling NVIDIA to gain market share. The company is well-financed with a $3.7 billion war chest, at January 27, 2013, and recently initiated a quarterly dividend. The Fund was able to acquire shares at around 4.8 times EBITDA and eight times earnings ex-cash.

During the quarter, Fund Management continued to reduce its Hong Kong exposure, as strong stock performance led to narrowing of discounts to underlying net asset values ("NAVs"). As of quarter end, the Fund's Hong Kong exposure totaled 23%, down from 27% last quarter. As noted in last quarter's letter, first half 2012 financial results for the Fund's significant Hong Kong holdings were very strong with leasing income growth of 14-33%, property development margins ranging from 18-63% and NAVs per share increasing by 6-26% on an annualized basis, including dividends. Hang Lung Group was recently the first of the Fund's holdings to report full year results. Hang Lung's underlying profit increased by 83%, driven by 10% leasing income growth (13% excluding the impact of disposed properties), sales of investment properties in Hong Kong at a 70% premium to book value, and residential property sales in Hong Kong at a 66% margin. The company's shopping centers in China continue to perform very well, with leasing income up 17% and its newest property, Forum 66 in Shenyang, which Ian Lapey visited during construction last year, is already fully leased. Fund Management expects similar strong results from its other Hong Kong holdings when they report in March.

Fund Management added to its position in Encana Common following the company's announcement of a C$2.2 billion joint venture with Petro China. In this transaction, Encana sold a 49.9% non-operating stake in its undeveloped Duvernay land holdings in Alberta in exchange for C$1.2 billion in cash up front and C$1 billion in the form of a drilling carry that will result in Petro China funding 75% of the development costs over the next four years. As a result, Encana ended the year with a very strong financial position that includes more than C$3 billion in cash.

Fund Management increased its position in Lai Sun Garment Common, following a meeting with its newly named Executive Director and Deputy Chairman, Chew Fook Aun ("Mr. Chew"). We were impressed with Mr. Chew's focus on narrowing the massive discount that exists between the price of Lai Sun Garment Common and its underlying net asset value. Mr. Chew is highly incentivized to create value for shareholders, owing to options that were granted upon his appointment in June 2012 to purchase 1% of Lai Sun Garment Common at the then market price of HK$0.58 per share (versus HK$1.63 per share at quarter end and a reported net asset value of HK$5.56 per share). The Fund purchased shares during the quarter at an average price of HK$ 1.08 per share or about an 80% discount to NAV.

"Fund Management's goal is to identify companies that are well financed and have attractive longer-term business prospects, but that are undervalued by the market either because of near-term difficulties that have driven away investors obsessed with near-term earnings or that are misunderstood by the market."

Fund Management significantly reduced its position in Investor AB Class A Common during the quarter. The company had a strong year in 2012, with net asset value increasing by 15% including dividends. However, the stock performance was much stronger, up 38%, resulting in a significant narrowing of the discount to NAV. At the end of January, Third Avenue was approached by an investor interested in purchasing our class A shares and exchanging them for class B shares which have 1/10 the voting rights but much more liquidity. Because of this additional liquidity, the B shares typically trade at a premium to the A shares. Fund Management was interested in this proposal, owing to the narrowing of the discount referenced above and the opportunity to obtain a premium for its shares. Additionally, we are pleased with management and, therefore, willing to engage in the exchange despite the loss of the additional voting power provided by the A shares. After much successful negotiating by our lead trader, Michael Warlan, we were able to achieve our goal of reducing our position at a 4% premium to the then market for A shares and a discount of only 20% to reported NAV, which is at the low end of the historical range. Our remaining A shares were exchanged for the more liquid B shares that are priced at a 2% premium. Subsequently, we learned that the buyer of our shares was the Knut and Alice Wallenberg Foundation and that the Wallenberg family voting control increased to slightly above 50% as a result of the transaction. We hold this family in high regard and believe that they had effective control of the company before our transaction. The Fund now has about a 2% position in Investor AB Class B Common.

Additionally, Fund Management continued to add to existing positions in the Energy, Financial Services and Technology industries, as discussed in recent letters. We trimmed several large positions (Brookfield Common, Forest City Common, Posco Common, Toyota Industries Common, Daiwa Common, Bank of New York Common, Tejon Ranch Common), primarily, to make the portfolio more diversified, a strategy we have discussed in each of the last three shareholder letters. As of quarter end, the top ten positions in the Fund accounted for 52% of the portfolio, down from 55% at the beginning of the quarter and 70% on March 1, 2012. Finally, a couple of small non-core positions were eliminated. The Fund's cash position totaled 14.8% at quarter end.

EVALUATING MANAGERS: ARE YOU WITH US OR AGAINST US?

Fund Management's goal is to identify companies that are well financed and have attractive longer-term business prospects, but that are undervalued by the market either because of near-term difficulties that have driven away investors obsessed with near-term earnings or that are misunderstood by the market. For each investment we must believe that over the long term the business will earn a higher valuation as it executes its strategies and builds the value of its enterprise or it receives recognition in the market for doing so. To accomplish that, we need competent management, well incented and aligned with the interests of outside passive minority investors such as the Third Avenue Value Fund.

Analyzing and evaluating management is one of the more complex portions of our investment analysis. We have to evaluate track records and determine from the past what skills exist to create future value. We have to identify motivations and incentives.

We start by understanding that management is separate from the company and, as such, there are communities of interest and conflicts of interest between management and outside shareholders. A good management team and Board of Directors should keep the needs of all shareholders in mind. However, management may have its own agenda, particularly as it relates to compensation, incentives, job security, etc. We, as outside, passive minority shareholders, need to be cognizant of this as we do our analysis.

In our analysis of management, we want to understand their track record as operators, as owners, and as financiers. Are their actions friendly to outside minority investors, such as us? Are their personal incentives aligned with us? Have they shown positive business acumen in operating the business? How promotional or conservative are they in their forecasts for the business? Have they been able to build value in the business over time? Do they have a longer-term vision for the business? Is their strategy reasonable, aspirational or made out of desperation? If they have made acquisitions, have they been able to successfully integrate the businesses and garner expected synergies, or have they had to take write-downs and impairments? Have they shown the ability to access the capital markets opportunistically? How is the corporate governance structured, i.e., do they have measures that help to entrench management to the potential detriment of shareholders (e.g., staggered board, poison pill, golden parachutes, blank check preferred, etc.)?

An investment is not disqualified just because questions about management cannot be universally answered in a positive manner. However, we do weigh the probabilities that said management team will act in the better interests of outside shareholders.

An analysis of a company's public disclosures can provide clues to management and how conservative or promotional they are. The choice of accounting standard can be quite informative, e.g., an oil and gas exploration and production (E&P) company's decision to use full cost accounting or successful efforts accounting. Successful efforts is the more conservative method when E&P expenditures are increasing. The two methods differ in the way they treat specific operating expenses relating to the exploration of new oil and natural gas reserves (using successful efforts, only costs associated with finding new reserves are capitalized while all associated discovery expenses are allowed to be capitalized using the full cost method) which will affect how net income and cash flow are reported. While both methods are acceptable, use of successful efforts would, most of the time, imply a more conservative approach.

Management's track record as operators of the business, investors and financiers can be ascertained via the financials over time. Of course, the fundamentals of the business will have great bearing on the financial results and, to the best of our ability, we try to distinguish between results and process. Growth in book value, the sources of that growth (i.e., organic versus acquisition) and returns over time are metrics that we can examine, though there are qualitative issues as well. We look for track records of being opportunistic and savvy allocators of capital. In what could be considered a Buffett-esque move akin to his investment in various financial firms during the height of the financial crisis, Wharf Holdings, a subsidiary of Fund holding Wheelock & Co., made a capital infusion into Chinese property developer Greentown China Holdings to shore up its financial position and to leverage Wharf/Wheelock's access into mainland China. The transaction was completed in June 2012 at

HK$5.20 per share for the common equity and a convertible bond with a conversion price of HK$7.20 per share; the shares are currently trading at HK$14.98 per share. On the other hand, we are wary of companies that have histories of writedowns, impairments and restructuring charges that management considers "one-time", but occur fairly regularly.

Management's discussion and analysis (MD&A) section in its public disclosures can also provide clues. In this section, management provides an overview of its business and an overall analysis of financial and other highlights affecting the company, results of operations and an analysis of changes to liquidity and capital resources. This section is unaudited, but the amount and detail of the information provided can give analysts some insight, e.g., a less open, less transparent management team is apt to provide only the minimal amount of information as would a boiler plate recitation of broad and generic risks and opportunities.

In terms of assessing alignment with outside shareholders, the proxy statement is a helpful document. The proxy statement provides information on insider ownership and top management's compensation and incentive structure. Managements with high insider ownership are more likely to focus on the longer-term fundamentals of the business and more likely to be aligned with long-term investors like Third Avenue. However, again, there are inherent conflicts of interest with outside minority shareholders should management with high insider ownership want to take the company private at a "take-under" price. It is instructive to see what metrics are used for incentive compensation, e.g., is it sales (absolute or growth of), earnings, operating income, cash flow, orders, return on equity, return on assets, total stockholder return, share price, etc.? Importantly, the incentives should be aligned with shareholders' interests. While the Compensation Committee of the Board is tasked with determining the metrics, clearly management will have input (and, for that matter, the composition of the board itself is often a reflection of management). Since the credit crisis, there have been some recent changes related to oversight of management compensation (as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act) including "say-on-pay" and "say-when-on-pay", clawback provisions, say-on-golden parachutes and Compensation Committee independence.

The proxy statement also discloses information on the structure of the Board of Directors. We view a classified board as less shareholder-friendly, as well as other corporate governance measures such as poison pills, super-majority voting, blank check preferred and golden parachutes. The state in which management chooses to incorporate the company is also telling, as certain states are friendlier to outside shareholders than others.

As we have stated before, it's entirely common for companies to fail one or more management tests. It might even be that such failures are the reasons why a company is available for purchase at a discount to net asset value. In the case of a company where management has a poor track record of building shareholder value and the likelihood of change is low, we more often than not will not invest as common stockholders, no matter how attractively priced.

Once we own a security, however, we try to be constructive and to the extent that we believe we can be helpful, we will have discussions with management. If we still do not see eye to eye, then we have two choices, (i) vote with our feet and sell the position or (ii) get active. Some recent examples of the latter include our 13D filings for Tellabs and Forest City Enterprises. While activities at Tellabs are still a work in progress, efforts undertaken at Forest City could be deemed largely successful (see Third Avenue Real Estate Value Fund's shareholder letter dated April 30, 2012 for more detail).

Our activist positions are limited and well considered. Assuming solid business fundamentals, savvy management combined with strong balance sheets can often form the path to the results we're seeking.

USING THE BALANCE SHEET TO PLAY OFFENSE AND DEFENSE

A strong balance sheet has both offensive and defensive characteristics. While we speak often about the balance sheet as a bulwark against rough economic times, it is also an asset to be creatively and productively employed by company managers who are, in effect, acting not just as operators, but also as investors. In general, and certainly in our portfolio, corporate balance sheets are strong. Economic uncertainly has permeated the business environment and it has proven to be a test for management teams to navigate. When management believes that investing excess capital back into their own stock is the best use of shareholder funds, it gets our attention.

We have been reducing our Hong Kong exposures and reinvesting those funds into companies in three areas: Energy, Financial Services and Technology. Of the 16 companies we have invested in over the past year (new and existing investments), half have been repurchasing shares. Listed below is a summary of the purchases as a percentage of market capitalization. As the chart indicates, a few of these companies have been investing material portions of their market capitalization into buying back shares.

Company	Share repurchase amounts ($MM)*	Market capitalization ($MM)	Buyback as % of market capitalization
Alleghany Corp.	$ 44	$ 6,182	0.71%
Applied Materials Inc.	1,416	15,800	8.96%
Comerica Inc.	308	6,700	4.54%
Devon Energy Corp.	345	23,500	1.47%
Intel Corp.	5,110	106,000	4.15%
KeyCorp	256	8,800	2.91%
Tellabs Inc.	4	774	0.52%
White Mountains Insurance Group	540	3,700	14.59%

Source: Capital IQ.
*Shares repurchased over past 12 months.
Data as of January 31, 2013.

As our management teams repurchase shares, it is comforting to know we are investing alongside them. We believe these buybacks will create further value for our shareholders over time.

In his second quarter 2012 Chairman's Letter, Marty Whitman highlighted the benefits of share repurchases. Specifically, he mentioned that managements know the assets of their own company better than they know the assets of competitors and peers; so, buying company stock is a preferable way to deploy funds as opposed to acquisitions. Most importantly, buying company shares at attractive prices significantly improves the chances of our companies achieving our 10% NAV compounding hurdle rate. As the company expands its asset base, the growth will be spread over fewer shares outstanding.

Share buybacks are not always a sign of good prices as managements sometimes repurchase shares when the stock price is overvalued. On the other hand, when we have independently identified an undervalued security, we see it as a positive when management concurs and invests alongside us.

TEAM PORTFOLIO MANAGEMENT STRUCTURE

Effective January 2, 2013, all of the Third Avenue Funds implemented a team portfolio management structure. As such, this letter was written and signed by the portfolio management team, which consists of Ian Lapey, Victor Cunningham, Michael Lehmann and Yang Lie. For the Third Avenue Value Fund (the "Fund"), the announcement of this dedicated portfolio management team formalized the Fund's team-oriented research process and a recognized the contributions that Vic, Yang and Michael have made to the Fund. Yang, Michael and Ian have nearly 12 years' experience working together at Third Avenue. Vic Cunningham joined the firm a year ago and has done a terrific job, prompting this promotion.

We shall write to you again when we publish our Second Quarter Report, dated April 30, 2013. Thank you for your continued interest in the Fund.

The Third Avenue Value Fund Team

Ian Lapey
Yang Lie
Michael Lehmann
Victor Cunningham

Third Avenue Small-Cap Value Fund
(Unaudited)

Dear Fellow Shareholders:

During the quarter, Third Avenue Small-Cap Value Fund ("Small-Cap Value" or the "Fund") initiated five new positions, added to 17 of its 65 existing positions, eliminated five positions and reduced its holdings in 20 companies. At January 31, 2013, Small-Cap Value held positions in 63 common stocks, the top 10 positions of which accounted for approximately 26% of the Fund's net assets.

Number of Shares	New Positions Acquired
156,398 shares	ABM Industries, Inc. Common Stock ("ABM Common")
268,534 shares	EnerSys, Inc. Common Stock ("EnerSys Common")
63,952 shares	Hyster-Yale Materials Handling, Inc. Common Stock ("Hyster-Yale Common")
64,381 shares	Orbital Sciences Corp. Common Stock ("Orbital Sciences Common")
187,854 shares	Starz-Liberty Capital Common Stock ("Starz Common")
	Positions Increased
4,480 shares	Allscripts Healthcare Solutions, Inc. Common Stock ("Allscripts Common")
10,000 shares	American Eagle Outfitters, Inc. Common Stock ("American Eagle Common")
105,346 shares	Cal-Maine Foods Inc. Common Stock ("Cal-Maine Common")
78,604 shares	Cloud Peak Energy, Inc. Common Stock ("Cloud Peak Common")
21,425 shares	Compass Minerals International, Inc. Common Stock ("Compass Minerals Common")

Number of Shares	Positions Increased (continued)
53,153 shares	Electro Scientific Industries Inc. Common Stock ("Electro Scientific Common")
75,166 shares	Harman International Industries, Inc. Common Stock ("Harman Common")
332 shares	J&J Snack Foods Corp. Common Stock ("J&J Common")
132,300 shares	Jakks Pacific, Inc. Common Stock ("Jakks Common")
45,000 shares	Jos. A. Bank Clothiers, Inc. Common Stock ("Jos A Bank Common")
10,956 shares	LSB Industries, Inc. Common Stock ("LSB Common")
107,314 shares	Minerals Technologies Inc. Common Stock ("Minerals Technologies Common")
44,524 shares	P.H. Glatfelter Co. Common Stock ("Glatfelter Common")
236,858 shares	Pioneer Energy Services Corp. Common Stock ("Pioneer Common")
10,000 shares	Sensient Technologies Corp. Common Stock ("Sensient Common")
60,514 shares	Stepan Co. Common Stock ("Stepan Common")
45,334 shares	Weight Watchers Intl., Inc. Common Stock ("Weight Watchers Common")
	Positions Decreased
4,712 shares	Alico, Inc. Common Stock ("Alico Common")
4,064 shares	Alleghany Corp. Common Stock ("Alleghany Common")

Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Small-Cap Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of January 31, 2013: Alleghany Corp., 3.09%; Madison Square Garden, Inc., 2.91%; Teleflex, Inc., 2.87%; JZ Capital Partners, Ltd., 2.79%; Oshkosh Corp., 2.63%; Kennametal, Inc., 2.40%; Liberty Media Corp., 2.37%; Harman International Industries, Inc., 2.31%; Ingram Micro, Inc., 2.31%; and AP Alternative Assets, L.P., 2.27%.

Third Avenue Small-Cap Value Fund (continued)
(Unaudited)

Number of Shares	Positions Decreased (continued)
108,628 shares	Bel Fuse, Inc. Class B Common Stock (“Bel Fuse Class B Common”)
340,090 shares	Cross Country Healthcare, Inc. Common Stock (“Cross Country Common”)
10,553 shares	Darling International, Inc. Common Stock (“Darling Common”)
2,100 shares	E-L Financial Corp., Ltd. Common Stock (“E-L Common”)
34,798 shares	Emcor Group, Inc. Common Stock (“Emcor Common”)
13,487 shares	Encore Wire Corp. Common Stock (“Encore Common”)
26,590 shares	Kennametal Inc. Common Stock (“Kennametal Common”)
186,125 shares	Leucadia National Corp. Common Stock (“Leucadia Common”)
265,930 shares	Lexmark International Inc. Class A Common Stock (“Lexmark Class A Common”)
25,000 shares	Liberty Media Corp. Common Stock (“Liberty Common”)
169,414 shares	Oshkosh Corp. Common Stock (“Oshkosh Common”)
11,200 shares	Progress Software Corp. Common Stock (“Progress Common”)
310,104,750 shares	PYI Corp. Ltd. Common Stock (“PYI Common”)
50,000 shares	Rofin-Sinar Technologies, Inc. Common Stock (“Rofin-Sinar Common”)
56,166 shares	Seacor Holdings, Inc. Common Stock (“Seacor Common”)
60,886 shares	Superior Industries Intl., Inc. Common Stock (“Superior Common”)
1,353 shares	Unifirst Corp. Common Stock (“Unifirst Common”)
9,700 shares	Wacker Neuson SE Common Stock (“Wacker Neuson Common”)

Number of Shares	Positions Eliminated
212,504 shares	Bristow Group Inc. Common Stock (“Bristow Common”)
62,500 shares	Canfor Corp. Common Stock (“Canfor Common”)
32,346 shares	Haemonetics Corp. Common Stock (“Haemonetics Common”)
46,278 shares	Lanxess AG Common Stock (“Lanxess Common”)
32,487 shares	Westlake Chemical Corp. Common Stock (“Westlake Common”)

SIGNIFICANT TRANSACTIONS

Fund Management capitalized on company-specific developments and a broader market market rally to initiate several new positions, exit others and resize numerous positions to some degree, largely reflecting changes in the respective spreads between price and underlying business value or portfolio considerations such as maintaining reasonable position sizing in the face of meaningful price movements. The Fund’s cash levels decreased to 11%, from 15% in the prior quarter. We added five new positions. Two of the more significant new positions, EnerSys Common and ABM Industries Common, are discussed below, while one, Starz Common, was a spin-out from Fund holding Liberty Media Common, as Liberty Media Chairman John Malone’s quest to create shareholder value continues to drive resource conversion.

EnerSys is a company that has likely touched the lives of most of you reading this letter or the supply chain of most companies in the Fund in some shape or form, even though its products are often unnoticed or out of sight. EnerSys manufactures industrial batteries – historically lead-acid batteries used in forklifts and other industrial equipment, but the company’s batteries have also become an integral part of back-up power or uninterruptible power supplies for cell towers, data centers, pipelines, submarines, aircraft and other critical infrastructure and equipment. The company is the largest in a reasonably concentrated market, with an enviable track record of value creation for shareholders through growth, margin expansion and cash generation.

Reliability, safety and service help differentiate what might otherwise be perceived as a commoditized product. Boeing's recent travails with the electrical system and battery fire that grounded the recently launched 787 aircraft highlight this importance. While EnerSys did not provide the battery to Boeing that is in question, EnerSys' size and diversified product offerings may mitigate any such unfortunate occurrence with, or scrutiny of, one of its offerings.

EnerSys had been on our watch list for about a year before the Fund initiated a position this past quarter at a valuation approximating 10 times earnings and free cash flow. If past is prologue, management should continue compounding value at above-average rates through thoughtful acquisitions and organic growth, supported by growing demand for backup power systems and a continuing shift from combustion engines to electric motors for environmental and total cost of ownership reasons, particularly in developing markets. Meanwhile, a healthy balance sheet, the company's free cash flow, and an undemanding valuation create a significant "margin of safety" and protection on the downside.

ABM Industries traces its beginnings back to 1909, when its founder Morris Rosenberg invested $4.50 in cleaning materials and began cleaning windows for shopkeepers in San Francisco. Over a century later, the company is the largest provider of janitorial services in the U.S. and – through a series of acquisitions – has branched into other service areas to offer a one-stop shop for facilities management. Today ABM provides engineering, janitorial, electrical, parking, landscaping and security services (stand-alone or bundled) to thousands of commercial, residential, and governmental customers throughout the U.S. and Canada.

Shares of ABM have languished over the last two years in the wake of an ill-timed acquisition by the company – in December 2010 ABM bought another building-maintenance specialist named The Linc Group, a contractor whose business included the management of barracks in Iraq for the U.S. Government. With the swift withdrawal of U.S. troops in 2011 Linc's Iraq business has largely disappeared. Even so, Linc accounts for only about 12% of ABM's sales and the lost Iraq business was only 2% of ABM's total revenue by our estimates. We believe the untimely acquisition has helped afford us a rare opportunity to invest in a very strong company at attractive prices (around 7.5 times estimated EBITDA[1] for this year). Ultimately, ABM still exhibits many of the elements we look for in our search for high-quality companies:

- Stability: While periods of soft economic conditions will certainly pressure ABM's sales and profitability, the impact is unusually benign owing to the largely non-discretionary nature of its services, bolstered by long-term, cost-plus customer contracts. We believe ABM's services face minimal obsolescence risk over the long term and that the company's resilient performance during the recent recession (no step-back in earnings) demonstrates its staying power and the necessity of its services.
- Growth: ABM has long enjoyed a trend towards outsourced facilities management and continues to do so, particularly within the engineering services space. ABM also stands to take or acquire market share from competitors given the facilities management industry remains very fragmented despite ongoing consolidation. In the case of Linc, the acquisition significantly strengthened ABM's engineering offerings and, thus, the potential for outsized growth from 'bundled' services solutions, e.g., providing integrated janitorial and engineering services for a building. Lastly,

[1] Earnings before interest, tax, depreciation, and amortization.

ABM generally stands to benefit from the ongoing recovery of the U.S. economy and resultant improvements in office and hotel occupancy rates.

- Financial position: ABM enjoys a strong financial position, as Management has firmly committed to keeping the company's debt level modest[2]. Combined with the manageable reinvestment needs of the business and its very stable generation of free cash flow, this conservatism has afforded ABM the important flexibility to pursue attractive acquisition opportunities and consistently pay and grow its dividend[3].
- Management: ABM's management team is very experienced in the business, with the majority having very long tenures with the company. On the whole, management appears to have done a good job identifying and integrating the numerous acquisitions completed by ABM over the years without assuming compromising levels of debt. Management also enjoys a reputation for being good operators and disciplined around the pricing of contracts.
- Resource conversion: With the ongoing consolidation across the industry and the stable business model seemingly attractive to private equity investors, the facilities management industry has seen a considerable number of ABM's peers taken private over the years. As such, we believe there is a possibility ABM could be acquired at some point. Based on the valuations of prior industry transactions, shares of ABM could command an acquisition price substantially higher than today's prices.

During the quarter, the Fund exited several long-held positions. We thought a brief discussion of our views on Lanxess and Westlake might provide helpful illustrations of our sizing/sell discipline when business fundamentals have developed favorably.

Shares of Lanxess entered the portfolio in late 2007 as a chemical company perceived to be highly cyclical, with a seemingly short history by virtue of a recent spin-out from Bayer, and heading into an economic downturn of uncertain depths. We felt the market was missing a track record of market leadership in synthetic rubber, pigments and other specialty chemicals and a set of unique, very costly and difficult to replicate assets, all obscured during their ownership by their former parent. Management initiatives to divest the most cyclical and commoditized product lines were receiving no credit from investors and, importantly, the company appeared to have ample room to continue improving the business and exercising its previously neglected pricing power. Fast forwarding to today, management has been more successful than we expected in building the business and improving profitability: green-field expansions, de-bottlenecking facilities, acquiring and rationalizing capacity, raising prices and improving the flexibility of the cost structure. Most of the heavy lifting appears done with the corresponding benefits recognized or in the numbers and we expect incremental improvement going forward will be more modest. Shares appear to remain reasonably valued and will likely remain discounted to what a strategic buyer might pay were the company to be sold, but with more modest future return expectations and shares firmly above what might be considered "small cap", we elected to redeploy capital elsewhere, including to the names highlighted above.

Westlake Chemical produces various plastics and intermediate products, primarily from natural gas derivatives. In 2007, when we initiated our position, the concerns of the day were primarily a drop in demand from falling residential construction and new large-scale capacity coming online in the Middle East. We felt that given Westlake's history and financial condition, it would perform well over time, despite near-term difficulties. Westlake had

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[2] Management currently targets leverage of about 1.5 times EBITDA.
[3] ABM has paid a dividend every quarter for almost fifty years, one of the longest streaks among public companies in the U.S., with the current dividend yield around 2.6%.

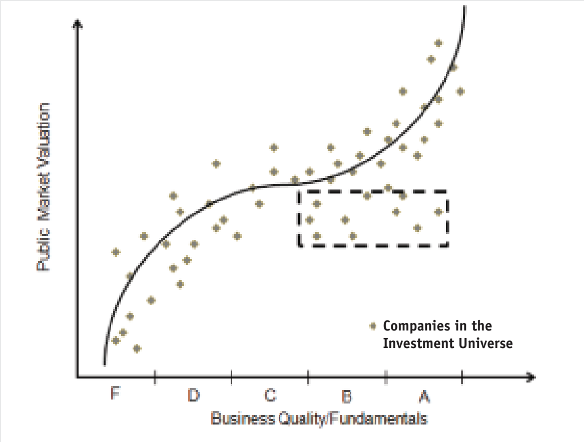
newer facilities than most U.S. producers, cost advantaged feed stocks relative to most global capacity, a lean cost structure and assets trading well below replacement cost. What we did not see was the magnitude of the cost advantage that arose with the proliferation of shale gas drilling in the U.S. and resulting glut of natural gas byproducts that has benefited Westlake over the past year or so. As of this writing, hindsight tells us that every share we have sold has been too early (albeit at a profit); however, portfolio considerations, such as position sizing, sector exposures and valuation, must also be taken into account. At recent levels, shares are leaving the orbit of valuation based on "what is" and seem to be either ascribing value to capacity the company has yet to build or making assumptions about the duration and magnitude of the feedstock cost advantage to which we have trouble underwriting as value investors. The Chao family exemplifies the best in "owner managers" and we thank them for their stewardship of Westlake.

GRADING ON THE CURVE

Last quarter our team's letter ended with a discussion of "The Three Ps – Performance, People and Portfolio" as a means of self-reflection and as a way to consider our own report card for the year. We should amend the three Ps to include "Process", a topic that deserves some attention, particularly in light of our team's expansion.

"At Third Avenue, we attempt to protect our capital by not only avoiding companies assigned rich valuations and held to high expectations, but also by avoiding companies with potentially impaired business models that might not have sufficient capital, resources or skill to grow their businesses. "

Graphically, and somewhat simplistically, we think of our investment universe – the "pond in which we fish" – as a curvilinear relationship plotted against business quality and valuation as illustrated in the diagram below. The horizontal axis depicts corporate fundamentals, including business economics and quality, management and financial strength, while the vertical axis represents public market valuation. Generically "A" companies are those characterized by, for example, strong growth, high returns on equity/assets, stable or growing margins and an absence of competition. "D" companies are those with operational problems, weak market positions, poor financials and a general lack of opportunities for improvement.



We recognize it is not sufficient to simply buy cheap companies and hope for the best. Something cheap can stay cheap forever, or get cheaper. Nor is it enough to simply buy "quality" companies, because what is performing well now is not always going to perform well tomorrow. We believe we can make the most on our investments by buying change (improvement) at a discount to fair value or buying mispriced quality, as depicted by the box under the curve. If we have done our analysis correctly and fundamentals continue to improve, our "B students" turn into "B+" or "A students" and our "C students" turn into "B students." Our expectation is that the improvement is then captured in an improved valuation, either via public market appreciation or through private market realizations (e.g., a buyout or merger).

At Third Avenue, we attempt to protect our capital by not only avoiding companies assigned rich valuations and held to high expectations, but also by avoiding companies with potentially impaired business models that might not have sufficient capital, resources or skills to grow their businesses. You will note from our depiction that, for companies at each end of the curve, even a modest step back in fundamentals can result in outsized depreciation. We tend to avoid high flyers as well as the proverbial cigar butts and, therefore, tend to concentrate on C and B companies (as well as grossly misunderstood A companies) in building our portfolio and idea pipeline.

As a tool to help our team consider whether or not a stock merits a position in the portfolio, we utilize a "grading matrix" where we categorize companies based on Valuation and Business Quality (which includes Management and Financial Strength). In turn, our matrix acts as a guide for position sizing. On the one hand, we believe pre-determined standards remove individual biases and emotion and better control position sizes. On the other, it avoids a rigid, "black box" approach and a potentially dysfunctional "management by committee", i.e., consensus.

The grading system that we have devised is ultimately subject to a "common sense" test. As we have separated out the various attributes of a company, we then reconcile our grades against the question: "does this make sense?"

This "common sense check" has always been an integral part of Third Avenue's process. Our grading procedures represent a way of helping to focus that judgment on companies that we might consider for inclusion in the portfolio. Grading our students is just part of the job. We also want to figure out which ones will grow and create value over time. That has always been a hallmark of Third Avenue's approach, where we look not just for undervalued assets, but those that can compound at double digit rates over the long run.

PORTFOLIO TEAM UPDATE

As we alluded to in our last letter, we have expanded and formalized what has been a collaborative team approach to managing the Fund. We are thrilled to have named Charles Page and Tim Bui as portfolio managers on the Fund, where they will have even more direct impact on the portfolio, and Evan Strain as an analyst on the team. Of course, our team is supported by Third Avenue's broader 28 member investment group. With more experience and perspective than ever, the Fund's foundation has never been stronger.

We look forward to writing to you again after our second fiscal quarter. Thank you for your continued support.

Sincerely,

Third Avenue Small-Cap Value Team

Curtis Jensen
Tim Bui
Charles Page

Third Avenue Real Estate Value Fund
(Unaudited)

Dear Fellow Shareholders:

We are pleased to provide you with the Third Avenue Real Estate Value Fund's (the "Fund") report for the quarter ended January 31, 2013.

QUARTERLY ACTIVITY

The following summarizes the Fund's investment activity during the quarter:

Number of Shares or Contracts or Notional Amount	New Positions Acquired
AUD 98 million	Australian Dollar Calls (sold) expiring February 2013 to March 2013 ("Aussie Calls")
AUD 98 million	Australian Dollar Puts (bought) expiring February 2013 to March 2013 ("Aussie Puts")
292,265 shares	First Potomac Realty Trust Common Stock ("First Potomac Common")
48,846 contracts	Hang Seng Property Index June 2013 puts (bought) – Strike price HKD31,603 ("HSP Index Puts")
246,413 shares	Hyatt Hotels Corp., Class A Common Stock ("Hyatt Common")
1,624,816 shares	Millennium & Copthorne Hotels PLC Common Stock ("Millennium & Copthorne Common")
	Positions Increased
715,948 shares	Wereldhave NV Common Stock ("Wereldhave Common")
	Positions Decreased
26,300 shares	Daibiru Corp. Common Stock ("Daibiru Common")
360,900 shares	Lowe's Companies, Inc. Common Stock ("Lowe's Common")

Investment Amount or Notional Amount	Positions Eliminated
$37,000,000	Alliance Bernstein Legacy Securities (C 1) Fund, L.P. Limited Partnership Interest ("Alliance Bernstein LP Interest")
AUD 98 million	Australian Dollar Calls (sold) expired November 2012 through January 2013 ("Aussie Calls")
AUD 98 million	Australian Dollar Puts (bought) expired November 2012 through January 2012 ("Aussie Puts")

DISCUSSION OF QUARTERLY ACTIVITY

During the quarter, the Fund initiated two common stock positions in hotel companies and one common stock position in a U.S. REIT. In addition, the Fund reduced its position in Lowe's Common based on valuation and position sizing. The Fund also renewed its hedging contracts on the Australian Dollar and increased its hedge on the Hang Sang Property Index.

Historically, the Fund has had limited exposure to the hotel/lodging sector, due to lack of contractual income (daily lease terms) and high levels of refurbishment costs relative to other property types. However, hotel companies that are extremely well financed (like Hyatt Hotels and Millennium & Copthorne) can withstand the more cyclical nature of the lodging business and ultimately capitalize on a recovery in room rates.

Hyatt is a U.S.-based hospitality company that owns, manages, franchises and develops hotels on a global basis. The company has a presence in 19 of the 25 most populated markets in the world, including some irreplaceable properties in New York, San Francisco and London. While Hyatt has been in business since the 1950s, its common

Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Real Estate Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of January 31, 2013: Forest City Enterprises, Inc., 8.15%; Cheung Kong Holdings, Ltd., 5.12%; Brookfield Asset Management, Inc., 4.52%; Weyerhaeuser Co., 3.71%; Wheelock & Co., Ltd., 3.68%; First Industrial Realty Trust, Inc., 3.58%; Lowe's Cos., Inc., 3.50%; Henderson Land Development Co., Ltd., 3.38%; Hammerson PLC, 3.34%; and Westfield Group, 3.33%.

shares were not traded publicly until 2009 in order to create liquidity for the Pritzker family (who continues to own 57% of the company). Hyatt has a reputation as a conservative hotel owner and capable operator with a very strong real estate footprint. That remains the case today, as the company maintains a super-strong balance sheet (net debt-to-asset ratio below 10%) and it owns the vast majority of its properties with nearly two-thirds of its cash flow generated from owned properties. The Fund initiated a position in Hyatt Common at a discount to our conservative estimate of net asset value. We believe the stock trades at a discount to NAV and its peers primarily because (i) the hotel owner-operator model is somewhat out of favor, as the capital markets seem to place a premium on pure-play owners (hotel REITs) or separate "asset light" hotel brand and management companies (e.g., Marriott, Starwood, etc.) and (ii) the company is not a likely takeover candidate, considering that the Pritzker family controls the company with super-majority voting shares. We are cognizant of these two issues, but do not believe they are "show stoppers". In fact, we believe an investment in Hyatt Common offers "multiple ways to win". Hyatt Common could trade at prices closer to NAV as the Pritzker family further reduces its stake in the company (which seems to be an ongoing process), the company pares back its ownership of hotels in the U.S. in order to finance its expansion abroad, and/or the fundamentals for the hotel business continue to benefit from recovering demand and record low levels of supply. Hyatt has an industry-leading pipeline of future hotel developments, which should give it a competitive advantage if new supply is warranted by demand.

Millennium & Copthorne plc is a London-based owner and operator of hotels, with particular focus on gateway cities and Asian emerging markets. City Developments Limited, a Singapore-based holding company (and a holding in the Fund) owns 55% of the company. Although its common shares are listed on the London Exchange for historical reasons, Millennium & Copthorne's earnings are largely driven by its hotels in Asia, which accounts for more than half of the company's earnings today. Similar to Hyatt, Millennium & Copthorne owns the majority of its hotels, which often results in a discounted valuation relative to peers, although the ownership of the real estate provides opportunities for redevelopment and/or resource conversion. This is especially the case for Millennium & Copthorne, as it owns a number of "4-star" hotels in "5-star" locations as evidenced by the company's properties in Times Square in New York and Mayfair in London. These assets, among others, represent the potential for significant value creation over time. With the company's strong balance sheet and improving fundamentals over the past few years, we believe Millennium and Copthorne is a prime candidate for resource conversion at some point in the future and, like Hyatt, offers "multiple ways to win", as shareholders would benefit from (i) NAV growth from improving fundamentals and redevelopment projects or (ii) a closure of the discount stemming from some sort of corporate activity.

The Fund initiated a position in the common stock of First Potomac Realty Trust as a "special situation" investment. First Potomac is a U.S.-based REIT that owns a portfolio of office, flex, and industrial properties in the Washington, D.C. metropolitan area. The company aggressively acquired assets during 2010 and 2011 at attractive prices but added too much debt in the process. Toward the end of 2010, fundamentals in the D.C. area began to weaken and, in 2012, the company delayed filing its first quarter earnings, conducted an internal investigation regarding material weaknesses in internal reporting controls, and the CFO resigned. As a result, the stock languished for nearly two years, trading at a substantial discount to NAV. The company recently announced a new strategic plan, whereby the company would explore the sale of its industrial assets and use the proceeds to de-lever the balance sheet. It also cut the dividend by 25% to a more sustainable level. The new strategic plan should strengthen the balance sheet, improve the quality of the portfolio, result in a more stable and resilient business and make the company an attractive acquisition candidate if the discount to NAV does not close.

THE IMPACT OF HIGHER INTEREST RATES (when and if it happens)

One of the big advantages of managing a real estate-dedicated mutual fund at Third Avenue is that the four of us, who focus exclusively on real estate, have the opportunity to interact with the other 28 members of the investment team on a daily basis. These other professionals—which include members from our Value, Small Cap, International and Credit Teams—have years of investing experience and spend their time evaluating a wide array of investments all over the world. They often have differentiated views for us to consider as it relates to our real estate related investments.

In this regard, a frequently asked question and topic of discussion among Third Avenue investment professionals is what impact rising interest rates would have on our various holdings and the portfolios in general. While trying to tackle this topic, as it relates to global real estate, in a single shareholder letter is a daunting task, we will attempt to explain our view on how rising interest rates might impact various segments of the global real estate markets and how the Fund's underlying holdings might perform in such an environment. In short, it is our view that rising interest rates would likely create some volatility in the short term (which is the friend of the value investor); but, over the long term (which is where our focus ultimately lies), could ultimately benefit the majority of the Fund's holdings (as explained below).

The $64 question: How will rising interest rates impact real estate values? Our answer: It depends. In fact, the impact on property values will vary greatly depending on (i) why interest rates are rising and (ii) what type of property one is talking about. If long-term interest rates spike materially due to some sort of economic crisis (e.g., a U.S. Treasury default), we have no specific opinion on the impact to real estate values (other than "it will probably be bad for most investments, real estate or otherwise – but, at least we own hard assets"). However, in a scenario where more vibrant economic growth in the U.S. leads to a falling unemployment rate, the Fed has explicitly stated it will increase short-term rates and is likely to take its foot off the gas as it relates to buying on the long-end of the curve. A vibrant economy and rising employment will likely be inflationary, leading to higher interest rates.

Commercial properties (retail, office, apartments, industrial, etc.) are primarily valued based on applying cap rates (i.e., initial yields) to property cash flows. Cap rates have historically been highly correlated to long-term interest rates, with the highest correlation being Baa corporate bond yields (as opposed to 10-year treasuries). Based on history, it is reasonable to assume that an increase in 10-year treasury yields will result in an increase in Baa corporate bond yields, but not necessarily on a one-to-one basis. In fact, credit spreads (the spread between Baa bond yields and the "10-Year") have historically tightened during periods of rising 10-year treasury rates. What does that mean? Simply put: if the 10-Year rates increase in response to economic growth, we would also expect Baa corporate bond yields and cap rates to increase, but at a more muted pace due to tighter credit spreads. Higher cap rates translate into lower property values, all else being equal.

But, all else isn't equal. The second part of the answer to the $64 question is that the impact of rising interest rates depends on the property type, location and tenant lease terms. In order for property values to not decline, higher cap rates need to be offset by increased cash flow. For example, a property that generates $12 million of cash flow would be valued at $200 million using a 6.0% cap rate. At a 6.5% cap rate, the value would be only $184.6 million – a 7.7% decrease. The property would have to generate an additional $1 million of cash flow (an 8.3% increase) to offset the impact of the higher cap rate. The impact of leverage further magnifies higher cap rates. For instance, if the property was 50% leveraged with a mortgage, the 7.7% decrease in property value would result in 15.4% decrease in equity (or net asset value). The ability of commercial property owners to increase cash flow through rental increases depends on the length of lease terms for tenants in place, near-term lease expirations/renewals and current occupancy levels.

Property types with shorter lease terms, such as hotels (daily leases), apartments (annual leases), or industrial and retail properties (five-year leases) should fare the best over the medium term, as these property types are more likely to be able to increase rental rates, offset higher cap rates and keep pace with, if not exceed, the rate of inflation. On the other end of the spectrum, properties that are fully occupied by tenants with long-term leases could actually perform the worst in a rising interest rate environment. This is a somewhat contrarian view, as these types of assets have been the most popular in recent years and have been bid up in price due to their stable, long-term contractual cash flows. However, unless a property has substantial near-term lease expirations, it will be very challenging to increase cash flow at a fully-occupied office building or healthcare facility with 10-15 year leases in place, making them the most susceptible to rising cap rates.

PROTECTING CAPITAL IN A RISING RATE ENVIRONMENT

Recognizing that higher interest rates would likely lead to higher cap rates and, thus, lower asset values for most property types, Fund Management believes the portfolio is uniquely positioned to protect the value of the Fund's invested capital in a rising rate environment, to wit, the Fund is or has:

> **"Recognizing that higher interest rates would likely lead to higher cap rates and, thus, lower asset values for most property types, Fund Management believes the portfolio is uniquely positioned to protect the value of the Fund's invested capital in a rising rate environment. . . "**

- **Generally avoiding stocks favored by income-seeking investors**
  Investors have bid up the prices for REIT common stocks (particularly in the U.S.) well above fundamental value to attain current yield. On average, U.S. REIT stocks are trading at an estimated 15-20% premium to NAVs and record low dividend yields of 3.4%. While the yield seems attractive relative to other investment alternatives, an increase in interest rates (without a corresponding increase in dividend payouts) could materially impact REIT share prices. Since 1994, REIT dividend yields have averaged 120 basis points over the 10-Year. Similar to Baa corporate bond yields, the spread is wider today (approximately 140 basis points) due to the Fed's initiatives. Should the 10-Year yield increase to 3%, REIT dividend yields would likely need to increase to 4.2% (assuming the spread tightens to 120 basis points). In order for REIT dividend yields to increase to 4.2%, dividend payouts would need to increase by 23.5% from current levels (not likely in our opinion) or REIT share prices need to decline by 19%. The outcome is likely some combination of both. The Fund only has 8% of its net assets invested in U.S. REITs, which consists of four holdings: Weyerhaeuser, Vornado, First Industrial and First Potomac.

- **Focusing on the securities of well-financed companies trading at discounts to NAV**

The vast majority of the Fund's investments are in the securities of well-financed real estate companies that are (i) trading at discounts to conservative estimates of NAV (using more conservative cap rates than spot rates) and (ii) generally more dependent upon the outcome of company specific issues, as opposed to the general direction of the market, in order for value to be recognized. A prime example is the Fund's largest holding, Forest City Enterprises. Forest City Common trades at an implied cap rate of about 8%, while its high-quality portfolio would likely warrant a 6% cap rate in the current environment. As Forest City continues to execute on its plan of divesting non-core properties, reducing debt, de-risking its development projects and ultimately reinstating its dividend, the value of its portfolio is likely to be recognized in the share price. Increased cap rates would no doubt impact Forest City's NAV, but the outcome of corporate initiatives may have a much greater positive impact on the share price than the negative impact of higher cap rates.

Many of the Fund's holdings trade at significant discounts to NAV and we are optimistic that corporate initiatives (including resource conversions) will help to close the discounts.

- **Lower exposure to properties with long-term leases** Approximately 31% of the Fund's net assets are invested in office properties (see table below). However, only 8% of the portfolio is invested in U.S. office properties. The remaining 23% is primarily comprised of properties in Hong Kong, London and Sydney where the lease terms provide landlords with more flexibility to increase rents. Typical office leases in Hong Kong provide for rent revisions every three years. Office leases in London and Sydney typically provide for upward-only rent reviews every five years. The Fund's limited exposure to U.S. office (or healthcare) makes the Fund less susceptible to long-term leases that are most vulnerable in a rising cap rate environment. To put it in perspective, we estimate that the average lease duration for the portfolio is 3.5 years. Or, put another way, about 30% of the leases renew each year, providing our portfolio companies with the opportunity to increase rents (and, thus, cash flows) in a rising interest rate environment to help offset what are likely to be higher cap rates.

TAREX by Region & Property Type

Property Type	North America	Asia-Ex.	United Kingdom	Australia	Other	Total
Office	11%	5%	6%	6%	3%	31%
Retail	7%	5%	4%	6%	2%	24%
Industrial	5%	6%	2%	1%	1%	15%
Specialty/Land	7%	2%	0%	0%	0%	9%
Residential	3%	2%	3%	0%	0%	8%
Other	4%	2%	1%	0%	0%	7%
Diversified	4%	0%	0%	0%	0%	4%
Lodging/Resorts	0%	1%	1%	0%	0%	2%
Healthcare	0%	0%	0%	0%	0%	0%
Total	41%	23%	17%	13%	6%	100%

- **Hedging to protect against major market dislocations, particularly in Asia.** Since the Hong Kong dollar is pegged to the U.S. dollar, interest rates in Hong Kong generally follow the U.S. Hong Kong's economy has remained fundamentally sound, notwithstanding global economic woes. In fact, low interest rates have fueled economic growth, resulting in inflation (particularly real estate) that has yet to recede despite a number of policy measures recently enacted. The Fund has hedged approximately two-thirds of its Hong Kong exposure by purchasing 5% out-of-the-money put options on the Hang Seng Property Index. The Hong Kong stock market has historically been very volatile, especially during times of economic uncertainty. Should interest rates spike, we would not be surprised to see increased volatility and, potentially, a dramatic market correction in Hong Kong stock prices. In such event, the Fund will have substantial protection against a large draw down.

BENEFITING FROM A RISING RATE ENVIRONMENT

Our approach to investing has always been to attempt to protect the downside before considering the upside. As highlighted above, we believe the Fund is reasonably well protected against the pitfalls of owning real estate in a rising rate environment. Rising interest rates do not necessarily mean bad news for all real estate. In fact, we believe certain sectors and/or companies may stand to benefit from higher interest rates and inflation.

- **The Fund owns a number of securities of companies that are more economically sensitive** We continue to find opportunities in more economically sensitive real estate companies that have been out of favor since the financial crisis – companies that survived and are now positioned to benefit from further recovery in the global economy, despite rising interest rates. One year ago, the Fund had about 20% of its net assets invested in a diversified group of companies with ties to the U.S. and U.K. residential markets. Recently, the Fund reduced its exposure to this space to about15%, largely because homebuilder stocks and debt securities increased to levels that exceeded our fundamental estimate of value. However, the Fund continues to have stakes in residential-centric companies, like Lowe's, Weyerhaeuser, Tejon Ranch, Newhall Land and Taylor Wimpey, all which stand to benefit in the medium to late stages of a recovery in the residential markets. In addition, the Fund has recently added two hotel companies to the portfolio. Both Hyatt and Millennium & Copthorne would likely be beneficiaries of higher interest rates—provided this increase is stemming from economic growth—as their leases can be reset daily to capture more buoyant economic activity and offset the impact of inflation. Hotels have historically provided industry leading returns in periods of rising interest rates. As a result, approximately 18% of the portfolio is invested in securities of companies that should prosper in a higher inflation/rising interest rate environment, thus, providing differentiated returns from most REIT-dedicated mutual funds.

- **The Fund owns companies with development expertise and a pipeline of future projects**
  We have long preferred to invest with real estate companies that are engaged in creating value by undertaking activities such as development, redevelopment, entitling, rezoning, or by making opportunistic acquisitions. It is our view that companies involved with these types of activities will earn superior returns over the medium to long term, as these types of investments offer more compelling returns than simply buying fully stabilized assets and collecting the rental income over time. This has not necessarily been the case for the past few years, as companies that were involved with development and redevelopment projects found themselves delivering properties into very tough economic conditions. At the same time, those that focused exclusively on owning properties did not have much capital "at risk" and enjoyed a huge tailwind at their backs as the value of their properties increased, in large part due to cap rate compression. However, we believe that demand for occupational space is gradually improving (vacant space is filling), but new supply remains at near all-time lows. To the extent that conditions continue to improve (pushing rates higher) from here, companies that control well-located projects and have the financing resources and management expertise to complete new projects may enjoy a multi-year window to deliver new developments with attractive return profiles (not seen since prior to the financial crisis). Companies like Westfield, Songbird Estates, Forest City, Brookfield and City Developments—each of which controls valuable development projects—should be positioned to continue creating value through development.

- **Cash reserves for opportunistic investments**
  The Fund continues to carry a higher-than-normal level of cash (approximately 16% at the end of the quarter). The Fund's cash balance has built up since early 2012, as the result of selling and/or reducing positions due to substantial appreciation. While cash may create "performance drag" in a rising market, the Fund has a history of putting cash to work during market dislocations. As patient investors with a longer-term outlook than most in the real estate securities space, we have been able to capitalize on opportunities over the past few years by having this "dry powder" at our disposal. We have honed our process for identifying potential investments and maintain an inventory of real estate securities that are suitable for the Fund – only at lower prices. We have completed our analysis, continually monitor these securities as if they were already owned in the Fund and we are ready to purchase when appropriate pricing can be obtained. We continue to add securities which most recently include (i) property companies in Europe that are ultimately going to need to raise capital to repair their balance sheets and (ii) real estate and real estate related companies that may benefit from economic growth, inflation and higher interest rates.

In conclusion, Fund Management's insight regarding future economic events is probably no better than other market participants. We can use history as a guide, but place little weight on the likelihood that history repeats. We have taken what we believe to be the necessary steps to position the Third Avenue Real Estate Value Fund to protect its capital in a rising interest rate environment and in some cases benefit from it. Should the global economy continue as it has for the past two years (slow growth, persistent unemployment and continuation of artificially low interest rates), we also believe the Fund is positioned to continue providing above-average absolute and relative returns.

TEAM PORTFOLIO MANAGEMENT STRUCTURE

Third Avenue Management recently formalized a team portfolio management structure for each of its mutual funds. Ryan Dobratz has been promoted to portfolio manager and Jason Wolf and Michael Winer have assumed the roles of co-lead managers for Third Avenue Real Estate Value Fund. Ryan's promotion to portfolio manager is well deserved, as he has played a key role in many of the Fund's investments over the last six years. Ryan will continue to serve in the role of a research analyst, as do all of Third Avenue's portfolio managers. But, he will also take on a more active role in determining position sizing and overall portfolio strategy.

We thank you for your continued support and look forward to writing to you next quarter.

Sincerely,

The Third Avenue Real Estate Value Team

Michael Winer
Jason Wolf
Ryan Dobratz

Third Avenue International Value Fund
(Unaudited)

Dear Fellow Shareholders:

In the most recent quarter, Third Avenue International Value Fund (the "Fund") established two new positions, added to four existing positions, reduced three existing positions and eliminated five positions.

QUARTERLY ACTIVITY

Number of Shares	New Positions Acquired
151,957 shares	Leoni AG Common Stock ("Leoni Common")
39,643,649 shares	Straits Trading Company Ltd. Common Stock ("STC Common")
	Positions Increased
330,729 shares	De'Longhi S.p.A. Common Stock ("De'Longhi Common")
1,730,324 BDRs	GP Investments Ltd. Brazilian Depositary Receipts ("GP Investments BDRs")
500,881 shares	Piramal Enterprises Ltd. Common Stock *held via swap* ("Piramal Common")
578,542 shares	Vivendi S.A. Common Stock ("Vivendi Common")
	Positions Decreased
927,000 shares	Guoco Group Limited Common Stock ("Guoco Common")
1,233,696 shares	Petroleum Geo-Services ASA Common Stock ("PGS Common")
65,503 shares	Sanofi Common Stock ("Sanofi Common")
	Positions Eliminated
993,802 shares	Encana Corp. Common Stock ("Encana Common")

Number of Shares	Positions Eliminated (continued)
1,124,397 shares	GlaxoSmithKline PLC Common Stock ("GSK Common")
816,000 shares	Seino Holdings Co., Ltd. Common Stock ("Seino Common")
538,564 shares	Viterra, Inc. Common Stock ("Viterra Common")
37,050,140 shares	WBL Corporation Ltd. Common Stock ("WBL Common")

REVIEW OF QUARTERLY ACTIVITY

During the quarter, the Fund initiated a position in the common stock of Leoni AG ("Leoni"). Based in Germany, Leoni's primary business is the assembly of wiring harnesses for sale to the automotive industry. Wiring harnesses are a key piece of the relatively consolidated segment of auto supply known as electronic and electrical architecture, a segment which has been a standout in the industry in terms of growth as the proliferation of complex fuel efficiency systems, active safety features and telecommunications and information connectivity have demanded ever more complex automotive wiring systems. It is also a business which tends to have a relatively high degree of persistency, as the harness manufacturer tends to be fairly well entrenched throughout the life of an automobile platform. The wiring harness industry is dominated globally by four players. Leoni is the largest European player and the fourth largest globally.

Naturally, Leoni is primarily "covered" by the auto supply specialists within the sell-side analytical community. What is often lost in the analysis is that Leoni's secondary business line is the manufacturing of industrial cables, as opposed to

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Portfolio holdings are subject to change without notice. The following is a list of Third Avenue International Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of January 31, 2013: Straits Trading Co., Ltd., 10.15%; Daiwa Securities Group, Inc., 4.62%; Weyerhaeuser Co., 4.61%; Netia S.A., 4.47%; Taylor Wimpey PLC, 4.03%; Sanofi, 3.61%; White Mountains Insurance Group, Ltd., 3.38%; Munich Re, 3.30%; Leucadia National Corp., 3.26%; and Allianz SE, 3.17%.

the purchase and use of automotive cables to assemble harnesses. For most analysts, the cable manufacturing business is viewed as an upstream operation connected to the harness business, making a vertically integrated unit. Yet truth be told, Leoni's cable business only realizes a small percentage of its revenue from intra-company sales and its business exposures actually range widely beyond the auto industry, including areas such as robotics, telecommunications and healthcare, to name a few. The business of cable making is a vastly different enterprise than assembling harnesses - it realizes five times the amount of revenue per employee, for example, and is an entirely separable industrial activity. The number of players in this industry has been shrinking, globally and in Europe, through consolidation. As a standalone cable manufacturer, Leoni is the third largest in Europe and has some particularly attractive specialty cable expertise. It would make a terrific acquisition candidate.

Leoni's management team has run the company sensibly for many years and has established an impressive track record. As is always important, Leoni also has a very solid balance sheet. Our baseline assumption is that we will own Leoni (at a very cheap price) for a number of years, though it would not surprise us if our eventual disposition of the shares was the result of a takeover, the timing of which is impossible to predict.

"We believe that if we are able to successfully identify well financed, high quality businesses or assets that are available at significant discounts to intrinsic NAV, we can stack the odds in our favor that the "hidden" or unappreciated value inherent in these investments will eventually be recognized, either by the stock market itself or, failing broader recognition there, through resource conversion events such as takeovers and other capital market transactions."

On the sell side, five positions were eliminated during the quarter. The acquisition of Viterra, Inc. by Glencore International was successfully completed (we have discussed the takeover at length in recent quarterly letters, especially the Second Quarter 2012 Letter), officially closing the book on this profitable investment. Three other investments – in the common stocks of Encana Corp., GlaxoSmithKline and Seino Holdings Co. Ltd. – were relatively small positions that were eliminated primarily for portfolio management reasons, with the proceeds redeployed into investments that we view as more attractive at this point in time, such as the aforementioned Leoni, as well as additions to recently initiated positions in De'Longhi S.p.A., GP Investments Ltd., Piramal Enterprises Ltd. and Vivendi S.A. (all of which have been highlighted in recent letters). Last, but certainly not least, the Fund's investment in WBL was technically eliminated (in name at least) during the quarter, though in reality the story has merely entered its next chapter, as described below.

UPDATE ON POTENTIAL RESOURCE CONVERSION EVENTS INVOLVING FUND HOLDINGS

We often discuss the significant contributions that events which we call "resource conversions" (for example, mergers and acquisitions, asset dispositions, share repurchases, etc.) have historically made to the Fund's performance. Looking back only as far as 2011, some of the largest positive contributions to performance have in fact resulted from such transactions. In early 2011, Compagnie Nationale a Portefeuille and ProLogis European Properties were the subjects of tender offers at significant premiums to market value, while the Fund's position in Parmalat was eliminated following a run up in its share price that resulted from a contest for control of the company. These three holdings had made up 6.6% of Fund assets at the end of Fund's first fiscal quarter of 2011 (January 31, 2011), prior to the announcement of these transactions. Another holding, White Mountains Insurance Group, created significant value in 2011 through the sale of its direct auto insurance subsidiary Esurance Holdings at a good price, as well as the repurchase of its own shares at discounts to net asset value ("NAV"). Resource conversion activity in 2012 (and thus far in 2013) has driven performance even more meaningfully (more on that shortly). As many of you likely know, this is not a recent phenomenon for the Fund; 2006 and 2007 were particularly active years for resource conversion in the Fund's portfolio and, since inception, a material proportion of the Fund's most profitable investments have been realized via resource conversion.

We believe that if we are able to successfully identify well financed, high quality businesses or assets that are available at significant discounts to intrinsic NAV, we can stack the odds in our favor that the "hidden" or unappreciated value inherent in these investments will eventually be recognized, either by the stock market itself or, failing broader recognition there, through resource conversion events such as takeovers and other capital market transactions.

The Fund's investment in Viterra, as noted earlier, is one of the more recent examples of the latter path to value realization, as Glencore International's takeover bid recognized the value of Viterra's assets which had been underappreciated by the stock market for years. The first quarter saw additional resource conversion activity involving two more of the Fund's holdings: WBL Corp. Ltd., which entered the quarter as the largest position in the Fund, and Guoco Group Ltd., another long-time holding. As a result, WBL and Guoco were among the most significant contributors to the Fund's performance during the quarter.

WBL CORP. LTD./STRAITS TRADING COMPANY LTD.

In addition to the position that was initiated in Leoni common stock, the other investment that we list at the beginning of this letter as "new" to the Fund during the quarter is Straits Trading Company Ltd. However, this is a new position in name only. Let us take a step back to explain. Regular readers of our letters have likely become quite familiar with an otherwise little-known company named WBL Corp. Ltd. ("WBL"), a somewhat obscure, Singapore-listed holding company which has flown under the radar of most institutional investors for years, despite offering an investment opportunity that we have long viewed as attractive. We have probably tested your patience in past letters with our frequently repeated assertions about the hidden value that we believe exists within the company. That notwithstanding, recent events have once again compelled us to briefly update you on WBL, as change is afoot and the company's intrinsic value has begun to garner appreciation from the market.

We have witnessed a significant amount of change that has taken place at WBL within a relatively small amount of time. During the past year or so, under shareholder pressure, WBL has seen the composition of its board changed materially (as discussed in previous letters) and, more recently, the November 2012 resignation of its CEO. These headline-grabbing changes (well, in Singapore, at least) proved only a precursor of what was to come. Later in November, Straits Trading Company Ltd. ("STC"), another Singapore-listed holding company, announced its plans to acquire the WBL shares held by Third Avenue Management (including those held in the Fund) as well as those of another large WBL shareholder in exchange for STC shares, at a ratio of 1.07 shares of STC for each share of WBL.

Following the successful completion of this transaction, STC (together with parties acting in concert) holds roughly 44.6% of WBL shares, a fact which has required STC to make a mandatory general offer for all outstanding WBL shares. In a statement made at the time of the announcement, STC said that as the single largest WBL shareholder following the transaction, it would stand well positioned to work closely with the WBL Board of Directors to "pursue business initiatives beneficial for all WBL stockholders[1]."

[1] Source: STC presentation dated November 26, 2012.

As a result of this transaction, the Fund is now a shareholder of STC common stock instead of WBL Common. Fund Management's decision to enter into such a transaction with STC, thereby becoming shareholders of the enlarged STC, is based in large part on the notion that the process of realizing the value of WBL's very asset-rich portfolio is likely to be materially accelerated in the hands of STC management. We have long known STC's management team and, notably, the Fund has in the past owned shares of STC directly. It is fair to say that the transaction has largely been well received, propelling WBL's stock during the quarter. In fact, WBL/STC was the most significant positive contributor to performance during the Fund's fiscal quarter ended January 31, 2013, and WBL was by far the single largest positive contributor to performance during the 2012 calendar year.

Most recently, on January 30, 2013, another Singapore-listed company, United Engineers Ltd., announced a competing offer of S$4.00 per share for all WBL shares that it (and parties acting in concert) did not already own. This offer compares to STC's offer, which is *either* S$3.41 in cash *or* 1.07 STC shares for each WBL share. The share option, based on STC's share price at the time of this writing, amounts to roughly S$4.26 per WBL share, a meaningful premium to the Fund's cost basis. WBL shares are currently priced at a premium to both offers, at S$4.39, perhaps suggesting that "the market" believes that higher bids could possibly emerge. We will continue to update you on STC and on the status of its mandatory general offer for the remaining shares of WBL going forward.

GUOCO GROUP LTD.

A Fund holding since 2003, Guoco Group Limited ("Guoco") is a Hong Kong-based holding company with interests in financial services, gaming and real estate. The company's main assets include majority and minority stakes in a variety of separately listed companies, almost all of which entail elements of control by Guoco. These include large stakes in the following: a developer and owner of real estate properties in Singapore, Malaysia and China; a company which has interests in financial services businesses in Malaysia, Singapore, Vietnam, and China; a Singapore-listed company that has interests in hotels, gaming, oil extraction royalties, and land banks in Molokai and Fiji; a leading United Kingdom casino operator; and a Hong Kong-based bank with a branch network across Hong Kong and mainland China.

We have been attracted to Guoco's very modest valuation, at a substantial discount to our conservative estimate of NAV and to book value, which belies the company's solid long-term track record of increasing book value per share (roughly 9% per year, on average, over the past 10 years). Furthermore, Guoco has a very liquid balance sheet that is rich with cash and marketable securities, providing management with considerable "ammunition" with which to hunt for additional opportunities to build shareholder wealth going forward, over the long term.

Recently, it has become apparent that others, including those closest to the company, seem to share our view that the stock market is significantly undervaluing the true worth of Guoco's collection of high quality assets. In December 2012, Guoco's controlling shareholder announced an offer to acquire all outstanding Guoco shares (that it did not already hold) for HK$88 per share in cash, which represented a premium of nearly 25% to Guoco's share price prior to the announcement. Given the inherent uncertainty of the deal's ultimate consummation, we slightly trimmed the Fund's position in Guoco subsequent to the announcement, essentially taking the opportunity to take a bit of money off of the table following a surge in Guoco's share price. However, we believe that the offer is priced at a material discount to Guoco's NAV, and indeed, at the time of this writing, Guoco shares are priced in the market at around HK$95 per share. Going forward, we will continue to update you on the status of the proposed Guoco transaction.

Guoco, WBL and Viterra provide examples from the past twelve months of how resource conversion events can add significant value to the Fund's portfolio. These events alone had a considerable, positive impact on the Fund. For example, looking back to last year's fiscal first quarter end date of January 31, 2012 (little over a year ago and before any of these events took place), these three holdings comprised approximately 14.7% of Fund assets. Therefore, resource conversion has affected a significantly greater proportion of Fund assets over the past twelve months than it did during the time when we last saw an increase in that kind of activity – in early 2011, when, as we noted earlier, three positions eliminated as a result of resource conversion made up roughly 6.6% of Fund assets prior to those transactions.

Throughout the Fund's history, resource conversion has often been an important contributor to performance, a fact which we believe is driven by the attributes of the investments which we seek. Because of the Fund's historical experience, the recent developments at Viterra, WBL and Guoco were not very surprising to us. In fact, in our First Quarter 2012 Letter, we flagged our belief that Viterra might be an attractive takeover candidate, noting, "…as the owner of high quality, defensible, agricultural infrastructure assets, Viterra is well-situated in an area which is of considerable interest to the large global agricultural commodities traders and logistics companies."

Looking forward, we believe that the portfolio continues to be populated by many holdings that would make good candidates for similar types of resource conversion events, given their high quality assets and currently discounted valuations. A number of holdings, in our opinion, would make attractive targets, either for takeovers by third parties or going-private transactions led by controlling shareholders. A few such examples include De'Longhi, Leoni, Netia, Nexans, Pargesa Holding and Segro PLC. Additionally, other holdings, such as Straits Trading Company and Vivendi, have the potential to engage in resource conversion activities that could crystallize latent value within the companies themselves (for example, through transactions such as asset dispositions, corporate reorganizations, etc.).

As we look today at a world where inexpensive capital is generally readily available and where cautious optimism appears to be taking hold in at least some business circles, we, like anyone else who has picked up a copy of the *Wall Street Journal* or *Financial Times,* have observed a meaningful pickup in M&A speculation and/or actual activity in recent weeks, with the proposed leveraged buyout of Dell the most notable of several examples. We believe that the Fund is well positioned to continue to benefit from resource conversion events in the future, as it has in its past, both recent and distant. To state the obvious, we cannot predict the timing of such transactions, where in the portfolio they might strike, or even whether they will occur at all. However, the Fund's history suggests that these company-specific events are likely to continue to play a meaningful role in value realization at the level of the entire portfolio.

Geographical Distribution of Investments

At the end of January 2013, the geographical distribution of securities held by the Fund was as follows:

Country	% of Net Assets
Singapore	10.98
Japan	10.45
United States	9.20
Germany	8.97
France	8.12
United Kingdom	6.64
Hong Kong	5.27
Poland	4.47
Canada	3.42
Bermuda	3.38
Austria	3.09
South Korea	2.72
Switzerland	2.72
Taiwan	2.64
New Zealand	2.09
Greece	2.02
Brazil	1.99
India	1.86
Chile	1.61
Italy	0.82
Norway	0.57
Equities-total	93.03
Cash & Other	6.97
Total	100.00%

Note that the table above should be viewed as an *ex-post* listing of where our investments reside, period. As we have noted in prior letters, there is no attempt to allocate the portfolio assets among countries (or sectors) based upon an overarching macroeconomic view or index-related considerations.

Portfolio Management

On a different note, we are pleased to welcome Jakub Rehor as a portfolio manager of the Fund. Jake has been a member of the Third Avenue International Value Team and a contributor to the portfolio since 2004. With his addition, the portfolio management team represents a great increase in the breadth of experience and accumulated knowledge by geography and industry which will no doubt be invaluable to our activities.

Thank you for your continued trust and support. We look forward to writing to you again when we publish our Quarterly Report for the period ended April 30, 2013.

Sincerely,

Third Avenue International Value Team

Amit Wadhwaney
Matthew Fine
Jakub Rehor

Dear Fellow Shareholders,

2012: THE FUND'S MOST ACTIVE YEAR

In 2012, the Third Avenue Focused Credit Fund (the "Fund") cash balances increased from 15% of the Fund's total assets to 30%; whittled back to 15%; and, finally, at the end of our 2013 first fiscal quarter in January decreased to under 5%. The journey of the Fund's cash levels is a story that really started in August 2011, when we purchased new credits after a major market correction caused by the first debt ceiling fight in the United States.

That Standard & Poor's downgraded the credit of the United States may still turn out to be, in retrospect, an event of historic importance. But when the initial shock wore off, the fundamental improvements made by high-yield borrowers began to drive prices again and they appreciated rapidly. Still, potentially damaging macro issues, particularly in Europe, persisted and we invested our cash cautiously, researching credits along the way. This allowed us, in the latter half of the year, to put significant cash to work while, at the same time, taking profits as events warranted.

In 2012, we invested in over 40 new names, a considerable sum for a Fund that will typically hold securities from 50 to 70 issuers. Given our outlook that corporate financial conditions were improving and that a low default environment would continue, there were plenty of compelling investment opportunities. We found a mix of established companies that had run into surmountable troubles and other special situations that we believed offered the potential for high returns through potential restructurings.

If you look at the Fund's top five holdings for much of the year, you will see we have sold and locked in most of the gains. Lehman Brothers Holdings, the largest position, continues its liquidation and continues to exceed our expectations for payments to bondholders. We have discussed this credit in detail in past letters. It produces cash with each capital distribution payment and will eventually disappear from the Fund's top five largest positions, as the Fund accepts more payments.

We invested in Sprint Capital Corp. at under $75 and sold at $106, generating a better than 50% return (including coupons) for our investors. Our thesis was always that the bonds would remain performing credits and that Sprint would eventually overcome short-term earnings stumbles and the need to spend on its 4G network and to rebate iPhone purchases for new subscribers. Japan's Softbank saw the same potential and offered $20 billion for 70% of the equity, greatly improving the telecom's credit worthiness. We sold when we saw no upside remaining.

Our Ainsworth Lumber bonds were sold at $104, generating a 50% return as the rapidly improving housing materials company sought to refinance its debt. By quarter end, we had nearly sold all of our Cemex bonds at $110. Our cost on these securities was $70, also generating a 50% return, including our 10% coupon. Cemex is another housing/construction related company that has benefitted both from operational improvements and healing of the real estate sector in North America. By the time you read this letter, Cemex will no longer be in the portfolio.

Finally, we sold our position in CityCentre Holdings at $111, generating a 25% return including the 11% coupon. The shopping, luxury hotel, casino and entertainment property in Las Vegas saw improvement in earnings and renewed appreciation for the value of premium assets on the Las Vegas Strip.

Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Focused Credit Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of January 31, 2013: Lehman Brothers Holdings, 8.06%; Energy Future Holdings Corp./TXU Corp., 4.83%; Clear Channel Communications, Inc., 4.27%; Caesars Entertainment Operating Co., Inc., 4.14%; Nuveen Investments, Inc., 3.98%; First Data Corp., 3.01%; Vertellus Specialties, Inc., 2.90%; New Enterprise Stone and Lime Co., Inc., 2.84%; Affinion Group, Inc., 2.78%; and Nortel Networks, Ltd., 2.52%.

The largest five positions in the portfolio, at the end of the January quarter, are now mostly occupied by other names. Energy Futures Holdings, Clear Channel Communications, Caesars Entertainment Corp. and Nuveen Investments join Lehman as top positions. Each of these has the potential to provide substantial returns over the next 12 to 18 months. While there are obviously no guarantees, and these investments are not without risk, they generally represent good companies with bad balance sheets trading at a discount to our estimate of asset value. They represent deep value credits that we believe have improving fundamentals and we are purchasing them at a significant price discount. Even if our thesis does not play out, we believe we will own the fulcrum security and will be rewarded over time, through a debt for equity exchange or balance sheet restructuring. These companies have been able to refinance their balance sheets and extend their maturity walls at the cost of higher interest expense. We believe that in the future, if these companies continue to improve their earnings and operations, they will be able to refinance at lower rates, reducing borrowing costs, increasing free cash flow and providing value to the bottom of the capital stack, whether it's equity or subordinated debt.

Additionally, 11% of the portfolio is invested in special situation liquidations. Lehman Brothers and Nortel Networks are both short duration securities, uncorrelated to the credit markets and, while they do not pay a coupon (effectively dragging down the yield of the portfolio), we believe that the potential returns are in excess of the Fund's 10% yield.

THE GAMES WE PLAY

We have written, since the Financial Crisis about our belief that credit defaults will remain below average for the next one to two years, as companies have taken advantage of low rates to extend maturities and reduce borrowing costs. There are always exceptions to every broad thesis. Often, we see these exceptions concentrated in specific industries undergoing change and, other times, we see these opportunities in specific companies that have faltered for one reason or another. Video game publisher THQ has both going on, which for us, is a real gem. During the quarter, THQ reached the "kill screen" of its corporate existence. A kill screen refers to the final level of a video game that would otherwise go on forever.

Three decades ago, in the era of Atari, that is how video games were. They were graphically simple (like *Pong* or *Space Invaders*) and were mostly based on easily animated patterns (e.g., *Pac-Man* and *Donkey Kong*). They were stored on eight-bit cartridges and connected by console to an analog television set. The controllers, paddle-bars and joysticks, were connected to the console by thick black wires, like the remote controls of the 1950s. Time spent gaming was time spent in front of the television. That basic relationship endured for a long time.

The Atari gave way to more sophisticated consoles and the games grew more complex, turning the game publishing industry into a hybrid of book publishing and Hollywood. With kids playing on three dominant consoles (Xbox, PlayStation, and Nintendo Wii) and games dedicated to each console, publishing grew into a massive profit generator. Even as production values (and expenses) climbed to blockbuster movie levels, there was plenty of money to be made selling games at between \$40 and \$60 to kids who would build libraries of 50 to 100 titles.

In this environment, THQ, founded in the early 1990s, thrived. It had a strong line-up of games, licensed from many of the characters that young gamers loved. THQ had licensed *American Girl*, *Avatar: The Last Airbender, Bob the Builder* and *Cars*. For older boys, they had the license to make WWE wrestling games. All in good fun, and all very lucrative.

But as the game publishing mega-business grew, there were other forces at work. First, of course, is networking. Even the game consoles are networked now. Fine, you might think, the game publishers can switch to a download model and continue making money. Except that the kids do not want to sit in front of the television anymore. Kids are not only networked, they are mobile. From a very young age, they have learned a new way of playing by downloading apps (often for free) and taking them on the go, so that they can play while they text their friends. Remember all the concern that video games would turn America's youth into slovenly sofa surfers? Well, the mobile companies gave mom what she wanted - kind of - the kids are playing outside again, but in a very different way.

Left behind is a key demographic - single white males, aged 28 to 40, who really love games, but are not going to play *Dora the Explorer*. Instead, this market segment seeks to act out fantasy lives on the flat screen. They want games that simulate sometimes violent situations, like combat missions in imaginary wars, burning down cities, stealing cars and worse. The fact that the younger cohort has abandoned consoles has upended the game publishing industry. It now serves fewer customers who demand a more realistic experience that is expensive to deliver. Gaming is a consolidating industry where every player will not survive. For THQ, this transition cut its revenue in half and wrecked its profitability.

THQ tried to save itself with its Udraw Game Tablet, an attempt at a mobile computing add-on to the Wii, PlayStation and Xbox. It failed miserably, sticking the company with 1.4 million unsold units and a revenue shortfall of $100 million. The key lesson here is that another device that tethers the gamer to the television just is not the answer.

In late 2012, Third Avenue Focused Credit Fund purchased busted convertible securities issued by video game publisher THQ for ten cents on the dollar. This is notable for two reasons. First, the Focused Credit Fund can buy convertible securities, whereas many typical high-yield and bank loan funds do not. Second, because your Fund's lead manager worked as a convertible securities analyst in the late 1990s, his experience with any one issue was probably less important than his exposure to the incentives of that market. Convertible securities analysts and the investors they serve are typically looking for arbitrage opportunities, where they can go long the bonds and short the stock. They do very little, if any, credit analysis because it is the volatility of the underlying equity that most concerns them. Knowing they were basically forced sellers who had already gotten what they wanted out of THQ's all but extinguished equity, and are not equipped or inclined to hold defaulted securities and fight the fight to extract value, we took them out of their positions. We were able to purchase 30% of THQ's outstanding bonds, from convertible arbitrage investors.

In December, THQ filed for Chapter 11 bankruptcy protection. Clearlake Capital Group, a well-known private equity firm, offered to take the company private (once valued at $5 billion by market cap) offering the convertible bondholders $10 million as a consolation prize for agreeing to the deal. Third Avenue was the largest bondholder and the bondholders argued to the bankruptcy court that THQ could be liquidated for well in excess of what Clearlake had offered.

In January, we saw the results: a $72 million liquidation of most of THQ's assets. Buyers in the highly competitive gaming industry included Japan's Sega Corp. and Take Two Interactive (the developers of the notorious Grand Theft Auto series). Returns for debt holders were immediately favorable and THQ still has assets to liquidate, including a potentially valuable licensing agreement with World Wrestling Entertainment. THQ estimates its remaining assets are worth around $30 million. By late January, Third Avenue's investment had already tripled, on a mark-to-market basis (this investment return is at the moment unrealized, we are holding our securities as the remainder of the company is liquidated and believe that value remains in the estate).

THQ was a high return investment where we had to put up very little capital. It was made possible by the Fund's flexible mandate and your managers' ongoing search for unloved and complicated special situations. This should serve to remind investors that, although themes emerge in the portfolio as a result of our investment process, there will always be significant opportunities that fit our flexible mandate.

RETURN TO ALPHABET CITY

Collateralized Loan Obligations ("CLOs") are back and guzzling bank loans. CLOs are driving yields lower and giving underwriters a chance to once again become creative with covenant-lite terms. This is a third cycle for structured corporate credit (broadly speaking, Collateralized Debt Obligations). In the 1990s, we saw the development of Collateralized Bond Obligations. A decade later, the CLOs were born. They were brought low by the Financial Crisis and were dormant in the years following. In the latter half of 2012, they re-emerged like a retrovirus that had been hiding in the cells of its host.

CLOs are largely indiscriminate buyers of loans. Their managers do very little credit analysis (they would probably disagree—we have our standards, they have theirs). How can your team say that, you wonder? Well, the team's leader managed several Collateralized Bond Obligations ("CBOs") during the 1990s and in the mid-2000s. CBOs are the forerunners of CLOs. They are structured identically except that, as you have no doubt surmised, one purchases bonds and the other loans. They are both in the business of "spreading risk" by buying credits with different risks, pooling them, and selling them off in different tranches. The scare quotes around "spreading risk," should tell you what you need to know about our opinion of using the ratings agencies to quantify investment risk.

CLO managers fill tranches with loans, seeking to meet risk parameters outlined in their offering documents. $54 billion in new CLOs were issued in 2012, buying up nearly a fifth of the loans issued that year. Morgan Stanley expects between $60 and $70 billion in new CLO issuance this year, as loan issuance remains steady. The result? Lower yields and declining underwriting standards. Already, 80% of the loans on the market trade at or above par. We do not expect to see better prices, except in very unique situations. Not soon, anyway.

So long as there is hunger for their product, banks will issue loans. Chief Financial Officers will take advantage, seeking to refinance bond and loan debt with lower yielding loan debt. In just the first month of the year, 55% of loans issued are covenant-lite—it is a borrower's market and we know how that tends to wind up.

"The latter part of 2012 was very busy. The securities we added are deep value—they are priced at discounts to net asset value and have what we believe to be exceptional upside potential."

For now, this means that our thesis, that high-yield bonds present, on average, greater opportunities than loans, is firmly intact. But the covenant lite terms that they manage to win will create the market's problem children of two to four years from now. You might have read that covenant lite loans default less often than loans with stricter rules. That is true. But only because, like undisciplined children, covenant lite borrowers are allowed to get away with anything. When they finally get into trouble, they really get into trouble. At that point, the Focused Credit Fund will be there to pick up, and benefit from, the pieces.

OUTLOOK AND POSITIONING

The latter part of 2012 was very busy. The securities we added are deep value—they are priced at discounts to net asset value and have what we believe to be exceptional upside potential. The Fund's yield to worst was 11.5%[1], at January 31, 2013, which, taking our non-paying securities into account, the yield should be between 9% to 10%. The portfolio trades at an average $88 price, providing plenty of capital appreciation potential if our deep value theses play out.

The securities that we have purchased are not without issues, but most are good companies with improving long-term fundamentals that have come upon hard times for one reason

[1] 30-day SEC yield was 8.2%, as of January 31, 2013

or another. We believe that we have purchased these securities at or above the fulcrum security level that would own the enterprise in the event of a restructuring and that the yields pay us more than sufficiently to wait for improvements in both the industries or the company's fortunes.

The portfolio today is fully invested, which should indicate to you how we feel about the market and the total return potential of the underlying securities that we own. We are sure that there will be volatility and uncertainty throughout 2013 and 2014. We have been able to use that to our advantage in the past. Currently, we have about 15% to 20% of the portfolio trading meaningfully above par that could readily be sold for cash when we find other opportunities and to provide downside protection, should markets temporarily decline. Keep in mind that this portfolio is unique and that much of what you may read about the high-yield and bank loan markets and bond markets in general does not apply to the companies that we own.

TEAM PORTFOLIO MANAGEMENT STRUCTURE

As you may have read, all of the Third Avenue Funds recently implemented a team portfolio management structure. Joseph Zalewski, Edwin Tai and Nathaniel Kirk now join lead manager, Tom Lapointe, in managing Third Avenue Focused Credit Fund. These promotions reflect Joe, Ed and Nate's contributions to the Fund over the last three years. The Focused Credit Team, continues to enjoy the support of the other 28 members of the Third Avenue investment team.

We thank you, as always, for your trust and support of the Focused Credit Fund. We look forward to writing to you again after the close of our second fiscal quarter.

Sincerely,

The Third Avenue Focused Credit Team

Thomas Lapointe
Joseph Zalewski
Edwin Tai
Nathaniel Kirk

THIRD AVENUE FUNDS

Third Avenue Value Fund

Third Avenue Small-Cap Value Fund

Third Avenue Real Estate Value Fund

Third Avenue International Value Fund

Third Avenue Focused Credit Fund

FIRST QUARTER REPORT

January 31, 2013

THIRD AVENUE FUNDS

Privacy Policy

Third Avenue Funds (the “Funds”) respect your right to privacy. We also know that you expect us to conduct and process your business in an accurate and efficient manner. To do so, we must collect and maintain certain personal information about you. This is the information we collect from you on applications or other forms and from the transactions you make with us, our affiliates, or third parties. We do not disclose any information about you or any of our former customers to anyone, except to our affiliates (which may include the Funds’ affiliated money management entities) and service providers, or as otherwise permitted by law. To protect your personal information, we permit access only by authorized employees. Be assured that we maintain physical, electronic and procedural safeguards that comply with federal standards to guard your personal information.

Proxy Voting Policies and Procedures

The Funds have delegated the voting of proxies relating to their voting securities to the Funds’ investment adviser pursuant to the adviser’s proxy voting guidelines. A description of these proxy voting guidelines and procedures, as well as information relating to how a Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available by August 31 each year (i) without charge, upon request, by calling (800) 443-1021, (ii) at the website of the Securities and Exchange Commission (“SEC”) at http://www.sec.gov, and (iii) on the Funds’ website www.thirdave.com.

Schedule of Portfolio Holdings—Form N-Q

The Funds file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds’ Form N-Q is available on the SEC’s website at http://www.sec.gov, and may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments
at January 31, 2013
(Unaudited)

Principal Amount ($)	Security†	Value (Note 1)
Corporate Bonds & Notes - 0.17%		
	Consumer Products - 0.17%	
19,106,981	Home Products International, Inc., 2nd Lien, Convertible, PIK, 6.000%, due 3/20/17 (b) (c) (d)	$ 4,425,177
	Total Corporate Bonds & Notes (Cost $19,106,981)	4,425,177

Shares	Security†	Value (Note 1)
Preferred Stocks - 0.01%		
	Insurance & Reinsurance - 0.01%	
1,022,245	RS Holdings Corp., Convertible, Class A (a) (b) (c) (d)	198,190
	Total Preferred Stocks (Cost $1,013,140)	198,190
Common Stocks - 85.04%		
	Asset Management - 8.52%	
5,412,879	Bank of New York Mellon Corp. (The)	147,013,794
2,229,874	Brookfield Asset Management, Inc., Class A (Canada)	82,349,247
		229,363,041
	Automotive - 4.69%	
3,806,700	Toyota Industries Corp. (Japan)	126,341,894
	Consumer Products - 0.00%#	
526,368	Home Products International, Inc. (a) (b) (c) (d)	26,318
	Depository Institutions - 7.29%	
10,393,450	Chong Hing Bank, Ltd. (Hong Kong)	22,380,614
1,626,949	Comerica, Inc.	55,901,968
12,558,132	KeyCorp	118,046,441
		196,329,023
	Diversified Holding Companies - 15.53%	
6,451,000	Cheung Kong Holdings, Ltd. (Hong Kong)	$ 105,805,916
6,366	Investor AB, Class A (Sweden)	177,027
2,082,456	Investor AB, Class B (Sweden)	59,153,889
171,393,000	Lai Sun Garment International, Ltd. (Hong Kong) (a) (c)	36,022,718
1,231,142	RHJ International (Belgium) (a)	6,753,403
1,982,750	RHJ International (Belgium) (a) (d)	10,876,332
35,371,500	Wheelock & Co., Ltd. (Hong Kong)	199,310,745
		418,100,030
	Financial Insurance - 0.03%	
37	Manifold Capital Holdings, Inc. (a) (b) (c) (d)	860,000
	Home Furnishings - 0.02%	
94,758	Stanley Furniture Co., Inc. (a)	440,625
	Insurance & Reinsurance - 1.95%	
75,858	Alleghany Corp. (a)	27,353,636
127,500	Olympus Re Holdings, Ltd. (Bermuda) (a) (b) (d)	90,525
9,337	RS Holdings Corp., Class A (a) (b) (c) (d)	1,810
45,636	White Mountains Insurance Group, Ltd.[1]	25,129,920
		52,575,891
	Manufactured Housing - 3.19%	
983	Fleetwood Homes, Inc. (a) (b) (c) (d)	85,989,635
	Non-U.S. Real Estate Operating Companies - 9.68%	
18,534,000	Hang Lung Group, Ltd. (Hong Kong)	112,440,970
20,590,579	Henderson Land Development Co., Ltd. (Hong Kong)	148,148,942
		260,589,912

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Shares	Security†	Value (Note 1)
Common Stocks (continued)		
	Oil & Gas Production & Services - 5.69%	
2,200,889	Devon Energy Corp.	$ 125,868,842
1,415,824	EnCana Corp. (Canada)	27,410,353
		153,279,195
	Securities Brokerage - 4.47%	
20,741,300	Daiwa Securities Group, Inc. (Japan)	120,439,940
	Semiconductor & Related - 5.34%	
4,689,207	Applied Materials, Inc.	60,537,662
2,699,323	Intel Corp.	56,793,756
2,150,000	NVIDIA Corp.	26,359,000
		143,690,418
	Software - 1.80%	
150,000	Nintendo Co. Ltd. (Japan)	14,631,746
1,550,000	Symantec Corp. (a)	33,743,500
		48,375,246
	Steel & Specialty Steel - 5.80%	
1,916,774	POSCO, ADR (South Korea)	156,140,410
	Telecommunications Equipment - 2.15%	
3,689,979	Sycamore Networks, Inc. (a) (c)	8,486,952
21,648,175	Tellabs, Inc. (c)	49,357,839
		57,844,791
	U.S. Real Estate Operating Companies - 3.62%	
3,308,911	Forest City Enterprises, Inc., Class A (a)	55,953,685
1,361,894	Tejon Ranch Co. (a) (c)	41,619,480
		97,573,165

Shares	Security†	Value (Note 1)
	Utilities - 5.27%	
7,193,557	Covanta Holding Corp. (c)	$ 141,856,944
	Total Common Stocks (Cost $2,054,569,410)	2,289,816,478
Investment Amount ($)		
Limited Partnerships - 0.01%		
	Insurance & Reinsurance - 0.01%	
1,805,000	Insurance Partners II Equity Fund, L.P. (a) (b)	364,472
	Total Limited Partnerships (Cost $32,494)	364,472
	Total Investment Portfolio - 85.23% (Cost $2,074,722,025)	2,294,804,317
	Other Assets less Liabilities - 14.77%	397,775,589
	NET ASSETS - 100.00%	$ 2,692,579,906
	Investor Class:	
	Net assets applicable to 570,078 shares outstanding	$ 29,804,703
	Net asset value, offering and redemption price per share	$52.28
	Institutional Class:	
	Net assets applicable to 50,906,142 shares outstanding	$ 2,662,775,203
	Net asset value, offering and redemption price per share	$52.31

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Notes:
ADR: American Depositary Receipt.
PIK: Payment-in-kind.
(a) Non-income producing security.
(b) Fair-valued security.
(c) Affiliated issuers—as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).
(d) Security subject to restrictions on resale.

Shares/ Principal Amount ($)	Issuer	Acquisition Date	Acquisition Cost	Market Value Per Unit
983	Fleetwood Homes, Inc.	8/14/09-4/29/11	$68,785,900	$87,476.74
526,368	Home Products International, Inc.	5/30/07	54,667,471	0.05
$19,106,981	Home Products International, Inc. 2nd Lien, Convertible, PIK, 6.000%, due 3/20/17	3/16/07-10/2/12	19,106,981	23.16
37	Manifold Capital Holdings, Inc.	9/24/97-11/10/06	39,081,514	23,243.24
127,500	Olympus Re Holdings, Ltd.	12/20/01	11,975,334	0.71
1,982,750	RHJ International	3/29/05-3/14/07	50,259,540	5.49
9,337	RS Holdings Corp., Class A	5/9/03	9,105	0.19
1,022,245	RS Holdings Corp., Convertible, Class A, Preferred Stock	3/18/02-4/20/04	1,013,140	0.19

At January 31, 2013, these restricted securities had a total market value of $102,467,987 or 3.81% of net assets of the Fund.

† U.S. unless otherwise noted.
\# Amount represents less than 0.01% of total net assets.
[1] Incorporated in Bermuda.

Country Concentration

	% of Net Assets
United States	39.60%
Hong Kong	23.18
Japan	9.71
South Korea	5.80
Canada	4.08
Sweden	2.20
Belgium	0.66
Bermuda	0.00#
Total	85.23%

\# Amount represents less than 0.01% of total net assets.

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments
at January 31, 2013
(Unaudited)

Shares	Security†	Value (Note 1)
Preferred Stocks - 0.30%		
	U.S. Real Estate Investment Trust - 0.30%	
74,250	Excel Trust, Inc., 8.125%	$ 1,934,955
	Total Preferred Stocks (Cost $1,856,250)	1,934,955
Common Stocks - 86.42%		
	Auto Supply - 1.28%	
410,518	Superior Industries International, Inc.	8,321,200
	Chemicals & Industrial Materials - 6.15%	
195,842	Compass Minerals International, Inc.	14,110,417
210,628	Minerals Technologies, Inc.	8,713,680
260,721	Sensient Technologies Corp.	9,933,470
121,028	Stepan Co.	7,099,502
		39,857,069
	Commercial Services - 1.24%	
149,874	Weight Watchers International, Inc.	8,013,763
	Computer Peripherals - 0.41%	
111,402	Lexmark International, Inc., Class A	2,680,332
	Consulting and Information Technology Services - 3.68%	
480,646	ICF International, Inc. (a)	11,001,987
520,456	ManTech International Corp., Class A	12,839,649
		23,841,636
	Consumer Products - 5.28%	
148,513	Cal-Maine Foods, Inc.	6,190,022
334,891	Harman International Industries, Inc.	14,996,419
101,487	J&J Snack Foods Corp.	6,916,339
467,060	JAKKS Pacific, Inc.	6,099,804
		34,202,584

Shares	Security†	Value (Note 1)
	Diversified Holding Companies - 5.61%	
98,729	Ackermans & van Haaren NV (Belgium)	$ 9,163,891
2,322,782	JZ Capital Partners, Ltd. (Guernsey)	18,088,022
181,882	Leucadia National Corp.	4,628,897
163,879,480	PYI Corp., Ltd. (Hong Kong)[1]	4,479,775
		36,360,585
	Electronic Components - 6.11%	
328,302	AVX Corp.	3,739,360
413,933	Bel Fuse, Inc., Class B	7,711,572
363,844	Electronics for Imaging, Inc. (a)	8,230,151
822,446	Ingram Micro, Inc., Class A (a)	14,952,068
188,550	Park Electrochemical Corp.	4,928,697
		39,561,848
	Energy Services - 4.85%	
1,132,541	Pioneer Energy Services Corp. (a)	8,584,661
111,029	SEACOR Holdings, Inc.	10,100,308
295,155	SemGroup Corp., Class A (a)	12,738,890
		31,423,859
	Forest Products & Paper - 0.80%	
279,003	P.H. Glatfelter Co.	5,183,876
	Healthcare - 3.36%	
554,002	Cross Country Healthcare, Inc. (a)	3,130,111
248,173	Teleflex, Inc.	18,612,975
		21,743,086
	Industrial Capital Equipment Manufacturers - 3.06%	
616,730	Electro Scientific Industries, Inc.	6,660,684
514,701	Rofin-Sinar Technologies, Inc. (a)	13,191,787
		19,852,471

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Shares	Security†	Value (Note 1)
Common Stocks (continued)		
	Industrial Equipment - 8.69%	
129,283	Alamo Group, Inc.	$ 4,390,451
268,534	EnerSys, Inc. (a)	10,991,097
63,952	Hyster-Yale Materials Handling, Inc.	3,209,111
266,864	LSB Industries, Inc. (a)	11,048,170
434,261	Oshkosh Corp. (a)	17,014,346
645,567	Wacker Neuson SE (Germany)	9,633,235
		56,286,410
	Industrial Services - 5.28%	
156,398	ABM Industries, Inc.	3,428,244
206,902	Darling International, Inc. (a)	3,490,437
331,026	EMCOR Group, Inc.	12,026,175
64,381	Orbital Sciences Corp. (a)	946,401
174,861	UniFirst Corp.	14,293,138
		34,184,395
	Insurance & Reinsurance - 7.46%	
55,571	Alleghany Corp. (a)	20,038,347
236,304	Arch Capital Group, Ltd. (Bermuda) (a)	10,969,232
7,724	E-L Financial Corp., Ltd. (Canada)	3,872,067
346,831	HCC Insurance Holdings, Inc.	13,415,423
		48,295,069
	Media - 5.75%	
137,854	Liberty Media Corp. (a)	15,372,099
362,460	Madison Square Garden, Co. (The), Class A (a)	18,855,169
187,854	Starz - Liberty Capital (a)	2,994,393
		37,221,661
	Metals Manufacturing - 4.21%	
228,824	Encore Wire Corp.	$ 7,464,239
68,433	Kaiser Aluminum Corp.	4,253,795
379,473	Kennametal, Inc.	15,562,188
		27,280,222
	Mining - 1.63%	
603,897	Cloud Peak Energy, Inc. (a)	10,574,236
	Non-U.S. Real Estate Investment Trust - 2.07%	
3,402,250	SEGRO PLC (United Kingdom)	13,392,731
	Oil & Gas Production & Services - 0.45%	
46,137	Cimarex Energy Co.	2,946,309
	Retail - 1.44%	
99,939	American Eagle Outfitters, Inc.	2,019,767
180,874	Jos. A. Bank Clothiers, Inc. (a)	7,332,632
		9,352,399
	Securities Trading Services - 1.92%	
526,900	Broadridge Financial Solutions, Inc.	12,419,033
	Software - 2.46%	
318,475	Allscripts Healthcare Solutions, Inc. (a)	3,528,703
529,455	Progress Software Corp. (a)	12,426,309
		15,955,012
	Telecommunications Equipment - 0.58%	
1,635,257	Tellabs, Inc.	3,728,386

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Shares	Security†	Value (Note 1)
Common Stocks (continued)		
	U.S. Real Estate Investment Trust - 0.51%	
261,105	Excel Trust, Inc.	$ 3,284,701
	U.S. Real Estate Operating Companies - 2.14%	
160,127	Alico, Inc.	6,976,733
130,739	Vail Resorts, Inc.	6,909,556
		13,886,289
	Total Common Stocks (Cost $441,780,792)	559,849,162

Units		
Limited Partnerships - 2.27%		
	Diversified Holding Companies - 2.27%	
950,000	AP Alternative Assets, L.P. (Guernsey) (a) (b) (c)	14,710,750
	Total Limited Partnerships (Cost $19,000,000)	14,710,750

Principal Amount ($)	Security†	Value (Note 1)
Short Term Investments - 6.95%		
	U.S. Government Obligations - 6.95%	
45,000,000	U.S. Treasury Bills, 0.10%-0.11%‡, due 2/14/13-6/13/13	$ 44,988,718
	Total Short Term Investments (Cost $44,985,522)	44,988,718
	Total Investment Portfolio - 95.94% (Cost $507,622,564)	621,483,585
	Other Assets less Liabilities - 4.06%	26,325,367
	NET ASSETS - 100.00%	$ 647,808,952
	Investor Class:	
	Net assets applicable to 377,490 shares outstanding	$ 8,954,252
	Net asset value, offering and redemption price per share	$23.72
	Institutional Class:	
	Net assets applicable to 26,928,268 shares outstanding	$ 638,854,700
	Net asset value, offering and redemption price per share	$23.72

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Notes:
(a) Non-income producing security.
(b) Fair-valued security.
(c) Security subject to restrictions on resale.

Units	Issuer	Acquisition Date	Acquisition Cost	Market Value Per Unit
950,000	AP Alternative Assets, L.P.	6/8/06	$19,000,000	$15.49

At January 31, 2013, the restricted security had a total market value of $14,710,750 or 2.27% of net assets of the Fund.

† U.S. unless otherwise noted.
‡ Annualized yield at date of purchase.
[1] Incorporated in Bermuda.

Country Concentration

	% of Net Assets
United States *	82.92%
Guernsey	5.06
United Kingdom	2.07
Bermuda	1.69
Germany	1.49
Belgium	1.42
Hong Kong	0.69
Canada	0.60
Total	95.94%

* Includes cash equivalents.

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments
at January 31, 2013
(Unaudited)

Principal Amount ($)	Security†	Value (Note 1)
Corporate Bonds & Notes - 0.55%		
	Department Stores - 0.55%	
13,297,000	J.C. Penney Corp., Inc., 6.375%, due 10/15/36	$ 10,138,963
	Total Corporate Bonds & Notes (Cost $9,663,641)	10,138,963
Shares		
Common Stocks - 80.84%		
	Forest Products & Paper - 3.71%	
2,261,058	Weyerhaeuser Co. (c)	68,103,067
	Lodging & Hotels - 1.30%	
246,413	Hyatt Hotels Corp., Class A (a)	9,873,769
1,624,816	Millennium & Copthorne Hotels PLC (United Kingdom)	14,018,586
		23,892,355
	Non-U.S. Homebuilder - 2.33%	
37,961,973	Taylor Wimpey PLC (United Kingdom)	42,837,569
	Non-U.S. Real Estate Consulting/Management - 1.07%	
2,505,167	Savills PLC (United Kingdom)	19,667,222
	Non-U.S. Real Estate Investment Trusts - 20.69%	
29,880,091	Commonwealth Property Office Fund (Australia)	34,586,312
673,655	Derwent London PLC (United Kingdom)	23,056,326
41,415,719	Dexus Property Group (Australia)	45,131,613
9,746,440	Federation Centres (Australia)	23,681,068
7,957,812	Hammerson PLC (United Kingdom)	61,300,344
24,713,436	Mirvac Group (Australia)	40,976,005
8,839,052	SEGRO PLC (United Kingdom)	34,794,340
800,000	Wereldhave N.V. (Netherlands)	55,158,929
5,240,298	Westfield Group (Australia)	61,093,801
		379,778,738

Shares	Security†	Value (Note 1)
	Non-U.S. Real Estate Operating Companies - 28.71%	
2,246,126	Brookfield Asset Management, Inc., Class A (Canada)	$ 82,949,433
5,727,000	Cheung Kong Holdings, Ltd. (Hong Kong)	93,931,248
3,389,950	City Developments Ltd. (Singapore)	32,019,162
3,336,000	Daibiru Corp. (Japan)	32,395,079
8,377,000	Hang Lung Properties Ltd. (Hong Kong)	31,594,405
8,626,990	Henderson Land Development Co., Ltd. (Hong Kong)	62,071,078
11,373,967	Hysan Development Co., Ltd. (Hong Kong)	57,270,213
21,869,072	Quintain Estates & Development PLC (United Kingdom) (a)	21,244,063
22,721,694	Songbird Estates PLC (United Kingdom) (a)	46,036,548
11,975,500	Wheelock & Co., Ltd. (Hong Kong)	67,479,350
		526,990,579
	Retail-Building Products - 3.50%	
1,681,330	Lowe's Cos., Inc.	64,209,993
	U.S. Real Estate Investment Trusts - 6.76%	
4,196,831	First Industrial Realty Trust, Inc. (a)	65,764,342
292,265	First Potomac Realty Trust	4,004,030
641,794	Vornado Realty Trust	54,205,921
		123,974,293
	U.S. Real Estate Operating Companies - 12.77%	
500,500	Consolidated-Tomoka Land Co. (b)	18,012,995
8,846,798	Forest City Enterprises, Inc., Class A (a) (b)	149,599,354
941,627	Tejon Ranch Co. (a)	28,776,121
7,354,979	Thomas Properties Group, Inc. (b)	37,878,142
		234,266,612
	Total Common Stocks (Cost $1,103,654,746)	1,483,720,428

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Units	Security†	Value (Note 1)
Private Equities - 2.71%		
	U.S. Real Estate Operating Companies - 2.71%	
29,513,141	Newhall Holding Co. LLC, Class A Units (a) (b)	$ 49,803,425
	Total Private Equities (Cost $77,900,555)	49,803,425

Notional Amount (‡)/ Number of Contracts	Security†	Value (Note 1)
Purchased Options - 0.38%		
	Equity Put Options - 0.04% (a)	
1,000,000*	Forest City Enterprises, Inc., Class A, strike $15, expires 3/7/13	106,000
1,000,000*	Forest City Enterprises, Inc., Class A, strike $15, expires 3/14/13	138,600
1,000,000*	Forest City Enterprises, Inc., Class A, strike $15, expires 3/21/13	180,300
1,000,000*	Forest City Enterprises, Inc., Class A, strike $15, expires 3/28/13	222,200
		647,100
	Foreign Currency Put Options - 0.02% (a)	
50,000,000 AUD	Australian Currency, strike 0.9960 AUD, expires 2/4/13	0
35,000,000 AUD	Australian Currency, strike 1.0190 AUD, expires 2/6/13	3,804
63,000,000 AUD	Australian Currency, strike 1.0310 AUD, expires 3/6/13	353,953
		357,757

Number of Contracts	Security†	Value (Note 1)
	Index Put Options - 0.32% (a)	
13,517	Hang Seng Property Index, strike 27,244.08 HKD, expires 3/27/13	$ 60,910
13,500	Hang Seng Property Index, strike 27,385.65 HKD, expires 3/27/13	20,402
2,643	Hang Seng Property Index, strike 27,550.00 HKD, expires 3/27/13	3,515
6,676	Hang Seng Property Index, strike 27,624.10 HKD, expires 3/27/13	9,518
14,130	Hang Seng Property Index, strike 31,603.00 HKD, expires 6/27/13	1,727,514
17,316	Hang Seng Property Index, strike 31,603.00 HKD, expires 6/27/13	2,044,844
17,400	Hang Seng Property Index, strike 31,603.00 HKD, expires 6/27/13	2,000,680
		5,867,383
	Total Purchased Options (Cost $18,691,432)	6,872,240
	Total Investment Portfolio - 84.48% (Cost $1,209,910,374)	1,550,535,056
	Other Assets less Liabilities - 15.52% (d)	284,745,696
	NET ASSETS - 100.00%	$ 1,835,280,752
	Investor Class:	
	Net assets applicable to 2,799,024 shares outstanding	$ 72,884,476
	Net asset value, offering and redemption price per share	$26.04
	Institutional Class:	
	Net assets applicable to 67,429,617 shares outstanding	$ 1,762,396,276
	Net asset value, offering and redemption price per share	$26.14

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Notes:
AUD: Australian Dollar
HKD: Hong Kong Dollar
(a) Non-income producing security.
(b) Affiliated issuers—as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).
(c) Security is a Real Estate Investment Trust.
(d) Includes cash restricted as collateral for written options to broker.
† U.S. unless otherwise noted.
‡ Denominated in U.S. Dollars unless otherwise noted.
* Expressed in number of contracts.

Country Concentration

	% of Net Assets
United States	30.59%
Hong Kong	17.34
United Kingdom	14.33
Australia	11.20
Canada	4.52
Netherlands	3.00
Japan	1.76
Singapore	1.74
Total	84.48%

Schedule of Written Options

Notional Amount (‡)/ Number of Contracts	Security	Expiration Date	Strike Price	Value
50,000,000 AUD	Australian Currency, Call	2/4/13	1.0275 AUD	$ 791,438
35,000,000 AUD	Australian Currency, Call	2/6/13	1.0465 AUD	92,152
63,000,000 AUD	Australian Currency, Call	3/6/13	1.0465 AUD	388,030
500,000 *	Forest City Enterprises, Inc., Class A, Call	3/7/13	$18	75,800
500,000 *	Forest City Enterprises, Inc., Class A, Call	3/7/13	$20	5,050
500,000 *	Forest City Enterprises, Inc., Class A, Call	3/14/13	$18	95,400
500,000 *	Forest City Enterprises, Inc., Class A, Call	3/14/13	$20	8,700
500,000 *	Forest City Enterprises, Inc., Class A, Call	3/21/13	$18	119,200
500,000 *	Forest City Enterprises, Inc., Class A, Call	3/21/13	$20	14,350
500,000 *	Forest City Enterprises, Inc., Class A, Call	3/28/13	$18	143,100
500,000 *	Forest City Enterprises, Inc., Class A, Call	3/28/13	$20	21,400
13,517 *	Hang Seng Property Index, Put	3/27/13	22,942.39 HKD	14,419
13,500 *	Hang Seng Property Index, Put	3/27/13	23,061.60 HKD	296
2,643 *	Hang Seng Property Index, Put	3/27/13	23,200.00 HKD	41
6,676 *	Hang Seng Property Index, Put	3/27/13	23,262.40 HKD	111
	(Premiums received $4,343,138)			$1,769,487

AUD: Australian Dollar
HKD: Hong Kong Dollar
‡ Denominated in U.S. Dollars unless otherwise noted.
* Expressed in number of contracts.

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue International Value Fund
Portfolio of Investments
at January 31, 2013
(Unaudited)

Shares	Security†	Value (Note 1)
Common Stocks and Warrants - 91.17%		
	Advertising - 2.01%	
958,400	Asatsu-DK, Inc. (Japan)	$ 25,750,875
	Automotive - 2.50%	
439,290	Daimler AG (Germany)	25,573,407
151,957	Leoni AG (Germany)	6,573,545
		32,146,952
	Building & Construction Products/Services - 2.77%	
10,482,120	Tenon, Ltd. (New Zealand) (a) (b)	9,588,300
1,451,000	Titan Cement Co. S.A. (Greece) (a)	25,966,653
		35,554,953
	Capital Goods - 2.28%	
565,134	Nexans S.A. (France)	29,319,842
	Corporate Services - 0.83%	
22,522,784	Boardroom, Ltd. (Singapore) (b)	10,645,844
	Diversified Holding Companies - 13.31%	
9,669,732	GP Investments, Ltd., BDR (Brazil)[1] (a) (b)	25,590,422
2,806,400	Guoco Group, Ltd. (Hong Kong)[1]	33,653,351
1,644,208	Leucadia National Corp.	41,845,094
592,505	LG Corp. (South Korea) (a)	34,878,041
469,645	Pargesa Holding S.A. (Switzerland)	34,860,194
		170,827,102
	Diversified Operations - 4.26%	
1,204,745	Antarchile S.A. (Chile)	20,654,232
3,039,200	Hutchison Whampoa, Ltd. (Hong Kong)	33,976,151
		54,630,383
	Electronic Components - 10.15%	
39,643,649	Straits Trading Co. Ltd. (Singapore) (b)	130,367,754
	Forest Products & Paper - 5.96%	
68,518,625	Rubicon, Ltd. (New Zealand) (a) (b)	$ 17,250,270
1,966,368	Weyerhaeuser Co. (c)	59,227,004
		76,477,274
	Household Appliances - 0.82%	
652,234	De'Longhi S.p.A. (Italy)	10,547,471
	Insurance - 9.85%	
284,772	Allianz SE (Germany)	40,734,742
230,350	Munich Re (Germany)	42,333,056
78,722	White Mountains Insurance Group, Ltd.[1]	43,349,056
		126,416,854
	Investment Technology Services - 1.10%	
172,806	OTSUKA Corp. (Japan)	14,154,048
	Media - 2.22%	
1,332,538	Vivendi S.A. (France)	28,568,989
	Metals & Mining - 2.76%	
2,234,046	Kinross Gold Corp. (Canada)	18,322,134
22,869	Kinross Gold Corp. Warrants, expires 9/17/14 (Canada) (a)	5,388
397,186	Newmont Mining Corp.	17,063,111
		35,390,633
	Oil & Gas Production & Services - 2.56%	
413,514	Petroleum Geo-Services ASA (Norway)	7,334,842
2,792,400	Precision Drilling Corp. (Canada)	25,589,068
		32,923,910
	Other Financial - 2.64%	
62,589,892	Yuanta Financial Holding Co., Ltd. (Taiwan)	33,916,593
	Pharmaceuticals - 3.61%	
475,034	Sanofi (France)	46,349,500

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue International Value Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Shares	Security†		Value (Note 1)
Common Stocks and Warrants (continued)			
	Real Estate - 12.45%		
6,417,961	Atrium European Real Estate, Ltd. (Jersey)	$	39,641,142
1,531,000	Mitsui Fudosan Co., Ltd. (Japan)		34,974,673
8,490,300	SEGRO PLC (United Kingdom) (c)		33,421,501
45,892,858	Taylor Wimpey PLC (United Kingdom)		51,787,046
			159,824,362
	Securities Brokerage - 4.62%		
10,205,000	Daiwa Securities Group, Inc. (Japan)		59,258,079
	Telecommunications - 4.47%		
38,601,902	Netia S.A. (Poland) (a) (b)		57,443,306
	Total Common Stocks and Warrants (Cost $1,078,117,685)		1,170,514,724

Notional Amount ($)	Security†		Value (Note 1)
Purchased Options - 0.38%			
	Foreign Currency Put Options - 0.38% (a)		
61,500,000	Japan Currency, strike 87.94 Yen, expires 3/14/13	$	2,406,030
61,500,000	Japan Currency, strike 87.94 Yen, expires 3/14/13		2,498,015
	Total Purchased Options (Cost $3,544,860)		4,904,045
	Total Investment Portfolio - 91.55% (Cost $1,081,662,545)		1,175,418,769
	Other Assets less Liabilities - 8.45%		108,437,472
	NET ASSETS - 100.00%	$	1,283,856,241
	Investor Class:		
	Net assets applicable to 1,361,720 shares outstanding	$	24,030,844
	Net asset value, offering and redemption price per share		$17.65
	Institutional Class:		
	Net assets applicable to 71,379,340 shares outstanding	$	1,259,825,397
	Net asset value, offering and redemption price per share		$17.65

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue International Value Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Notes:
BDR: Brazilian Depositary Receipt.
(a) Non-income producing security.
(b) Affiliated issuers - as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).
(c) Security is a Real Estate Investment Trust.
† U.S. unless otherwise noted.
[1] Incorporated in Bermuda.

Country Concentration

	% of Net Assets
United States	12.58%
Singapore	10.98
Japan	10.83
Germany	8.97
France	8.12
United Kingdom	6.64
Hong Kong	5.27
Poland	4.47
Canada	3.42
Jersey	3.09
South Korea	2.72
Switzerland	2.72
Taiwan	2.64
New Zealand	2.09
Greece	2.02
Brazil	1.99
Chile	1.61
Italy	0.82
Norway	0.57
Total	91.55%

Schedule of Equity Swap Contracts:

Security	Floating Rate	Counterparty	Expiration Date	Notional Amount	Value
Piramal Enterprises Ltd.	USD-Federal Funds-H.15	Morgan Stanley Capital Services LLC	6/19/14	$23,903,625	$2,506,542

USD: United States Dollar.

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Focused Credit Fund
Portfolio of Investments
at January 31, 2013
(Unaudited)

Principal Amount (‡)	Security†	Value (Note 1)
	Corporate Bonds & Notes - 85.07%	
	Chemicals - 5.52%	
28,000,000	Momentive Performance Materials, Inc., 9.000%, due 1/15/21	$ 21,840,000
5,000,000	Trinseo Materials Operating SCA / Trinseo Materials Finance, Inc., 8.750%, due 2/1/19 (Luxembourg) (a)	4,950,000
33,549,000	Vertellus Specialties, Inc., 9.375%, due 10/1/15 (a)	29,606,992
		56,396,992
	Consumer Products - 1.99%	
17,350,000	Armored Autogroup, Inc., 9.250%, due 11/1/18	15,354,750
5,000,000	Dispensing Dynamics International, 12.500%, due 1/1/18 (a)	4,962,500
		20,317,250
	Energy - 5.61%	
6,000,000	Connacher Oil and Gas Ltd., 8.500%, due 8/1/19 (Canada) (a)	3,855,000
21,145,000	Geokinetics Holdings USA, Inc., due 12/15/14*	11,788,337
8,019,221	GMX Resources, Inc., PIK, 11.000%, due 12/1/17	8,099,413
14,500,000	Hercules Offshore, Inc., 10.250%, due 4/1/19 (a)	16,131,250
11,539,000	McMoRan Exploration Co., 11.875%, due 11/15/14	12,260,188
	Platinum Energy Solutions, Inc.:	
5,000,000	1st Lien, 14.250%, due 3/1/15	2,600,000
4,919,354	2nd Lien, 14.250%, due 3/1/15	2,558,064
		57,292,252

Principal Amount (‡)	Security†	Value (Note 1)
	Financials - 15.35%	
15,000,000EUR	Bank of Ireland, 10.000%, due 2/12/20 (Ireland)	$ 22,379,123
	Lehman Brothers Holdings, Inc.*:	
31,000,000	due 9/26/08	7,672,500
17,185,861	due 10/14/08	4,253,501
10,000,000	due 10/22/08	2,475,000
25,000,000	due 11/24/08	6,187,500
12,205,000	due 12/23/08	3,020,738
97,000,000	due 3/23/09	24,007,500
6,771,301	due 4/3/09	1,675,897
15,000,000EUR	due 6/25/10 (Netherlands)	8,655,922
30,000,000	due 1/14/11	7,500,000
10,000,000	due 1/24/13	2,512,500
50,000,000	due 9/26/14	12,687,500
7,113,000	due 2/9/17	1,644,881
4,003,433	Marsico Holdings LLC/Marsico Co. Notes Corp., PIK, 8.392%, due 12/31/22 (a)(c)	840,721
10,000,000	Milestone Aviation Group LLC, 8.625%, due 12/15/17 (a)	10,450,000
39,300,000	Nuveen Investments, Inc., 9.500%, due 10/15/20 (a)	40,675,500
		156,638,783
	Food & Beverage - 5.15%	
10,034,000	American Seafoods Group LLC/ American Seafoods Finance, Inc., 10.750%, due 5/15/16 (a)	10,460,445
	Chiquita Brands International, Inc.:	
12,376,000	4.250%, due 8/15/16	11,122,930
10,000,000	7.875%, due 2/1/21 (a)	10,112,500
7,000,000	Reddy Ice Corp., 11.250%, due 3/15/15	7,315,000
13,985,000	Simmons Foods, Inc., 10.500%, due 11/1/17 (a)	13,565,450
		52,576,325

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Focused Credit Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Principal Amount (‡)	Security†	Value (Note 1)
	Corporate Bonds & Notes (continued)	
	Gaming & Entertainment - 7.91%	
54,186,000	Caesars Entertainment Operating Co., Inc., 12.750%, due 4/15/18	$ 41,723,220
8,000,000	CCM Merger, Inc., 9.125%, due 5/1/19 (a)	8,060,000
931	CityCenter Holdings LLC/CityCenter Finance Corp., PIK, 10.750%, due 1/15/17 (a)	1,032
5,000,000	Landry's Holdings II, Inc., 10.250%, due 1/1/18 (a)	5,225,000
7,345,392	Majestic Star Casino, LLC, PIK, 12.500%, due 12/1/16 (a)	6,721,034
18,849,000	Shingle Springs Tribal Gaming Authority, 9.375%, due 6/15/15 (a)	18,990,368
		80,720,654
	Healthcare - 3.28%	
	InVentiv Health, Inc.:	
1,000,000	9.000%, due 1/15/18 (a)	1,028,750
10,000,000	10.000%, due 8/15/18 (a)	8,900,000
	Radiation Therapy Services, Inc.:	
2,000,000	8.875%, due 1/15/17	1,995,000
18,275,000	9.875%, due 4/15/17	12,655,437
8,808,000	Rotech Healthcare, Inc., 10.750%, due 10/15/15	8,852,040
		33,431,227
	Home Construction - 5.91%	
16,967,000	CEMEX España Luxembourg, 9.250%, due 5/12/20 (Luxembourg)[1] (a)	18,409,195
	HD Supply, Inc.:	
6,000,000	10.500%, due 1/15/21(a)	6,150,000
6,500,000	PIK, 13.500%, due 9/1/15	6,707,187

Principal Amount (‡)	Security†	Value (Note 1)
	Home Construction (continued)	
	New Enterprise Stone & Lime Co., Inc.:	
7,100,000	11.000%, due 9/1/18	$ 5,431,500
21,942,000	PIK, 13.000%, due 3/15/18 (a)	23,587,650
		60,285,532
	Media/Cable - 10.83%	
12,100,000	Cengage Learning Acquisitions, Inc., 11.500%, due 4/15/20 (a)	9,680,000
	Clear Channel Communications, Inc.:	
17,700,000	9.000%, due 3/1/21	16,549,500
34,367,289	PIK, 11.000%, due 8/1/16	27,064,240
18,650,000	Intelsat Luxembourg SA, 11.250%, due 2/4/17 (Luxembourg)	19,792,312
8,310,000	LBI Media, Inc., 9.250%, due 4/15/19 (a)	7,811,400
10,000,000	Radio One, Inc., 12.500%, due 5/24/16	9,725,000
18,550,000	Spanish Broadcasting System, Inc., 12.500%, due 4/15/17 (a)(g)	19,941,250
		110,563,702
	Metals & Mining - 1.20%	
1,000,000	AK Steel Corp., 7.625%, due 5/15/20	912,500
10,000,000	HudBay Minerals, Inc., 9.500%, due 10/1/20 (Canada) (a)	10,987,500
1,000,000	USEC, Inc., 3.000%, due 10/1/14	397,500
		12,297,500
	Paper & Packaging - 0.65%	
6,000,000	Tekni-Plex, Inc., 9.750%, due 6/1/19 (a)	6,630,000
	Retail - 0.10%	
1,400,000	J.C. Penney Corp., Inc., 6.375%, due 10/15/36	1,067,500

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Focused Credit Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Principal Amount (‡)	Security†	Value (Note 1)
	Corporate Bonds & Notes (continued)	
	Services - 3.83%	
	Affinion Group, Inc.:	
17,233,000	11.500%, due 10/15/15	$ 14,691,133
16,863,000	7.875%, due 12/15/18	13,659,030
10,176,000	EnergySolutions, Inc. / EnergySolutions LLC, 10.750%, due 8/15/18	10,735,680
		39,085,843
	Technology - 6.66%	
	Advanced Micro Devices, Inc.:	
2,000,000	7.750%, due 8/1/20	1,715,000
23,270,000	7.500%, due 8/15/22 (a)	19,546,800
5,000,000	EVERTEC, LLC/ EVERTEC Finance Corp., 11.000%, due 10/1/18	5,537,500
28,750,000	First Data Corp., 12.625%, due 1/15/21	30,762,500
28,118,000	THQ, Inc., due 8/15/14 *	10,403,660
		67,965,460
	Telecommunications - 3.98%	
13,720,000	NII Capital Corp., 7.625%, due 4/1/21	10,838,800
	Nortel Networks, Ltd. (Canada)*:	
3,611,000	due 4/15/12	3,583,918
19,667,000	due 7/15/16	22,125,375
24,000,000	Powerwave Technologies, Inc., due 7/15/41 (a) *	4,080,000
		40,628,093
	Transportation Services - 1.91%	
	CEVA Group PLC (United Kingdom):	
3,000,000	8.375%, due 12/1/17 (a)	3,082,500
18,500,000	11.500%, due 4/1/18 (a)	16,418,750
		19,501,250
	Utilities - 5.19%	
2,000,000	Coso Geothermal Power Holdings LLC, 7.000%, due 7/15/26 (a)	$ 695,467
5,060,000	Dynegy Holdings LLC, due 2/15/12* (b)	—
4,000,000	Energy Future Holdings Corp., 6.550%, due 11/15/34	2,630,000
	Energy Future Intermediate Holdings Co. LLC:	
19,453,000	11.250%, due 12/1/18 (a)	18,577,615
24,600,000	11.750%, due 3/1/22 (a)	28,136,250
2,000,000 GBP	InterGen NV, 9.500%, due 6/30/17 (Netherlands)	2,918,226
		52,957,558
	Total Corporate Bonds & Notes (Cost $823,364,620)	868,355,921

Principal Amount ($)		
	Term Loans - 7.42%	
	Aerospace - 1.64%	
	Aveos Fleet Performance, Inc. (Cayman Islands)*:	
2,480,139	Revolving Credit, due 3/12/13	2,442,937
3,063,781	Term Loan, due 3/12/13	3,017,824
5,985,729	Term Loan BA1, due 3/12/15	5,147,727
7,167,231	Term Loan BA2, due 3/12/15	6,163,818
		16,772,306
	Chemicals - 1.55%	
17,015,673	Synagro Technologies, Term Loan, 2.308%, due 4/1/14 (c)	15,867,115

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Focused Credit Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Principal Amount ($)	Security†	Value (Note 1)
Term Loans (continued)		
	Gaming & Entertainment - 1.19%	
10,000,000	Golden Nugget Biloxi, Inc., Term Loan, 10.000%, due 11/29/16 (c)	$ 9,643,750
8,596,651	Hicks Sport Group LLC, Term Loan B, due 12/15/10*	2,450,046
		12,093,796
	Media/Cable - 1.29%	
	GateHouse Media Operating, Inc. (f):	
8,041,910	Add-on Term Loan, due 8/28/14	3,018,233
7,310,827	Delayed Draw Term Loan, due 8/28/14	2,743,849
19,593,017	Initial Term Loan, due 8/28/14	7,353,514
		13,115,596
	Utilities - 1.75%	
	Longview Power LLC, Term Loan:	
3,912,664	5.000%, due 3/1/14 (c)	2,885,590
20,389,932	7.250%, due 10/31/17 (c)	14,961,113
		17,846,703
	Total Term Loans (Cost $79,768,048)	75,695,516
Municipal Bonds - 0.24%		
	Gaming & Entertainment - 0.24%	
5,200,000	New York City, NY, Industrial Development Agency Civic Facility Revenue, Bronx Parking Development Co. LLC OID, 5.750%, due 10/1/37	2,403,700
	Total Municipal Bonds (Cost $3,064,722)	2,403,700

Shares	Security†	Value (Note 1)
Preferred Stocks - 2.12%		
	Energy - 0.00%	
2,500	Platinum Energy Solutions, Inc. Series A (b)(d)(e)	$ —
	Financials - 0.71%	
500,000	Federal Home Loan Mortgage Corp., Series Z, 8.375% (c)(d)	956,250
96,750	Federal National Mortgage Association, Series H, 5.810% (d)	348,300
208,000	Federal National Mortgage Association, Series M, 4.750% (d)	637,000
617,000	Federal National Mortgage Association, Series O, 7.000% (c)(d)	2,029,930
500,000	Federal National Mortgage Association, Series S, 8.250% (c)(d)	931,250
1,000,000	Federal National Mortgage Association, Series T, 8.250% (d)	2,350,000
		7,252,730
	Metals & Mining - 1.41%	
150	Fortescue Metals Group Ltd., 9.000% (Australia) (b)	14,400,000
	Total Preferred Stocks (Cost $23,418,942)	21,652,730
Private Equities - 0.11%		
	Aerospace - 0.00%#	
284,571	Aveos Holding Co. (Cayman Islands) (d)	35,571

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Focused Credit Fund
Portfolio of Investments (continued)
at January 31, 2013
(Unaudited)

Shares	Security†	Value (Note 1)
Private Equities (continued)		
	Financials - 0.08%	
4,568,957	Cerberus CG Investor I LLC (d)	$ 331,249
4,568,918	Cerberus CG Investor II LLC (d)	331,247
2,284,632	Cerberus CG Investor III LLC (d)	165,636
		828,132
	Utilities - 0.03%	
14,956	BosPower Partners, LLC (d)	291,642
	Total Private Equities (Cost $5,265,116)	1,155,345
Common Stocks & Warrants - 1.06%		
	Energy - 0.00%	
1,237,120	Platinum Energy Solutions, Inc. (b)(d)(e)	—
8,000	Platinum Energy Solutions, Inc., Warrants (b)(d)	—
		—
	Financials - 0.00%#	
134,199	Marsico Holdings LLC (d)	33,549
	Food & Beverage - 0.09%	
120,000	Chiquita Brands International, Inc. (d)	882,000
	Gaming & Entertainment - 0.05%	
68,235	Caesars Entertainment Corp. (d)	549,292
	Media/Cable - 0.23%	
1,120,466	Radio One, Inc., Class D (d)	1,523,834
291,701	Spanish Broadcasting System, Inc., Class A (d)(g)	813,846
		2,337,680
	Metals & Mining - 0.10%	
265,000	AK Steel Holding Corp. (d)	$ 1,060,000
	Services - 0.35%	
225,000	Kelly Services, Inc., Class A	3,586,500
	Utilities - 0.24%	
121,814	Dynegy, Inc. (d)	2,436,280
	Total Common Stocks & Warrants (Cost $12,755,403)	10,885,301
	Total Investment Portfolio - 96.02% (Cost $947,636,851)	980,148,513
	Other Assets less Liabilities - 3.98%	40,612,071
	NET ASSETS - 100.00%	$ 1,020,760,584
	Investor Class:	
	Net assets applicable to 34,271,213 shares outstanding	$ 369,659,543
	Net asset value, offering and redemption price per share	$10.79
	Institutional Class:	
	Net assets applicable to 60,426,149 shares outstanding	$ 651,101,041
	Net asset value, offering and redemption price per share	$10.78

Notes:
OID: Original Issue Discount.
PIK: Payment-in-kind.
(a) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
(b) Fair-valued security.
(c) Variable rate security. The rate disclosed is in effect as of January 31, 2013.
(d) Non-income producing security.

See accompanying notes to the Portfolios of Investments.

(e) Security subject to restrictions on resale.

Shares	Issuer	Acquisition Date	Acquisition Cost	Market Value Per Share
1,237,120	Platinum Energy Solutions, Inc.	2/28/11	$1,023,146	$—
2,500	Platinum Energy Solutions, Inc. Series A, Preferred Stock	2/28/11	1,476,854	—

At January 31, 2013, these restricted securities had a total market value of $0 or 0.00% of net assets of the Fund.

(f) Unsettled security. Coupon rate is undetermined at January 31, 2013.
(g) Affiliated issuers - as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).
* Issuer in default.
# Amount represents less than 0.01% of total net assets.
† U.S. unless otherwise noted.
‡ Denominated in U.S. Dollars unless otherwise noted.
[1] Incorporated in Spain.

Country Concentration

	% of Net Assets
United States	79.53%
Luxembourg	4.23
Canada	3.97
Ireland	2.19
United Kingdom	1.91
Cayman Islands	1.65
Australia	1.41
Netherlands	1.13
Total	96.02%

Schedule of Forward Foreign Currency Contracts

Contracts to Buy	Counterparty	Settlement Date	Settlement Value	Value at 1/31/13	Unrealized Appreciation
6,500,000 EUR	JPMorgan Chase Bank, N.A.	4/4/13	$ 8,442,233	$ 8,828,716	$ 386,483

Contracts to Sell	Counterparty	Settlement Date	Settlement Value	Value at 1/31/13	Unrealized Depreciation
500,000 EUR	JPMorgan Chase Bank, N.A.	2/12/13	$ 654,940	$ 678,942	$ (24,002)
1,000,000 EUR	Macquarie Bank, Ltd.	2/12/13	$ 1,295,470	$ 1,357,883	$ (62,413)
6,500,000 EUR	JPMorgan Chase Bank, N.A.	4/4/13	$ 8,416,850	$ 8,828,716	$ (411,866)
4,962,500 EUR	JPMorgan Chase Bank, N.A.	5/13/13	$ 6,506,334	$ 6,741,587	$ (235,253)
1,000,000 EUR	JPMorgan Chase Bank, N.A.	5/28/13	$ 1,307,700	$ 1,358,581	$ (50,881)
9,625,000 EUR	Macquarie Bank, Ltd.	5/28/13	$12,482,566	$13,076,342	$ (593,776)
2,000,000 GBP	JPMorgan Chase Bank, N.A.	7/9/13	$ 3,201,100	$ 3,169,368	$ 31,732
					$(1,346,459)

EUR: Euro
GBP: British Pound

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Notes to Portfolios of Investments
January 31, 2013
(Unaudited)

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:
Third Avenue Trust (the "Trust") is an open-end, management investment company organized as a Delaware business trust pursuant to a Trust Instrument dated October 31, 1996. The Trust currently consists of five non-diversified (within the meaning of Section 5(b)(2) of the Investment Company Act) separate investment series: Third Avenue Value Fund, Third Avenue Small-Cap Value Fund, Third Avenue Real Estate Value Fund, Third Avenue International Value Fund and Third Avenue Focused Credit Fund (each a "Fund" and, collectively, the "Funds"). Third Avenue Management LLC (the "Adviser") provides investment advisory services to each of the Funds in the Trust. The Funds seek to achieve their investment objectives by adhering to a strict value discipline when selecting securities and other instruments. Each Fund has a distinct investment approach.

Accounting policies:
The policies described below are followed consistently by the Funds and are in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Security valuation:
Generally, the Funds' investments are valued at market value. Securities traded on a principal stock exchange, including The NASDAQ Stock Market, Inc. ("NASDAQ"), are valued at the last quoted sales price, the NASDAQ official closing price, or in the absence of closing sales prices on that day, securities are valued at the mean between the closing bid and asked price. In accordance with procedures approved by the Trust's Board of Trustees (the "Board"), the Funds have retained a third party provider that, under certain circumstances, applies a statistical model to provide fair value pricing for foreign equity securities with principal markets that are no longer open when a Fund calculates its net asset value ("NAV"), and certain events have occurred after the principal markets have closed but prior to the time as of which the Funds compute their NAVs. Debt instruments with maturities greater than 60 days, including floating rate loan securities, are valued on the basis of prices obtained from a pricing service approved as reliable by the Board or otherwise pursuant to policies and procedures approved by the Board. Investments in derivative instruments are valued independently by service providers or by broker quotes based on pricing models. Temporary cash investments are valued at cost, plus accrued interest, which approximates market value. Short-term debt securities with 60 days or less to maturity may be valued at amortized cost.

The Adviser has established a Valuation Committee (the "Committee") which is responsible for overseeing the pricing and valuation of all securities held in the Portfolio. The Committee operates under pricing and valuation policies and procedures established by the Adviser and approved by the Board, including pricing policies which set forth the mechanisms and processes to be employed on a daily basis to implement these policies and procedures. In particular, the pricing policies describe how to determine market quotations for securities and other instruments. The Committee's responsibilities include: 1) fair value and liquidity determinations (and oversight of any third parties to whom any responsibility for fair value and liquidity determinations is delegated), and 2) regular monitoring of the Adviser's pricing and valuation policies and procedures and modification or enhancement of these policies and procedures (or recommendation of the modification of these policies and procedures) as the Committee believes appropriate.

Each Fund may invest up to 15% of its total net assets in securities which are not readily marketable, including those which are restricted as to disposition under applicable securities laws ("restricted securities"). Restricted securities and other securities and assets for which market quotations are not readily available are valued at "fair value", as determined in good faith by the Trust's Valuation Committee as authorized by the Board of the Trust, under procedures established by the Board. At January 31, 2013, such securities had a total fair value of $91,956,127 or 3.42% of net assets of Third Avenue Value Fund, $14,710,750 or 2.27 % of net assets of Third Avenue Small-Cap Value Fund, and $0 or 0.00% of net assets of Third Avenue Focused Credit Fund. There were no fair valued securities for Third Avenue Real Estate Value Fund and Third Avenue International Value Fund at January 31, 2013. Among the factors that may be considered by the Trust's Valuation Committee in determining fair value are: the type of security, trading in unrestricted securities of the same issuer, the financial condition of the issuer, the percentage of the Fund's beneficial ownership of the issuer's common stocks and debt securities, comparable multiples of similar issuers, the operating results of the issuer and the discount from market value of any similar unrestricted securities of the issuer at the time of purchase and liquidation values of the issuer. The fair values determined in accordance with these procedures may differ significantly from the amounts which would be realized upon disposition of the securities. Restricted securities often have costs associated with subsequent registration. The restricted securities currently held by the Funds are not expected to incur any material future registration costs.

Fair value measurements:
In accordance with Financial Accounting Standards Board Accounting Standard Codification ("FASB ASC") FASB ASC 820-10, Fair Value Measurements and Disclosures, the Funds disclose the fair value of their investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. Fair value is defined as the price that a Fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment under current market conditions. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Funds have the ability to access at the measurement date;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

- Level 3 – Significant unobservable inputs (including the Funds' own assumptions in determining the fair value of investments)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in aggregate that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Funds. The Funds consider observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

The Funds use valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

The following are certain inputs and techniques that the Funds generally use to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with U.S. GAAP.

Equity Securities (Common Stocks, Preferred Stocks, and Warrants)—Equity securities traded in inactive markets and certain foreign equity securities are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

U.S. Treasury Obligations—U.S. Treasury obligations are valued by independent pricing services based on pricing models that evaluate the mean between the most recently quoted bid and ask price. The models also take into consideration data received from active market makers and broker-dealers, yield curves, and the spread over comparable U.S. Treasury issues. The spreads change daily in response to market conditions and are generally obtained from the new issue market and broker-dealer sources. To the extent that these inputs are observable, the values of U.S. Treasury obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Corporate Bonds & Notes—Corporate bonds and notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, live trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector specific trends. To the extent that these inputs are observable, the values of corporate bonds and notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Forward Foreign Currency Contracts—Forward foreign currency contracts are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, actual trading information and foreign currency exchange rates gathered from leading market makers and foreign currency exchange trading centers throughout the world. To the extent that these inputs are observable, the values of forward foreign currency contracts are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Term Loans—Term loans are valued by independent pricing services based on the average of evaluated quoted prices received from multiple dealers or valued relative to other benchmark securities when broker-dealer quotes are unavailable. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as ratings, tranche type, industry, company performance, spread, individual trading characteristics, institutional-size trading in similar groups of securities and other market data. To the extent that these inputs are observable, the values of term loans are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Municipal Bonds—Municipal bonds are valued by independent pricing services based on pricing models that take into account, among other factors, information received from market makers and broker-dealers, current trades, bid-ask lists, offerings, market movements, the callability of the bond, state of issuance, benchmark yield curves, and bond insurance. To the extent that these inputs are observable, the values of municipal bonds are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Options (Written and Purchased)—Options are valued by independent pricing services or by brokers based on pricing models that take into account, among other factors, changes in the price of the underlying securities, time until expiration, and volatility of the underlying security. To the extent that these inputs are observable, the values of options are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Equity Swaps—Equity swap values are based on the performance of the underlying security which is valued by independent pricing services. The performance is based on the change in the price of the underlying securities. To the extent that this input is observable, the value of the equity swap is categorized as Level 2. To the extent that this input is unobservable, the value is categorized as Level 3.

Third Avenue Trust
Notes to Portfolios of Investments (continued)
January 31, 2013
(Unaudited)

The following is a summary by level of inputs used to value the Funds' investments as of January 31, 2013:

	Third Avenue Value Fund	Third Avenue Small-Cap Value Fund	Third Avenue Real Estate Value Fund	Third Avenue International Value Fund	Third Avenue Focused Credit Fund
Level 1: Quoted Prices†					
Investments in Securities:					
Common Stocks & Warrants:					
Consumer Products	$ —	$ 34,202,584	$ —	$ —	$ —
Insurance & Reinsurance	52,483,556	48,295,069	—	—	—
Other	2,150,364,634	477,351,509	1,483,720,428	1,170,514,724	10,851,752
Preferred Stocks:					
Financials	—	—	—	—	7,252,730
U.S. Real Estate Investment Trust	—	1,934,955	—	—	—
Total for Level 1 Securities	**2,202,848,190**	**561,784,117**	**1,483,720,428**	**1,170,514,724**	**18,104,482**
Level 2: Other Significant Observable Inputs†					
Investments in Securities:					
Common Stocks & Warrants:					
Financials	—	—	—	—	33,549
Debt Securities issued by the U.S. Treasury and other government corporations and agencies:					
Municipal Bonds	—	—	—	—	2,403,700
Corporate Bonds & Notes	—	—	10,138,963	—	868,355,921
Term Loans	—	—	—	—	58,923,210
Private Equities:					
Utilities	—	—	—	—	291,642
Purchased Options	—	—	6,872,240	4,904,045	—
Short Term Investments:					
U.S. Government Obligations	—	44,988,718	—	—	—
Total for Level 2 Securities	**—**	**44,988,718**	**17,011,203**	**4,904,045**	**930,008,022**

Third Avenue Trust
Notes to Portfolios of Investments (continued)
January 31, 2013
(Unaudited)

Summary by level of inputs (continued)

	Third Avenue Value Fund	Third Avenue Small-Cap Value Fund	Third Avenue Real Estate Value Fund	Third Avenue International Value Fund	Third Avenue Focused Credit Fund
Level 3: Significant Unobservable Inputs					
Investments in Securities:					
Common Stocks & Warrants:					
Consumer Products	$ 26,318	$ —	$ —	$ —	$ —
Energy	—	—	—	—	—*
Financial Insurance	860,000	—	—	—	—
Insurance & Reinsurance	92,335	—	—	—	—
Manufactured Housing	85,989,635	—	—	—	—
Limited Partnerships:					
Diversified Holding Companies	—	14,710,750	—	—	—
Insurance & Reinsurance	364,472	—	—	—	—
Preferred Stocks:					
Energy	—	—	—	—	—*
Insurance & Reinsurance	198,190	—	—	—	—
Metals & Mining	—	—	—	—	14,400,000
Corporate Bonds & Notes	4,425,177	—	—	—	—*
Term Loans	—	—	—	—	16,772,306
Private Equities:					
Aerospace	—	—	—	—	35,571
Financials	—	—	—	—	828,132
U.S. Real Estate Operating Companies	—	—	49,803,425	—	—
Total for Level 3 Securities	**91,956,127**	**14,710,750**	**49,803,425**	**—**	**32,036,009**
Total Value of Investments	**$2,294,804,317**	**$ 621,483,585**	**$1,550,535,056**	**$1,175,418,769**	**$ 980,148,513**
Investments in Other Financial Instruments:					
Level 2: Other Significant Observable Inputs					
Written Options	$ —	$ —	$ (1,769,487)	$ —	$ —
Equity Swaps	—	—	—	2,506,542	—
Forward Foreign Currency Contracts	—	—	—	—	(959,976)
Total Appreciation/(Depreciation) of Other Financial Instruments	**$ —**	**$ —**	**$ (1,769,487)**	**$ 2,506,542**	**$ (959,976)**

† The value of security that transferred from Level 2 on October 31, 2012 to Level 1 on January 31, 2013 for Third Avenue International Value Fund was $9,970,736. The change was due to the availability of quoted prices in active market at period end.

* Investments fair valued at zero.

Please refer to the Portfolios of Investments for industry specifics of the portfolio holdings.

Transfers from Level 1 to Level 2, or from Level 2 to Level 1 are recorded utilizing values as of the beginning of the period.

Following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

Third Avenue Value Fund

	Common Stocks	Corporate Bonds & Notes	Limited Partnerships	Preferred Stocks	Total
Balance as of 10/31/12 (fair value)					
Consumer Products	$ 26,318	$4,255,125	$ —	$ —	$ 4,281,443
Financial Insurance	860,000	—	—	—	860,000
Insurance & Reinsurance	98,837	—	358,478	212,126	669,441
Manufactured Housing	84,564,500	—	—	—	84,564,500
Net change in unrealized gain/(loss)					
Consumer Products	—	170,052	—	—	170,052
Insurance & Reinsurance	(6,502)	—	5,994	(13,936)	(14,444)
Manufactured Housing	1,425,135	—	—	—	1,425,135
Balance as of 1/31/13 (fair value)					
Consumer Products	26,318	4,425,177	—	—	4,451,495
Financial Insurance	860,000	—	—	—	860,000
Insurance & Reinsurance	92,335	—	364,472	198,190	654,997
Manufactured Housing	85,989,635	—	—	—	85,989,635
Total	$86,968,288	$4,425,177	$364,472	$198,190	$91,956,127
Net change in unrealized gain/(loss) related to securities still held as of January 31, 2013					$ 1,580,743

Third Avenue Small-Cap Value Fund

	Limited Partnerships
Balance as of 10/31/12 (fair value)	
Diversified Holding Companies	$13,302,850
Net change in unrealized gain/(loss)	
Diversified Holding Companies	1,407,900
Balance as of 1/31/13 (fair value)	
Diversified Holding Companies	$14,710,750
Net change in unrealized gain/(loss) related to securities still held as of January 31, 2013	$ 1,407,900

Third Avenue Trust
Notes to Portfolios of Investments (continued)
January 31, 2013
(Unaudited)

Third Avenue Real Estate Value Fund

	Private Equities	Limited Partnerships	Total
Balance as of 10/31/12 (fair value)			
Investment Fund	$ —	$ 21,053	$ 21,053
U.S. Real Estate Operating Companies	43,900,797	—	43,900,797
Sales			
Investment Fund	—	(17,357)	(17,357)
Net change in unrealized gain/(loss)			
Investment Fund	—	(21,053)	(21,053)
U.S. Real Estate Operating Companies	5,902,628	—	5,902,628
Net realized gain/(loss)			
Investment Fund	—	17,357	17,357
Balance as of 1/31/13 (fair value)			
Investment Fund	—	—	—
U.S. Real Estate Operating Companies	49,803,425	—	49,803,425
Total	$49,803,425	$ —	$49,803,425
Net change in unrealized gain/(loss) related to securities still held as of January 31, 2013			$5,902,628

Third Avenue Focused Credit Fund

	Corporate Bonds & Notes	Term Loans	Common Stocks and Warrants	Preferred Stocks	Private Equities	Total
Balance as of 10/31/12 (fair value)						
Aerospace	$ —	$13,961,841	$ —	$ —	$ 35,571	$13,997,412
Energy	—	—	2,004,778	2,500,000	—	4,504,778
Financials	—	—	—	—	1,427,814	1,427,814
Utilities	—*	—	—	—	—	—
Purchases						
Metals & Mining	—	—	—	14,400,000	—	14,400,000
Sales						
Aerospace	—	(1,055,856)	—	—	—	(1,055,856)
Return of capital						
Financials	—	—	—	—	(289,790)	(289,790)
Net change in unrealized gain/(loss)						
Aerospace	—	4,020,585	—	—	—	4,020,585
Energy	—	—	(2,004,778)	(2,500,000)	—	(4,504,778)
Financials	—	—	—	—	(682,183)	(682,183)
Net realized gain/(loss)						
Aerospace	—	(154,264)	—	—	—	(154,264)
Financials	—	—	—	—	372,291	372,291
Balance as of 1/31/13 (fair value)						
Aerospace	—	16,772,306	—	—	35,571	16,807,877
Energy	—	—	—*	—*	—	—
Financials	—	—	—	—	828,132	828,132
Metals & Mining	—	—	—	14,400,000	—	14,400,000
Utilities	—*	—	—	—	—	—
Total	$ —	$16,772,306	$ —	$14,400,000	$ 863,703	$32,036,009
Net change in unrealized gain/(loss) related to securities still held as of January 31, 2013						$ (1,166,376)

* Investments fair valued at zero.

Quantitative Information about Level 3 Fair Value Measurements

(amounts in thousands)

Third Avenue Value Fund	Fair Value at 1/31/13	Valuation Technique(s)	Unobservable Inputs(s)	Range (Weighted Average)
Common Stocks	85,990	Book Value	Lack of marketability	1.0x (1.0x)
Other (b)	5,966			
	91,956			

Third Avenue Small-Cap Value Fund	Fair Value at 1/31/13	Valuation Technique(s)	Unobservable Inputs(s)	Range (Weighted Average)
Limited Partnerships	14,711	Discount to Market	Discount for lack of marketability (a)	5% (N/A)

Third Avenue Real Estate Value Fund	Fair Value at 1/31/13	Valuation Technique(s)	Unobservable Inputs(s)	Range (Weighted Average)
Private Equities	49,803	Broker Quote #	Lack of marketability	N/A

Third Avenue Focused Credit Fund	Fair Value at 1/31/13	Valuation Technique(s)	Unobservable Inputs(s)	Range (Weighted Average)
Term Loans	16,772	Broker Quote #	Lack of marketability	N/A
Preferred Stocks	14,400	Broker Quote #	Lack of marketability	N/A
Private Equities	36	Broker Quote #	Lack of marketability	N/A
Other (b)	828			
	32,036			
Total	188,506			

\# The inputs for these securities are not readily available or cannot be reasonably estimated and are generally those inputs described in Note 1. The appropriateness of fair values for these securities is based on results of back testing, broker due diligence, unchanged price review and consideration of macro or security specific events.

(a) Represents amounts used when the reporting entity has determined that market participants would take into account premiums and discounts, as applicable, when pricing the investments.

(b) Includes securities less than 0.50% within each respective Fund.

The significant unobservable inputs used in the fair value measurement of the Funds' investments are listed above. Generally, a change in the assumptions used in any input in isolation may be accompanied by a change in another input. Significant changes in any of the unobservable inputs may significantly impact the fair value measurement. The impact is based on the relationship between each unobservable input and the fair value measurement. Significant increases (decreases) in enterprise multiples may increase (decrease) the fair value measurement. Significant increases (decreases) in the discount for marketability may decrease (increase) the fair value measurement.

Recently issued accounting pronouncements:
In December 2011, the Financial Accounting Standards Board "FASB" issued Accounting Standards Update No. 2011-11 "Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11"). These disclosure requirements are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. They also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. In addition, ASU 2011-11 facilitates comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards ("IFRS"). ASU 2011-11 requires entities to: disclose both gross and net information about both instruments and transactions eligible for offset in the financial statements; and disclose instruments and transactions subject to an agreement similar to a master netting agreement. ASU 2011-11 is effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. At this time, management is evaluating the implications of ASU 2011-11 and its impact on the Funds' financial statement disclosures.

Security transactions and investment income:
Security transactions are accounted for on a trade date basis.

Foreign currency translation and foreign investments:
The books and records of the Funds are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars as follows:

- ***Investments and assets and liabilities denominated in foreign currencies:*** At the prevailing rates of exchange on the valuation date.
- ***Investment transactions:*** At the prevailing rates of exchange on the date of such transactions.

Term loans:
The Funds typically invest in loans which are structured and administered by a third party entity (the "Agent") that acts on behalf of a group of lenders that make or hold interests in the loan. These securities generally pay interest at rates which are periodically pre-determined by reference to a base lending rate plus a premium. These base lending rates are generally either the lending rate offered by one or more major European banks, such as the London Interbank Offered Rate ("LIBOR") or the prime rate offered by one or more major United States banks, or the certificate of deposit rate. These securities are generally considered to be restricted, as the Funds are ordinarily contractually obligated to receive approval from the Agent bank and/or borrower prior to disposition. Remaining maturities of term loans may be less than the stated maturities shown as a result of contractual or optional payments by the borrower. Such prepayments cannot be predicted with certainty. The interest rate disclosed reflects the rate in effect on January 31, 2013.

Forward foreign exchange contracts:
The Funds may be exposed to foreign currency risks associated with portfolio investments and therefore may use forward foreign currency contracts to hedge or manage these exposures. The Funds also may buy forward foreign currency contracts to gain exposure to currencies. Forward foreign currency contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/(depreciation) on investments and foreign currency translations. When the contract is closed, the Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign currency contracts does not eliminate fluctuations in the underlying prices of the Funds' portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign currency contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Funds could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts.

During the period ended January 31, 2013, Third Avenue Focused Credit Fund used forward foreign currency contracts for hedging against foreign currency risks.

Option contracts:
The Funds may purchase and sell ("write") put and call options on various instruments including investments, indices, and foreign currency to manage and hedge exchange rate risks within their portfolios and also to gain long or short exposure to the underlying instruments.

An option contract gives the buyer the right, but not the obligation, to buy (call) or sell (put) an underlying item at a fixed exercise price on a certain date or during a specified period. The cost of the underlying instruments acquired through the exercise of a call option is increased by the premiums paid. The proceeds from the underlying instruments sold through the exercise of a purchased put option are decreased by the premiums paid. Investments in over-the-counter option contracts require the Funds to fair value or mark-to market the options on a daily basis, which reflects the change in the market value of the contracts at the close of each day's trading. The cost of purchased options that expire unexercised are treated by the Funds, on expiration date, as realized losses on investments.

When the Funds write an option, an amount equal to the premium received by the Funds is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Funds, on the expiration date, as realized gains on written options. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Funds have a realized gain or loss. If a put option is exercised, the premium reduces the cost basis of the security or currency purchased by the Funds. In purchasing and writing options, the Funds bear the market risk of an unfavorable change in the price of the underlying security or the risk that the Funds may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written option could result in the Funds purchasing a security or currency at a price different from the current market value. The Funds may execute transactions in both listed and over-the-counter options. Listed options involve minimal counterparty risk since listed options are guaranteed against default by the exchange on which they trade. When purchasing over-the-counter options, the Funds bear the risk of economic loss from counterparty default, equal to the market value of the option.

During the period ended January 31, 2013, Third Avenue Real Estate Value Fund and Third Avenue International Value Fund used purchased options on equity, index and foreign currency to gain long exposure to the underlying instruments or indices, for hedging purposes and/or to protect against losses in foreign currencies.

During the period ended January 31, 2013, Third Avenue Real Estate Value Fund used written call options on foreign currency for hedging against foreign currency risks and written options on equity and indices to gain long exposure to the underlying instruments. Third Avenue International Value Fund used written put options on foreign currency for hedging against foreign currency risks. As of January 31, 2013, Third Avenue International Value Fund no longer held any written put options on foreign currency.

Swap Agreements:

The Funds may enter into total return, interest rate, equity and other swap agreements. Interest rate swap agreements generally involve the agreement by a fund to pay a counterparty a fixed or floating rate on a fixed notional amount and to receive a fixed or floating rate on a fixed notional amount, but may also include an agreement to pay or receive payments derived from changes in interest rates. Periodic payments are generally made during the life of the swap agreement according to the terms and conditions of the agreement and at termination or maturity. Total return swap agreements involve the commitments to pay or receive an amount generally determined by reference to a security, index or other measure in exchange for a specific market linked return, based on notional amounts. To the extent that the total return of the security, index or other measure underlying the transaction exceeds or falls short of the offsetting interest rate-based obligation, the Fund will receive or make a payment to the counterparty.

During the period ended January 31, 2013, Third Avenue International Value Fund participated in equity swap contracts. Details of the open swap contracts at period end are included in the Fund's Portfolio of Investments under the caption "Equity Swap Contracts".

During the period ended January 31, 2013, Third Avenue International Value Fund used equity swap contracts to gain exposure to the underlying investments.

Floating rate obligations:
The Funds may invest in debt securities with interest payments or maturity values that are not fixed, but float in conjunction with an underlying index or price. These securities may be backed by corporate issuers. The indices and prices upon which such securities can be based include interest rates, and currency rates. Floating rate securities pay interest according to a coupon which is reset periodically.

2. INVESTMENTS

Unrealized appreciation/(depreciation):
The following information is based upon the book basis of investment securities as of January 31, 2013:

	Value Fund	Small-Cap Value Fund	Real Estate Value Fund	International Value Fund	Focused Credit Fund
Gross unrealized appreciation	$ 631,472,173	$136,868,291	$ 430,625,155	$ 168,682,884	$ 76,088,762
Gross unrealized depreciation	(411,389,881)	(23,007,270)	(90,000,473)	(74,926,660)	(43,577,100)
Net unrealized appreciation	$ 220,082,292	$113,861,021	$ 340,624,682	$ 93,756,224	$ 32,511,662
Aggregate book cost	$2,074,722,025	$507,622,564	$1,209,910,374	$1,081,662,545	$947,636,851

3. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Funds enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

For additional information regarding the accounting policies of the Funds, refer to the most recent financial statements in the N-CSR filing at www.sec.gov.

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