



Dear Fellow Shareholders,

We are pleased to provide you with the Third Avenue Value Fund's (the "Fund") report for the quarter ended January 31, 2016.

"What happened to Value investing?"

This was somewhat a rhetorical question posed to us as portfolio managers this quarter as we met with a long time client, who sees eye to eye with us on the motive and merits of Third Avenue Management's value investment philosophy. We could not help but respond with a riff on the well-known quote by Mark Twain, that "rumors of its death have been greatly exaggerated". Rejoinders aside, we understand the frankness of the concern in the question. As we wrote in our Fiscal Year end letter ninety days ago, Value investing as a style has greatly underperformed momentum driven investment styles over the last several years. As a proxy we look at the outperformance of the Russell 3000 Growth Index vs. the Russell 3000 Value index of 9.22% in 2015, 2.08% per annum for a trailing 5 year period and 1.70% per annum since the market bottom of March 16, 2009. While we can suggest contributing factors to this disparity, such as a Federal Reserve Liquidity "put" supporting more leveraged and lower quality businesses, to a market that has found perceived safety in momentum growth strategies, we cannot argue the fact that Value Investing has faced an extreme and prolonged headwind.

As we are not "macro" forecasters, we cannot divine when these headwinds will cease, and revert, but we firmly believe two things. First, that even though our investment philosophy of creditworthiness, compounding of book value and a patient buy at a discount to our estimate of net asset value may struggle over certain periods of time we believe this to be a superior way to invest over the long term. Second, that it is not "different this time." We have endured similar periods where Value styles were out of favor. We know that these periods can last longer and be of greater duration than we would expect. We have also seen the benefits of owning well capitalized companies with solid business models when metrics such as "clicks," "eyeballs" and now "earnings revisions" lose favor in rapid fashion. Said differently, the current obsession with the "primacy of the income statement," a term defined by Marty Whitman, is not a lasting substitute for a disciplined approach, i.e., the measurement of the value of the earnings ability of a business' assets and liabilities that begins with the balance sheet. Despite the backdrop for value investors in general and a tough 90-day result in performance, we remain excited about the quality of the names owned in our portfolio and the upside returns we see in these investments over our long- term horizon of three to five years. Our feeling is that the market has dramatically oversold many names that detracted from the portfolio in the quarter, and the valuation levels to us feel like a coiled-spring that will revert to the positive. We are taking the opportunity to deploy capital in some of what we believe are the most unduly punished names in the portfolio as well as in new investment opportunities.

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, 2016: Bank Of New York Mellon Corp., 6.29%; Cavco Industries, Inc., 5.94%; Weyerhaeuser Co., 5.07%; Comerica, Inc., 4.80%; CBS Corp., 4.24%; PNC Financial Services Group, Inc., 4.12%; CK Hutchison Holdings Ltd., 3.70%; White Mountains Insurance Group, Ltd., 3.59%; AGCO Corp., 3.43%; Covanta Holding Corp., 3.41%.