



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

**THIRD QUARTER REPORT
AND PORTFOLIO MANAGER COMMENTARY**

July 31, 2011

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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: August 24, 2011.

This booklet consists of two separate documents.

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THIRD QUARTER PORTFOLIO MANAGER COMMENTARY

July 31, 2011

Letter from the Chairman (Unaudited)



MARTIN J. WHITMAN
CHAIRMAN OF THE BOARD

Dear Fellow Shareholders:

Based, as always, upon a bottom-up, value oriented, approach to analysis, my view of what is happening in the U.S. economy seems to be quite different from the views held by politicians and academics. Third Avenue shareholders, hopefully, might gain insight from understanding my views about the economy and various economic entities, particularly with regard to the U.S. economy, the global economy and, most important to Third Avenue Management, the companies that must contend with both. Central to economic debate and discussion throughout 2011 has been the question of the solvency of the United States government. Declaring the U.S. bankrupt is now in fashion and has been used to justify investment decisions and to sell investment strategies and products. The belief that the U.S. government is insolvent, or is on the path to insolvency, is not a motivating factor behind Third Avenue's decision to invest considerable assets in the equities of companies based outside of the U.S. Still, the question of U.S. solvency is worth considering.

The true test of solvency is the creditworthiness of the economic entity, not the amount of debt that it owes. The amount of debt is important, but it is only one element in determining creditworthiness. In fact, creditworthiness is a function of three factors:

- Amount of debt
- Terms of debt
- Productivity in the use of proceeds arising out of the borrowings

The third factor – productivity or growth – seems by far the most important of the three functions for the U.S. government (as is the case for most of the common stocks in the various Third Avenue portfolios). Historically, certain U.S. government uses of proceeds have been unbelievably productive, such as the Homestead Act of 1862 and the Servicemen's Readjustment Act of 1944 (the "G.I. Bill of Rights"). While it is relatively easy to measure the productivity of use of proceeds on the corporate level – profits and/or growth in net asset values – it tends to be much harder to measure productivity where the expenditures are made by a government not motivated primarily by seeking profits. Take military expenditures, for example. In my opinion, from an economic point of view, few things seem more wasteful than the country's involvement in Iraq and Afghanistan. On the other hand, it is doubtful that there have been more productive expenditures during the past 25 years than Military Research and Development. Among myriad of other things, it was the military that gave us the Internet. Given my prejudices though, I would think that enormous long-term benefits would accrue to the nation from expanded expenditures on education, infrastructure, and research and development.

The proposal for a Balanced Budget Amendment to the U.S. Constitution, thus, seems to be a bad idea. The government should be allowed to raise debt to finance productive activities. A productive economy, not a debt-free government, should be the ultimate goal. While individual debt instruments mature, debt in the aggregate is almost never repaid. Debt is, instead, refinanced and expanded by entities which remain creditworthy. This is certainly true for the common stocks in each of the Third Avenue portfolios. While each issuer had a strong financial

**Letter from the Chairman (continued)
(Unaudited)**

position, almost every common stock issuer represented in the Third Avenue portfolios have so increased in size and profitability over the years that they now enjoy enhanced debt issuing capacity. The same ought to be made true for the U.S. government and its various debt issuing agencies.

The U.S. government did run budget surpluses in the mid to late 1990s, as a direct result of decades of debt-financed, productive spending. Much of the credit for that performance seems attributable to the dot-com bubble, made possible by the widespread adoption of the Internet and the vast electrical and telecommunications infrastructure of the U.S. Various newly minted billionaires paid huge amounts of capital gain taxes and the tax base was broadened, as a new industry created demand for highly-skilled, and mostly well-paid, workers.

Much of the growth in high tech during that time seems to have been triggered, in part, by the Initial Public Offering (“IPO”) Boom and, in part, by defense cutbacks, which compelled smart engineers and nerds to get involved in attractive start-ups, rather than taking jobs with Lockheed Martin and General Dynamics. The speculative excesses of the 1990s seem to have contributed much permanent good to the economy with the development of extremely able, extremely productive, high-tech industries. All of this occurred while causing huge harm to passive market participants who speculated in dot coms and did not sell their investments in time. Value investors, who remained focused on fundamentals, seem to have not suffered all that much from the bursting of the dot-com bubble.

Damage has been done to the U.S. government’s true credit rating by the failure to reach an early agreement on increasing the debt limit, regardless which rating agencies maintain its AAA rating. Creditors are just too efficient not to take account of the fact that the government’s willingness (not ability) to service its obligations is now suspect. Here lies the issue for those who have had their faith shaken in the “full faith and credit” of the U.S.

government. Theatrics like we saw during the debt ceiling debate make the government look frivolous, wasteful and inefficient in the eyes of its creditors and in the eyes of many of its citizens.

With a long background in distress investing, it is impossible for me to hold the view that the federal government is inefficient and Corporate America is the paragon of efficiency. It seems to me, that large institutions screw up rather consistently – whether governmental or corporate. The recent experiences of U.S. corporations and financial institutions demonstrate this. See the residential mortgage debacle after 2007 and still ongoing. See the insolvencies of General Motors, Chrysler and so many auto suppliers. See the loss of the U.S. manufacturing base (shoes,

TVs, autos, computer components, textiles, shipbuilding, etc.) to East Asia. The federal government has problems; but, who would deny that the federal government is less corrupt, and probably attracts more high-quality employees, than most state or local governments? In my view, the relationship between the federal government and corporations has to be viewed as a partnership – whether one likes it or not. Events of the last 10 years

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Letter from the Chairman (continued) (Unaudited)

seem to indicate that relatively strict regulations of financial institutions are necessary. The ultra-strict regulations of investment companies, while quite onerous, have proven to be a boon for mutual funds. Over the years, investors have flocked to mutual funds because they know they will get a fair shake from them. Management fees and overall expenses are limited, diversification is a must, affiliated transactions are limited, borrowings are almost non-existent, and the payout of income and capital gain is required.

As far as I can tell, there is no evidence that higher personal income tax rates for the wealthy retard economic growth and employment. Many countries which level high taxes on individuals seem very prosperous, like Sweden and Canada. Indeed, it may be true, at least partially, that higher tax rates encourage many people to work harder in order to achieve the same take home income after taxes that they had when tax rates were lower. I'm an oddball when it comes to personal income taxes. My university and graduate school education was paid for by the G.I. Bill of Rights. The U.S. is also a great place to live in and raise a family. No matter how high my personal tax rates become, I'll always owe the U.S. government more than it owes me.

Of course, we can make things better.

While caution has to be used in creating more tax loopholes, the use of the tax mechanism can foster actions that could be highly productive for the U.S. economy. Areas where tax break incentives might be particularly productive include the following:

- Allow trafficking in tax loss carry-forwards by eliminating the changes that were part of the 1986 Tax Act.
- Provide tax incentives in the education field.
- Provide tax incentives for housing.
- Provide additional tax incentives for infrastructure.
- Provide additional tax incentives to encourage Research and Development.

Beyond tinkering with the tax code, I will make two broader suggestions, without much regard for how feasible they are in the current political climate, that I believe would help to solve the current crises in housing and municipal finance:

Encourage massive immigration to the U.S. Take advantage of the fact that so many upper income and/or highly educated people want to move to the U.S. and, maybe, become citizens. A few million of such people moving to California, Nevada and Florida would go a long way toward solving the housing crisis. To do this, the U.S. might use the Canadian point system tailored to American needs. Immigrants could get points to come to the U.S. based on: their willingness to buy houses, their level of higher education, if they have amassed wealth and/or have the ability to create jobs.

Partner with private industry to shore up the credit worthiness of municipal borrowers. The U.S. government and its agencies are the only AAAs left standing, according to two of the three principal ratings agencies. The U.S. government should use its AAA rating to cure certain debt problems and also make a profit. In partnership with the private sector, municipal debt should be made AAA initially, being credit insured by the private sector whose insurance policies would be reinsured by the USA or agencies thereof. The private sector is necessary to do the appropriate due diligence, set premium prices, and possibly aid in the marketing of insured municipal credits.

A majority of the common stocks in the Third Avenue portfolios now consist of common stocks issued by non-U.S. companies, either Canadian or offshore. There is some concentration in the Far East, especially in Hong Kong blue chips with large presences in mainland China. I am pleased with this concentration. However, like most value investors, I worry a lot about the investment risks taken and what could go wrong with our approach. Frankly, if prices were close to equal, and growth prospects were close to equal, I would much prefer to invest in the U.S. than elsewhere. Prices and growth prospects seem far from equal though.

Letter from the Chairman (continued)
(Unaudited)

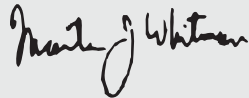
Even so, it is important to understand why the U.S. is such a good place for long-term investment.

- Fund managements, except Third Avenue International Value Fund, understand the U.S. culture better than other cultures.
- The U.S. is a diversified, continental economy.
- There seems to be a relative lack of corruption in the U.S.
- U.S. corporate and securities law is reliable and comprehensive.
- The U.S. has the world's best university system.
- The U.S. has the world's most efficient distribution system.
- The U.S. workforce is highly productive.

- U.S. corporate managements mostly seem highly able and motivated compared to their foreign counterparts.
- U.S. securities markets are well developed.
- Most U.S. companies seem well financed, at least those which are candidates for investment by the various Third Avenue equity funds.
- In the U.S., there is a relative absence of violence in the streets and also relative political stability.

I will write you again when the fiscal 2011 Annual Report is published after the fiscal year closes on October 31, 2011.

Sincerely yours,



Martin J. Whitman
Chairman of the Board

Third Avenue Value Fund (Unaudited)



IAN LAPEY
Co-Portfolio Manager of
THIRD AVENUE VALUE FUND

Dear Fellow Shareholders:

At July 31, 2011, the unaudited net asset value attributed to the 84,982,336 shares outstanding of the Third Avenue Value Fund Institutional Class (“TAVF”, “Third Avenue”, or the “Fund”) was \$51.77 per share. This compares with an unaudited net asset value of \$54.20 per share at April 30, 2011, and an unaudited net asset value of \$43.81 per share at July 31, 2010, adjusted for a subsequent distribution to shareholders. At August 19, 2011, the unaudited net asset value was \$43.78 per share.

QUARTERLY ACTIVITY*

Number of Shares	Positions Increased
80,000,000 shares	Lai Sun Garment International Ltd. Common Stock (“Garment Common”)
1,548,849 shares	Tellabs Inc. Common Stock (“Tellabs Common”)

Number of Shares	Positions Decreased
577,820 shares	Brookfield Asset Management Inc. Common Stock (“Brookfield Common”)
48,246 shares	Investor AB Common Stock (“Investor Common”)
7,461,219 shares	Nabors Industries Common Stock (“Nabors Common”)
1,762,000 shares	Toyota Industries Corp. Common Stock (“Toyota Industries Common”)
3,250,000 shares	Wharf Holdings Ltd. Common Stock (“Wharf Common”)
1,636,000 shares	Wheelock & Co. Ltd. Common Stock (“Wheelock Common”)
Principal Amount	
\$50,000,000	MBIA Insurance Corp. 14% Surplus Notes (“MBIA Surplus Notes”)

Fund Management added to its position in Tellabs Common during the quarter. Tellabs is a leading designer, developer and servicer of telecommunications equipment. The company has an impressive customer list that includes 43 of the top 50 global communications service providers. Tellabs has a very strong financial position, with \$1.06 billion of cash (\$2.90 per share) and no debt. The business has historically been cash generative, enabling the company to repurchase shares, invest in research and development and make select acquisitions. Fund Management was able to purchase the shares at a very attractive price of approximately \$4 per share, owing to the company’s weak current earnings outlook due primarily to lost business from its former largest customer, AT&T.

* 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 July 31, 2011: Cheung Kong Holdings, 14.73%; Henderson Land Development Co., Ltd., 14.00%; Posco (ADR), 8.68%; Wheelock & Co., Ltd., 5.56%; Investor AB, 4.85%; Wharf Holdings, Ltd., 4.75%; Brookfield Asset Management, Inc., 4.73%; Toyota Industries Corp., 4.72%; Forest City Enterprises, Inc., 3.57%; and Covanta Holding Corp., 3.44%.

Third Avenue Value Fund (continued) (Unaudited)

The common stock sales during the quarter were driven by portfolio, not underlying value, considerations as the Fund continued to experience net redemptions. At quarter end, the Fund's cash and equivalents position totaled approximately 7%.

PRINCIPLES OF VALUE INVESTING

I recently completed my tenth year at Third Avenue, including two as co-manager of the Fund. During this time and in my previous experience as a sell-side equity analyst, primarily at Credit Suisse First Boston, I have learned many value investing principles, which will drive future investments in the Fund:

1. Think long term. One of the primary reasons that I left sell-side research ten years ago and joined Third Avenue was my admiration of Third Avenue's long-term focus. As a sell-side analyst, there was an enormous focus on quarterly earnings estimates and trying to predict which companies would beat or miss the "Street" consensus estimates. This was an extremely competitive business, and it was clear to me that I did not possess any really differentiated skill in this area. Conversely, a security's intrinsic value seemed to be much less relevant to most investors, particularly if the company's near-term earnings outlook was uncertain. This seemed counter-intuitive to me, as I preferred companies whose securities were trading at a discount to their intrinsic value, regardless of the near-term earnings outlook.

The Fund's investments in Hong Kong-based real estate and investment securities seem to be great examples of the benefits of being a long-term investor since the common stocks are available at large discounts to intrinsic value, primarily owing to near-term uncertainty about the impact of a slowdown in the residential real estate markets in Hong Kong and China.

2. Be patient. Fund Management believes that value is dynamic. The value of a common stock issued by a company with a strong financial position and a competent

management in an industry with an attractive long-term growth outlook should appreciate over time. This view is reflected in the Fund's low turnover, which averaged 11% over the last ten years. This approach is very different from that employed by most investors. As reported in the July 29, 2011 issue of *Grant's Interest Rate Observer*, the average holding period of the average equity has declined from four years after World War II, to eight months in 2000, to two months by 2008 and an even shorter period today (current data is not available). This active trading approach appears to ignore (or at least discount) factors that are important to Fund Management, such as transaction costs, taxes, and, most importantly, fundamental research on the long-term business prospects of the issuer (this cannot be very important if the holding period is two months or less). I view this trend towards more active trading favorably, as it makes long-term buy and hold value investing a less crowded and competitive industry and should, therefore, make it easier to find attractive long-term investment opportunities.

3. Focus on public documents. As discussed by Martin Whitman in *The Aggressive Conservative Investor*, there has been an explosion in public disclosure since 1979. Additionally, in today's litigious world, there is considerable pressure on management teams from lawyers and accountants to make public disclosures reflect reality with a bias towards being conservative. The same cannot be said for sell-side research reports, media reports or "expert network" interviews. It is also much more helpful to evaluate management teams based on long-term track records as reported in public filings, as opposed to one-on-one interviews. Nevertheless, according to the July 29th article in *Grant's Interest Rate Observer*, the trend towards more active trading indicates that many investors are not thoroughly reviewing public documents, such as Form 10Qs, Form 10Ks, proxy statements, conference call transcripts and court filings.

4. Invest with good managements. As a long-term investor, the assessment of management is often the

Third Avenue Value Fund (continued) (Unaudited)

biggest driver in our ultimate investment performance. This is usually the hardest part of the analysis and the area in which we make the most mistakes. It is particularly important for us because, we often find our best opportunities when the near-term earnings outlook is poor. A good management team can take advantage of weak industry conditions to make acquisitions that dramatically enhance shareholder value. For example, Cimarex, led by Chairman and CEO Mick Merelli, purchased land in the Cana-Woodford shale play in Oklahoma in late 2008 from Chesapeake, a distressed competitor. The successful development of the Cana-Woodford was a significant driver in the Fund's successful investment in Cimarex common stock.

5. Avoid industries in secular decline. The worst investment of my career was in the common stock of Handleman Co., a distributor of compact discs (CDs). The company had a strong financial position and the valuation of the common stock appeared to be attractive at roughly tangible book value. Furthermore, the business was cash generative and Handleman appeared to be gaining market share as its largest customer, Walmart, was taking share from dedicated music retailers. However, the continued pressure of declining overall CD sales appeared to force management to try to diversify, which it accomplished by purchasing a video game developer and distributor. This acquisition leveraged the balance sheet and ultimately forced the company into liquidation, resulting in a near complete wipe-out for common stock holders. While this was a painful outcome, I learned a very valuable lesson and have since avoided investing in common stocks of companies in industries in secular decline. This is not the same as avoiding industries that are temporarily out of

favor, as many of our best opportunities come when the near-term earnings outlook is poor.

6. Don't manage to benchmarks. In my relatively short career, I have already witnessed several bull markets (e.g., high-tech in the late 1990s) and bear markets (e.g., oil and gas exploration and production companies in 2002-2003) in certain industries and asset classes (e.g., distressed debt from 2008-2011). During these markets, managing to a benchmark can be very dangerous, both by investing in over-valued sectors and not investing enough in attractive ones. I view the Fund's ability to invest opportunistically in any asset class or geography as hugely advantageous in achieving our ultimate goal of generating long-term capital appreciation.

“Having experienced the credit crises and the Great Recession of 2008 and 2009, it is more clear than ever that guarding against investment risk (not market risk) is essential for generating attractive long-term capital appreciation.”

7. Relative value is not necessarily value. A popular valuation methodology is to compare the valuation of a common stock to that of its peers or the overall market. This approach is very dangerous as it ignores the possibility that entire sectors or even markets can be overvalued. As I discussed in the Fund's January 2010 shareholder letter, one of the drivers of the Fund's outperformance over the

last decade was that it did not hold overpriced tech stocks, such as Cisco and Microsoft, during the tech bubble. These common stocks may have been relative values compared to start-up Internet companies at the time, but they still had had terrible stock performance owing to excessive valuations. Today, there appears to be a somewhat similar bubble in social networking stocks, and, as such, Fund Management is not likely to invest in this area.

8. Focus on investment risk. Having experienced the credit crises and the Great Recession of 2008 and 2009, it is more clear than ever that guarding against investment

Third Avenue Value Fund (continued) (Unaudited)

risk (not market risk) is essential for generating attractive long-term capital appreciation. As I have discussed in recent letters, the core Asian holdings in the portfolio (Posco and the Hong Kong real estate and investment companies) have remained profitable and generated double digit growth in net asset value per share over the last five years. Although the common stock prices of the issuers fell in 2008, they largely recovered in 2009. The area where the Fund suffered permanent impairments was in the bond insurance industry (MBIA common, Ambac common and Radian common), and the terrible stock performance of these securities is the primary reason that the Fund's five-year returns have been disappointing. The Fund no longer holds any of these common stocks, and my goal is to avoid investment mistakes like these in the future.

9. Consider Prudent Activism. As mentioned above, assessing management is the hardest part of our analysis. In most cases where our initial assessment of management is wrong, the best option is to sell. However, if the company has a strong financial position and the security is selling at a large discount, activism may be appropriate. For example, after three disappointing years as shareholders of Pogo Producing Company, an oil and gas exploration and production company whose common stock was held in the Third Avenue Small-Cap Value Fund and several other Third Avenue accounts, we filed a Schedule 13D, expressing our support for an activist investor, Third Point. I believe that our support ultimately contributed to the Board's decision to sell the company, which resulted in an attractive outcome for our investors.

10. Invest in the fulcrum security. One of my favorite parts of working at Third Avenue has been the firm's involvement in distress investing. The simple strategy of investing in the fulcrum security (the most senior security that will participate in a reorganization) in the capital structure has been very successful. By investing in the fulcrum security, a performing bond investment can be successful even if the initial analysis is wrong, and the bond does not remain performing. For example, the Fund

purchased Haynes International Senior Unsecured Notes in late 2001, and the company filed for Chapter 11 bankruptcy protection in 2004. I served on the Official Committee of Unsecured Creditors during the company's bankruptcy. Since there was very little secured bank debt ahead of us, the senior unsecured bonds were the fulcrum security that was converted to equity during bankruptcy (the secured bank debt was reinstated). Therefore, the company was able to emerge from bankruptcy with a strong financial position, enabling it to capitalize on the strong recovery in demand from its commercial aerospace customers from 2004-2007 and generate an attractive return for the Fund.

11. Consider reorganization costs. Owing to the seniority of the claims of professionals, such as lawyers and financial advisers, we seek to avoid investing in the unsecured indebtedness of small companies which may have to seek bankruptcy protection. Instead, if investing in the unsecured or inadequately secured debt of a small company that needs to restructure, we seek to promote a pre-packaged bankruptcy. For example, in partnership with other significant holders of Haynes International Senior Unsecured Bonds, we formed an *ad hoc* creditors committee to engage in negotiations with Blackstone, the equity sponsor of the company's 1997 leveraged buyout, and management. These negotiations ultimately resulted in a pre-packaged bankruptcy plan, in which our bonds were converted to 96% of the reorganized equity with the pre-petition equity holders receiving 4% and management receiving options. With this agreement in place prior to the bankruptcy filing, the company was only in bankruptcy for five months, minimizing reorganization costs.

12. Participate in 363 auctions. A 363 auction is the sale of assets by a company in Chapter 11 bankruptcy pursuant to Section 363 of the Bankruptcy Code. 363 sales can be preferable to corporate auctions for both the buyer and seller – the buyer is able to buy assets “free and clear” of all liabilities, other than those expressly assumed, and the seller benefits from a fair auction process, in which price is

Third Avenue Value Fund (continued) (Unaudited)

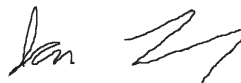
the sole factor in determining the winning bid – often not the case in corporate acquisitions.

In recent years, Fund Management has actively participated in 363 auctions as both a buyer and seller. As a bondholder, I attended the auctions of Nortel's Carrier Networks and Enterprise businesses. Both auctions were successful, resulting in final prices well in excess of the initial stalking horse bids. Specifically, Ericsson won the Carrier Networks auction with a final bid of \$1.13 billion, compared to Nokia Siemens "stalking horse bid" of \$650 million. Avaya won the Enterprise auction with a final bid of \$900 million, compared to its stalking horse bid of \$475 million as Siemens Gore participated and bid up the price at the auction. The success of these auctions drove up the price of Nortel's bonds, enabling the Fund to sell its position in the open market and earn a very attractive return.

As a buyer, Fleetwood Homes Inc., a 50%-owned joint venture with Cavco Industries, purchased the manufactured housing assets from Fleetwood Enterprises and substantially all of the assets of Palm Harbor Homes Inc., in separate 363 auctions in 2009 and 2011, respectively. I attended both auctions, and, in each case, Fleetwood benefitted from being the "stalking horse bidder", although competitive auctions forced us to raise our bid. The completion of these acquisitions positions Fleetwood as the number two player in the industry behind Berkshire Hathaway-owned Clayton Homes. The benefit of buying in 363 auctions is reflected in the very attractive combined cost of the two acquisitions of \$110 million, which represented a significant discount to the net asset value of the acquired assets and a huge discount to the \$1.7 billion paid by Berkshire Hathaway for Clayton Homes (albeit a larger company).

13. Don't try to pick the bottom. At Third Avenue, we acknowledge that we are unable to forecast the market and, therefore, unable to pick the bottom. Consequently, if an investment meets our criteria, we buy, and if the price declines, we buy more, assuming that our original analysis is still valid. For example, we initially stated purchasing Nortel Senior Unsecured Notes in January 2009, following the company's bankruptcy filing. Following our initial purchase, we averaged down on our position and, ultimately, the company's success in selling assets in 363 auctions enabled the Fund to sell its position in the open market and earn a very attractive return.

These principles represent only a fraction of what I have learned from Martin Whitman and the entire team at Third Avenue during my ten years at the company. I am excited about the Fund's portfolio today and looking forward to attractive investing opportunities ahead. I shall write to you again after the October 31, 2011 fiscal year end. In next quarter's letter I plan to discuss the Fund's top holdings, as recently done in the Third Avenue Real Estate Value Fund shareholder letter. Thank you for your continued interest in the Fund.



Ian Lapey
Co-Portfolio Manager
Third Avenue Value Fund

Third Avenue Small-Cap Value Fund (Unaudited)



CURTIS R. JENSEN
CHIEF INVESTMENT OFFICER &
PORTFOLIO MANAGER OF THIRD AVENUE
SMALL-CAP VALUE FUND

Dear Fellow Shareholders:

At July 31, 2011, the end of the Fund's fiscal third quarter, the unaudited net asset value attributable to the 44,183,670 common shares outstanding of the Third Avenue Small-Cap Value Fund Institutional Class ("Small-Cap Value" or the "Fund") was \$21.68 per share, compared with the Fund's unaudited net asset value of \$22.86 per share at April 30, 2011, and an unaudited net asset value at July 31, 2010 of \$17.84 per share, adjusted for a subsequent distribution. At August 19, 2011, the unaudited net asset value was \$18.88 per share.

QUARTERLY ACTIVITY*

During the quarter, Small-Cap Value established six new positions, added to nine of its 58 existing positions, eliminated six positions and reduced its holdings in 23 companies. At July 31, 2011, Small-Cap Value held positions in 57 common stocks, the top 10 positions of which accounted for approximately 24% of the Fund's net assets.

Number of Shares

410,456 shares

140,379 shares

552,255 shares

28,509 shares

232,386 shares

79,658 shares

13,590 shares

222,074 shares

50,000 shares

10,000 shares

117,269 shares

151,141 shares

778,343 shares

45,889 shares

New Positions Acquired

American Eagle Outfitters, Inc. Common Stock ("American Eagle Common")

Excel Trust, Inc. Common Stock ("Excel Common")

Oshkosh Corp. Common Stock ("Oshkosh Common")

Stepan Co. Common Stock ("Stepan Common")

Superior Industries International, Inc. Common Stock ("Superior Common")

Teleflex Inc. Common Stock ("Teleflex Common")

Increases in Existing Positions

Alamo Group, Inc. Common Stock ("Alamo Common")

ICF International, Inc., Common Stock ("ICF Common")

Ingram Micro, Inc. Class A Common Stock ("Ingram Common")

JAKKS Pacific, Inc., Common Stock ("JAKKS Common")

Lexmark International Common Stock ("Lexmark Common")

Madison Square Garden, Inc. Class A Common Stock ("MSG Common")

MEMC Electronic Materials, Inc. Common Stock ("MEMC Common")

Minerals Technologies Inc. Common Stock ("Minerals Technologies 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 July 31, 2011: Vitera, Inc., 3.39%; Lanxess AG, 3.07%; Kaiser Aluminum Corp., 2.93%; Vail Resorts, Inc., 2.20%; PYI Corp., Ltd., 2.15%; Cross Country Healthcare, 2.11%; Ingram Micro, Inc., 2.10%; Synopsys, Inc., 2.10%; Alexander & Baldwin, Inc., 2.00%; and Arch Capital Group, Ltd., 1.97%.

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

Number of Shares	Increases in Existing Positions (continued)	Number of Shares, Units or Face Amount	Positions Reduced (continued)
250,333 shares	Tellabs, Inc. Common Stock ("Tellabs Common")	471,500 shares	Pharmaceutical Product Development, Inc. Common Stock ("PPD Common")
39,008 shares	Positions Reduced Ackermans & van Haaren, N.V. Common Stock ("Ackermans Common")	135,524 shares	Pioneer Drilling, Inc. Common Stock ("Pioneer Common")
2,850 shares	Alexander & Baldwin, Inc. Common Stock ("Alex Common")	2,495,000 shares	Sapporo Holdings Ltd. Common Stock ("Sapporo Common")
105,790 shares	Arch Capital Group Ltd. Common Stock ("Arch Common")	6,600 shares	SEACOR Holdings Inc. Common Stock ("SEACOR Common")
67,283 shares	Bristow Group, Inc. Common Stock ("Bristow Common")	123,723 shares	Tejon Ranch Co, Common Stock ("Tejon Common")
121,346 shares	Cross Country Healthcare, Inc. Common Stock ("Cross Country Common")	71,625 shares	Tidewater, Inc. Common Stock ("Tidewater Common")
653,015 shares	Electro Scientific Industries Inc. Common Stock ("ESI Common")	555,950 shares	Viterra, Inc. Common Stock ("Viterra Common")
378,214 shares	Electronics for Imaging Inc. Common Stock ("EFI Common")	3,909 shares	Westlake Chemical Corp. Common Stock ("Westlake Common")
270,718 shares	Encore Wire Corp. Common Stock ("Encore Common")	848,535 shares	Positions Eliminated Bronco Drilling Co., Inc. Common Stock ("Bronco Common")
181,153 shares	HCC Insurance Holdings, Inc. Common Stock ("HCC Common")	221,539 shares	Brookfield Asset Management, Inc. Common Stock ("Brookfield Common")
30,662 shares	Imation Corp. Common Stock ("Imation Common")	352,882 shares	Sanderson Farms, Inc. Common Stock ("Sanderson Common")
70,813 shares	Kaiser Aluminum Corp. Common Stock ("Kaiser Common")	2,606,263 units	Timberwest Forest Corp. Staples Units ("Timberwest Units")
79,876 shares	Lanxess AG Common Stock ("Lanxess Common")	291,024 shares	Verigy Ltd. Common Stock ("Verigy Common")
56,561 shares	National Western Life Insurance Co. Common Stock ("NWLI Common")	\$10,475,000	W&T Offshore, Inc. 8.25% Senior Notes Due June 15, 2014 ("W&T Senior Notes")
108,076 shares	Park Electrochemical Corp. Common Stock ("Park Common")		
706,188 shares	P.H. Glatfelter Co. Common Stock ("Glatfelter Common")		
		QUARTERLY ACTIVITY	
		Fund Management established "toehold" positions in five new common stocks, representing a variety of industry groups, and a somewhat larger position in Oshkosh	

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

Common, a diversified industrial company and an investment described in more detail below. We said farewell to three investments, whose stocks were the subject of cash takeovers and to the last vestige of the Fund's small sub-portfolio of opportunistic distressed debt investments. The balance of Fund Management's activities tilted toward adding or trimming positions, as a result of either investment or portfolio management considerations.

Austerity measures being considered or implemented by over-indebted western governments have directly impacted the ability of those governments to spend as freely as they once had, with the attendant effects on their budgets. Our own government, which went close to the precipice in its recent budget talks, is no exception. (In the aftermath of Washington's recent game of political chicken, we are reminded of the words of King Pyrrhus of Epirus: "Another such victory and I am undone.") It is likely that a wide variety of government vendors in various industries, from defense contractors to healthcare providers, will be touched in some form or fashion by the government's new-found religion around fiscal restraint. One such company is Oshkosh Corporation. Oshkosh, founded in 1917, is a global manufacturer of specialty trucks and equipment whose primary markets include defense, access equipment and what I think of as commercial "infrastructure" equipment: fire and emergency vehicles, garbage haulers and concrete mixers. The company's brands, bolstered by a strong distribution network, enjoy leading market positions while the business itself has tended to be very cash generative. Generally weak economic conditions across the company's end markets, however, have upended the company's long growth record. Today's shrinking government budgets have only exacerbated the pain and mean that Oshkosh management will have to adapt to shrinking, rather than growing the company, a task that puts a premium on its execution

skills. Additionally, it will have to bring extra urgency to those markets that still evidence some growth, such as markets driven by replacement demand or where innovation (e.g., compressed natural gas "CNG" vehicles) might create new demand. As analysts, we are sensitized to this dynamic and recognize that the future economics of the business are unlikely to look much like those of the recent past. The shares have declined nearly 35% in the past two weeks alone (so much for forward-looking, efficient markets!) and trade at a fraction of their historic relative levels, suggesting the public market "pendulum" has potentially swung too far. Admirably, management has used the company's prodigious cash flow in the past year to pay down a significant amount of debt – on this score there remains more wood to chop. But at current levels, the shares appear to be significantly mispriced by the public markets relative to the company's underlying intrinsic value, based on prospective earnings and cash flow and ascribing only modest value to the aforementioned intangibles, such as the company's leading brands, market share and distribution. The company's assets appear to be separable and saleable and could, in time, draw the attention of an acquirer, particularly if management can not execute.

Déjà vu and the lessons of Resource Conversion

"There can be few fields of human endeavor in which history counts for so little as in the world of finance."¹

As we sit down to write this letter in early August, markets for stocks, bonds, commodities, as well as other risk assets, appear to be in a state of panic, though the substance of the news flow in recent days has not been much different from what it was in the past few weeks. The Fund's elevated cash levels, a function primarily of cash takeovers among portfolio positions and other resource conversion activity, have blunted some, but not all of the bear market that has gripped small company equities in recent weeks.²

¹ Galbraith, John Kenneth, *A Short History of Financial Euphoria*, Whittle, 1990

² The Russell 2000 Index, a proxy for small company stocks, declined roughly 15% during the month of July 2011. Source: Bloomberg.

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

In addition to takeovers and resource conversion³ events during the course of the year, the bulk of Fund Management's activity was more heavily weighted toward selling or trimming portfolio positions. The current market downdraft in recent periods has led us to shift our stance, however, adding back to some of those same positions we had trimmed only weeks or months ago at higher prices and enabling us – cautiously – to start converting our idea inventory into live investments, as the Fund's new positions suggest.

Resource conversion, which I alluded to in last quarter's letter, has been an important facet of the Fund's historical performance. Resource Conversion can encompass a wide variety of corporate activities and developments; it is particularly relevant to consider its implications given the Fund's experience this year and the difficult market conditions that characterize today's investment landscape. Third Avenue's Chairman and my mentor, Marty Whitman, talked thusly about the importance of Resource Conversion as it relates to value investing in Third Avenue's Letter to Shareholders in 1999:

“One of the huge advantages that value investing has over other investment styles is that, on a long-term basis, the value investor can look confidently to a multiplicity of exit strategies. In contrast, in other investment styles the only exit on which to concentrate is sale in the open market to other passive minority investors. Value investors ought to benefit not only from open market price improvements, but if their basic analysis is close to right and open market prices remain depressed, values for stockholders would still get created because companies will refinance and restructure, and companies with strong financial positions will make acquisitions that enhance future earning power.”

Given the depressed market prices that existed in the six months since the end of the Fund's fiscal year, it is to be expected that resource conversion activities – takeovers, acquisitions, hostiles and other events outside the ordinary course of business – would accelerate.”

The table below, grouped by type of activity, summarizes resource conversion examples from the Small-Cap Value Fund's holdings this year:

Company	Type of Resource Conversion
Energy XXI 10% Senior Notes	Debt Refinancing
W & T Offshore 8.25% Senior Notes	Debt Refinancing
Bronco Drilling	Cash Takeover – Strategic buyer
Herley Industries	Cash Takeover – Strategic buyer
Parco Co, Ltd.	Negotiated cash sale of large block to strategic at premium
Timberwest Forest Corp.	Cash Takeover – Financial buyers
Verigy, Ltd.	Cash Takeover – Strategic buyer
Alexander & Baldwin	Activist announces stake in company
Oshkosh Corp.	Activist announces stake in company
Bristow Group	Initiates cash dividend
Mantech International	Initiates cash dividend
Vail Resorts	Initiates cash dividend
Viterra, Inc.	Initiates cash dividend
PYI Corp.	Asset monetization / special dividend
SEACOR Holdings	Proposed IPO of business unit
Lexmark International	Bulk share repurchase

Nearly one quarter of the Fund's 60 plus holdings this year have been involved in resource conversion events, most of which has been additive to the Fund's performance. What

³ As defined by Third Avenue's Chairman Marty Whitman, who coined the phrase, "Resource Conversion" includes mergers and acquisitions, changes of control, management buyouts, major financings or refinancings, spin-offs, major share repurchases, liquidations, tender offers, reorganizations in or out of bankruptcy, special dividends and sale of assets in bulk.

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

does it all mean? Value investors, such as the Fund, ought to be less dependent on the market for their value realization. For value investors, particularly ones focused on smaller companies that are naturally more vulnerable to takeovers, there really are “two ways to win.” After all, should the public markets neglect the value in a given holding, there is always the prospect of value creation via “private market realizations,” as we have seen this year.

I look forward to writing you again when we publish our Annual Report dated October 31, 2011. Thank you for your continued support.

Sincerely,



Curtis R. Jensen
Chief Investment Officer and
Portfolio Manager
Third Avenue Small-Cap Value Fund

Third Avenue Real Estate Value Fund (Unaudited)



MICHAEL H. WINER
Co-Portfolio Manager of Third
Avenue Real Estate Value Fund



JASON WOLF
Co-Portfolio Manager of Third
Avenue Real Estate Value Fund

Dear Fellow Shareholders:

At July 31, 2011, the end of the third fiscal quarter of 2011, the unaudited net asset value attributable to the 76,199,304 shares outstanding of the Third Avenue Real Estate Value Fund Institutional Class (the "Fund") was \$23.96, per share. This compares with an unaudited net asset value of \$24.70 per share at April 30, 2011, and an audited net asset value of \$20.08 per share at July 31, 2010, adjusted for subsequent distributions to shareholders. At August 19, 2010, the unaudited net asset value was \$20.28 per share.

QUARTERLY ACTIVITY*

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

Number of Shares	New Positions Acquired	Number of Shares, Contracts or Contribution	New Positions Acquired (continued)
29,880,091 shares	Commonwealth Property Office Fund Common Stock ("Commonwealth Common")	2,054,000 shares	Low's Companies, Inc. Common Stock ("Low's Common")
		21,560,536 shares	Mirvac Group Common Stock ("Mirvac Common")
		1,090,298 shares	Westfield Group Common Stock ("Westfield Common")
		2,890 contracts sold	Vornado Realty Trust August 2011 \$95 Calls ("Vornado August Calls")
		5,995 contracts sold	Weyerhaeuser Company August 2011 \$20 Puts ("Weyerhaeuser August Puts")
		\$2,000,000	Increases in Existing Positions Alliance Bernstein Legacy Securities (C 1) Fund, L.P. Limited Partnership Interest ("Alliance Bernstein LP Interest")
		900,000 shares	Cheung Kong Holdings Ltd. Common Stock ("Cheung Kong 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 July 31, 2011: Forest City Enterprises, Inc., 7.69%; Henderson Land Development Co., Ltd., 5.05%; Vornado Realty Trust, 4.29%; Hammerson PLC, 4.23%; Wheelock & Co., Ltd., 4.09%; Brookfield Asset Management, 3.81%; Sun Hung Kai Properties, Ltd., 3.21%; Songbird Estates PLC, 2.99%; Hysan Development Co., Ltd., 2.83%; and Capitaland, Ltd., 2.58%.

Third Avenue Real Estate Value Fund (continued) (Unaudited)

Number of Shares or Contracts	Increases in Existing Positions (continued)
9,376,895 shares	Dexus Property Group Common Stock ("Dexus Common")
900,000 shares	Sun Hung Kai Properties Ltd. Common Stock ("Sun Hung Kai Common")
21,494,150 shares	Taylor Wimpey Plc Common Stock ("Taylor Wimpey Common")
Positions Reduced	
1,000,000 shares	Derwent London Plc Common Stock ("Derwent Common")
257,584 shares	Forest City Enterprises, Inc. Common Stock ("Forest City Common")
1,708,905 shares	Hongkong Land Holdings Ltd. Common Stock ("Hongkong Land Common")
1,782,033 shares	Hysan Development Company Ltd. Common Stock ("Hysan Common")
Position Eliminated	
2,500 contracts	Vornado Realty Trust June 2011 \$95 calls ("Vornado June Calls")

DISCUSSION OF SIGNIFICANT QUARTERLY ACTIVITY

During the quarter, the Fund initiated positions in the common stocks of three Australian REITs and a U.S.-based home improvement retailer (see discussions below). In addition, the Fund took advantage of market volatility by increasing positions in the common stocks of two Hong Kong real estate companies (Cheung Kong Common and Sun Hung Kai Common). The stocks of Hong Kong-based real estate companies with exposure to residential developments have been very volatile, due to concerns about inflation and talk of a residential property bubble. On the other hand, stock prices of Hong Kong-based commercial landlords have appreciated based on solid operating fundamentals (high occupancy, rising rents and lack of new supply). The Fund reduced its holdings in Hong Kong Land Common and Hysan Common (both are primarily commercial landlords in Hong Kong) as a

result of the appreciation. The Fund also added to its position in Taylor Wimpey Common (a U.K.-home builder that was discussed in last quarter's letter to shareholders) and Dexus Common (an Australian REIT that was also discussed last quarter).

As discussed in previous letters to shareholders, the Fund will occasionally sell put options on common stocks it desires to own at prices substantially lower than the current market price. In addition, the Fund may sell covered call options on existing holdings. During the quarter, the Fund sold Weyerhaeuser August Puts with a \$20 strike price and received a premium of about \$0.51 per share. The Fund is a willing buyer of Weyerhaeuser Common at \$20 or below. If the stock is trading below \$20 when the option expires, the Fund will own the shares at a price of \$19.49 (net of the premium received). If the stock is trading above \$20 on the expiration date, the Fund would not be obligated to purchase the shares and will have earned the premium (which represents an annualized return of approximately 40% on the cash set aside to fulfill the obligation to purchase shares). Subsequent to quarter-end, the Weyerhaeuser August Puts expired in-the-money and the Fund fulfilled its obligation to purchase Weyerhaeuser Common at the \$20 strike price. Also during the quarter, the Vornado June \$95 Calls expired out-of-the-money (Vornado Common closed at \$91.48 on the expiration date) and the Fund earned the \$2.28 per share premium received seven weeks prior. The Fund then sold Vornado August \$95 Calls for a premium of \$2.37 per share. Subsequent to quarter-end, the Vornado August \$95 Calls expired and the Fund earned the premium. By selling \$95 covered calls on Vornado Common, the Fund is essentially committing to sell about one-third of its position in Vornado Common for \$95 per share plus the premium received. In the meantime, the call premiums received have added significantly to the Fund's return on Vornado Common (including dividends and appreciation).

The Fund initiated a position in Lowe's Common. Lowe's is a home improvement retailer that provides products and

Third Avenue Real Estate Value Fund (continued) (Unaudited)

services relating to property maintenance, repair, remodeling, and redecorating from nearly 1,750 stores, almost all of which are located in the United States. It is Fund Management's view that Lowe's is one of only a handful of retailers with an ultra-strong financial position and a durable competitive position. Lowe's has a net debt-to-asset ratio below 15%, owns approximately 90% of its store base, and generates nearly \$3 billion of cash flow each year. Further, Lowe's maintains a duopoly position in the home improvement market alongside Home Depot. The two companies account for about 27% of home improvement spending in the United States and dominate the retail channel with approximately 60% market share. While these companies seem likely to further entrench their positions going forward, the home improvement market in the U.S. – especially the retail channel – has been challenged over the past few years. As a result of this, and recently reporting disappointing financial results, the Fund was able to establish a position in Lowe's Common during the quarter at prices that represented nearly a 10% free cash flow yield. This seems to be an attractive return on a standalone basis. However, it seems likely that Lowe's free cash flow per share – and thus value per share – should rebound materially from current levels.

Lowe's existing store base should become much more productive as home improvement spending recovers from depressed levels. Home improvement spending in the United States is currently at multi-decade low levels relative to both GDP and total retail sales. Consequently, Lowe's is only generating about two-thirds of the cash flow per store that it did in 2007 and 2008. While returning to 2007-08 levels seems unlikely in the near term, a return to 2003 levels (25% above current levels) seems achievable, but the timing remains uncertain. In the interim, Lowe's is taking steps to create shareholder value while waiting for a rebound in the residential markets and overall consumer spending. Without significant liabilities and limited new store openings, Lowe's has been using its free cash flow to actively buy back its own stock. In 2010, the company

repurchased \$2 billion of stock. In 2011, the company is on pace to repurchase about \$2.5 billion. Fund Management supports this capital allocation decision, as a well-executed stock repurchase program serves to increase the earnings, free cash flow, and overall value on a per share basis even if earnings and free cash flow remain stagnant. This is simply a result of the same pie being split into fewer slices. As a result, it is likely that Lowe's could increase free cash flow per share by 7-9% per year even without improvement in retail operating fundamentals. It is also not inconceivable that Lowe's could (i) be a leveraged buyout candidate, (ii) do a dividend recap, or even (iii) spin-out its real estate into a REIT. Any such corporate reorganization would result in an immediate realization of value.

With the initiation of positions in the common stocks of three Australian REITs, the Fund's Australia holdings accounted for approximately 6% of net assets at the end of the quarter. As recently as six months ago, the Fund had no investments in Australia. With only a few exceptions, Australian REITs have historically not been "value creators". Rather, they were investment vehicles geared towards income generation. The Fund has always been more interested in owning securities of operating companies that create shareholder value by developing, managing and owning properties for long-term capital appreciation. Fund Management's recent interest in Australia is twofold. One, Australian REITs recently became "cheap", relative to most developed markets with most stocks trading at meaningful discounts to conservative estimates of net asset value ("NAV"). Two, Australia has an active mergers and acquisitions market. Fund Management believes that if the public markets do not recognize intrinsic value, then ultimately the private markets will. The Australian REITs have a number of tools available that could be employed to help close the gap between public and private market values including asset sales, stock repurchases, spin-offs or a sale of the entire company. Since (as noted above) Australian REITs have not been value creators, Fund Management anticipates

Third Avenue Real Estate Value Fund (continued) (Unaudited)

that the holding period for these investments may be shorter than most of the Fund's historical investments. Once these stocks trade at or above NAV, it is likely the Fund will cash out. In the meantime, the Fund will receive about a 7% annualized dividend yield.

Commonwealth is an Australian REIT that owns class-A office properties exclusively in Australia. The company has recently been an active seller of properties, demonstrating its ability to realize value in excess of values implied by the market price of its common stock. After closing on the sale of three properties in Perth later this year, approximately 90% of its properties will be located in the central business districts of Sydney and Melbourne and its debt levels will be quite conservative with a net debt to asset ratio of only 20%. Despite these positive developments, the Fund was able to initiate a position in Commonwealth Common at a meaningful discount to NAV during the quarter. After the Fund initiated its position in the stock, the company announced that it had entered into an agreement to sell one of its class-A office properties in Sydney for nearly \$400 million, implying a 6.3% cap rate (i.e., initial yield) and a 15% premium to appraised value. The proceeds from the sale are likely to be used to pay a special dividend and fund share repurchases at a discount to NAV. Should the shares not subsequently trade closer to NAV, we expect the company may take further steps including additional asset sales or even an outright sale of the business. Fund Management believes company management is focused on realizing value for shareholders, but also notes that the REIT is externally managed (potential conflicts of interest) and the management does have somewhat of a blemished track record with investors, primarily as a result of a highly dilutive share issuance late last year.

Mirvac Group is an Australian REIT that owns a 16 million square foot portfolio of well-located, high quality office buildings, retail shopping centers and industrial properties throughout Australia. The company is also involved in property development with a \$1.4 billion commercial property pipeline and a residential business

that is the fourth-largest in Australia (with a land bank of more than 22,000 plots). Mirvac's stock price has declined over the past year, as fears around the residential market in Australia have risen and investors have questioned management following two dilutive share offerings. The Fund acquired Mirvac Common at a price that approximates fair value for Mirvac's investment property portfolio and effectively values its residential development business at zero. Fund Management acknowledges that the residential market in Australia will likely be challenging in the near term. However, the company has a very strong financial position (especially after the two share offerings), and the residential business is a limited portion of the overall asset base (approximately 18%). If Mirvac's stock price does not trade closer to NAV over time, the company may look to transform itself into a more traditional REIT focused on commercial properties by divesting the residential platform through a sale of the business or spinning it off to existing shareholders.

Westfield is a REIT that is listed in Australia, but the company owns a diversified portfolio of market dominant regional malls located in the United States, Australia, and the United Kingdom. This collection of properties has been assembled by the Lowy family over the past 50 years and now consists of 120 malls that combine to form one of the most valuable retail platforms globally. In addition to owning high quality assets, which are prudently financed, Westfield is one of the most accomplished developers of large-scale urban retail projects globally. The company is currently involved with marquee projects in Sydney (Sydney City), New York (World Trade Center), Los Angeles (LA Live), and London (Stratford). These types of projects have historically been quite profitable for Westfield shareholders, as few other groups can undertake these types of developments given the capital, expertise, and timeframe necessary to undertake such a project. As one of the few "value creation" Australian real estate companies, Westfield has been on Fund Management's radar screen for many years, but the Fund has never had the opportunity to acquire Westfield Common at a meaningful discount to

Third Avenue Real Estate Value Fund (continued) (Unaudited)

NAV. However, due to recent concerns about reduced consumer spending in Australia as well as uncertainty relating to Westfield's plans to monetize a stake in its lower quality malls in the United States, Westfield Common has traded down meaningfully, allowing the Fund to initiate a position at a discount to conservative estimates of NAV. Similar to the other Australian REITs, we expect Westfield Common to ultimately trade closer to NAV, and investors will receive a 7% dividend yield in the meantime. However, unlike the other Australian REITs, there are prospects to participate in double-digit NAV growth going forward, as the Lowy family continues to compound Westfield shareholders' capital by engaging in opportunistic resource conversion activities and profitably building new retail projects in key urban centers that the company will hold for the long term.

FINDING SUITABLE INVESTMENTS IN AN UNCERTAIN WORLD

As of this writing, global stock markets have been declining precipitously over fears that the global economic recovery is stalling. Negative macroeconomic indicators, a worsening sovereign debt crisis in Europe and the unfortunate political brinksmanship surrounding the U.S. debt ceiling have sparked investor unease. The Fund enters the most recent crisis with ample cash reserves. Investment activity accelerated at the close of the recent quarter and is now picking up steam. Investing into heightened uncertainty is often uncomfortable, but often profitable when following a disciplined, long-term value oriented investment approach. Since its inception in 1998, many of the Fund's

substantial capital deployments have been made during periods of duress in the marketplace. For example, the Fund invested in homebuilders in early 2000, retail bankruptcies during the 2002 recession, Hong Kong property developers in 2005 (post SARS epidemic), a bankrupt land development company in 2008, real estate debt investments in 2008 and 2009 and, last year, high quality European real estate companies during the first European debt turmoil.

“Since its inception in 1998, many of the Fund’s substantial capital deployments have been made during periods of duress in the marketplace. For example, the Fund invested in homebuilders in early 2000, retail bankruptcies during the 2002 recession, Hong Kong property developers in 2005 (post SARS epidemic), a bankrupt land development company in 2008, real estate debt investments in 2008 and 2009 and, last year, high quality European real estate companies during the first European debt turmoil.”

As mentioned in previous letters to shareholders, Fund Management prepares for these events through a disciplined investment process. Our “T2” portfolio includes a list of companies in different geographies that we have fully analyzed and would like to own, but pricing is the only holdback. Our investments in Lowe's and Australian REITs are excellent examples of execution and discipline. We had been watching these securities, in some cases, for years. There is certainly a probability that they will get cheaper still. But, at the Fund's entry price it seems that most, if not all (and more), of the bad news is already built in based on our conservative estimate of net asset value. By far, the most crucial element of these investments is the financial strength of the issuers which, as far as we can tell, are superior and support our belief they can withstand another

financial crisis if one should unfold.

For the most part, in general equity investing, it is difficult to decipher an “investment edge” among the vast universe of investment managers. However, in the real estate sector,

Third Avenue Real Estate Value Fund (continued) (Unaudited)

Fund Management's edge begins with our shareholder base: individuals and institutions that have consciously made the decision to take the road less traveled by investing in a Fund that eschews the standard benchmarks in pursuit of absolute returns with an investment philosophy that emphasizes capital appreciation over current income. This "client edge" supports the foundation of our investment flexibility and allows us to make counter-cyclical investments within the sector that others often avoid due to short-term performance pressures and mandates to remain fully invested. Holding cash sometimes appears imprudent until it suddenly doesn't, and then you need it most because opportunities are plentiful and you want to "backup the truck". In a rising market, being unconstrained by benchmark weightings usually has little impact on performance (the rising tide lifts all boats). But, when fund flows reverse and there is no place to hide, holding stocks in companies with solid fundamentals and corporate financial strength tends to reduce the risk of permanent impairments. The flexibility to invest throughout the capital structure allows us to invest in distressed situations by utilizing in-house expertise that others shy away from. And the ability to invest in real estate related securities, such as Lowe's, land development companies, homebuilders and Lehman Brother's debt, offers prospects for uncorrelated returns.

At quarter-end, the Fund held cash and equivalents of about 16%, versus 21% at the end of the previous quarter. Based on the events during the first few weeks of August, we expect that the cash and equivalents balance at the end of the next quarter will be substantially reduced, as the opportunities that we have been patiently waiting for to buy deeply discounted securities (including existing holdings and several new ones) has suddenly materialized.

We look forward to writing to you again next quarter.

Sincerely,



Michael H. Winer
Co-Portfolio Manager
Third Avenue Real
Estate Value Fund

Jason Wolf
Co-Portfolio Manager
Third Avenue Real
Estate Value Fund

Third Avenue International Value Fund (Unaudited)



AMIT B. WADHWANEY
PORTFOLIO MANAGER OF THIRD
AVENUE INTERNATIONAL VALUE FUND

Dear Fellow Shareholders:

At July 31, 2011, the unaudited net asset value attributable to the 85,830,141 shares outstanding of the Third Avenue International Value Fund Institutional Class (the "Fund") was \$17.33 per share, compared with the Fund's unaudited net asset value at April 30, 2011 of \$18.70 per share, and an unaudited net asset value of \$14.42 per share at July 31, 2010, adjusted for the distribution of \$0.29 per share. At August 19, 2011, the unaudited net asset value was \$15.08 per share.

QUARTERLY ACTIVITY*

In the most recent quarter, the Fund established one new position, added to positions in the common shares of nine companies, reduced six existing positions and eliminated one position.

Number of Shares

New Position Acquired

57,078 shares

White Mountains Insurance Group Ltd. Common Stock ("White Mountains Common")

Number of Shares or Warrants

964,646 shares

12,480 shares

328,800 shares

41,354 shares

62,878 shares

512,209 shares

25,937 shares

36,602,206 shares

270,595 shares

172,408 shares

790,000 shares

677,250 warrants

218,500 shares

Increases in Existing Positions

Atrium European Real Estate Ltd. Common Stock ("Atrium Common")

GlaxoSmithKline PLC Common Stock ("GSK Common")

Kinross Gold Corp. Common Stock ("Kinross Common")

Nexans S.A. Common Stock ("Nexans Common")

Pargesa Holding S.A. Common Stock ("Pargesa Common")

Resolution Limited Common Stock ("Resolution Common")

Sanofi Common Stock ("Sanofi Common")

Taylor Wimpey plc Common Stock ("Taylor Wimpey Common")

Titan Cement Co. S.A. Common Stock ("Titan Common")

Decreases in Existing Positions

Andritz AG Common Stock ("Andritz Common")

Dundee Precious Metals, Inc. Common Stock ("Dundee Common")

Dundee Precious Metals Inc. November 2015 Warrants ("Dundee 2015 Warrants")

Guoco Group Limited Common Stock ("Guoco Common")

* 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 July 31, 2011: WBL Corp., Ltd., 6.77%; Netia S.A., 5.93%; Viterra, 5.08%; Resolution, Ltd., 3.79%; Allianz SE, 3.03%; Weyerhaeuser Co., 3.00%; Sampo Oyj, 2.89%; Leucadia National Corp., 2.84%; Nexans S.A., 2.81%; and Sanofi, 2.80%.

Third Avenue International Value Fund (continued) (Unaudited)

Number of Shares	Decreases in Existing Positions (continued)
398,895 shares	Netia S.A. Common Stock ("Netia Common")
107,594 shares	Sampo Oyj Common Stock ("Sampo Common")
	Position Eliminated
805,584 shares	Compagnie Nationale a Portefeuille S.A. Common Stock ("CNP Common")

REVIEW OF QUARTERLY ACTIVITY

During the quarter, the Fund initiated a position in Bermuda-based White Mountains Insurance Group Ltd. ("White Mountains"), a holding company whose principal businesses are conducted through its property and casualty ("P&C") insurance and reinsurance subsidiaries and affiliates. In its current configuration, the components of the company's asset value include, among others: a 76% economic stake in NYSE-listed OneBeacon Insurance Group, Ltd. ("OneBeacon"), which is a specialty P&C insurance company; wholly-owned White Mountains Re Ltd., a provider of P&C insurance and reinsurance products worldwide; and Esurance Holdings, Inc. ("Esurance"), a direct writer of personal auto insurance to customers in 30 U.S. states via the Internet and call centers.

Much of the value creation which has occurred at White Mountains over the years has been attributable as much to resource conversion (e.g., well-priced buying and selling of businesses) as through reported operating earnings. Such an absence of relatively easy-to-forecast, recurrent earnings may well explain the near non-existent sell-side research coverage of the company. Management's *modus operandi* has consistently been to purchase businesses cheaply, by providing what management has dubbed "exit visas from hell" to motivated sellers who are beset by operational difficulties, financial problems or other issues. White Mountains' management team views the company less as an operating company than as a merchant bank that seeks, first, to buy troubled businesses at bargain prices, then to

fix and/or build these businesses, and subsequently to sell them when another party is willing to pay more than what management believes the business is worth.

Managed throughout much of its history by Jack Byrne, who is best known for turning around GEICO in the 1970s, White Mountains' long-term track record has been impressive. Since its initial public offering in 1985, the company's adjusted book value per share has grown by over 15% per year on average. One of White Mountains' more successful (and still existing) investments has been OneBeacon, which was acquired from CGNU (now Aviva) in 2001. White Mountains set about fixing the business by repairing its balance sheet and ultimately shrinking its book of business down to the profitable specialty lines it writes today. OneBeacon has generated an internal rate of return ("IRR") to White Mountains of roughly 15% since 2001. White Mountains' current CEO Raymond Barrette, who had worked alongside Byrne in various capacities for decades, led the turnaround at OneBeacon during the early years of the investment.

In May 2011, White Mountains announced that it had agreed to sell Esurance to The Allstate Corp. for roughly \$1 billion in cash. This sale price will generate an IRR of roughly 11% over the 10-year life of White Mountains' investment in Esurance (compared to a total return of about 2% for the S&P 500 over that timeframe). More interestingly, after the completion of this transaction (expected in the fall of 2011), White Mountains will have over \$2 billion of undeployed capital, reflecting an extremely strong financial position.

The combination of such a large amount of "dry powder," the exceptional track record of the management team to deploy it, and generally soft insurance markets suggests that there may well be compelling opportunities for management to create value going forward. Alternatively, given the steep discount to net asset value ("NAV") at which White Mountains common stock currently trades, management has the opportunity to increase NAV by repurchasing shares. Since January 2010 the company has

Third Avenue International Value Fund (continued) (Unaudited)

done just that, repurchasing over \$300 million worth of its shares. White Mountains shares were purchased in the Fund at a substantial discount to both NAV and tangible book value per share, which attributes zero value to underwriting expertise, management's long-term track record, and the company's operational infrastructure.

The sole disposition during the quarter – which was discussed in the prior quarter's letter – was that of CNP Common, which was tendered to an offer made by its principal shareholder.

SOME THOUGHTS ON "BUY DISCIPLINE" AND PORTFOLIO STRUCTURE

In earlier letters we have discussed the Fund's "sell discipline," which is a common topic of interest among our shareholders. However, to date, somewhat less has been written about the "buy discipline" – specifically, the process by which a security enters into the portfolio. While the sell decision has a bit of a binary characteristic to it, by definition it only applies to those securities which are already held in the portfolio, having been among the few selected from a large universe of securities as a result of our buy discipline. Our buy discipline includes various facets of assessing the investment merits of a security in the context of the Fund's portfolio, which ultimately would (or would not) lead to that security's inclusion into the portfolio. The discussion below attempts to highlight some of these considerations.

The objective of our buy discipline is the opportunistic purchase of a security which represents a portion of a business or a collection of assets, at a price that implies a meaningful discount to its true worth to a rational, for-profit cash buyer, in an arms-length, non-hyped, non-distressed transaction, with the goal being to stack the

odds in favor of long-term capital appreciation. Accordingly, one of the starting points of the exercise is assessing the value of the underlying business or collection of assets in relation to the price at which it is or becomes available in the securities markets. The latter quantity is, of course, an observable, whereas the former is an estimate

which is, as all estimates are, a product of the assumptions made about the environment and the methodology employed in coming up with the estimate. The methodology behind this estimate, therefore, has a direct bearing on the assessment of cheapness and, ultimately, whether or not the security in question is incorporated into the portfolio.

The Fund's investment approach is resolutely bottom-up, and eschews any forecasting of macroeconomic variables as a basis of security selection. Note, though, that while we do not participate in forecasting macroeconomic variables, this does not in any way imply that we are oblivious of or indifferent to these variables, as

will be highlighted in the discussion of risk below. Our methodology's lack of reliance upon estimated macroeconomic variables stems from the simple observation that the likelihood of forecasting these accurately on a recurrent basis is remote, and would be a far too tenuous a basis on which to commit capital. Instead, the valuation methodology which we employ typically relies on information extant about the business at that point in time. Often, the careful study of a company's balance sheet, viewed in conjunction with an understanding of its business(es), has provided a reasonable snapshot of a potential investee company and the resources available to it. Such a snapshot is often of

"The objective of our buy discipline is the opportunistic purchase of a security which represents a portion of a business or a collection of assets, at a price that implies a meaningful discount to its true worth to a rational, for-profit cash buyer, in an arms-length, non-hyped, non-distressed transaction, with the goal being to stack the odds in favor of long-term capital appreciation."

Third Avenue International Value Fund (continued) (Unaudited)

considerable utility in the Fund's decision making, because it is through these resources which we examine that a business will ultimately generate returns to shareholders, either through operating earnings or resource conversion.

Our valuation methodology weighs the balance sheet more heavily than more conventional approaches, which have tended to more heavily emphasize applied multiples to forward earnings and/or discounted cash flow analysis. These two approaches rely upon considerable assumptions embedded in the forecasted earnings or cash flows, and the results of the latter technique are additionally very sensitive to the discount rate employed. By contrast, we base our valuation analysis upon what is known in the here and now, *without* paying up for the "optionality" of an investment, in the event that the future business environment turns out to be better (or more forgiving) than expected at the time of our analysis. Accordingly, Fund Management is more likely to use liquidation values, adjusted book values or variants thereof, rather than the above noted extrapolative measures. Incorporating such conservatism in the assessment of NAV allows for a reasonable measure of business value even during periods of adversity, providing some degree of downside protection if pessimistic scenarios eventuate (e.g., a reduction in the general availability of financing in the capital markets). The valuations resulting from our approach have historically served us well in guiding our purchasing by providing an "anchor to windward" during challenging times.

Another key part of the security selection process is the avoidance of risk of permanent loss of capital. In contemplating any investment as an outside passive minority shareholder, one seeks to anticipate, handicap the odds of, and avoid any potential developments that might threaten to impair or otherwise permanently diminish the value of the business during the intended multi-year holding period. Permanent impairments can stem from a variety of sources (which are in some cases unpredictable), and much of the scrutiny in this regard tends to be company-specific. However, there are some generic characteristics across companies which raise red flags about

a heightened risk of permanent impairment. Examples of such "risk" factors internal to a company might include: a leveraged balance sheet, an inept management, questionable corporate governance, or a flawed business model (e.g., one reliant on recurrent access to capital markets). Other potential sources of risk that overhang a security might be external in nature. For example, while we eschew forecasting macroeconomic variables, one of the elements in assessing the safety of a security as an investment is an examination of the impact(s) upon the company of an adverse change in one or more economic variables – e.g., interest rates, exchange rates, input costs, etc. – in order to test the resilience of the underlying business under various forms of external economic stress. Government intervention in certain industries which are viewed to be in the "national interest" or in a similar populist light represents another class of risk that requires careful consideration, when investing across a variety of political regimes.

In addition to risk avoidance and valuation, there are numerous other factors to examine while considering whether or not to add a new security to the portfolio. One of these conditions is the general attractiveness of the business in question. It is often useful to consider the following question: "Is this a business which we would wish to own for a long period of time, given its inherent attractions (or lack thereof)?" Answering this question requires a careful weighing of the characteristics of the business. Generally speaking, situations which we tend to be wary of include businesses in which it is relatively easy, financially and/or operationally, for competitors to increase capacity and/or replicate the business model. Conversely, we are attracted to businesses which possess a unique position in the value chain – for example, through ownership of difficult to replicate assets – where considerable profit can be reaped in favorable operating conditions without fear of new entrants in the short term. Vittera Inc., a long-time Fund holding, is an example of this type of business. Vittera owns a significant amount of grain elevators and other grain handling infrastructure,

Third Avenue International Value Fund (continued) (Unaudited)

located primarily in the Canadian Prairie Provinces and in South Australia, which are essential in moving grains from the farm to ports in these two major grain exporting countries. With Viterra's dominant grain handling market share in each of these regions, it may very well be difficult for a new competitor to enter these markets and establish themselves with a meaningful amount of scale, absent an acquisition of one of the major players. Businesses such as Viterra, which occupy meaningful positions at important choke points in the value chain, tend to attract us more in terms of potential inclusion in the portfolio than do businesses whose assets are less "unique" and more replicable. All else being equal, securities of companies operating in industries where new entrants are afforded ease of entry are less desirable as candidates for inclusion into the portfolio.

Other considerations which influence both the buy decision and the issue of ultimate position size, if purchased, include those which relate to the risks (business, financial, political, etc.) that a potential new investment has in common with the already existing portfolio holdings. For example, suppose we are considering an investment in a business, the economics of which are such that the cost of hydrocarbon fuels account for a significant part of its operating costs. In this case, the factors to consider in determining whether or not to invest would include an examination of the extent to which the existing portfolio has exposure to other companies with similar sensitivities to fuel costs. This is not to say that the Fund practices diversification in any formulaic fashion between industries or geographies. Rather, it is this awareness of the fundamental business risk factors attaching to the various portfolio holdings that allows for the avoidance of exposures to any given risk factor at levels which might be deemed excessive by Fund Management.

Given our buy discipline (as articulated above), which outcomes should an investor expect from the Fund's method of portfolio construction?

- **A portfolio which may be less diversified than those of most.** We conduct a considerable amount of in-depth business and industry analysis up front, with the objective being to know and understand the business very well prior to making the initial investment decision. A different, though somewhat common approach, is to invest in a larger number of securities, in portfolios with higher turnover (at least relative to that of the Fund). As noted above, while we do place a great deal of emphasis on limiting inappropriate aggregations of risk within the portfolio, we do not practice mechanical diversification, which we believe is a poor substitute for in-depth business knowledge and price-consciousness. Given our price-conscious buy discipline, our focus on the avoidance of permanent impairments of capital, and the amount of up-front research and knowledge we accumulate on each holding, we are quite comfortable holding a portfolio which may be more concentrated than those managed by others. Additionally, it is worth noting that our lower-turnover approach is quite likely to be more tax efficient than others which involve more vigorous trading.
- **A unique portfolio consisting of different securities.** As mentioned above, our buy discipline weighs the balance sheet more heavily in the security selection process than do more conventional approaches, which generally focus more on earnings and cash flows. As such, we tend to look under different rocks and discover different opportunities.
- **Tolerance of short-term stock price volatility, but not of the risk of permanent impairment of capital.** Our approach focuses on the avoidance of business ("blow up") risk, which is different from conventional, stock price volatility-related risk measures. Therefore, our buy decision in no way seeks to eliminate or side-step the likelihood of day-to-day volatility in stock price fluctuations. Furthermore, given our long-term focus, we seek to take advantage of such volatility whenever well-financed, well-managed, high-quality

Third Avenue International Value Fund (continued) (Unaudited)

businesses become available at bargain prices. Avoiding short-term stock price volatility is not one of the objectives of our buy discipline; instead, we strive to avoid business and financial risk.

- **No attempt to pick stock price bottoms.** We make no effort to try to time the market; we believe that any efforts made in that regard would ultimately be futile. Quite simply, in regard to pricing, securities are purchased for inclusion in the Fund when they are deemed by Fund Management to be cheap. That does not mean that these securities might not get cheaper yet, even without any change in the underlying fundamentals of the business. We often find ourselves investing in a business when its near-term outlook is lackluster. Stock price declines after our initial purchase, provided that long-term business fundamentals remain sound, often provide us with the welcome opportunity to increase our position at lower prices. Our “demand curve” is downward sloping; i.e., all else equal, when the price of a security that we have been buying declines, we typically are willing to increase our position size. When executed well, this price-sensitive approach will result in lower average purchase prices. That said, the aforementioned conservatism in our valuation of the business, in addition to our insistence upon a purchase at a discount to such an assessed value, suggest that we tend to invest when a good portion of the “price risk” has been washed out.

GEOGRAPHICAL DISTRIBUTION OF INVESTMENTS

At the end of July 2011, the geographical distribution of securities held by the Fund was as follows:

<u>Country</u>	<u>%</u>
Canada	13.99
Japan	9.57
United States	7.91
United Kingdom	7.45
Singapore	7.44
Poland	5.93
France	5.61
Germany	5.35
Taiwan	4.82
Austria	4.23
Hong Kong	3.99
Finland	3.28
Sweden	2.09
New Zealand	2.01
Switzerland	1.97
Bermuda	1.59
Chile	1.56
Greece	1.55
South Korea	1.34
Equities-total	91.68
Cash & Other	8.32
Total	<u>100.00</u>

Note that the preceding table 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.

Third Avenue International Value Fund (continued)
(Unaudited)

I look forward to writing to you again when we publish our Quarterly Report for the period ended October 31, 2011. Thank you for your interest in the Fund.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amit Wadhwaney', with a stylized flourish at the end.

Amit Wadhwaney
Portfolio Manager
Third Avenue International Value Fund

Third Avenue Focused Credit Fund (Unaudited)



THOMAS LAPOINTE
PORTFOLIO MANAGER OF THIRD AVENUE
FOCUSED CREDIT FUND

Dear Fellow Shareholders:

The Third Quarter of 2011 was marked by rising prices for United States Treasury securities and for other debt securities, like highly-rated corporate bonds, that are correlated to Treasury prices. As we have written about over the last six months, the Third Avenue Focused Credit Fund (the “Fund”) has sought to take advantage of the current low yield and low default environment by purchasing lower-rated credits at shorter duration. Although this has hurt the Fund’s short-term performance, we have tremendous conviction in this portfolio.

The two largest individual detractors from performance during the quarter were two distressed positions, which we discussed in last quarter’s letter. The first is Koosharem, a private staffing company that needs to restructure its balance sheet. Delays in this restructuring, caused by turmoil in the debt markets, have been reflected in the price of the loan we purchased. We are comfortable with our position, given the first lien status of our investment.

The second distressed investment facing short-term headwinds is General Maritime. Market prices for General Maritime bonds have fallen along with shipping rates for oil tankers. We believe that we are invested in the fulcrum security and that we will ultimately either receive our coupon and par payments or recover our investment through an event or catalyst over the next 18 months.

QUARTERLY ACTIVITY*

During the quarter, we exited two positions at gains to the Fund. Bonds in Connacher Oil were tendered away from the Fund at a substantial premium to the price we paid, and we received a 10.25% coupon for more than a year. We sold bonds in Midwest Gaming, a Chicago casino that was under construction when we purchased its debt, as the casino has now successfully opened and the prices of its bonds rose to reflect the successful resolution of our investment thesis. We added to our investment in Lehman Brothers Holdings, the liquidating estate of the former Wall Street investment bank.

SOVEREIGNS, CORPORATES AND BANKRUPTCY

Our investors have been asking us about sovereign debt ever since the question of European solvency emerged in 2010. The prospect of truly high-yield debt, paying in some cases north of 20%, emerging from the European Union instead of the more traditional confines of the emerging markets, has some bond buyers salivating and others just plain scared. Government debt is supposed to be the safe stuff, after all. A compelling case can be made for that, unless things go wrong. At the moment, the potential for things to go wrong for sovereigns is very high. They have bonds coming due and need access to the capital markets in order to refinance them.

* Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Focused Credit Fund’s 10 largest issuers, as of July 31, 2011: Koosharem Corp., 4.59%; Lehman Brothers Holdings, 4.07%; Clear Channel Communications, Inc., 3.63%; Energy XXI, 3.28%; Nuveen Investments, Inc., 3.23%; Marisco Parent Co., 3.21%; Energy Future Holdings Corp./TXU Corp., 2.89%; IntelSat Luxembourg SA, 2.38%; Rotech Healthcare, Inc., 2.34%; and Swift Services Holdings, Inc., 2.23%.

Third Avenue Focused Credit Fund (continued) (Unaudited)

Sovereigns have three things going for them, from an investor's point of view:

- They can print their own money, so a sovereign borrower that issues debt in its own currency can avoid default. However, investors risk serious currency devaluation. For example, the Brazil 10-year bond issued in U.S. dollars yields 3.5%, while the equivalent maturity bond issued in the local currency (the Brazilian real) yields 8.5%. This difference in required return reflects investors' uncertainty or concerns about the possible devaluation of the real. In addition, if a significant amount of a country's debt is issued in a foreign currency or the country has given up control of its own money supply (as with the Eurozone countries) they can find themselves at the mercy of the capital markets and face an increased risk of default.
- A government can raise taxes on their citizens and corporations or raise other fees, in order to cover its obligations, though political considerations can temper this impulse.
- There are international agencies, banks and financial arrangements that can come to the aid of a failing sovereign borrower, while most corporate borrowers have to stand or fall on their own.

Corporate borrowers cannot print money and they cannot raise prices and just expect to keep their customers. A country in worse financial shape can use its central bank to kick the can down the road. Corporations also cannot appeal to the International Monetary Fund or the World Bank for a rescue. With very few exceptions, an overly indebted corporation that is unable to meet its obligations will be allowed to fail, no matter how important its managers and shareholders think it is.

While that might make it sound like sovereign debt has a certain safety to it that corporate debt does not, this is largely illusory from the point of view of a debt holder. When you own sovereign debt, you have very little leverage with your borrowers. Because a sovereign's debt is

backed by the full faith and credit of the sovereign entity, once faith is gone liquidity evaporates and a sovereign's ability to borrow ceases. The liquidity crisis can create a solvency crisis. Conversely, if a corporation experiences a liquidity crisis it does not necessarily create a solvency crisis, as its assets may be used as collateral to raise capital at some point in the capital structure. If all else fails, you have the court system to seize assets.

From a creditor's perspective, the weaknesses of holding sovereign debt are directly attributable to the lack of protections afforded by a bankruptcy code.

- A sovereign entity can delay restructuring its debt indefinitely.
- A country's land, assets or people cannot be repossessed by lenders.
- A country cannot be wound down or reorganized into something else.
- A country's leaders are beholden to constituencies other than bond holders.
- Ultimately, a country's leaders cannot be forced by creditors to make decisions that they do not want to make.

While we have been discussing this in terms of a country's debt, sovereigns are really a broader category that includes municipal debt and debt issued by Native American tribes to fund casinos operating under the Indian Gaming Regulatory Act. Municipal debt can be broken down into two categories – general obligation bonds and revenue bonds. General obligation bonds act like sovereign debt, as they are backed by the full faith and credit of the state or municipality issuing them. Revenue bonds, on the other hand, are more like corporate debt, as they are backed by assets or a revenue stream (such as a bridge or toll road) and rates can be raised or, theoretically, assets seized in order to pay bondholders.

In recent history, we have seen countries choose default and receive scant economic punishment for doing so. Russia defaulted in the late 1990s and saw its cost of

Third Avenue Focused Credit Fund (continued) (Unaudited)

borrowing skyrocket. But a few years later, conditions normalized. In 2001, Argentina, which had linked its currency to the U.S. dollar and had, thus, given up the ability to print money to cover its debts, chose default over an austerity and divestiture programs pushed by the International Monetary Fund. Argentina's bondholders lost 70% on average. It has been said that buying Argentina's bonds is like getting remarried (the triumph of hope over experience). Only in Argentina's case, it is like remarrying the same person three times and expecting a different outcome. Unlike private companies, countries do not dissolve just because they default. They live to borrow another day.

One of the unifying characteristics of all of these sovereign bonds is that the interests of debt holders are often not paramount in the event of insolvency. Governments are accountable to (or fear) their people first and foremost. Politicians are sometimes even rewarded for not making unpopular concessions to bondholders. As mayor of Cleveland in the 1970s, Dennis Kucinich allowed his city to default, rather than agreeing to sell its public utility. That decision made him wildly popular with his constituents and is the main reason he is a congressman thirty years later. It may not be right from the creditor's perspective, but it is reality.

The Focused Credit Fund owns one municipal bond issue, backed by the revenue of 9,000 parking spaces around Yankee Stadium and one bond tied to a Native American-owned casino.

The advantages of holding corporate debt become clear when a company faces the threat of a potential restructuring:

- Managers have strong incentive to pay lenders because they stand to lose their jobs and equity if they do not.
- Corporations can sell some of their assets or divest businesses in order to pay obligations.

“Ultimately, the buyer of sovereign debt is making the leap of faith that the borrower will repay, even when times are tough and even if it is not politically expedient to do so. The owner of corporate debt has to trust their borrower as well, but that trust can be enforced through the lender’s legal claims on the borrower’s assets. We feel safer in that more tangible world of debt investing.”

- Corporations can be wound down and their assets sold to pay creditors.
- Corporations can be reorganized into new businesses, with the new equity going to its creditors.
- Corporations in financial trouble can be purchased by a more financially secure company.
- There are clear laws, procedures and precedents that govern the U.S. corporate bankruptcy process, whereas anything goes in a sovereign default.
- The U.S. bankruptcy code sets forth a clear priority for

claims that assures that debt holders are treated fairly in order of their rank and seniority in the capital structure.

- There is a limited time of exclusivity for the debtor in bankruptcy before debtholders can gain control.

The corporate borrowers that we are discussing here are either governed by U.S. bankruptcy law or something similar. In countries with unfriendly or uncertain bankruptcy laws, and in the area of sovereign debt, the interests of creditors are not as protected. The absolute priority for claims provides a structure that borrowers and lenders can use to work through solvency and liquidity issues. For example, a corporation can offer to exchange existing debt for more senior paper in order to extend maturities and reduce short-term debt obligations. Since

Third Avenue Focused Credit Fund (continued) (Unaudited)

there is no similar absolute priority of claims with sovereign debt (witness the recent debt ceiling debate about which U.S. creditors would be paid first in the event of default), this type of exchange is difficult, if not impossible.

When a sovereign issuer faces a solvency crisis, the willingness of the government to pay its creditors becomes the key issue. A corporation almost always wants to pay, in order for management to save itself. It will sell prize assets to do so. A country will not. Could you imagine the U.S. government selling Yellowstone National Park to China and then letting a foreign government run it for profit? The decision by Greece's government to divest some of its assets in order to pay bondholders is at the root of much civil unrest there. Around the world, we have seen leaders elected on a platform of not allowing foreign bondholders to take from the people. Lenders to corporations are not so often treated as pariah outsiders. When a company is in the zone of insolvency, its Board of Directors becomes accountable to its lenders and can be compelled by a court to act in their creditors' interests.

Setting outright invasions aside, there is no merger and acquisition market for countries. In the corporate world, resource conversions can serve both debt and equity holders well. Germany cannot buy Italy and make it more German. A corporate restructuring or resource conversion has the potential to deliver equity-like returns for creditors, because assets that the corporation might have bought at a discount can later be sold at a premium. Sovereigns cannot offer such returns, because they cannot be restructured.

Ultimately, the buyer of sovereign debt is making the leap of faith that the borrower will repay, even when times are tough and even if it is not politically expedient to do so. The owner of corporate debt has to trust their borrower as well, but that trust can be enforced through the lender's

legal claims on the borrower's assets. We feel safer in that more tangible world of debt investing.

I mentioned earlier that there was no substantive political response in the U.S. to S&P's downgrade of its debt. But that should not be taken to mean that the downgrade will have no long-term effects. The U.S. had its AAA rating since 1941. During that time, an entire generation was born and died, we went through World War II, the regional wars that were part of the larger Cold War, multiple recessions, assassinations, near nuclear disasters, nuclear brinkmanship, urban riots, the September 11th terrorist attacks, and a dozen other things I cannot remember. We may never be AAA again, and the likelihood is that we will see further downgrades before an upgrade. While losing our country's AAA rating did not have an immediate negative affect on the borrowing costs for the U.S. government (rates actually dropped), we have arguably not been AAA for a long time and this was a moment where the country recognized its financial condition. I think it is notable that this happened on our watch, and five years from now we may look back at this time frame as the beginning of the end for very low rates in the USA.

LOAN FUNDS REVISITED

Last quarter we wrote to you about all the money flowing into the loan market and how it seemed that investors were running from the fear of inflation and unknowingly replacing their cash assets with a far more speculative investment. We have no problem with loans. They may sometimes represent the best place in the capital structure to invest. But loans are not cash and we continue to be concerned that some investors are not aware that they have added significant investment risk to their portfolios by replacing cash, short-term Treasuries and high quality corporates with bank loan mutual funds.

Our fear that loans would behave more like high yield and not like "riskless" assets proved valid. Since the end of our

¹ As measured by the S&P/LSTA Leveraged Loan Index

² As measured by the Merrill Lynch U.S. High Yield Master II Index

Third Avenue Focused Credit Fund (continued)
(Unaudited)

fiscal quarter on July 31st to the date of this writing (August 19, 2011), the loan market¹ is down 4.6%, slightly worse than the high-yield² market, which lost 4.2%, but not nearly as terrible as the S&P 500, which plummeted by 12.7%. Conversely, during the same time period, Treasuries have gained 1.8% and cash is a zero return (sometimes a zero return is better than it sounds!) Considering that the typical loan fund yields 4-5% percent and comes with 0.5-1.0% management fee, losing 4.5% in 15 days is probably not what people had in mind when they moved from Treasuries and cash to loan funds, in attempt to protect against inflation. Although high-yield funds did not perform much better, most people investing in high-yield funds do not consider high yield as an alternative to cash or Treasuries.

On behalf of myself and the entire Third Avenue credit team, I thank you for your continued support and for taking the time to read this letter. As always, your comments and thoughts are welcome. I look forward to writing to you again after the close of our 2011 fiscal year.

Sincerely,



Thomas Lapointe
Portfolio Manager
Third Avenue Focused Credit Fund



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

THIRD QUARTER REPORT

July 31, 2011

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) on 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 July 31, 2011
(Unaudited)**

Principal Amount (\$)	Value (Note 1)	Shares	Value (Note 1)
Corporate Debt Instruments - 2.34%			
	Consumer Products - 0.09%		
17,485,595	Home Products International, Inc., 2nd Lien, Convertible, PIK, 6.000%, due 3/20/17 (b) (e)	\$ 4,016,441	
	Financial Insurance - 2.25%		
161,630,000	MBIA Insurance Corp., 14.000%, due 1/15/33 (d) (f)	99,402,450	
	Total Corporate Debt Instruments (Cost \$178,650,582)	<u>103,418,891</u>	
Shares			
Preferred Stocks - 0.01%			
	Insurance & Reinsurance - 0.01%		
4,775	Ecclesiastical Insurance, 8.625% (United Kingdom)	8,896	
1,022,245	RS Holdings Corp., Convertible, Class A (a) (b) (c) (e)	221,861	
	Total Preferred Stocks (Cost \$1,022,936)	<u>230,757</u>	
Common Stocks - 90.72%			
	Annuities & Mutual Fund Management & Sales - 3.40%		
6,000,000	Bank of New York Mellon Corp. (The)	150,660,000	
	Auto Supply - 0.00%		
652,203	ISE, Ltd. ¹ (a) (b)	0	
	Automotive - 4.72%		
6,367,400	Toyota Industries Corp. (Japan)	209,089,916	
	Consumer Products - 0.00%#		
526,368	Home Products International, Inc. (a) (b) (c) (e)	26,318	
	Depository Institutions - 2.33%		
	Carver Bancorp, Inc. (c)	218,500	\$ 122,360
	Chong Hing Bank, Ltd. (Hong Kong)	10,728,450	22,657,936
	KeyCorp	10,000,000	80,400,000
			<u>103,180,296</u>
	Diversified Operations - 9.48%		
	Brookfield Asset Management, Inc., Class A (Canada)	6,649,109	209,646,407
	Wharf (Holdings), Ltd. (The) (Hong Kong)	28,572,822	210,251,976
			<u>419,898,383</u>
	Financial Insurance - 0.01%		
	Manifold Capital Holdings, Inc. (a) (b) (c) (e)	37	555,000
	Holding Companies - 26.22%		
	Capital Southwest Corp.	83,370	7,829,277
	Cheung Kong Holdings, Ltd. (Hong Kong)	42,692,000	652,396,754
	Investor AB, Class A (Sweden)	10,030,709	214,759,275
	Lai Sun Garment International, Ltd. (Hong Kong) (a) (c)	160,000,000	17,655,172
	RHJ International (Belgium) (a) (e)	3,317,350	22,260,575
	Wheelock & Co., Ltd. (Hong Kong)	57,254,500	246,097,931
			<u>1,160,998,984</u>
	Insurance & Reinsurance - 0.00%#		
	Olympus Re Holdings, Ltd. (Bermuda) (a) (b) (e)	127,500	189,975
	RS Holdings Corp., Class A (a) (b) (e)	9,337	2,026
			<u>192,001</u>
	Manufactured Housing - 1.62%		
	Fleetwood Homes, Inc. (a) (b) (c) (e)	1,014	71,818,761

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)

Shares		Value (Note 1)	Shares		Value (Note 1)
Common Stocks (continued)			U.S. Real Estate Operating Companies - 6.18%		
	Mutual Holding Companies - 0.23%			FNC Realty Corp. (a) (b) (c)	
47,859	Colonial Financial Services, Inc. (a) \$	587,230	9,487,910		\$ 5,692,746
232,032	FedFirst Financial Corp. (c)	3,501,363	8,764,203	Forest City Enterprises, Inc., Class A (a) (c)	157,843,296
205,511	Gouverneur Bancorp, Inc. (c)	1,849,599	22,500	Forest City Enterprises, Inc., Class B (a)	402,750
249,757	Home Federal Bancorp, Inc. (c)	3,401,690	3,420,106	Tejon Ranch Co. (a) (c)	109,751,202
242,800	SFSB, Inc. (a) (c)	733,256			<u>273,689,994</u>
		<u>10,073,138</u>			
	Non-U.S. Real Estate Operating Companies - 19.84%			Utilities, Utility Service Companies & Waste Management - 3.44%	
24,220,000	Hang Lung Group, Ltd. (Hong Kong)	145,747,298	8,816,889	Covanta Holding Corp. (c)	152,355,842
30,534,000	Hang Lung Properties, Ltd. (Hong Kong)	112,831,333			
97,788,054	Henderson Land Development Co., Ltd. (Hong Kong)	619,820,993		Total Common Stocks (Cost \$3,086,167,522)	<u>4,017,412,293</u>
		<u>878,399,624</u>			
	Oil & Gas Production & Services - 2.84%			Investment Amount (\$) or Partnership Units	
776,800	Cenovus Energy, Inc. (Canada)	29,790,280		Limited Partnerships - 0.24%	
1,304,301	EnCana Corp. (Canada)	38,202,976		Infrastructure - 0.23%	
2,190,000	Nabors Industries, Ltd. (Bermuda) (a)	57,837,900	400,000	Brookfield Infrastructure Partners L.P. (Canada) ²	10,060,000
		<u>125,831,156</u>			
	Semiconductor Equipment Manufacturers & Related - 0.28%			Insurance & Reinsurance - 0.01%	
1,000,000	Applied Materials, Inc.	12,320,000	1,805,000	Insurance Partners II Equity Fund, L.P. (a) (b)	505,656
3,500,000	POSCO, ADR (South Korea)	384,300,000		Total Limited Partnerships (Cost \$8,007,814)	<u>10,565,656</u>
1,871,861	Sycamore Networks, Inc. (c)	36,875,662			
6,557,299	Tellabs, Inc.	27,147,218		Total Investment Portfolio - 93.31% (Cost \$3,273,848,854)	4,131,627,597
		<u>64,022,880</u>		Other Assets less Liabilities - 6.69%	296,035,370
				NET ASSETS - 100.00%	<u>\$ 4,427,662,967</u>

See accompanying notes to the Portfolios of Investments.

**Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)**

	Value
Investor Class:	
Net assets applicable to 541,558 shares outstanding	\$ <u>28,005,266</u>
Net asset value, offering and redemption price per share	<u>\$51.71</u>
Institutional Class:	
Net assets applicable to 84,982,336 shares outstanding	\$ <u>4,399,657,701</u>
Net asset value, offering and redemption price per share	<u>\$51.77</u>

Notes:

ADR: American Depository 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 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.

(e) Security is subject to restrictions on resale.

(f) Variable rate security. The rate disclosed is in effect as of July 31, 2011.

Amount represents less than 0.01% of total net assets.

¹ Incorporated in Cayman Islands.

² Bermuda exempted limited partnership.

Country Concentration

	% of <u>Net Assets</u>
Hong Kong	45.79%
United States	20.96
South Korea	8.68
Canada	6.50
Sweden	4.85
Japan	4.72
Bermuda	1.31
Belgium	0.50
United Kingdom	0.00*
Total	<u>93.31%</u>

* 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 July 31, 2011
(Unaudited)

Shares		Value (Note 1)	Shares		Value (Note 1)
Common Stocks - 71.59%			Electronics Components (continued)		
	Agriculture - 3.39%		485,951	Park Electrochemical Corp.	\$ 12,712,478
2,886,987	Viterra, Inc. (Canada)	\$ 32,693,704			<u>59,713,349</u>
	Auto Supply - 0.49%		Energy/Services - 5.52%		
232,386	Superior Industries International, Inc.	4,703,493	362,206	Bristow Group, Inc.	17,559,747
	Chemicals & Allied Products - 4.52%		321,701	Pioneer Drilling Co. (a)	5,234,075
367,451	Lanxess AG (Germany)	29,652,051	175,962	SEACOR Holdings, Inc.	17,659,546
80,889	Minerals Technologies, Inc.	5,239,989	236,127	Tidewater, Inc.	12,831,141
28,509	Stepan Co.	2,260,764			<u>53,284,509</u>
125,124	Westlake Chemical Corp.	6,475,167	Forest Products & Paper - 2.14%		
		<u>43,627,971</u>	21,530,352	Catalyst Paper Corp.	
	Computer Peripherals - 2.37%		1,199,877	(Canada) (a) (b) (c) (d)	2,539,610
676,647	Imation Corp. (a)	5,629,703		P.H. Glatfelter Co.	18,106,144
514,542	Lexmark International, Inc., Class A (a)	17,273,175			<u>20,645,754</u>
		<u>22,902,878</u>	Healthcare Services - 3.84%		
	Consulting and Information Technology Services - 2.92%		2,945,280	Cross Country Healthcare, Inc. (a) (c)	20,351,885
401,200	ICF International, Inc. (a)	9,372,032	413,882	Pharmaceutical Product Development, Inc.	11,932,218
461,006	ManTech International Corp., Class A	18,809,045	79,658	Teleflex, Inc.	4,797,801
		<u>28,181,077</u>			<u>37,081,904</u>
	Consumer Products - 2.81%		Holding Companies - 7.03%		
940,540	JAKKS Pacific, Inc. (a)	16,412,423	203,423	Ackermans & van Haaren NV (Belgium)	18,026,118
1,007,308	K-Swiss, Inc., Class A (a)	10,737,903	1,039,680	JZ Capital Partners, Ltd. (Guernsey)	6,519,119
		<u>27,150,326</u>	1,283,102	JZ Capital Partners, Ltd. Limited Voting Shares (Guernsey) (d)	8,045,451
	Electronics Components - 6.19%		432,140	Leucadia National Corp.	14,550,154
741,242	Bel Fuse, Inc., Class B (c)	14,098,423	475,780,230	PYI Corp., Ltd. (Hong Kong) ¹ (c)	20,755,769
126,197	Electronics for Imaging, Inc. (a)	2,171,850			<u>67,896,611</u>
1,093,440	Ingram Micro, Inc., Class A (a)	20,283,312			
1,407,990	MEMC Electronic Materials, Inc. (a)	10,447,286			

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)

Shares		Value (Note 1)	Shares		Value (Note 1)
Common Stocks (continued)				Oil & Gas - 0.21%	
	Industrial Equipment - 3.52%		23,331	Cimarex Energy Co.	\$ 2,055,928
124,026	Alamo Group, Inc.	\$ 2,965,462		Real Estate Investment	
552,255	Oshkosh Corp. (a)	13,706,969		Trust - 0.17%	
980,316	Wacker Neuson SE (Germany)	17,333,087	140,379	Excel Trust, Inc.	1,610,147
		<u>34,005,518</u>		Retail - 0.56%	
	Industrial Services - 0.74%		410,456	American Eagle Outfitters, Inc.	5,393,392
129,444	UniFirst Corp.	7,100,003		Securities Trading	
	Insurance & Reinsurance - 4.12%			Services - 3.20%	
561,986	Arch Capital Group, Ltd. (Bermuda) (a)	18,995,127	561,785	Broadridge Financial Solutions, Inc.	12,954,762
10,624	E-L Financial Corp., Ltd. (Canada)	5,187,185	1,472,766	Investment Technology Group, Inc. (a)	17,923,562
517,580	HCC Insurance Holdings, Inc.	15,594,685			<u>30,878,324</u>
		<u>39,776,997</u>		Semiconductor	
	Life Insurance - 0.89%			Equipment Manufacturers	
50,198	National Western Life Insurance Co., Class A	8,600,423	329,526	& Related - 0.66%	
	Media - 3.08%			Electro Scientific Industries, Inc. (a)	6,330,195
205,124	Liberty Media Corp. - Starz Series A (a)	15,745,318	844,670	Software - 2.10%	
526,362	Madison Square Garden, Inc., Class A (a)	13,948,593	144,867	Synopsys, Inc. (a)	20,246,740
		<u>29,693,911</u>	2,260,907	Telecommunications - 1.26%	
	Metals Manufacturing - 4.02%			Sycamore Networks, Inc.	2,853,880
476,634	Encore Wire Corp.	10,490,714		Tellabs, Inc.	9,360,155
507,286	Kaiser Aluminum Corp.	28,316,705			<u>12,214,035</u>
		<u>38,807,419</u>		U.S. Real Estate Operating	
	Non-U.S. Real Estate Operating		400,377	Companies - 4.94%	
	Companies - 0.90%		259,434	Alexander & Baldwin, Inc.	19,302,175
2,067,000	Sapporo Holdings, Ltd. (Japan)	8,645,502	25,823	Alico, Inc.	6,332,784
			464,448	Tejon Ranch Co. (a)	828,660
				Vail Resorts, Inc.	21,248,496
					<u>47,712,115</u>
				Total Common Stocks	
				(Cost \$634,519,196)	<u>690,952,225</u>

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)

Notes:

JPY: Japanese Yen

LIBOR: London Interbank Offered Rate

(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 is subject to restrictions on resale.

† Notional amount denominated in U.S. Dollars, unless otherwise noted.

‡ Annualized yield at date of purchase.

1 Incorporated in Bermuda.

Country Concentration

	% of Net Assets
United States *	69.82%
Germany	4.87
Canada	4.19
Guernsey	2.72
Hong Kong	2.15
Bermuda	1.97
Belgium	1.86
Japan	0.90
Total	<u>88.48%</u>

* Includes cash equivalents.

See accompanying notes to the Portfolios of Investments.

**Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)**

<u>Shares or Units</u>		<u>Value (Note 1)</u>		<u>Value (Note 1)</u>
Common Stocks (continued)				Total Investment Portfolio - 84.12%
	U.S. Real Estate Investment Trusts - 6.23%			(Cost \$1,376,541,240) \$ 1,581,916,521
3,080,298	First Industrial Realty Trust, Inc. (a) \$	36,501,531		Other Assets less
862,024	Vornado Realty Trust (e)	80,642,345		Liabilities - 15.88%
		<u>117,143,876</u>		298,530,605
	U.S. Real Estate Operating Companies - 13.97%			NET ASSETS - 100.00%
500,500	Consolidated-Tomoka Land Co. (c)	14,604,590		<u>\$ 1,880,447,126</u>
6,490,864	FNC Realty Corp. (a) (b)	3,894,518		
8,033,189	Forest City Enterprises, Inc., Class A (a) (c)	144,677,734		Investor Class:
28,893,141	Newhall Holding Co. LLC, Class A Units (a) (c)	45,506,697		Net assets applicable to 2,285,224 shares outstanding
941,627	Tejon Ranch Co. (a)	30,216,810		\$ 54,660,174
7,354,979	Thomas Properties Group, Inc. (a) (c)	23,903,682		Net asset value, offering and redemption price per share
		<u>262,804,031</u>		<u>\$23.92</u>
	Total Common Stocks (Cost \$1,319,058,565)	<u>1,514,330,058</u>		
Investment Amount (\$)				Institutional Class:
	Limited Partnerships - 2.15%			Net assets applicable to 76,199,304 shares outstanding
	Investment Fund - 2.15%			\$ 1,825,786,952
36,000,000	Alliance Bernstein Legacy Securities (C1) L.P. ² (a) (b) (c)	40,461,462		Net asset value, offering and redemption price per share
	Total Limited Partnerships (Cost \$36,000,000)	<u>40,461,462</u>		<u>\$23.96</u>

See accompanying notes to the Portfolios of Investments.

**Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)**

Notes:

JPY: Japanese Yen

- (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) Variable rate security.
- (e) A portion of this security is segregated for written options or future fund commitments.

* Issuer in default.

¹ Incorporated in Bermuda.

² Cayman Islands exempted limited partnership.

Country Concentration

	% of Net Assets
United States	30.70%
Hong Kong	18.39
United Kingdom	15.45
Japan	7.48
Australia	5.71
Canada	3.81
Singapore	2.58
Total	<u>84.12%</u>

Schedule of Written Options

Contracts	Security	Expiration Date	Strike Price	Value
2,890	Vornado Realty Trust, Call	8/20/11	\$95	\$(462,400)
5,995	Weyerhaeuser Co., Put (Premiums received \$989,460)	8/20/11	\$20	(389,675)
				<u>\$(852,075)</u>

Schedule of Forward Foreign Currency Contracts

Contracts to Sell	Counterparty	Settlement Date	Settlement Value	Value at 7/31/11	Unrealized Depreciation
11,628,710,000 JPY	JP Morgan Chase Bank, N.A.	10/29/12	\$145,000,000	\$152,300,016	\$(7,300,016)

Note:

JPY: Japanese Yen

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue International Value Fund
Portfolio of Investments
at July 31, 2011
(Unaudited)

Shares	Value (Note 1)	Shares	Value (Note 1)
Common Stocks and Warrants - 91.68%		Holding Companies - 8.14%	
	Advertising - 2.64%	2,452,400	Guoco Group, Ltd. (Hong Kong) ¹ \$ 29,892,927
1,437,900	Asatsu-DK, Inc. (Japan) \$ 39,783,425	1,270,888	Leucadia National Corp. 42,790,799
	Agriculture - 5.08%	270,605	LG Corp. (South Korea) 20,225,433
6,761,364	Viterra, Inc. (Canada) 76,569,112	335,127	Pargesa Holding S.A. (Switzerland) 29,784,809
	Building & Construction		<u>122,693,968</u>
	Products/Services - 2.07%		Insurance - 12.28%
10,482,120	Tenon, Ltd. (New Zealand) (a) (c) 7,738,671	349,693	Allianz SE (Germany) 45,755,445
1,138,864	Titan Cement Co. S.A. (Greece) 23,450,184	235,793	Munich Re (Germany) 34,914,603
	<u>31,188,855</u>	1,426,031	Sampo Oyj, Class A (Finland) 43,583,756
	Capital Goods - 2.81%	1,250,800	Tokio Marine Holdings, Inc. (Japan) 36,962,655
489,736	Nexans S.A. (France) 42,419,298	57,078	White Moutains Insurance Group Ltd. ¹ 24,052,098
	Corporate Services - 0.67%		<u>185,268,557</u>
22,522,784	Boardroom, Ltd. (Singapore) (c) 10,100,742		Investment Companies - 3.79%
	Diversified Operations - 5.65%	12,611,274	Resolution, Ltd. (Guernsey) 57,175,304
1,204,745	Antarchile S.A. (Chile) 23,528,736		Machinery - 1.93%
2,594,200	Hutchison Whampoa, Ltd. (Hong Kong) 30,240,009	298,483	Andritz AG (Austria) 29,031,689
849,596	Lundbergforetagen AB, Class B (Sweden) 31,464,518	642,497	Media - 0.39%
	<u>85,233,263</u>		Alma Media Corp. (Finland) 5,890,064
	Electronics Components - 6.77%	3,038,700	Metals & Mining - 6.33%
37,050,140	WBL Corp., Ltd. (Singapore) (c) 102,156,353	500,400	Dundee Precious Metals, Inc. (Canada) (a) 26,365,402
	Forest Products & Paper - 5.07%		Dundee Precious Metals, Inc. Warrants, expires 6/29/12 (Canada) (a) (d) 248,773
72,271,095	Catalyst Paper Corp. (Canada) (a) (b) (c) (d) 8,524,729	131,100	Dundee Precious Metals, Inc. Warrants, expires 11/20/15 (Canada) (a) (d) 706,646
51,395,523	Rubicon, Ltd. (New Zealand) (a) (c) 22,585,686	2,263,446	Kinross Gold Corp. (Canada) 36,956,154
2,265,983	Weyerhaeuser Co. 45,297,000	22,869	Kinross Gold Corp. Warrants, expires 9/17/14 (Canada) (a) 59,360
	<u>76,407,415</u>	560,036	Newmont Mining Corp. 31,143,602
			<u>95,479,937</u>

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue International Value Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)

Shares		Value (Note 1)	Notional Amount (\$)		Value (Note 1)
Common Stocks and Warrants (continued)			Purchased Options - 0.87%		
	Oil & Gas Production & Services - 4.08%			Foreign Currency	
846,861	Cenovus Energy, Inc. (Canada)	\$ 32,477,119	322,000,000	Put Options - 0.87% (a)	
993,802	EnCana Corp. (Canada)	29,108,461		Euro Currency, strike 1.366 Euro, expires 5/31/12	\$ 10,809,344
		<u>61,585,580</u>	75,000,000	Japan Currency, strike 88.00 Yen, expires 12/2/11	84,375
	Other Financial - 2.72%		145,000,000	Japan Currency, strike 81.50 Yen, expires 1/27/12	1,715,253
57,331,000	Yuanta Financial Holding Co., Ltd. (Taiwan)	<u>40,957,105</u>	123,000,000	Japan Currency, strike 86.08 Yen, expires 2/6/12	<u>578,100</u>
	Pharmaceuticals - 4.42%			Total Purchased Options	
1,091,416	GlaxoSmithKline PLC (United Kingdom)	24,436,024		(Cost \$21,209,350)	<u>13,187,072</u>
540,537	Sanofi (France)	42,167,074		Total Investment Portfolio - 92.55%	
		<u>66,603,098</u>		(Cost \$1,354,411,529)	1,395,855,646
	Real Estate - 7.10%			Other Assets less Liabilities - 7.45%	<u>112,346,089</u>
5,413,714	Atrium European Real Estate, Ltd. (Jersey)	34,709,877		NET ASSETS - 100.00%	<u>\$1,508,201,735</u>
2,187,000	Mitsui Fudosan Co., Ltd. (Japan)	41,731,545		Investor Class:	
52,889,063	Taylor Wimpey PLC (United Kingdom) (a)	30,680,206		Net assets applicable to 1,181,064 shares outstanding	\$ 20,436,776
		<u>107,121,628</u>		Net asset value, offering and redemption price per share	<u>\$17.30</u>
	Technology - Hardware - 2.10%			Institutional Class:	
70,685,750	United Microelectronics Corp. (Taiwan)	<u>31,744,914</u>		Net assets applicable to 85,830,141 shares outstanding	<u>\$1,487,764,959</u>
	Telecommunications - 5.93%			Net asset value, offering and redemption price per share	<u>\$17.33</u>
42,909,495	Netia S.A. (Poland) (a) (c)	<u>89,446,187</u>			
	Transportation - 1.71%				
3,351,000	Seino Holdings Co., Ltd. (Japan)	<u>25,812,080</u>			
	Total Common Stocks and Warrants				
	(Cost \$1,333,202,179)	<u>1,382,668,574</u>			

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue International Value Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)

Notes:

- (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 is subject to restrictions on resale.
- ¹ Incorporated in Bermuda.

Country Concentration	% of Net Assets
Canada	13.99%
United States	10.37
Japan	9.57
Singapore	7.44
Poland	5.93
France	5.61
Germany	5.35
Taiwan	4.82
Hong Kong	3.99
Guernsey	3.79
United Kingdom	3.65
Finland	3.28
Jersey	2.30
Sweden	2.09
New Zealand	2.01
Switzerland	1.98
Austria	1.93
Chile	1.56
Greece	1.55
South Korea	1.34
Total	<u>92.55%</u>

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Focused Credit Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)

Principal Amount†	Value (Note 1)	Principal Amount†	Value (Note 1)
Corporate Debt Instruments (continued)		Healthcare (continued)	
	Food & Beverage - 1.96%	4,000,000	
8,000,000	Harmony Foods Corp., 10.000%, due 5/1/16 (a) \$ 8,110,000	13,910,000	Kindred Healthcare, Inc., 8.250%, due 6/1/19 (a) \$ 3,940,000
15,000,000	Pinnacle Foods Finance LLC/ Pinnacle Foods Finance Corp., 9.250%, due 4/1/15 15,637,500	6,908,000	Multiplan, Inc., 9.875%, due 9/1/18 (a) 14,988,025
	<u>23,747,500</u>	21,000,000	Rotech Healthcare, Inc.: 10.750%, due 10/15/15 7,616,070 10.500%, due 3/15/18 20,737,500
			<u>96,671,470</u>
	Gaming & Entertainment - 7.60%		Home Construction - 3.65%
24,850,000	Caesars Entertainment Operating Co., Inc., 12.750%, due 4/15/18 24,974,250	23,903,640	Ainsworth Lumber Co., Ltd., PIK, 11.000%, due 7/29/15 (Canada) (a) 21,752,311
23,222,833	CityCenter Holdings LLC/CityCenter Finance Corp., PIK, 10.750%, due 1/15/17 (a) 25,080,660	21,841,000	Nortek, Inc., 10.000%, due 12/1/18 (a) 22,332,423
9,997,937	Hicks Sport Group LLC, Term Loan B, due 12/15/10* (b) 6,698,618		<u>44,084,734</u>
10,850,000	Marina District Finance Co., Inc., 9.875%, due 8/15/18 11,148,375	15,000,000	Manufacturing - 2.73%
15,000,000	MGM Resorts International, 7.500%, due 6/1/16 14,700,000	15,000,000	Pinafore LLC/Pinafore, Inc., 9.000%, due 10/1/18 (a) 16,462,500
13,399,000	Shingle Springs Tribal Gaming Authority, 9.375%, due 6/15/15 (a) 9,312,305		Trimas Corp., 9.750%, due 12/15/17 16,575,000
	<u>91,914,208</u>		<u>33,037,500</u>
	Healthcare - 7.99%	20,000,000	Media - 6.57%
10,775,000	Biomet, Inc., PIK, 10.375%, due 10/15/17 11,798,625	22,367,289	Clear Channel Communications, Inc.: 9.000%, due 3/1/21 (a) 19,000,000 PIK, 11.000%, due 8/1/16 19,459,541
17,000,000	CHS/Community Health Systems, Inc., 8.875%, due 7/15/15 17,616,250	1,000,000	Clear Channel Worldwide Holdings, Inc.: Series A, 9.250%, due 12/15/17 1,092,500 Series B, 9.250%, due 12/15/17 4,390,000
5,000,000	HCA Inc.: 6.500%, due 2/15/20 5,087,500	4,000,000	Cumulus Media, Inc., 7.750%, due 5/1/19 (a) 6,755,000
5,000,000	7.500%, due 2/15/22 5,087,500	7,000,000	Intelsat Luxembourg SA, 11.250%, due 2/4/17 (Luxembourg) 28,796,625
10,000,000	InVentiv Health, Inc., 10.000%, due 8/15/18 (a) 9,800,000	26,850,000	<u>79,493,666</u>

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Focused Credit Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)

Principal Amount†		Value (Note 1)	Principal Amount†	Value (Note 1)
Corporate Debt Instruments (continued)			Telecommunications (continued)	
	Metals & Mining - 1.61%		10,000,000	
3,000,000	Cemex SAB de CV, 9.000%, due 1/11/18 (Mexico) (a)	\$ 2,835,000		EH Holding Corp., 7.625%, due 6/15/21 (a)
15,750,000	Murray Energy Corp., 10.250%, due 10/15/15 (a)	16,616,250		\$ 10,350,000
		<u>19,451,250</u>		<u>29,522,625</u>
	Packaging - 0.49%			Transportation - 4.17%
	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC:		36,045,000	General Maritime Corp., 12.000%, due 11/15/17 ²
3,000,000	7.125%, due 4/15/19 (a)	2,932,500	25,000,000	Swift Services Holdings, Inc., 10.000%, due 11/15/18
3,000,000	9.000%, due 4/15/19 (a)	<u>3,000,000</u>		27,031,250
		<u>5,932,500</u>		<u>50,460,500</u>
	Services - 5.56%			Utilities - 2.90%
11,000,000	EnergySolutions, Inc. / EnergySolutions LLC, 10.750%, due 8/15/18	11,687,500	11,350,000	Energy Future Holdings Corp., 10.000%, due 1/15/20
67,365,300	Koosharem Corp., Term Loan, 10.250%, due 7/2/14 (b)	55,576,373	29,069,472	Texas Competitive Electric Holdings Co. LLC, Non-Extended Term Loan, 3.688%, due 10/10/14 (b)
		<u>67,263,873</u>		<u>23,044,824</u>
				<u>35,020,708</u>
	Technology - 3.13%			Total Corporate Debt Instruments
10,000,000	CommScope, Inc., 8.250%, due 1/15/19 (a)	10,450,000		(Cost \$945,356,214)
17,500,000	EVERTEC Inc., 11.000%, due 10/1/18 (a)	18,593,750		<u>951,629,816</u>
3,750,000	Nortel Networks Ltd., due 7/15/16 (Canada) *	4,260,938		Municipal Bonds - 0.83%
4,000,000	Trans Union LLC/Transunion Financing Corp., 11.375%, due 6/15/18	4,590,000	3,000,000	Gaming & Entertainment - 0.83%
		<u>37,894,688</u>	2,700,000	New York City, NY, Industrial Development Agency Civic Facility Revenue, Bronx Parking Development Co. LLC:
			12,330,000	OID, 5.750%, due 10/1/27
				OID, 5.750%, due 10/1/37
				OID, 5.875%, due 10/1/46
				<u>1,672,500</u>
				<u>1,505,250</u>
				<u>6,873,975</u>
				Total Municipal Bonds
				(Cost \$11,104,632)
				<u>10,051,725</u>
11,970,000	Telecommunications - 2.44%			
6,150,000	Digicel Group, Ltd. (Jamaica) ¹ :			
	8.875%, due 1/15/15 (a)	12,269,250		
	10.500%, due 4/15/18 (a)	6,903,375		

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Focused Credit Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)

Shares		Value (Note 1)	Shares or Units		Value (Note 1)
Preferred Stocks - 2.85%			Common Stocks & Warrants - 2.14%		
	Energy - 0.86%			Energy - 0.22%	
28,325	Energy XXI Bermuda Ltd., 5.625% (Bermuda)	\$ 10,374,031	25	Platinum Energy Solutions, Inc. Units (c) (e)	\$ 2,500,000
	Financials - 1.99%		9,500	Platinum Energy Solutions, Inc. Warrants, expires 12/31/11 (c) (e)	142,500
280,000	Ally Financial, Inc., Series A, 8.500% (b)	6,893,600			<u>2,642,500</u>
500,000	Federal Home Loan Mortgage Corp., Series Z, 8.375% (e)	1,481,250		Financials - 1.48%	
500,000	Federal National Mortgage Association, Series S, 8.250% (e)	1,180,750	275,000	American International Group, Inc. (e)	7,892,500
1,000,000	Federal National Mortgage Association, Series T, 8.250% (e)	2,300,000	600,000	Annaly Capital Management, Inc.	<u>10,068,000</u>
480,000	GMAC Capital Trust I, 8.125% (b)	12,297,600			<u>17,960,500</u>
		<u>24,153,200</u>		Services - 0.00%	
	Total Preferred Stocks (Cost \$31,806,795)	<u>34,527,231</u>	77,746	Koosharem Corp. Warrants (c) (e)	0
			9,925	Koosharem Corp., Series A Warrants (c) (e)	<u>0</u>
					<u>0</u>
Private Equities - 2.00%				Transportation Services - 0.44%	
	Aerospace - 0.90%		718,636	Scorpio Tankers, Inc. (Monaco) ² (e)	5,310,720
573,251	Aveos Holding Co. (Cayman Islands) (d) (e)	10,891,763		Total Common Stocks & Warrants (Cost \$29,197,467)	<u>25,913,720</u>
	Financials - 0.71%			Total Investment Portfolio - 86.48% (Cost \$1,042,354,657)	1,046,319,977
1,000	Ally Financial, Inc. (e)	6,850,000		Other Assets less	
4,568,977	Cerberus CG Investor I LLC (e)	708,191		Liabilities - 13.52%	163,526,262
4,568,955	Cerberus CG Investor II LLC (e)	708,188		NET ASSETS - 100.00%	<u>\$ 1,209,846,239</u>
2,284,575	Cerberus CG Investor III LLC (e)	354,109			
		<u>8,620,488</u>			
	Utilities - 0.39%				
14,474	Bosque LLP (e)	4,685,234			
	Total Private Equities (Cost \$24,889,549)	<u>24,197,485</u>			

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Third Avenue Focused Credit Fund
Portfolio of Investments (continued)
at July 31, 2011
(Unaudited)

	Value
Investor Class:	
Net assets applicable to 32,418,881 shares outstanding	\$ 365,707,865
Net asset value, offering and redemption price per share	<u>\$11.28</u>
Institutional Class:	
Net assets applicable to 74,871,510 shares outstanding	\$ 844,138,374
Net asset value, offering and redemption price per share	<u>\$11.27</u>

Notes:

PIK: Payment-in-kind.

OID: Original Issue Discount.

(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) Variable rate security. The rate disclosed is in effect as of July 31, 2011.

(c) Fair-valued security.

(d) Affiliated issuers—as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).

(e) Non-income producing security.

(f) Unsettled security. Coupon rate is undetermined at July 31, 2011.

* Issuer in default.

† Denominated in U.S. Dollars unless otherwise noted.

¹ Incorporated in Bermuda.

² Incorporated in Marshall Islands.

Country Concentration

	% of Net Assets
United States	73.61%
Canada	4.40
Luxembourg	2.38
Cayman Islands	1.91
Jamaica	1.59
Australia	1.06
Bermuda	0.86
Monaco	0.44
Mexico	0.23
Total	<u>86.48%</u>

See accompanying notes to the Portfolios of Investments.

Third Avenue Trust
Notes to Portfolios of Investments
July 31, 2011
(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.

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 may adjust the prices of securities traded in foreign markets, as appropriate, to reflect the fair value as of the time the Funds’ net asset values are calculated. 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. 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.

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 July 31, 2011, such securities had a total fair value of \$83,028,784 or 1.88% of net assets of Third Avenue Value Fund, \$14,186,610 or 1.47% of net assets of Third Avenue Small-Cap Value Fund, \$44,355,980 or 2.36% of net assets of Third Avenue Real Estate Value Fund, \$8,524,729 or 0.57% of net assets of Third Avenue International Value Fund, and \$15,404,455 or 1.27% of net assets of Third Avenue Focused Credit Fund. 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 stock and debt securities, the operating results of the issuer and the

Third Avenue Trust
Notes to Portfolios of Investments (continued)
July 31, 2011
(Unaudited)

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). FASB ASC 820-10-35-39 to 55 provides three levels of the fair value hierarchy as follows:

- Level 1—Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has 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 Fund’s 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 Fund. The Fund considers 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 securities are not necessarily an indication of the risk associated with investing in those securities.

The Fund uses 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.

Third Avenue Trust
Notes to Portfolios of Investments (continued)
July 31, 2011
(Unaudited)

The following is a summary by level of inputs used to value the Funds' investments as of July 31, 2011:

	<u>Third Avenue Value Fund</u>	<u>Third Avenue Small-Cap Value Fund</u>	<u>Third Avenue Real Estate Value Fund</u>	<u>Third Avenue International Value Fund</u>	<u>Third Avenue Focused Credit Fund</u>
Level 1: Quoted Prices					
Investments in Securities:					
Common Stocks & Warrants:					
Advertising	\$ —	\$ —	\$ —	\$ 39,783,425	\$ —
Agriculture	—	32,693,704	—	76,569,112	—
Annuities & Mutual Fund Management & Sales	150,660,000	—	—	—	—
Automotive	209,089,916	—	—	—	—
Auto Supply	—	4,703,493	—	—	—
Building & Construction Products/Services	—	—	—	31,188,855	—
Capital Goods	—	—	—	42,419,298	—
Chemicals & Allied Products	—	43,627,971	—	—	—
Computer Peripherals	—	22,902,878	—	—	—
Consulting and Information Technology Services	—	28,181,077	—	—	—
Consumer Products	—	27,150,326	—	—	—
Corporate Services	—	—	—	10,100,742	—
Depository Institutions	103,180,296	—	—	—	—
Diversified Operations	419,898,383	—	—	85,233,263	—
Electronics Components	—	59,713,349	—	102,156,353	—
Energy/Services	—	53,284,509	—	—	—
Financials	—	—	—	—	17,960,500
Forest Products & Paper	—	18,106,144	43,009,644	67,882,686	—
Healthcare Services	—	37,081,904	—	—	—
Holding Companies	1,160,998,984	67,896,611	—	122,693,968	—
Industrial Equipment	—	34,005,518	—	—	—
Industrial Services	—	7,100,003	—	—	—
Insurance	—	—	—	185,268,557	—
Insurance & Reinsurance	—	39,776,997	—	—	—
Investment Companies	—	—	—	57,175,304	—
Life Insurance	—	8,600,423	—	—	—
Machinery	—	—	—	29,031,689	—
Media	—	29,693,911	—	5,890,064	—
Metals & Mining	—	—	—	95,479,937	—
Metals Manufacturing	—	38,807,419	—	—	—
Mutual Holding Companies	10,073,138	—	—	—	—

Third Avenue Trust
Notes to Portfolios of Investments (continued)
July 31, 2011
(Unaudited)

Summary by Level of Inputs (continued):

	<u>Third Avenue</u> <u>Value Fund</u>	<u>Third Avenue</u> <u>Small-Cap</u> <u>Value Fund</u>	<u>Third Avenue</u> <u>Real Estate</u> <u>Value Fund</u>	<u>Third Avenue</u> <u>International</u> <u>Value Fund</u>	<u>Third Avenue</u> <u>Focused</u> <u>Credit Fund</u>
Level 1 (continued)					
Non-U.S. Homebuilder Non-U.S. Real Estate	\$ —	\$ —	\$ 95,453,190	\$ —	\$ —
Consulting/Management	—	—	18,383,288	—	—
Non-U.S. Real Estate Investment Trusts	—	—	206,594,593	—	—
Non-U.S. Real Estate Operating Companies	878,399,624	8,645,502	684,071,686	—	—
Oil & Gas	—	2,055,928	—	—	—
Oil & Gas Production & Services	125,831,156	—	—	61,585,580	—
Other Financial	—	—	—	40,957,105	—
Pharmaceuticals	—	—	—	66,603,098	—
Real Estate	—	—	—	107,121,628	—
Real Estate Investment Trust	—	1,610,147	—	—	—
Retail	—	5,393,392	—	—	—
Retail—Building Products	—	—	44,325,320	—	—
Securities Trading Services	—	30,878,324	—	—	—
Semiconductor Equipment Manufacturers & Related	12,320,000	6,330,195	—	—	—
Software	—	20,246,740	—	—	—
Steel & Specialty Steel	384,300,000	—	—	—	—
Technology—Hardware	—	—	—	31,744,914	—
Telecommunications	64,022,880	12,214,035	—	89,446,187	—
Transportation	—	—	—	25,812,080	—
Transportation Services	—	—	—	—	5,310,720
U.S. Homebuilder	—	—	42,544,430	—	—
U.S. Real Estate Investment Trusts	—	—	117,143,876	—	—
U.S. Real Estate Operating Companies	267,997,248	47,712,115	213,402,816	—	—
Utilities, Utility Service Companies & Waste Management	152,355,842	—	—	—	—
Limited Partnerships:					
Infrastructure	10,060,000	—	—	—	—
Preferred Stocks:					
Energy	—	—	—	—	10,374,031
Financials	—	—	—	—	24,153,200
Insurance & Reinsurance	8,896	—	—	—	—
Total for Level 1 Securities	<u>3,949,196,363</u>	<u>688,412,615</u>	<u>1,464,928,843</u>	<u>1,374,143,845</u>	<u>57,798,451</u>

Third Avenue Trust
Notes to Portfolios of Investments (continued)
July 31, 2011
(Unaudited)

Summary by Level of Inputs (continued):

	<u>Third Avenue Value Fund</u>	<u>Third Avenue Small-Cap Value Fund</u>	<u>Third Avenue Real Estate Value Fund</u>	<u>Third Avenue International Value Fund</u>	<u>Third Avenue Focused Credit Fund</u>
Level 2: Other Significant Observable Inputs					
Investments in Securities:					
Common Stocks					
U.S. Real Estate Operating Companies	\$ —	\$ —	\$ 45,506,697	\$ —	\$ —
Debt Securities issued by the U.S. Treasury and other government corporations and agencies:					
Municipal Bonds#	—	—	—	—	10,051,725
Corporate Debt Instruments#	99,402,450	—	27,125,001	—	938,867,861
Private Equities:					
Aerospace	—	—	—	—	10,891,763
Financials	—	—	—	—	8,620,488
Utilities	—	—	—	—	4,685,234
Purchased Options:					
Foreign Currency Put Options	—	1,130,913	—	13,187,072	—
Purchased Swaptions:	—	188,853	—	—	—
Short Term Investments:					
U.S. Government Obligations	—	149,958,647	—	—	—
Total for Level 2 Securities	<u>99,402,450</u>	<u>151,278,413</u>	<u>72,631,698</u>	<u>13,187,072</u>	<u>973,117,071</u>
Level 3: Significant Unobservable Inputs					
Investments in Securities:					
Common Stocks & Warrants:					
Auto Supply	0*	—	—	—	—
Consumer Products	26,318	—	—	—	—
Energy	—	—	—	—	2,642,500
Financial Insurance	555,000	—	—	—	—
Forest Products & Paper	—	2,539,610	—	8,524,729	—
Insurance & Reinsurance	192,001	—	—	—	—
Manufactured Housing	71,818,761	—	—	—	—
Services	—	—	—	—	0*
U.S. Real Estate Operating Companies	5,692,746	—	3,894,518	—	—
Limited Partnerships:					
Holding Companies	—	11,647,000	—	—	—
Insurance & Reinsurance	505,656	—	—	—	—
Investment Fund	—	—	40,461,462	—	—

Third Avenue Trust
Notes to Portfolios of Investments (continued)
July 31, 2011
(Unaudited)

Summary by Level of Inputs (continued):

	<u>Third Avenue Value Fund</u>	<u>Third Avenue Small-Cap Value Fund</u>	<u>Third Avenue Real Estate Value Fund</u>	<u>Third Avenue International Value Fund</u>	<u>Third Avenue Focused Credit Fund</u>
Level 3 (continued)					
Preferred Stocks:					
Insurance & Reinsurance	\$ 221,861	\$ —	\$ —	\$ —	\$ —
Corporate Debt Instruments#	4,016,441	—	—	—	12,761,955
Total for Level 3 Securities	<u>83,028,784</u>	<u>14,186,610</u>	<u>44,355,980</u>	<u>8,524,729</u>	<u>15,404,455</u>
Total Value of Investments	<u>\$4,131,627,597</u>	<u>\$ 853,877,638</u>	<u>\$1,581,916,521</u>	<u>\$1,395,855,646</u>	<u>\$1,046,319,977</u>
Investments in Other Financial Instruments:					
Level 2: Other Significant Observable Inputs					
Forward Foreign Exchange Contracts	\$ —	\$ —	\$ (7,300,016)	\$ —	\$ —
Call Options Written	—	—	(852,075)	—	—
Total Value or Depreciation of Other Financials Instruments	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (8,152,091)</u>	<u>\$ —</u>	<u>\$ —</u>

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

* Security has zero value.

During the period ending July 31, 2011, the Funds recognized no significant transfers to/from Level 1 and Level 2 due to the application of fair value factors during the period.

Third Avenue Trust
Notes to Portfolios of Investments (continued)
July 31, 2011
(Unaudited)

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

	Balance as of 10/31/10 (fair value)	Net change in unrealized appreciation/ (depreciation)	Net purchases	Net sales	Payment- in-kind interest	Realized loss	Balance as of 7/31/11 (fair value)	Net change in unrealized appreciation/ (depreciation) attributable to assets still held at period end
Third Avenue Value Fund								
Common Stocks:								
Auto Supply	\$ 0*	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0*	\$ —
Consumer Products	26,318	—	—	—	—	—	26,318	—
Financial Insurance	555,000	—	—	—	—	—	555,000	—
Insurance & Reinsurance	191,667	22,081	—	(21,747)†	—	—	192,001	22,081
Manufactured Housing	35,000,000	818,761	36,000,000	—	—	—	71,818,761	818,761
U.S. Real Estate								
Operating Companies	10,436,702	1,955,849	—	(5,692,747)	—	(1,007,058)	5,692,746	474,396
Corporate Debt Instruments#	7,102,886	(3,595,734)	—	—	509,289	—	4,016,441	(3,595,734)
Limited Partnerships:								
Insurance & Reinsurance	367,955	137,701	—	—	—	—	505,656	137,701
Preferred Stocks:								
Insurance & Reinsurance	216,372	5,489	—	—	—	—	221,861	5,489
Total	<u>\$53,896,900</u>	<u>\$ (655,853)</u>	<u>\$36,000,000</u>	<u>\$(5,714,494)</u>	<u>\$ 509,289</u>	<u>\$(1,007,058)</u>	<u>\$83,028,784</u>	<u>\$(2,137,306)</u>
Third Avenue Small-Cap Value Fund								
Common Stocks:								
Forest Products & Paper	\$4,447,931	\$(1,908,321)	\$ —	\$ —	\$ —	\$ —	\$2,539,610	\$(1,908,321)
Limited Partnerships:								
Holding Companies	7,144,000	4,503,000	—	—	—	—	11,647,000	4,503,000
Total	<u>\$11,591,931</u>	<u>\$ 2,594,679</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$14,186,610</u>	<u>\$ 2,594,679</u>
Third Avenue Real Estate Value Fund								
Common Stocks:								
U.S. Real Estate								
Operating Companies	\$ 7,140,280	\$ 1,598,778	\$ —	\$(3,894,878)	\$ —	\$ (949,662)	\$ 3,894,518	\$ 324,543
Limited Partnerships:								
Investment Fund	38,735,530	(274,068)	2,000,000	—	—	—	40,461,462	(274,068)
Total	<u>\$45,875,810</u>	<u>\$ 1,324,710</u>	<u>\$ 2,000,000</u>	<u>\$(3,894,878)</u>	<u>\$ —</u>	<u>\$ (949,662)</u>	<u>\$44,355,980</u>	<u>\$ 50,475</u>

Third Avenue Trust
Notes to Portfolios of Investments (continued)
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	Balance as of 10/31/10 (fair value)	Net change in unrealized appreciation/ (depreciation)	Net purchases	Bond discount	Transfer out Level 3	Balance as of 7/31/11 (fair value)	Net change in unrealized appreciation/ (depreciation) attributable to assets still held at period end
Third Avenue International Value Fund							
Common Stocks:							
Forest Products & Paper	\$14,930,405	\$(6,405,676)	\$ —	\$ —	\$ —	\$ 8,524,729	\$(6,405,676)
Third Avenue Focused Credit Fund							
Common Stocks & Warrants:							
Energy	\$ —	\$ 142,500	\$ 2,500,000	\$ —	\$ —	\$ 2,642,500	\$ 142,500
Services	—	—	0‡	—	—	0*	—
Private Equities:							
Financials	14,300,000	—	—	—	(14,300,000)	—	—
Corporate Debt Instruments#							
	<u>14,676,415</u>	<u>(1,041,852)</u>	<u>9,301,260</u>	<u>88,632</u>	<u>(10,262,500)</u>	<u>12,761,955</u>	<u>(1,041,852)</u>
Total	<u>\$28,976,415</u>	<u>\$ (899,352)</u>	<u>\$11,801,260</u>	<u>\$88,632</u>	<u>\$(24,562,500)</u>	<u>\$15,404,455</u>	<u>\$ (899,352)</u>

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

* Security has zero value.

† Corporate action to properly state shares held.

‡ Securities acquired with zero cost.

Transfers into, and out of, Level 3 are valued utilizing values as of the beginning of the period.

Transfers from Level 2 to Level 3 or from Level 3 to Level 2 are due to decline or an increase in market activity (e.g. frequency of trades), which resulted in a lack of or increase in available market inputs to determine price.

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2011-04 “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (“IFRS”). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning

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Notes to Portfolios of Investments (continued)
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after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the financial statements.

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 and investment income:* At the prevailing rates of exchange on the date of such transactions.

Forward foreign currency contracts:

The Funds may be exposed to foreign currency risks associated with portfolio investments and therefore use forward foreign currency contracts to hedge or manage these exposures. The Funds also 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.

Option contracts:

The Funds may purchase and sell ("write") put and call options on various instruments including securities 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 securities acquired through the exercise of a call option is increased by the premiums paid. The proceeds from securities sold through the exercise of a purchased put option are decreased by the premiums paid. Investments in option contracts require the Funds to fair value

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Notes to Portfolios of Investments (continued)
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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 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 from investments. 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.

Swaptions:

The Funds may purchase or write swaptions in an attempt to gain additional protection against the effects of interest rate fluctuations. Swap options (swaptions) are similar to options on securities except that instead of selling or purchasing the right to buy or sell a security, the writer or purchaser of the swap option is granting or buying the right to enter into a previously agreed upon interest rate swap agreement at any time before the expiration of the option (interest rate risk). In purchasing and writing swaptions, the Funds bear the risk of an unfavorable change in the price of the underlying interest rate swap or the risk that the Funds may not be able to enter into a closing transaction due to an illiquid market. The Funds execute transactions in over-the-counter swaptions. Transactions in over-the-counter swaptions may expose the Funds to the risk of default by the counterparty to the transaction. In the event of default by the counterparty, the Funds' maximum amount of loss are the premium paid (as purchaser) or the unrealized loss of the contract (as writer).

Changes in the value of the swaption are reported as unrealized gains or losses in the Statements of Assets and Liabilities and Statements of Operations. Gain or loss is recognized when the swaption contract expires or is closed. Premiums received or paid from writing or purchasing swaptions that expire or are exercised are treated by the Funds as realized gains or losses from investments. The difference between the premium and the amount paid on effecting a closing pur-

Third Avenue Trust
Notes to Portfolios of Investments (continued)
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chase transaction is also treated as a realized gain or, if the premium is less than the amount paid for the closing purchase, as a realized loss.

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

The following information is based upon the book basis of investment securities as of July 31, 2011:

	<u>Value Fund</u>	<u>Small-Cap Value Fund</u>	<u>Real Estate Value Fund</u>	<u>International Value Fund</u>	<u>Focused Credit Fund</u>
Gross unrealized appreciation	\$1,355,881,754	\$ 163,543,313	\$ 322,004,200	\$ 233,168,902	\$ 41,119,432
Gross unrealized depreciation	<u>(498,103,011)</u>	<u>(119,071,259)</u>	<u>(116,628,919)</u>	<u>(191,724,785)</u>	<u>(37,154,112)</u>
Net unrealized appreciation/ (depreciation)	<u>\$ 857,778,743</u>	<u>\$ 44,472,054</u>	<u>\$ 205,375,281</u>	<u>\$ 41,444,117</u>	<u>\$ 3,965,320</u>
Aggregate book cost	<u>\$3,273,848,854</u>	<u>\$ 809,405,584</u>	<u>\$1,376,541,240</u>	<u>\$1,354,411,529</u>	<u>\$1,042,354,657</u>

3. COMMITMENTS AND CONTINGENCIES

At July 31, 2011, Third Avenue Real Estate Value Fund had the following commitment and contingency:

<u>Issuer</u>	<u>Type</u>	<u>Amount of Commitment</u>	<u>Funded Commitment</u>	<u>Value of Segregated Securities</u>
Alliance Bernstein Legacy Securities (C1) L.P.	Limited Partnership	\$40,000,000	\$36,000,000	\$4,000,000

Third Avenue Focused Credit Fund may enter into senior unsecured bridge financing commitments. Bridge financing commitments may obligate the Fund to furnish temporary financing to a borrower until permanent financing can be arranged. In connection with these commitments, the Fund earns a commitment fee, typically set as a percentage of the commitment amount. At July 31, 2011, Third Avenue Focused Credit Fund had no outstanding bridge financing commitments.

Third Avenue Trust
Notes to Portfolios of Investments (continued)
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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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