THIRD AVENUE FOCUSED CREDIT FUND CONFERENCE CALL[1]

SEPTEMBER 9, 2009

4:00 P.M. EST

OPERATOR: Good afternoon, ladies and gentlemen, and thank you for waiting.

Welcome to the Third Avenue Focused Credit Fund Conference Call.

Without further adieu, it is my pleasure to turn the floor over to your host, Ms. Joanne Mason. Ms. Mason, the floor is yours.

JOANNE MASON, DIRECTOR OF MARKETING, THIRD AVENUE MANAGEMENT: Thank you.

Good afternoon and thank you for joining us today to hear about the new Third Avenue Focused Credit Fund.

As many of you know, Third Avenue was founded 23 years ago by Marty Whitman, who was, even at that time, a renowned distress investor.

Over the past two decades, Third Avenue launched four mutual funds, which invest using Marty's discipline value criteria.

While the funds invest primarily in equities, Third Avenue has actively invested in credit and distressed debt throughout its history. Given Marty's roots, Third Avenue's investment professionals are all well trained in credit analysis and distressed investing.

Third Avenue currently has over $1 billion invested in credit and distressed securities across its platform.

We began to focus on building a dedicated credit team several years ago, as distressed opportunities became more apparent. Along with client demand for a credit fund with daily liquidity, this effort has culminated in the recent additions of Jeff Gary and Tom Lapointe, both experienced portfolio managers in the credit space.

Jeff and Tom joined our existing four-person credit team with a goal of delivering an investment vehicle accessible to both retail and institutional investors, that will take advantage of attractive investment opportunities resulting from increased inefficiencies in the credit markets.

The dedicated credit team has the added advantage of being able to leverage the credit and investment experience of each member of Third Avenue's broader 21-person investment team. Third Avenue Focused Credit Fund is a natural extension of our credit and distressed investment heritage.

Jeff is the Portfolio Manager of Third Avenue Focused Credit Fund, and has over 20 years of credit investment experience. Jeff came to us from BlackRock, which he joined in 2003 as the Portfolio Manager and Head of the High-Yield and Distressed Team, where he was responsible for numerous high-yield and credit mutual funds, and institutional separate accounts.

[1] Edited for clarity

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Tom Lapointe has over 17 years of high-yield and credit investment experience. Most recently, he was Co-Head of the High-Yield Team at Columbia Management, and managed numerous high-yield portfolios.

Third Avenue Focused Credit Fund offers two classes of shares – an investor class with a $2,500 minimum, and an institutional class with a $100,000 minimum. It is available through the major "no transaction fee" programs, like Schwab, Fidelity, Pershing and TD Ameritrade. Additionally, it is available through certain broker-dealers, as well as directly through Third Avenue Funds.

Following comments from Jeff Gary and Tom Lapointe, they will address some common questions that we have received. We will not be taking questions on the call because this call is open to the public. However, you may e-mail questions to us at clientservice@thirdave.com, and we will compile a list and post them as "Frequently Asked Questions."

At this point, I will review some necessary legal disclaimers.

Any information disclosed in this call is intended for this specific audience and is not for attribution or for distribution to third parties.

This call does not constitute an offer or solicitation of any transaction and any securities. Third Avenue Funds are offered by prospectus only. Prospectuses contain more complete information and should be read carefully before investing.

The information on this call represents the opinions of the Portfolio Manager and his research staff, and is not intended to be a forecast of future events, a guarantee of future results, or investment advice.

Views expressed are those of the individual and may differ from those of other portfolio managers or of the firm as a whole.

At this time, it is my pleasure to introduce Jeff Gary.

JEFF GARY, PORTFOLIO MANAGER, THIRD AVENUE FOCUSED CREDIT FUND: Thank you, Joanne. And thank you to everyone for joining us on this call today.

I especially want to thank everyone who has invested in the new Focused Credit Fund since its launch 7 days ago.

First, I want to share with you that I have been a long-time investor in the Third Avenue Value Fund and have respected their opportunistic and value-oriented approach, which is very similar to the way that I have managed credit funds throughout my career. So, I am very excited about this opportunity to be part of a firm that has successfully invested in credit and distressed securities for 23 years, and to lead the new Focused Credit Fund effort.

I am joined on the call by Tom Lapointe, who will introduce himself later in the call. But, I first want to give you an overview of what we have planned to cover on the call today. The key areas that we will focus on and, hopefully, will answer many of your questions will include: a brief overview of the Fund and the investment team; advantages of the Fund's ability to invest across all areas of the credit market; reasons why this is a good market for credit pickers like Third Avenue; our investment strategy in more detail -- screening factors for ideas, credit research, portfolio construction, some specific color on the investment strategy that we plan to employ for this Portfolio; and a summary.

So, first, on the overview of the Fund, as Joanne mentioned, this Fund was really driven by demand from Third Avenue clients, who wanted an opportunistic credit fund that leveraged Third Avenue's investment approach of deep value and very thorough research.

Our clients also had two needs that they were trying to finding a solution to.

First, they wanted to invest in a fund that has daily liquidity, where the manager picks the best loan, bond, and convertible ideas in one fund rather, than their needing to invest in multiple funds.

And the second need was to gain some exposure to distressed security investments, given the high default rate environment.

So with our investment strategy, we plan to invest across the capital structure – in leveraged loans, high-yield bonds, and convertible securities. This could also include capital infusion deals and distressed investments, which many of our competitors do not or cannot incorporate into their credit funds.

We have a differentiated approach, which includes several variables that, we think, will allow us to outperform other credit and high-yield managers out there.

First, we have an extremely thorough credit research process with a value approach, focusing on our downside risk first and then our upside potential.

Second, we're going to focus our capital on our highest-conviction ideas, which should result in more concentrated portfolios with a target of only 50 to 60 companies in the Portfolio.

Third, an opportunistic approach to invest in a credit security, regardless of whether it is a high-yield bond, bank loan, or convertible – we select the security with the best upside potential, versus downside risk.

And, last, we need an event or catalyst to drive value higher. We're not just looking to clip a coupon. We want an event that will drive price higher and reduce credit risk of our investment.

Our Investment Team – I'm very proud of this. We have a six-person, dedicated investment team that averages over 13 years of credit and distressed experience. This is a very strong team. And members of this team have worked at other firms such as, Goldman Sachs, Lazard Frères and Barclay's, in similar-type roles.

We have very substantial distressed investment and workout experience. This includes numerous distress and debt-for-equity restructurings, where we have influenced the process, and also we have served on numerous creditor committees.

As Joanne also mentioned, our dedicated team is directly supported by 21 other investment professionals, all of whom are credit-trained first and have a focus on looking down before they look up. Many of these professionals are actively researching and investing in credit securities. And, as a testament to this, as Joanne mentioned, Third Avenue has over $1 billion currently invested in credit and distressed securities.

Next, I want to cover the advantages of the ability to invest across all areas of the credit market.

There are a limited number of investors, especially in the mutual fund area, that can invest across the credit spectrum, which results in inefficiencies. Most bank loan funds cannot invest in high-yield bonds. Similarly, many of the high-yield and convertible funds are limited to their asset class and can't invest in the others.

In addition, leveraged loans are very operationally time-intensive. And a number of fund companies either aren't unwilling or don't have the infrastructure to be able to process and handle the trading and management of leveraged loans.

It's also important to recognize the differences and advantages of leveraged loans. A leveraged loan is secured by all of the assets of a company and ranked first in priority-of-payment if there is a default or bankruptcy. These loans must pay 100% of their principal before any unsecured debt, meaning the high-yield bond, or the equity gets a recovery.

An advantage of the evolution of the credit market is that this market funded many LBO transactions, including TXU, Clear Channel, and Harrah's. But these are good companies that many investors own the equity securities of in their S&P 500 Index Fund or they were part of the Russell 1000 or 2000; so, in essence, we are able to buy the bank loans of these companies that are ranked ahead of the high-yield bonds in terms of priority of payment.

As default rates continue to be elevated, we also see this as a great opportunity for distressed investments, in essence, what we call good companies with bad balance sheets that just need to convert their debt into equity, and are great companies to invest in for the long term.

Another aspect to keep in mind is that recovery rates on defaulted high-yield bonds are averaging only 15 to 20% of par. What this means is that, for the high-yield bonds that have defaulted over the last 12 to 18 months, on average, they are only recovering 15 to 20% of their principal amount. This compares to nearly 60% for leveraged loans. This is the benefit of being first in line for repayment.

And with bank loans and high-yield bonds averaging about a low-$80 price, you can see that, for those securities of companies that do default, the downside and permanent capital impairment risk in your high-yield bond investment is substantially larger than that of a leveraged loan.

Despite the attraction of bank loans, there are a number of selected high-yield bond opportunities that we do find very attractive. We will talk about the specific opportunities that we see and plan to invest in this Fund, at the end of this call.

But now I would like to turn it over to Tom Lapointe, who is going to cover several other areas of the Fund.

TOM LAPOINTE, SENIOR RESEARCH ANALYST, THIRD AVENUE MANAGEMENT: Thank you, Jeff.

I want to thank all of you for your interest and for investing in Third Avenue Focused Credit Fund.

I have been invested with Third Avenue for over a decade, and also have invested my money in the Third Avenue Focused Credit Fund alongside many of you.

I am very excited to be joining Jeff and the rest of the credit team and leverage the broader 21-person investment team.

In the next 10 minutes, I plan on covering the following areas – the current market, our investment strategy, factors we look for in screening ideas, credit research overview, and portfolio construction. Then I'll turn it back over the Jeff so that he can summarize our investment strategy and answer frequently asked questions.

Now the current market.

We believe credit selection with drive performance going forward. This should be a very good market for credit pickers like Third Avenue to outperform. We don't have any troubled legacy portfolios or positions to work out, which can take a substantial amount of time.

The investment universe has increased substantially, especially since the leveraged loan market has tripled in size in the last four years. There are currently over 3,000 securities to choose from, and over $2 trillion-worth of securities in high-yield loans and convertible bonds to choose from, increasing the complexity of the investment universe; and that is on top of a substantial decrease in research personnel, 10 to 15% cuts in the number of research analysts, and with three of the top 10 investment banks out of business.

This results in a significant increase in the amount of time to research and monitor companies. Analyzing distressed companies and their complex capital structures requires a considerable amount of time and expertise.

Many of these companies were taken private by LBOs. There used to be 20 or more equity analysts covering and publishing research on a given company before. And, now, some of these private companies are less accessible and less transparent with their information.

I think, in summary, we have the time to focus our research to identify the top 50 to 60 ideas in a now-less efficient market.

Moving onto investment strategy.

As Jeff said, we plan to invest across the capital structure – in bank loans, high-yield, and convertible securities.

Our investments will typically fall into one of the following five categories.

The first four categories will represent the core holdings in 80 to 100% of the Portfolio, with debt-for-equity restructurings representing no more than 20 to 25% of the Portfolio.

The first piece is performing bonds and loans. These are companies with a low probability of default. They generally have a reasonable capital structure and strong cash flow. Here, we're looking for an event to drive the value higher. We're focused on the company, the industry, and financial analysis. These are generally performing credits.

The second group in our core holdings is stress-performing credits. These are companies with higher levels of uncertainty. Here, we might be invested in the bank debt or investments secured by hard assets. We're looking for adequate protection that will enable the company to keep current on our payments. We also might look at short-dated maturities. Here, we're looking for catalysts or events to drive the value higher, where we will focus on asset values, liquidity, and covenants.

The third area will be capital infusions. These investments include rescue financing, DIP financing, and exit financing. These are generally investments with a low-probability of default, that have typically very attractive rates of return, and we have first lien positions in the assets. Here, we will be focused on the total return, including fees and premiums of the investment.

The fourth area is distressed performing credits. These are credits where the market price implies a higher probability of default than Third Avenue's analysis suggests. Primarily, these will be unsecured bonds and

bank debt. And, here, we will be looking for an event-driven circumstance and the ability to increase liquidity through asset sales, capital raises, and our debt exchanges. Here, we will be focused on asset values, liquidity, and covenants.

The fifth area, which is 20 to 25% of the portfolio, is debt-for-equity restructurings. Here, we expect the company to restructure in or out of court. We will be investing, or looking to invest, in the fulcrum security -- this is the most senior security which will participate in the reorganization.

We typically look to influence the process and look to exit our investment via the debt or equity markets post Chapter 11. Here, we will be focused on the quality of the underlying assets in the business. And, like I said, it will be up to 20% of the portfolio.

Next, I would like to move on to factors that we use in screening our ideas. We combine these factors with a view of the upside-downside potential to a given security, and decide if more credit work is needed. Attractive attributes we look for are: catalysts that drive value higher, good pricing power, top-three market share, high barriers to entry, longer and more dependable product cycles, asset value downside protection, higher-improving cash as a percentage of debt, and also multiple exit or liquidity options, in case something goes wrong.

On the less desirable attributes, or attributes where we need to get adequately compensated for, we are looking at industries with low barriers to entry or historical high business mortality rates, debt-unfriendly management teams or equity owners, unreliable or opaque financial reporting data, and less predictable cashflow as a result of seasonality or high customer concentration.

And we are trying to avoid binary risks, like litigation, environmental, and regulation. We also are trying to avoid, or make sure that we get adequately compensated for, service-oriented companies with limited asset value.

Moving on to the credit research overview, these are some of the key points that we look for when analyzing every credit.

We look at the company and industry fundamentals. We look at the primary products and market share, pricing power, and barriers to entry; revenue and expense margin analysis; income statement, balance sheet, capital structure, and free analysis; management team, and major stakeholders within the company, both bond holders and equity holders; and key drivers in risk to revenue and cost. We try to identify key risks and obtain independent information to verify these. We look at customer and competitor and supply analysis, and industry analysis, including fragmented versus consolidated industries.

We then look at risk reward analysis, events or catalysts to drive the value higher, and a base upside-downside scenario for the security that we purchase. Here, we are looking at asset values and the protections those assets provide. We also look at covenants and corporate structure, and do TEV – total enterprise value – analysis on all the credits. And we look at company loan-to-value analysis in determining the upside-downside value.

Finally, moving on to portfolio construction, before I turn it over to Jeff, investment positions will typically range from 1% to 4% assets. The final position size will be determined by a combination of factors – upside-downside analysis, cash position in the portfolio, industry weights and concentrations, and the combined rates of industries that have higher correlations to one another.

Now, I would like to turn it back over to Jeff.

GARY: Thank you, Tom.

In terms of our investment strategy, obviously, the credit markets have enjoyed very strong returns on a year-to-date basis and as a recovery from the very weak returns that they had in the prior year as a result of significant deleveraging, especially in the bank loan and credit markets.

We think that, hopefully, we have shown you how this Fund is differentiated from other high-yield and other credit funds out there. We view this as combining good defense – in essence, investing in fully secured bank loans and short-dated maturities of good companies – with good offense, in terms of capital infusion and distressed investment opportunities that can add total return to the portfolio.

Also, hopefully, you recognize and see that, given the very low recovery rates in high-yield bonds that we have been experiencing over the last 12 months, this type of fund strategy is a better alternative to a more typical high-yield-only fund that is constrained to those types of investments.

I'll give you an overview of the types of opportunities that we are seeing, and where we are looking to invest the portfolio.

First, in leveraged loans, we see a number of very attractive opportunities here, where we have some upside potential in addition to good coupon. We recognize that in a bank loan – there are two general types of catalysts that can drive value higher.

First, the high-yield market, as it has reopened this year, has been open to issuing and funding a lot of what we call new senior secured bond deals, which are being used to partially repay existing bank loans of a company, that are trading at a big discount. So, a bank loan that may have been trading at 80 – like Harrah's, where they did a deal yesterday, they are paying down part of that bank loan at par that was trading at 80 cents on the dollar.

The second is bank loans have the benefit of what you call covenants. Covenants are what protect us debt investors from the greedy equity owners who want to siphon all the cash out of the company. It also ensures that, if the company's fundamentals deteriorate, they can't deteriorate too much before they have to negotiate with the bank loan owners. So, therefore, if their debt-to-cashflow goes higher because of deteriorating fundamentals, they have to negotiate with the bank loan owner, and we are able to get increases in interest coupon fees and/or a shorter maturity schedule to drive value higher.

We also talk about capital infusion deals. Given the elevated default rate environment and the financial institutions – which have gotten out of the business of DIP, rescue and exit financing– such as GE Capital and many other financial institutions, it leaves a big void of the amount of capital providers in relation to the demand for these types of deals. So, we are seeing a number of attractive opportunities and we are in negotiations on several companies where, because of Third Avenue's 23 years of experience in the distressed markets, we are able to see and access deals that others aren't able to.

Also, where we are invested in the bank loans in a distressed situation, we can help to influence a negotiation for this, and participate in investing in these attractive capital infusion opportunities, many of which have a 12- to 18-month maturities secured by all the assets, and can afford anywhere from a low-teen to a high-teen type of return.

As some of you may have seen in the shareholder letter for Third Avenue Value Fund, the capital infusion area is one in which they specifically plan to deploy more capital. So, we will have the opportunity to be

working with other professionals here and be able to leverage the buying power and investment power of Third Avenue.

Another area we find attractive is commodity and industrial sectors – oil, in particular, along with metals, mining, and other areas.

Related to natural gas, we are cautious and do expect to see more interesting distressed-type opportunities over the next six months, given the depressed natural gas environment. And these companies are most likely going to suffer asset impairments at the end of the year, which is going to reduce their borrowing base and restrict their liquidity.

We are cautious on consumer-oriented names in sectors that are tied to the consumer – obviously, an over-indebted consumer. But, also, the secular trends are very poor where Baby Boomers have moved past their peak spending years and into their peak saving years.

We do like short-dated bonds that have a low probability of default and a low double-digit yield.

Cash position – we don't manage to a specific position; it's really a result of the number of opportunities we find in the market. However, given that this is a new fund with daily liquidity needs, we will be having in excess of 10% cash in the near term. Both to make sure we have more than enough cash on hand to meet liquidity, but we also need cash to be able to invest in some of these attractive capital infusion ideas that we are currently working on.

So, in summary, why invest with Third Avenue Management in the Focused Credit Fund?

Third Avenue is a firm with a strong legacy – a well-integrated team of proven investment professionals with a strong long-term track record.

Every Third Avenue investment offering is managed by its inception portfolio manager. And we have an unwavering focus on bottom-up, deep-value investing.

We also have a distinctive investment philosophy and strategy for the Focused Credit Fund and an extremely thorough and comprehensive research process. We are going to focus our capital on our highest-conviction ideas. And this will be a go-anywhere mandate, where we can invest in any part of the capital structure, across leveraged loans, high-yield bonds and convertible securities, as well as distressed investment opportunities.

So, with that, I am going to turn it back over to Joanne for some frequently asked questions that we have received from our investors.

MASON: Thanks, Jeff.

The first question.

With the recent run-up in high-yield and distressed securities, hasn't the window closed for potential outsized returns?

LAPOINTE: I'll take this. This is Tom.

The market has had a terrific run. High-yield and leveraged loans are up approximately 40% from their lows; but, we believe there is reason to be positive and negative on credit as well as equities.

We still think there is excellent value out there for focused credit pickers like us, especially when there are over 3,000 securities to choose from and bank standards for lending remain tight.

In general, if you look back at the past peak in default rates and spreads, in the 1990 and 2002 timeframe -- spreads peaked at 1,000 to 1,100 -- and, currently, we are at about 900 over – if you look at those timeframes, and they had tremendous returns the following year, they also had two or three years of very solid, strong returns over the next few years. And we think that there is still plenty of room to go in this market.

MASON: How will you manage the liquidity of the Fund at potential redemptions?

GARY: First, we are very mindful of the need to have adequate liquidity to meet redemptions. As I mentioned, especially in the early timeframe of this Fund, we plan to have more than normal levels of cash. It will be in the 10% to 15% range over the next several months.

I would point out that Tom and I have both successfully managed open-end mutual funds, investing in these specific credit securities, and we have done this successfully throughout our careers.

Another important item is that we are limited to 15% of the assets of the Fund in illiquid securities by prospectus and SEC regulations. We do plan to hold at least 5% cash at all times, both to meet any near-term redemptions as well as to remain opportunistic.

And, last, the majority of our investments are in companies that have very large amounts of debt outstanding, many of which have over a billion dollars, either in bank loans or high-yield, or combined debt outstanding, which also increases the liquidity if we need to sell some securities to meet redemptions.

MASON: How much of the Fund will be invested in distressed securities that may have to restructure in a bankruptcy?

LAPOINTE: The Fund will build on securities that go through a restructuring, either out of court or in court, where the ultimate recovery will be equity. But the Fund is limited to 15% illiquid securities, so that will limit our investment in that area.

MASON: What is the expected dividend yield? And when will that be paid?

GARY: The first dividend will be paid at the end of December. It will include the time from the launch of the Fund through the end of the year.

In terms of dividend yield, our focus is on total return and not necessarily maximizing dividend yield. Both Tom and I have seen funds that just try to go after the highest dividend yield possible, which can result in taking undue credit risks and result in permanent capital loss impairments. We want to balance the total return aspect with getting adequate current income combined with potential capital appreciation.

Our lawyers have limited us to being too specific about the dividend yield, given that the Fund is not ramped up, and it would be premature to make a projection. But, realize that this Fund is a blend of high-yield and bank loans. Banks loans have a lower dividend yield.

By way of reference, the average high-yield mutual fund has a high 8% dividend yield, while the average bank loan fund has an average high 5% dividend yield. So if you take a mixture of those, combined with where we are going to have 15% in cash, you can kind of get to a dividend yield range that would be reasonable to expect while also staying within my lawyers' guidelines.

MASON: How large is the AUM, currently, of the Fund – the assets? And what is your estimated capacity limitation?

GARY: The Fund currently has approximately $60 million that we raised in the first week, which, obviously, was over the Labor Day weekend. So we are very thankful and appreciative for all of you that have invested in the Fund, especially given the slow time period and vacation schedules. We are happy with the initial results.

There are many investment platforms -- both advisors, as well as investment research platforms -- for which it takes two to four weeks after the Fund is launched to get it on their platform.

I think it is also important to note that both Third Avenue as a firm, as well as many employees personally, invested their money into this Fund, in a meaningful basis. And all six members of the dedicated credit investment team are personally invested in the Fund, as well as many of the other investment professionals. The amount of the employee money that is invested here should, hopefully, go up in the near-term because, on October 1st, this Fund will be added to Third Avenue's 401k platform as an investment option.

In terms of capacity, we can easily manage this strategy with $1 billion. And we think that $3 billion is easily doable before we would need to think about looking at closing the Fund.

I would point out that Third Avenue has closed funds to new investors in the past when they felt that the size of the fund was inhibiting their ability to fully implement the strategy. I have also closed funds in the past.

And last, but by no means least, is that our focus is on the quality of returns, not the quantity of assets. We have our money invested side by side with you. So if we ever feel that the size of the Fund is impairing our ability to adequately execute our strategy, then we will seriously discuss and look at closing the Fund, so that we make sure that we can always focus on the quality of returns for investors.

MASON: How much of the Fund will be invested in equity securities?

LAPOINTE: We're not going to invest in any equity securities outright. But we do expect to receive equities as part of the reorganization process.

I think it is important to note that we are not forced to sell those securities once we receive them. And in Jeff's experience and in my experience at our previous places, sometimes the best returns are receiving those equity securities and holding them to their full valuation.

MASON: OK, thank you.

So we have reviewed most of the frequently asked questions that we have received over the last week or so. If you have additional questions, please feel free to email them, again, to clientservice@thirdave.com.

Thank you all for your participation on the call and for your interest in Third Avenue and our new Fund.

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