



**Third Avenue Value Fund**

**Third Avenue Small-Cap Value Fund**

**Third Avenue Real Estate Value Fund**

**Third Avenue International Value Fund**

**Third Avenue Focused Credit Fund**

**FIRST QUARTER REPORT  
AND PORTFOLIO MANAGER COMMENTARY**

January 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](http://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 — February 23, 2011.

*This booklet consists of two separate documents.*

**THIRD AVENUE FUNDS  
PORTFOLIO MANAGER COMMENTARY**

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**THIRD AVENUE FUNDS  
FIRST QUARTER REPORT**

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**FIRST QUARTER PORTFOLIO MANAGER COMMENTARY**

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January 31, 2011



## Letter from the Chairman (Unaudited)



**MARTIN J. WHITMAN**  
CHAIRMAN OF THE BOARD

Dear Fellow Shareholders:

### **DIVERSIFICATION REVISITED**

Each and every fund registered under the Investment Act of 1940 as amended, which is managed by Third Avenue Management LLC (“TAM or TAM Funds”) is considerably less diversified than most Registered Investment Companies (“RIC”) with which the TAM Funds might be compared. Certainly TAM funds are far, far less diversified than mutual fund industry averages.

There are very good reasons for TAM’s relative lack of diversification. Put simply, for TAM diversification is only a surrogate, and usually a damn poor surrogate, for knowledge, control and price consciousness. Knowledge refers specifically to a bottom-up understanding of companies and the securities issued by companies. Price consciousness refers specifically to a security being demonstrably cheap against relative metrics. Relative metrics in the TAM portfolios mostly focus on discounts from readily ascertainable net asset values (“NAV”) for the common stocks of well-financed companies. We believe these companies also have reasonable prospects of enjoying compounded double digit growth in NAV (after adding back dividends) over the next three to seven years. In the case of distressed credits, the relevant metrics are yields to maturity and current yields at least 500 basis points better than comparable credits, for performing loans, combined with prospects of 10% or better annual returns if the

credits become non-performing and the issuer has to undergo a reorganization or liquidation.

For TAM Funds, it is relatively easy to be highly knowledgeable about most investee companies and the securities they issue. This is so because TAM focuses on companies with super strong financial positions and long-term records of profitability, where the securities are listed and traded in markets that are strictly, and intelligently regulated; and where there exist comprehensive written disclosures including clean audit opinions from large, well-recognized accounting firms. For TAM Funds, it is also relatively easy to be price conscious because the emphasis in common stock investing is to acquire securities at large discounts from readily ascertainable NAVs, where the issuing companies enjoy very strong financial positions.

TAM Funds, of course, are somewhat diversified. This is for two reasons. First, the TAM Funds are passive, i.e., not control investors. Second, both RIC regulations and the Internal Revenue Code require that TAM Funds (also all RICs) meet certain diversification standards.

If a portfolio manager is basically top-down, i.e., focuses on macro factors such as economic forecasts of market trends, interest rates, Gross Domestic Product, etc.; or, is an asset allocator; or, is a high frequency trader or a day trader; or, is a technician-chartist; or, is very short-run conscious; or, manages a common stock or distressed securities portfolio using maximum borrowings; then, that manager certainly ought to diversify broadly. That manager does not bring to the table the requisites for concentration – to wit knowledge, control and price consciousness.

In a TAM analysis much more weight is assigned to value discounts that exist now and correspondingly less weight is given to forecasting future outcomes, especially relatively short-term outcomes, e.g., over the next 12 months. Relative certainty of value discounts versus the uncertainty of predicting near-term results vitiates, to a large degree, the need to diversify.

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

Modern Portfolio Theory (“MPT”) is, by and large, the brain-child of Professor Harry Markowitz, who won a Nobel Prize in Economics in the 1950s for MPT. In brief, Markowitz postulated theories for diversification which comported with the beliefs of those who embraced the Efficient Market Hypothesis (“EMH”). MPT and EMH combined constitute Modern Capital Theory (“MCT”). The inapplicability of EMH to TAM Funds was detailed in my letter to shareholders accompanying the October 31, 2010 TAM Annual Report.

As a matter of plain common sense, there exists an investment matrix ranging from those who should concentrate to those who should diversify. The overall variables involving the matrix are, of course, knowledge, control and price consciousness. A useful look at a matrix ranging from the desirability of being most concentrated to the desirability of being most diversified is as follows:

### MOST CONCENTRATED TO MOST DIVERSIFIED

- Business school graduate using all his or her resources – personal and financial – to start up a new business;
- A company now in a line of business, acquiring another company, or additional assets, in a different, but related business
- Strategic control buyer
- Financial control buyer
- A leveraged buy-out fund
- Venture Capital fund
- Investor in high-grade performing loans whose principal objective is cash income
- Knowledgeable value investors such as TAM Funds
- Knowledgeable Risk Arbitrageurs (with risk arbitrage being defined as situations where there will be relatively

determinant work-outs in relatively determinant short periods of time)

- Asset Allocators
- Managers whose decisions are heavily influenced by macro forecasts
- Managers running heavily margined portfolios
- Day Traders
- Chartist-technicians
- Investors using the teachings of MCT
- High frequency traders

As far as TAM Funds are concerned, I hold the strong belief that the relative lack of diversification in no way increases investment risk for Fund shareholders. Rather, investment risk is markedly reduced for TAM because of knowledge and price consciousness.

**“In a TAM analysis much more weight is assigned to value discounts that exist now and correspondingly less weight is given to forecasting future outcomes, especially relatively short-term outcomes, e.g., over the next 12 months.”**

### SEMANTICS COUNT

There are two widely accepted concepts that are dead wrong – “Bailouts” and “Too Big To Fail”. Accepting these two concepts makes it ultra difficult for our economy to recover from the 2008-2009 meltdown.

What is the difference between a bailout and an investment? A bailout exists when a capital infusion is made into an entity with no hope and no prospect of earning a decent return, whether measured by profit to the investor or aid to an ailing economy. The stimuli given to the economy by the capital infusions promulgated by both the Bush and Obama administrations were enormously successful, measured by both profit to the government and aid to an ailing economy. These capital infusions were investments, not bailouts.

When capital infusions are made by the private sector they are called investments. When similar capital infusions are made by governments, many, many people call them

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

bailouts. Maybe stimulus packages will have to be repeated. I don't know. They certainly will have to be repeated, possibly expanded, at times, when no capital infusions are available from the private sector. This is certainly true where the companies, if they are to remain going-concerns, need relatively continuous access to capital markets, e.g., commercial banks and finance companies. But if governments are making reasonably sound capital infusions these should not be denounced with unacceptable pejoratives, specifically calling them bailouts.

"Too Big To Fail" is a phony concept. Rather, the important thing to recognize is that a troubled organization may be "too important not to be reorganized expeditiously" as, for example, was the case with the pre-packaged Chapter 11 reorganizations of General Motors and Chrysler. Failure exists where the common stocks (and probably other junior securities) of a troubled firm are either wiped out or almost wiped out. In fact, the list of actual failures of "Too Big To Fail" companies from 2008 to 2010 is quite long and includes not only General Motors and Chrysler but also AIG, Citigroup, Bear Stearns, Lehman, Fannie Mae, Freddie Mac and Countrywide. Notice that each of these businesses continue in operation either as is, or as part of another firm, despite the fact that each one failed. The important thing to note from a public policy point of view is not to prevent important companies from failing – many have, many will – but to have in place reorganization procedures that will permit these companies to be reorganized, i.e., recapitalized and/or undergo changes in control – expeditiously and economically. Chapter 11 probably doesn't do the job well enough. Some reform would be desirable.

The desirable reorganization reforms ought to cover three areas. First, there needs to be the equivalent of pre-packaged reorganizations for troubled companies; so, that much of the uncertainty about what the new capitalization will be will be resolved early on. Such pre-packs have to

make the "too important company" feasible and also comport with a strict rule of absolute priority. Second, the Internal Revenue Code should be amended, so that tax loss carry-forwards can be used more expeditiously than is now the case by businesses which have suffered large operating losses for tax purposes. Third, some limits ought to be put upon administrative costs incurred in reorganizing troubled companies. The compensation paid now by troubled entities to attorneys and investment bankers, in cash and without credit risk, is off the charts.

### **THIRD AVENUE VALUE FUND ("TAVF") IN MY OPINION OUGHT TO BE A SOUND INVESTMENT FOR PENSION AND RETIREMENT PLANS**

Over its twenty year, three month life, TAVF has earned returns of around 13% annually\*. For many (if not most) retirement plans and pension plans to meet their actuarial obligations, if they are defined benefit plans, they need long-term average returns of over 8%, based on investing for total return, i.e., income plus appreciation. Under current economic and monetary conditions, it seems well near impossible to lock in an 8% return by investing only for cash returns. These plans, it seems to me, are going to have to seek total returns, rather than cash returns.

Obviously, I don't know if TAVF will continue to earn double digit returns. However, I am hopeful; which is why I, and my family, are among the largest, if not the largest, shareholders of TAVF. However, even if future returns fail to live up to my expectations, the downside for plans may be more limited in TAVF's case than would be the case for other investment vehicles. This may be true because in its common stock investments, TAVF concentrates on companies which are blue chips or near blue chips. Thus, downside may be limited over the long term. The companies in whose common stocks TAVF invests mostly have the following characteristics:

- 1) The company has a super-strong financial position;

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\* Third Avenue Value Fund (Institutional Class) one-year, five-year and ten-year average annual returns for the period ended January 31, 2011 were 23.1%, 1.2% and 6.2%, respectively.

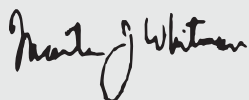
**Letter from the Chairman (continued)**  
**(Unaudited)**

- 2) The common stock was acquired at a price that represents a meaningful discount from readily ascertainable NAV, or estimated take-over value;
- 3) The common stock trades in a market that is strictly regulated and where investors have available comprehensive disclosures and reliable audits.

These characteristics should minimize the likelihood of permanent impairment to our investments and help us protect and grow our shareholders' capital over the long term.

I look forward to writing you again next quarter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Martin J. Whitman". The signature is written in a cursive, flowing style.

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 January 31, 2011, the unaudited net asset value attributed to the 96,570,292 shares outstanding of the Third Avenue Value Fund Institutional Class (“TAVF”, “Third Avenue”, or the “Fund”) was \$52.44 per share. This compares with an audited net asset value of \$49.16 per share at October 31, 2010; and an unaudited net asset value of \$42.44 per share at January 31, 2010, both adjusted for a subsequent distribution to shareholders. At February 22, 2011, the unaudited net asset value was \$51.33 per share.

### QUARTERLY ACTIVITY

#### Number of Shares or Principal Amount

14,384,200 shares

\$14,000,000

#### New Positions

Lai Sun Garment International Ltd.  
Common Stock (“Garment Common”)

Fleetwood Homes Inc. 2.5%  
Convertible Note (“Fleetwood  
Convert”)

#### Number of Shares

607,229 shares

905,610 shares

5,393,000 shares

402,306 shares

900,000 shares

4,344,400 shares

4,662,000 shares

6,400,000 shares

360,100 shares

#### Positions Decreased

Brookfield Asset Management, Inc.  
Common Stock (“Brookfield Common”)

Brooklyn Federal Bancorp Inc.  
Common Stock (“Brooklyn Federal  
Common”)

Cheung Kong Holdings Ltd. Common  
Stock (“Cheung Kong Common”)

Cimarex Energy Co. Common Stock  
 (“Cimarex Common”)

Nabors Industries Ltd. Common Stock  
 (“Nabors Common”)

Toyota Industries Corp. Common Stock  
 (“Toyota Industries Common”)

Wharf Holdings Ltd. Common Stock  
 (“Wharf Common”)

Wheelock & Co. Ltd. Common Stock  
 (“Wheelock Common”)

#### Position Eliminated

Mestek Inc. Common Stock  
 (“Mestek Common”)

The sales during the quarter were primarily driven by portfolio considerations, as net redemptions continued in November and December before slowing somewhat in January. For the quarter, the number of outstanding shares in the Fund declined by 4%, compared to a 7% decline last quarter. At quarter end, the Fund’s cash position totaled 7.3%.

### FLEETWOOD HOMES – CAPITAL INFUSION FOR PALM HARBOR DIP LOAN

The Fund owns 50% of the common stock of Fleetwood Homes, Inc. (“Fleetwood”), a corporation jointly owned with Cavco Industries, Inc. (“Cavco”). Fleetwood was formed in August 2009 to purchase the manufactured

\* Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Value Fund’s 10 largest issuers, and the percentage of the total net assets each represented, as of January 31, 2011: Cheung Kong Holdings, 13.84%; Henderson Land Development Co., Ltd., 13.32%; Posco (ADR), 7.03%; Toyota Industries Corp., 6.31%; Nabors Industries, Ltd., 4.89%; Brookfield Asset Management, Inc., 4.89%; Wheelock & Co., Ltd., 4.83%; Wharf Holdings, Ltd., 4.72%; Investor AB, 4.68%; and Bank of New York Mellon, 3.68%.

### Third Avenue Value Fund (continued) (Unaudited)

housing assets of Fleetwood Enterprises in an auction under section 363 of the U.S. Bankruptcy Code. I was very pleased with Fleetwood's performance in 2010 under the leadership of Cavco Chairman and CEO Joe Stegmayer. The company gained market share and was profitable despite continued depressed industry conditions. Fleetwood's strong financial position has enabled it to offer floor-plan financing to its independent retailers, a strategy that has contributed positively to both profitability and market penetration.

Fleetwood has also been reviewing various investment and acquisition opportunities in the manufactured housing industry, the most significant being Texas-based Palm Harbor Homes, Inc. ("Palm Harbor"). Palm Harbor is a vertically integrated company with eight manufacturing facilities, 54 company-owned retail sales centers and wholly owned finance and insurance subsidiaries. Owing to the sharp deterioration in industry conditions in the second half of 2010 and a leveraged balance sheet, Palm Harbor filed for bankruptcy protection on November 29, 2010. Fleetwood Homes provided the company with a \$50 million debtor-in-possession credit facility ("DIP loan") and subsequently became the court approved "stalking horse" bidder to acquire substantially all of Palm Harbor's assets with a \$57.5 million credit bid, including the assumption of certain liabilities.

TAVF and Cavco each invested an additional \$14 million in Fleetwood in the form of a 2.5% Convertible Note. Fleetwood used the proceeds to fund a portion of the DIP loan. The Convertible Note will be repaid upon maturity of the DIP loan if Fleetwood is unsuccessful in acquiring Palm Harbor's assets (the bankruptcy auction is scheduled for March 1, 2011 and we expect other bidders). In this case, Fleetwood would earn the interest on the DIP loan plus a \$1.1 million break-up fee and be reimbursed for up to \$250,000 in expenses. If Fleetwood is successful in

acquiring Palm Harbor's assets, the Convertible Note will convert to equity of Fleetwood Homes, and the Fund and Cavco would each make an additional equity investment in Fleetwood Homes, depending on the final purchase price.

#### LAI SUN GARMENT – A PENNY STOCK IN NAME ONLY

Because of common stock price appreciation combined with redemptions, TAVF has been reducing certain Hong Kong equities. During the last quarter the Fund lightened up its positions in Cheung Kong Common, Wharf Common and Wheelock Common. A portion of the proceeds were used to acquire shares of Garment Common. Hong Kong-based Lai Sun Garment International Ltd. was founded in 1947 as a garment manufacturer and has since evolved into a diversified conglomerate, primarily through its subsidiaries ("Lai Sun Group"). Garment has a 47.97% stake in Lai Sun Development Company Limited ("LSDC"). LSDC is principally engaged in property development and hotel and restaurant operations in Hong Kong and Vietnam. LSDC has a 36.08% stake in eSun Holdings Ltd ("eSun"), a Hong Kong-based media and entertainment company that is attempting to build a gambling casino in Macau. eSun has a 40.58% stake in Lai Fung Holdings Ltd., a property developer focused on mainland China. As the table below demonstrates, each of the Lai Sun Group companies is strongly financed and trading at a substantial discount from reported net asset value ("NAV").

#### LAI SUN GROUP – STRONG FINANCIAL POSITIONS – HUGE DISCOUNTS

	Stock Price <sup>1</sup>	Market Cap <sup>2</sup>	NAV <sup>3</sup> Per Share	Discount to NAV	Net Debt to Capital
Lai Sun Garment	\$0.13	214	\$0.33	60%	6%
Lai Sun Development	\$0.04	499	\$0.09	59%	14%
eSun Holdings	\$0.24	301	\$0.59	59%	NM*
Lai Fung Holdings	\$0.04	351	\$0.12	64%	14%

<sup>1</sup> U.S. dollars per share as of January 31, 2011.

<sup>2</sup> Millions of U.S. dollars

<sup>3</sup> Reported Net Asset Value as of July 31, 2010 (June 30 for eSun).

\* NM: Not meaningful. eSun has net cash of \$143 million

### Third Avenue Value Fund (continued) (Unaudited)

In most instances, it is a good idea to avoid investing in penny stocks. As a group, penny stocks deservedly have a bad reputation. Penny stocks are often picked by unsavory bucket shop promoters trying to market phony investments. Alternately, when a company is in financial distress and might have to undergo reorganization or liquidation, the common stock is likely to be wiped out, regardless of the number of shares outstanding. These are not promising penny stocks.

There are two sides to every penny stock story. Some penny stocks are issued by very solid companies whose common stocks represent non-promotional pricing. Many broker dealers have a rule which states that they will not recommend or even allow the purchase of any common stocks selling for less than \$5 per share. Isn't this a silly rule to apply to those penny stocks which are issued by sound companies? During the quarter, TAVF initiated an investment in Garment Common at an average price of 13 cents (U.S. dollars) per share. 13 cents is a much more attractive price than \$5. Garment Common is attractive for the following reasons:

- The company has a strong financial position with cash of \$HK 317 million, investment properties valued at \$HK 1,047 million (consisting primarily of the 90% leased retail portion of the recently completed Crocodile Center in Kowloon), and an approximate 48% stake in LSDC Common (current market value of \$HK 1,868 million), compared to debt of only \$HK 571 million.
- Management (the Lam family) owns approximately 42% of the company's common stock and appears to have a good track record of growing NAV per share (8% annual growth rate over the last five years). The company did not have to raise dilutive equity during the Great Recession and credit crunch of 2008-2009.
- There appear to be reasonable prospects for strong growth in NAV over the next three to five years.

- The price is about a 60% discount from reported NAV as of July 31, 2010.
- The company provides adequate disclosure through comprehensive financials that are published in English and audited by Ernst & Young. The shares trade on the Hong Kong Stock Exchange.

A final problem with penny stocks, including Garment Common, is that transaction costs tend to be high in the form of wide bid/ask spreads. However, this is less of an issue for TAVF, as a buy-and-hold investor, than it is for most investors who are more active traders. Additionally, TAVF uses its own global trading desk, minimizing execution costs.

#### RESIDENTIAL TIGHTENING MEASURES IN HONG KONG AND CHINA

Given the extent of our holdings in Hong Kong, we have been closely following the actions of the governments in the region. On November 19, 2010, the Hong Kong government announced several measures to curb residential property speculation including:

- a stamp duty of 5-15% on properties sold within 24 months of purchase;
- a reduction in required loan to value ratios by 10 percentage points to 60% for properties valued between \$HK 8 million and 12 million and to 50% for properties valued above \$HK 12 million; and
- a cap on loans to value for rental properties to 50%.

More recently, on January 26, 2011, the Chinese government, announced several measures to cool its residential property market including the following:

- Local government officials are required to keep property prices below a target level in 2011.
- An increase in the required mortgage down-payment for second homes to 60% from 50%.
- Mortgage rates for second homes must be at least 110% of the benchmark rate.

### Third Avenue Value Fund (continued) (Unaudited)

- The land supply for 2011 must be at least the average of the last two years, including an increase in land supply for social housing.

These measures appear to be designed to avoid the type of housing bubble that we recently experienced in the U.S. and, therefore, seem to be sensible and constructive on a long-term basis.

As of January 31, 2011, approximately 42% of the Fund's assets were invested in the common stocks of the following Hong Kong-based real estate and investment companies: Cheung Kong Holdings, Henderson Land Development Co., Wheelock & Co., Wharf Holdings, Hang Lung Group, Hang Lung Properties and Lai Sun Garment International. These companies have exposure to the residential property markets in Hong Kong and/or China but also have significant investments in commercial real estate (e.g., office buildings, shopping malls and hotels), as well as non-real estate businesses such as ports, telecommunications and gas distribution. They also all have extremely strong financial positions that would enable them to weather a much more severe decline in the residential property markets than the governments are targeting.

The measures referenced above and other measures announced earlier in the year appear to have already impacted Hong Kong and China residential property markets, as volumes and price appreciation have moderated. However, commercial real estate fundamentals in both Hong Kong and China remain quite favorable. For

**“These companies have exposure to the residential property markets in Hong Kong and/or China but also have significant investments in commercial real estate (e.g., office buildings, shopping malls and hotels), as well as non-real estate businesses such as ports, telecommunications and gas distribution. They also all have extremely strong financial positions that would enable them to weather a much more severe decline in the residential property markets than the governments are targeting.”**

example, Hang Lung Properties recently reported profitable second half 2010 results, despite a 99% decline in property sales as the company elected to hold onto its residential properties in Hong Kong (the company does not have residential exposure in China). Hang Lung Properties has an extremely strong financial position (\$HK

12.5 billion of net cash as of December 31, 2010) and can clearly afford to wait to dispose of its remaining residential properties in Hong Kong. Conversely, Hang Lung's commercial real estate operations performed very well; leasing income in the second half of 2010 increased by 13% compared to a year ago, driven by strength in both Hong Kong (up 12%) and China (up 15%). The company's newest shopping center, Plaza 66 in Shenyang, which opened in June 2010, is already fully leased, and pre-leasing has started for its next shopping center development, Parc 66 in Jinan, which will open later this year. In next quarter's letter, I will review the year end 2010 results for our other Hong Kong-based real estate and investment companies. These results will be released publicly in mid-March.

#### TOYOTA INDUSTRIES UPDATE

There have been several recent positive developments at Toyota Industries (“Industries”), whose common stock represented 6.3% of the Fund's net assets as of January 31, 2011.

- The company reported that revenues and operating income for the first nine months of fiscal 2011 (March 31 year end) increased 11% and 405%, respectively. The improved results were driven by strong revenue growth in the Materials Handling Equipment (up

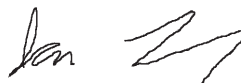
### Third Avenue Value Fund (continued) (Unaudited)

12%) and Automotive (up 10%) segments, as well as cost benefits from a streamlined corporate structure.

- Toyota Motor Corporation (“TMC”) reported that revenues and operating income for the first nine months of fiscal 2011 increased by 5% and 708%, respectively, driven by strong growth in Asia ex-Japan (revenues and operating profit increased 34% and 76%, respectively) and improved results in financial services. Industries’ 6.4% position in TMC common accounts for roughly half of our estimate of net asset value.
- TMC reported a 17% increase in January sales in the U.S. This growth was in-line with the overall industry, an improvement, competitively, compared to recent months.
- On February 8th, the National Highway Traffic Safety Administration reported that a 10-month probe determined that mechanical related and user error, not electronic defects, were the cause of unintended acceleration issues. This news should have a positive impact on the Toyota brand.

In the January 2010 shareholder letter, I noted that we were re-evaluating TAVF’s investment in Industries in light of the TMC recalls. While TMC’s market share was negatively impacted in 2010, there does not appear to have been a permanent impairment. Both Industries and TMC remain extremely well financed, and Industries Common trades at a discount of approximately 40% compared to our estimate of net asset value. Owing to the favorable developments highlighted above, Industries’ prospects for generating attractive NAV going forward appear to have improved.

I shall write to you again when we publish our second quarter report dated April 30, 2011.



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 January 31, 2011, the end of the Fund's fiscal first quarter, the unaudited net asset value attributable to the 50,758,838 common shares outstanding of the Third Avenue Small-Cap Value Fund Institutional Class ("Small-Cap Value" or the "Fund") was \$21.41 per share, compared with the Fund's audited net asset value of \$19.17 per share at October 31, 2010, and an unaudited net asset value at January 31, 2010 of \$17.41 per share both adjusted for a subsequent distribution. At February 22, 2011, the unaudited net asset value was \$21.69 per share.

### QUARTERLY ACTIVITY

During the quarter, Small-Cap Value added two new names to the portfolio, increased nine of its 62 existing positions, eliminated two positions and reduced its holdings in 28 companies. At January 31, 2011, Small-Cap Value held positions in 54 common stocks, the top 10 positions of which accounted for approximately 28% of the Fund's net assets.

<b>Number of Shares</b>	<b>New Positions Acquired</b>
262,396 shares	ManTech International Corp. Common Stock ("ManTech Common")
146,526 shares	Verigy Ltd., Common Stock ("Verigy Common")
<b>Number of Shares or Units</b>	<b>Increases in Existing Positions</b>
66,900 shares	Broadridge Financial Solutions, Inc. Common Stock ("Broadridge Common")
35,000 shares	Ingram Micro, Inc. Class A Common Stock ("Ingram Common")
22,520 shares	Lexmark International, Inc., Common Stock ("Lexmark Common")
15,000 shares	Liberty Media Corp. – Starz Common Stock ("Starz Common")
50,000 shares	MEMC Electronic Materials, Inc. Common Stock ("MEMC Common")
85,345 shares	P. H. Glatfelter Co., Common Stock ("Glatfelter Common")
123,682 shares	Sanderson Farms, Inc. Common Stock ("Sanderson Common")
200,000 shares	Tellabs, Inc. Common Stock ("Tellabs Common")
21,274 units	Timberwest Forest Corp – Stapled Units ("Timberwest Units")
<b>Number of Shares or Face Amount</b>	<b>Positions Reduced</b>
57,182 shares	Ackermans & van Haaren N.V. Common Stock ("AvH Common")
45,020 shares	Alamo Group, Inc. Common Stock ("Alamo Common")

\* Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Small-Cap Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of January 31, 2011: Parco Co., Ltd., 3.92%; Vitera, Inc., 3.85%; Lanxess AG, 2.87%; Investment Technology Group, Inc., 2.81%; Tidewater, Inc., 2.61%; Alexander & Baldwin, Inc., 2.54%; Kaiser Aluminum Corp., 2.52%; National Western Life Insurance Co., 2.44%; Pharmaceutical Product Development, Inc., 2.36%; and PYI Corp. Ltd., 2.32%.

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

Number of Shares or Face Amount	Positions Reduced (continued)	Number of Shares or Face Amount	Positions Reduced (continued)
210,621 shares	Alexander & Baldwin, Inc. Common Stock ("Alex Common")	57,954 shares	Park Electrochemical Corp. Common Stock ("Park Common")
7,880 shares	Alico, Inc. Common Stock ("Alico Common")	17,391 shares	Pharmaceutical Product Development Corp. Common Stock ("PPDI Common")
361,141 shares	Bristow Group, Inc. Common Stock ("Bristow Common")	540,617 shares	Pioneer Drilling, Inc. Common Stock ("Pioneer Common")
99,393 shares	Brookfield Asset Management, Inc. Common Stock ("Brookfield Common")	2,281,000 shares	Sapporo Holdings Ltd. Common Stock ("Sapporo Common")
133,246 shares	Cimarex Energy Co., Common Stock ("Cimarex Common")	246,436 shares	Tidewater, Inc. Common Stock ("Tidewater Common")
119,194 shares	Cross Country Healthcare, Inc. Common Stock ("Cross Country Common")	237,488 shares	Vail Resorts, Inc. Common Stock ("Vail Common")
11,000 shares	E-L Financial Group, Ltd. Common Stock ("E-L Financial Common")	1,887,200 shares	Viterra, Inc. Common Stock ("Viterra Common")
340,660 shares	Electro Scientific Industries Inc. Common Stock ("ESI Common")	166,768 shares	Wacker Neuson SE Common Stock ("Wacker Common")
20,800 shares	Electronics for Imaging Inc. Common Stock ("EFI Common")	59,601 shares	Westlake Chemical Corp. Common Stock ("Westlake Common")
133,637 shares	Encore Wire Corp Common Stock ("Encore Common")		<b>Positions Eliminated</b>
\$1,721,081	Energy XXI Gulf Coast, Inc. 10.00% Senior Notes Due June 15, 2013 ("EXXI Senior Notes")	\$5,000,000	Swift Transportation Revolver 5/10/12 ("Swift Revolver")
41,996 shares	Herley Industries, Inc. Common Stock ("Herley Common")	200,000 shares	Wilmington Trust Corp. Common Stock ("Wilmington Common")
44,317 shares	JAKKS Pacific, Inc. Common Stock ("JAKKS Common")		
158,858 shares	Kaiser Aluminum, Inc. Common Stock ("Kaiser Common")		
104,776 shares	K-Swiss, Inc. Common Stock ("K-Swiss Common")		
65,000 shares	Lanxess AG Common Stock Common Stock ("Lanxess Common")		
36,205 shares	National Western Life Insurance Co. Common Stock ("NWLI Common")		

#### QUARTERLY ACTIVITY

Fund Management tread relatively lightly in terms of new capital commitments during the most recent quarter, as investor risk appetites sharpened and valuations for a broad spectrum of assets continued to expand markedly during the period. (The one glaring exception being "risk free" U.S. Treasury notes and bonds, which declined in value!) We added two new names to the portfolio one of which, ManTech Common, attained a meaningful position size. Additionally, we continued to add to several of the Fund's existing holdings. The balance of our activity during the quarter favored the sell side, with much of that activity

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

aimed at resizing appreciated positions where fundamentals dictated. The continued expansion of our “idea inventory” was, perhaps, the most gratifying, albeit less tangible, part of the story during the quarter. Of note, the Fund’s highly successful investments in distressed debt, initiated during the onset of the Great Recession more than two years ago, continued to wind down as we said goodbye during the quarter to the last of the Fund’s Swift Transportation debt investments. The table below looks at the results of the Fund’s opportunistic “sub-portfolio” of distressed debt investments made since 2008 (as of January 31, 2011):

#### TASCX DISTRESSED DEBT INVESTMENTS, 2008 – 2011

(\$ millions)	Invested Capital	Realized Sale Proceeds & Interest	Unrealized Value & Accrued Interest	Estimated IRR <sup>1</sup>
Energy XXI	\$12.8	\$ 9.3	\$8.7	39.8%
MBIA Surplus Notes	\$35.2	\$35.1	—	(0.2%)
Ply Gem Industries	\$10.5	\$17.4	—	71.2%
Swift Transportation <sup>2</sup>	\$13.1	\$29.8	—	72.1%
W&T Offshore	\$14.8	\$12.8	\$10.6	72.1%

We do not show the numbers in order to tout the results of a select group of investments<sup>1</sup>; but, rather, to share the many important lessons embedded in our experience here. For one, a number of the Fund’s shareholders questioned our investments in this realm, saying that we “strayed from our discipline.” On the contrary, I believe these investments were totally consistent not only with Third

Avenue’s long credit heritage and robust debt capabilities, but also with the Fund’s mandate to invest in smaller companies and to achieve equity like returns. Importantly we invested, as we always do, with a keen eye on protecting our downside. Unlike equity investing, these investments had the benefit of contractual cash payments and, in some cases, security in the company’s assets, a huge source of comfort during a time of general market panic. At the time each of these investments was made we felt comfortable from a longer-term, capital preservation perspective, but acknowledged that significant market risk

**“Importantly, these kinds of opportunistic investments tend to be differentiated from those of our peers and can be valuable diversifiers, not only within a portfolio but as part of our shareholders’ overall asset allocation.”**

attached to each of them. In addition to some investor gripes, we also had to endure periodically brutal temporary markdowns in the portfolio in order to see the economic values prove out. In the case of Swift, for example, the Fund’s investment basis in both the term loan and bank revolver – at about \$0.50 to \$0.55 on the dollar – equated to an enterprise value of \$800 million to \$900 million, or about two times EBITDA. Following its recent initial public offering, Swift today has an enterprise value approximating \$3.5 billion. We are normally patient investors and in this case our patience and high conviction enabled us to withstand jaw-dropping, albeit temporary, markdowns<sup>2</sup> and related investor questions. What’s more gratifying and not discernable in the numbers above is that, with the exception of the MBIA investment, each company’s operating performance largely validated our original investment thesis. Importantly, these kinds of opportunistic investments tend to be differentiated from those of our peers and can be valuable diversifiers, not only within a portfolio but as part of our shareholders’ overall asset allocation.

<sup>1</sup> We also acknowledge that an IRR calculation that includes unrealized gains may be unreliable.

<sup>2</sup> The Fund purchased the Swift term loan as high \$0.60 and as low as \$0.31 during a three-month acquisition period. Figures include fees and interest received from an additional commitment to a revolving line of credit that was not funded.

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

The Fund's new investment in ManTech Common ought to strike a more familiar note. ManTech provides information technology, cyber security, technical and consulting services primarily to U.S. federal government agencies, with a large exposure to the Department of Defense and intelligence community. Co-founded in 1968 by the current CEO and grown both organically and through acquisitions, ManTech's services include network security engineering, data interoperability, modeling and simulation and maintenance services. With limited reinvestment needs, the business tends to be highly cash generative and benefits from the stability afforded by multi-year contracts and from a healthy backlog, a large portion of which has authorized funding. There is undoubtedly some intangible value in the company's employee base, as approximately two-thirds have security clearances (of which, more than a half have top-secret clearances). The company's healthy cash flows provide a bulwark to its balance sheet.

Management has assembled an enviable track record of growth since the company went public in 2002. However, the tailwind created by war time and expansionary government spending during the past decade appears to be fading. Our government has discovered, a little belatedly, that it can not spend money like a drunken sailor; it is now time to pay the piper. It appears the Obama administration's 2012 budget, for example, may reduce both defense spending and the use of private sector contractors, as the government's procurement office attempts to move toward an "in-sourcing" model, developments that have cast a shadow over ManTech's business and that of its competitors. Budgetary pressure also has the government looking for cost savings by shifting from time and materials billings to shorter duration, cost plus type contracts.

The emergence of various industry headwinds suggest ManTech is unlikely to grow at its very attractive historic rates. Despite the potential down shift to slower growth the company should still have reasonable longer-term business prospects. For example, ManTech ought to grow in areas

such as cyber security and computer network infrastructure operations, by gains in market share against smaller or conflicted contractors and by bundling services with new capabilities developed either internally or through acquisitions.

ManTech Common has not performed particularly well in recent years though the business has prospered. The shares sell at a compelling discount to those of its peers and well below both its own historic valuations and conservative estimates of private market values. In other words, the market price seems to already account for much of the "bad news" and investor expectations appear to be quite low. Shares of ManTech were acquired by the Fund at the following approximate valuation metrics:

- 6.5x EBITDA
- 11.0x – 12.0x cash earnings
- 9% – 10% free cash flow yield

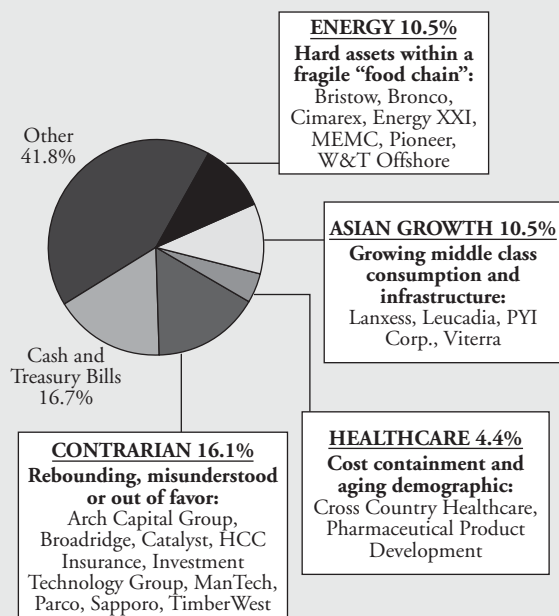
Should management not identify suitable growth opportunities, it would seemingly have ample financial flexibility to return capital to shareholders, either in the form of a dividend or via share repurchases; though, such has not been its historic practice. Further budgetary squeezes may also push the industry to consider more meaningful consolidation.

### PORTFOLIO OBSERVATIONS

In last year's letters I urged investors to increase their equity allocations despite the volatile market conditions, especially to managers like Third Avenue with well defined and sensible investment philosophies ("Credit Crisis Redux and the Third Avenue Maxim," April 30, 2010) and to staunchly avoid following the herd into longer-term U.S. government obligations ("Uncertainty and Fixed Income Fever," July 31, 2010 and "Macro Myopia Spells Opportunity," October 31, 2010). I believe equities remain one of the best options for savers who care about outpacing inflation and for investors with longer-term time horizons. In that context, I wanted to share some observations about the Small-Cap Fund's portfolio and how it is positioned as we head into 2011. While we do

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

not pick stocks based on big picture “themes,” inevitably investors ask about themes that emerge as a by-product of Third Avenue’s bottom-up research process. Ordering parts of the portfolio this way also helps us to think about overall exposures as well. The chart below, which accounts for 40% of the Fund’s assets, attempts to capture some of the more relevant themes.



These companies, like virtually all of the Fund’s holdings, distinguish themselves by their financial flexibility and conservative finances. Well-financed companies, such as those held by the Fund, will have the “dry powder” to expand if and when general market interest rates rise and the cost of credit increases accordingly or if capricious capital markets close. The portfolio, on average, trades at a price to book ratio of approximately 1.0x, cheap in a historic context. Such a valuation should offer downside protection and suggests the market has not factored in improving future returns on equity. Without making any forecasts, the Fund’s “hard asset” orientation, including real estate, infrastructure, oil and gas reserves, drillings rigs, ships and grain terminals would likely benefit in an inflationary environment where replacement costs escalate and where transaction velocities (i.e., utilization) increase.

I look forward to writing you again when we publish our Second Quarter report dated April 30, 2011. Thank you for your continued support.

Sincerely,

*Curtis R. Jensen*

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 January 31, 2011, the end of the first fiscal quarter of 2011, the unaudited net asset value attributable to the 75,009,442 shares outstanding of the Third Avenue Real Estate Value Fund Institutional Class (the "Fund") was \$23.63 per share. This compares with an audited net asset value of \$22.01 per share at October 31, 2010, and an unaudited net asset value of \$18.52 per share at January 31, 2010, both adjusted for subsequent distributions to shareholders. At February 22, 2011, the unaudited net asset value was \$23.70 per share.

### QUARTERLY ACTIVITY

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

Number of Shares	New Positions Acquired	Number of Shares or Units	Increases in Existing Positions
1,750,000 shares	Cheung Kong Holdings, Ltd. Common Stock ("Cheung Kong Common")	1,165,092 shares	Bellway Plc Common Stock ("Bellway Common")
10,322 shares	Howard Hughes Corp. Common Stock ("Howard Hughes Common")	104,948 shares	Lennar Corp. Common Stock ("Lennar Common")
66,900 shares	The Ryland Group, Inc. Common Stock ("Ryland Common")	2,336,712 units	ProLogis European Properties Common Units ("PEPR Common")
		2,500,000 shares	Songbird Estates Plc Common Stock ("Songbird Common")
		1,400,000 shares	<b>Positions Reduced</b>
		40,000 shares	Brookfield Asset Management, Inc. Common Stock ("Brookfield Common")
		712,000 shares	Henderson Land Development Co. Ltd. Common Stock ("Henderson Common")
		452,000 shares	Hongkong Land Holdings Ltd. Common Stock ("Hongkong Land Common")
		2,950 shares	Hysan Development Co. Ltd. Common Stock ("Hysan Common")
			Thomas Properties Group, Inc. Common Stock ("Thomas Common")

\* Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Real Estate Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of January 31, 2011: Forest City Enterprises, Inc., 7.75%; Henderson Land Development Co., Ltd., 5.74%; Vornado Realty Trust, 4.20%; Brookfield Asset Management, 4.10%; Wheelock & Co., Ltd., 4.01%; Hammerson PLC, 3.95%; Hysan Development Co., Ltd., 3.47%; Capitaland, Ltd., 3.13%; Sun Hung Kai Properties, Ltd., 2.83%; and Songbird Estates PLC, 2.82%.

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

<b>Number of Shares, Warrants or Contracts</b>	<b>Positions Eliminated</b>
4,421,808 shares	British Land Co. Plc Common Stock ("British Land Common")
104,966 shares	General Growth Properties, Inc. Common Stock ("General Growth Common")
2,782,600 warrants	Henderson Land Development Co. Ltd. Warrants ("Henderson Warrants")
10,322 shares	Howard Hughes Corp. Common Stock ("Howard Hughes Common")
5,000 contracts expired	Lennar Corp. December 2010 \$14 Puts ("Lennar December Puts")
1,376,992 shares	ProLogis Common Stock ("ProLogis Common")
669 contracts exercised	The Ryland Group November 2010 \$15 Puts ("Ryland November Puts")
10,000 contracts expired	The Ryland Group December 2010 \$14 Puts ("Ryland December Puts")
3,000 contracts expired	Vornado Realty Trust November 2010 \$90 Calls ("Vornado November Calls")

### **DISCUSSION OF SIGNIFICANT QUARTERLY ACTIVITY**

Activity during the quarter was primarily focused on portfolio adjustments – eliminating securities that appreciated to levels exceeding Fund Management's estimates of net asset value ("NAV"); reducing securities that appreciated to more appropriate weightings in the portfolio; increasing holdings in securities that trade at substantial discounts to NAV; and initiating positions in two new securities.

British Land Common was sold at a premium to NAV. While British Land owns a high-quality portfolio of office and retail properties in London, the prospects for significant long-term growth in NAV over the next few years seemed muted based on market rents versus in-place rents. General Growth Common and Howard Hughes Common were both sold upon General Growth's emergence from bankruptcy because the stock prices

exceeded estimates of NAV. Furthermore, the Fund has substantial exposure to General Growth Common through its holdings in Brookfield Common (which owned approximately 30% of General Growth Stock as of the emergence date in a consortium that recently increased its holdings to 40%). ProLogis Common was sold at a premium to NAV after recovering over 600% from its low in late 2008.

The only significant addition to the portfolio was Cheung Kong Common. Cheung Kong is a "blue chip" investment company, listed in Hong Kong. It is one of the world's largest owners of real estate and port assets, with real estate and development projects located throughout Asia. The company's largest investment is its 49.97% ownership interest in Hutchison Whampoa Limited, a separately listed holding company with substantial investments in ports, real estate, infrastructure, retail stores, energy exploration and production, and communications businesses. Cheung Kong is extremely well financed, with low debt levels and substantial cash holdings. The company owns some of the highest quality assets globally, which generate strong, stable cash flows and are easily separable and saleable. Cheung Kong has very attractive prospects for generating attractive growth in NAV per share over the long term, as the company's substantial land holdings in mainland China are developed and as management executes further resource conversion activities, adding to an already impressively profitable track record of deals done over the past couple of decades. Despite the very attractive fundamentals Cheung Kong enjoys, the Fund was able to acquire shares of Cheung Kong Common at discounts to Fund Management's estimate of NAV.

### **OUR VALUE PHILOSOPHY MAKES US DIFFERENT**

The Fund has often been labeled "benchmark-agnostic," which, in some circles has come to mean that the manager couldn't care less about the benchmark. While that characterization might be somewhat extreme, it is safe to say that the Fund will not own a security simply because it

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

is a large constituent in the benchmark or because everyone else owns it. The Fund should be able to deliver positive long-term absolute returns that will beat the “benchmark” over the long run and most of the time, but Fund Management is less concerned about the quarter-to-quarter and annual race against the bogy.

When managers fret too much over the benchmark, and particularly short-term relative performance, they tend to create a portfolio that’s a lot like the benchmark and then tweak it a bit and hope that their few unique holdings pull them above the baseline or at least don’t create too noticeable a drag. If you’re obsessed with the index, you’re going to wind up owning it.

The Fund has historically owned a portfolio that looks quite different than the securities in the index. To wit, the following table illustrates the top ten constituents in the benchmark, their percentage weighting in the benchmark and their percentage weighting in the Fund. The top ten constituents in the benchmark comprise 24.2% of the benchmark and only 14.5% of the Fund. Only five of the top ten constituents in the index are also in the Fund; three have never been owned in the Fund; and two were held in the past.

### FTSE EPRA/NAREIT GLOBAL DEVELOPED INDEX

	Percentage of Index*	Percentage of Fund
Sun Hung Kai Properties, Ltd. (Hong Kong)	4.0%	2.8%
Simon Property Group, Inc. (U.S.)	3.7%	0.0%
Westfield Group (Australia)	2.8%	0.0%
Mitsubishi Estate Company, Ltd. (Japan)	2.4%	2.8%
Unibail-Rodamco S.A. (France)	2.3%	0.0%
Mitsui Fudosan Company Ltd. (Japan)	2.2%	2.8%
Vornado Realty Trust (U.S.)	1.9%	4.2%
Equity Residential (U.S.)	1.8%	0.0%
Public Storage (U.S.)	1.6%	0.0%
Hongkong Land Holdings (U.S.)	1.5%	1.9%
	24.2%	14.5%

\* Index Top 10 Holdings and percentages are as of December 31, 2010.

The following table illustrates the Fund’s top ten holdings, their percentage weighting in the Fund and their percentage weighting in the benchmark. The Fund’s top ten holdings represent 42% of the Fund’s net assets and 9.4% of the benchmark. The Fund’s top five holdings represent 25.8% of the Fund’s net assets and 3.2% of the benchmark.

### TAREX TOP TEN HOLDINGS

	Percentage of Fund	Percentage of Index
Forest City Enterprises, Inc. (U.S.)	7.8%	0.3%
Henderson Land Development Co. Ltd. (Hong Kong)	5.7%	0.9%
Vornado Realty Trust (U.S.)	4.2%	2.0%
Brookfield Asset Management, Inc. (Canada)	4.1%	0.0%
Wheelock & Company Ltd. (Hong Kong)	4.0%	0.0%
Hammerson plc (U.K.)	4.0%	0.6%
Hysan Development Co. Ltd. (Hong Kong)	3.5%	0.5%
CapitalLand Ltd. (Singapore)	3.1%	1.1%
Sun Hung Kai Properties Ltd. (Hong Kong)	2.8%	4.0%
Songbird Estates plc (U.K.)	2.8%	0.0%
	42.0%	9.4%

Management of the Fund is driven by Third Avenue’s investment philosophy which, when applied properly, allows us to find strong companies that can create value and serve as suitable investments over a long period of time. We seek genuine, not relative, value. Each company in which we invest must represent value on its own (price consciousness), not just when compared to other companies in the industry. Because we seek to invest for years, financial strength is also of paramount importance. None of this matters to those who compile or manage to indexes, but it is what makes our philosophy unique. The top ten holdings of any random sampling of managed real estate funds will reveal that they look quite a bit more like the indexes than Third Avenue does.

<sup>1</sup> The FTSE EPRA/NAREIT Global Developed Real Estate Index is designed to track the performance of listed real estate companies and REITs worldwide. By making the index constituents free-float adjusted, liquidity, size and revenue screened, the series is suitable for use as the basis for investment products, such as derivatives and Exchange Traded Funds.

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

The universe of publicly-listed securities that are potential investments for the Fund is finite. Globally, there are approximately 1,500 listed real estate companies with an aggregate market capitalization of approximately \$1.8 trillion – \$684 billion in REITs and \$1,094 billion in real estate operating companies, homebuilders and other real estate-related businesses. Over 60% of listed real estate companies have market capitalizations of less than \$500 million and, for the most part, are not suitable investments for the Fund – leaving 600 potentially suitable companies. Fund Management has filtered the universe even further (eliminating most emerging markets, etc.), resulting in about 350 companies in developed regions (generally, North America, Great Britain, Continental Europe, Hong Kong, Singapore, Japan and Australia) that are monitored weekly for earnings, news, corporate events, price changes and several other proprietary screens.

The most critical part of the process is security analysis, where the Real Estate team performs its in-depth review of each company including evaluating its financial position, business strategy and asset quality, as well as management's operational, financial and investing acumen. The analyst attempts to identify potential investment risks that might hinder the company's ability to execute its business strategy such as excessive debt levels, near-term maturities, competitive forces, lease expirations, geographic concentration, and macro-economic conditions. The analyst then estimates the current private market value of the company's assets and determines a range of NAV per share compared to current market price. The next step (and the most subjective) is to estimate NAV growth over three to five years and calculate an expected return on the security, incorporating NAV growth and closure/widening of the price-to-NAV ratio over the holding period. This process is repeated for each security under review. At any point in time, the real estate team has 80 to 100 securities that are "in review", including 30 to 40 held in the Fund and another 50 to 60 that may be added to the Fund, subject to pricing.

Prior to the Fund initiating a position in a security, the analyst must complete a detailed internal investment memo that is reviewed by Third Avenue's entire investment team (not just the real estate team). This 360-degree review process enables the analyst to receive critical feedback from other members of the investment team (including the International, Credit/Distressed and Value Equity teams) with unbiased opinions and candid viewpoints.

Securities in the Fund are continuously monitored for changes in valuation and price movements. The portfolio managers determine which securities should be in the Fund and their appropriate weighting. The goal is to concentrate the portfolio in the highest-conviction securities, giving weight to quantitative (projected NAV growth, liquidity, etc.) and qualitative (management talent, geographic concentration, etc.) factors to maximize risk-adjusted returns. As company valuations and market prices change, the portfolio managers adjust securities weightings by increasing or decreasing existing holdings, eliminating fully-valued securities that have limited future upside and adding new securities from the "inventory" list that can be acquired at appropriate discounts to NAV. Securities may also be eliminated from the portfolio if information becomes available that changes our estimates of NAV or our assessment of management.

Securities are not added to the portfolio simply because the Fund may have excess cash. The current 16% cash position is the result of Fund Management's assessment of the available investment opportunities. The cash serves as dry powder that allows the Fund to seize on often short-lived investment opportunities and Management also makes use of the options strategy written about in previous letters to both enhance the return of cash assets and to position the Fund to own desirable securities at the price Management is willing to pay.

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

The investment process described above has resulted in a concentrated portfolio of high-conviction names that trade at discounts to present day NAV and are each likely to compound NAV growth by at least 10% per year, on average, over the next three to five years. Based on Fund Management's analysis of each company represented in the portfolio, the current portfolio should outperform the benchmark over the next three to five years. In next quarter's Letter to Shareholders, Fund Management intends to further highlight and explain the investment thesis of each of the Fund's top ten holdings.

We look forward to writing to you again next quarter.

Sincerely,

The image shows two handwritten signatures in black ink. The signature on the left is for Michael H. Winer, and the signature on the right is for Jason Wolf. Both signatures are written in a cursive, flowing style.

Michael H. Winer  
Co-Portfolio Manager

Jason Wolf  
Co-Portfolio Manager

## Third Avenue International Value Fund (Unaudited)



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

Dear Fellow Shareholders:

At January 31, 2011, the unaudited net asset value attributable to the 89,449,096 shares outstanding of the Third Avenue International Value Fund Institutional Class (the "Fund") was \$17.72 per share, compared with the Fund's audited net asset value at October 31, 2010 of \$16.04 per share, and an unaudited net asset value of \$14.64 per share at January 31, 2010, both adjusted for the distribution of \$0.29 per share. At February 22, 2011, the unaudited net asset value was \$17.76 per share.

### QUARTERLY ACTIVITY:

In the most recent quarter, the Fund established two new positions, added to positions in the common shares of six companies, reduced 12 existing positions and eliminated one position.

Number of Shares	New Positions Acquired
10,496,839 shares	Parmalat SpA Common Stock ("Parmalat Common")
293,108 shares	Titan Cement Co. S.A. Common Stock ("Titan Common")

Number of Shares or Units	Increases in Existing Positions
487,212 shares	Atrium European Real Estate Ltd. Common Stock ("Atrium Common")
13,269 shares	GlaxoSmithKline PLC Common Stock ("GSK Common")
369,700 shares	Kinross Gold Corp. Common Stock ("Kinross Common")
71,616 shares	Nexans S.A. Common Stock ("Nexans Common")
514,554 units	ProLogis European Properties Units ("ProLogis European Units")
647,863 shares	Weyerhaeuser Company Common Stock ("Weyerhaeuser Common")

Number of Shares or Warrants	Decreases in Existing Positions
26,268 shares	Andritz AG Common Stock ("Andritz Common")
984,700 shares	Daibiru Corp. Common Stock ("Daibiru Common")
1,140,000 shares	Dundee Precious Metals, Inc. Common Stock ("Dundee Common")
12,100 warrants	Dundee Precious Metals Inc. June 2012 Warrants ("Dundee 2012 Warrants")
1,009,050 warrants	Dundee Precious Metals Inc. November 2015 Warrants ("Dundee 2015 Warrants")
492,000 shares	Guoco Group Limited Common Stock ("Guoco Common")
1,990,000 shares	Hutchison Whampoa Limited Common Stock ("Hutchison 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 January 31, 2011: WBL Corp., Ltd., 7.65%; Netia S.A., 5.32%; Viterra, 4.96%; Yuanta Financial Holding Co., Ltd., 3.43%; Weyerhaeuser Co., 3.29%; Resolution, Ltd., 3.18%; Allianz SE, 3.05%; Sampo Oyj, 2.83%; Compagnie Nationale A Portefeuille, 2.80%; and Mitsui Fudosan Co., Ltd., 2.79%.

## Third Avenue International Value Fund (continued) (Unaudited)

<b>Number of Shares or Warrants</b>	<b>Decreases in Existing Positions (continued)</b>
104,655 shares	L. E. Lundbergforetagen AB Common Stock ("Lundbergs Common")
3,256,232 shares	Netia S.A. Common Stock ("Netia Common")
5,037,388 shares	Resolution Limited Common Stock ("Resolution Common")
954,000 shares	Seino Holdings Co., Ltd. Common Stock ("Seino Common")
2,228,150 shares	Viterra, Inc. Common Stock ("Viterra Common")
<b>Number of shares</b>	<b>Position Eliminated</b>
154,734 shares	United International Enterprises Ltd. Common Stock ("UIE Common")

### REVIEW OF QUARTERLY ACTIVITY

During this quarter, the Fund initiated a position in Parmalat Common, an Italian milk and dairy products company. At one time a global leader, Parmalat hid €14 billion of liabilities from its balance sheet in an audacious financial fraud. The discovery of this fraud in 2003 led to a restructuring process which cleaned up the balance sheet, and Parmalat reemerged in the public markets via an initial public offering in October 2005. During the restructuring process, the old management team was hauled off to face criminal charges, while the new leadership embarked on a two-pronged effort.

First, in order to stabilize the company's business and financial position, a number of subsidiaries were seized by creditors, liquidated, or sold off. As a result, Parmalat's business was narrowed down to profitable operations in Italy, Canada, Australia, South Africa, Russia, and a few smaller countries. Ongoing cost-cutting efforts have stabilized the profits generated by these businesses.

Secondly, the company embarked on an aggressive legal effort to recover damages from all parties that either directly or indirectly enabled the old management to

perpetuate its fraud, including major global and Italian banks, accounting firms, and rating agencies. As of September 2010, Parmalat had collected over €1.5 billion in settlements, which have bolstered its cash position and created a super-strong balance sheet.

Having been ejected from Italian market indexes despite its reasonable market capitalization, the stock is not widely held by Italian institutional investors, presumably because of the stigma of the earlier bankruptcy. As a result, it has languished at discounted valuations – roughly at mid-single-digit multiples of cash operating profit – representing a significant discount to publicly-traded industry peers, in addition to a roughly 50% discount to comparable cash transaction values.

Such bargain pricing belies several attractions of the business, most notably Parmalat's ownership of one of the world's pre-eminent consumer product brands, with products including milk, dairy (e.g., yogurt, cheese) and fruit juices. The businesses have proven to be quite resilient over time, with stable demand and raw material costs which have generally been passed through successfully over the years. The company boasts leading market share positions in developed markets such as Italy, Canada, and Australia, in addition to footholds in a few fast-growing emerging markets.

As a result of Parmalat's transformation to a profitable business with a large cash hoard (cash and short-term investments exceed total debt by over €1.3 billion), the company has a number of attractive strategic options. The company could continue operating its current portfolio of profitable, cash-generating businesses; it could use its cash hoard to acquire complementary operations; it could return the cash to shareholders; or, it could divest some or all of its operations at valuations well above those implied in its market price.

The Fund's other new purchase during the quarter, Titan Common, represents an investment in a high quality business which became available at unusually attractive

## Third Avenue International Value Fund (continued) (Unaudited)

valuations in the midst of the upheaval in Continental Europe.

Headquartered in Athens, Titan Cement Co. S.A. (“Titan”) is the second largest cement producer operating in an oligopolistic Greek cement market. In addition, Titan’s non-Greek business exposure has historically been disproportionately derived from a large-scale Southeastern United States business with a particular focus on South Florida, a market which was exceptionally profitable during the boom times but has become considerably less so in recent years, reflecting muted construction activity. Perceptions notwithstanding, the Greek operations remain decidedly profitable, and the company’s management has done an exceptional job managing its U.S. operations under extremely challenging circumstances.

Offsetting the difficulties in these two markets somewhat, Titan has undergone an evolution over the last number of years which saw the development and expansion of its Southeastern European business, as well as a more recent and rapid expansion of its Eastern Mediterranean business. While a considerable amount of capital has been spent to expand those operations, the heavy spending period is coming to a close and, with a decline in capital expenditure, these businesses are beginning to produce meaningful amounts of free cash flow.

In total, Titan is a package of extremely attractive assets which are currently generating a meaningful amount of free cash flow (albeit some at reduced levels), resulting in a strong and improving balance sheet. Should an eventual recovery take hold in Greece and/or U.S. construction markets, Titan will in all likelihood produce greatly improved operating performance. Given the geographic range of its activities, even in the absence of recovery in these two markets, Titan Common is inexpensive on an “as-is” basis.

The only position eliminated during the quarter was the Fund’s investment in the common stock of Danish company United International Enterprises Ltd. (“UIE Common”). UIE’s palm oil business has benefitted from

the global upsurge in food prices, and its vegetable fat business (of which the main product is a cocoa butter substitute used in confectionery) was bolstered by the recent disruption of cocoa exports from Ivory Coast. As the stock price soared, we profitably exited the position.

### **ECONOMIC SUBSTANCE OR ACCOUNTING FORM?**

In the last quarterly letter under the heading “Eschewing Clutter,” we discussed a key component of our investment process: the effort to recognize and separate the subset of factors that are relevant to evaluating the prospects and the value of an underlying business, from the plethora of data with which one is confronted within a typical analytical exercise. In the following discussion, we examine a case of one of our larger holdings, WBL Corporation Limited (“WBL”), the analysis of which presents a challenge stemming primarily from two characteristics: a complex organizational structure, combined with accounting standards which obscure economic reality. Specifically, in the case of WBL, an understanding of its corporate structure requires dissection of highly aggregated (e.g., consolidated) accounting data.

Companies with complex corporate organizational structures often present analytical hurdles, especially those with disparate businesses held within one corporate entity. The disparate businesses can add to complexity due to any number of reasons: they may operate in different geographies and/or industries; they may be either public or private (or possibly a combination thereof); or, the businesses may derive value creation or realization from a variety of different sources or factors.

Combine the complexities inherent in a corporate structure which houses multiple, disparate businesses with the somewhat rigid, formulaic rules prescribed by generally accepted accounting standards (for example, the aggregation of balance sheet and income statement data from the various businesses in the construction and reporting of consolidated financial statements) and one can see how the overall picture may further mislead would-be investors who only peruse the numbers from afar. A

### Third Avenue International Value Fund (continued) (Unaudited)

company with majority ownership in multiple businesses with different characteristics such as size, industry, and geography, if and when required to consolidate the financial statements of its constituent business holdings, would present a somewhat confusing mass of numbers to readers of its financial statements. Importantly, an examination of aggregated consolidated numbers in isolation would provide limited insight into the constituent businesses that produced them.

WBL, for some time one of the Fund's largest holdings, possesses both attributes which compound the analytical challenge:

- WBL owns a collection of disparate assets, both public and private. Holdings in three publicly listed companies (one listed in the U.S. and two in Singapore) include two flexible printed circuit ("FPC") businesses, Multi-Fineline Electronix, Inc. ("MFLX") and MFS Technology Ltd. ("MFS"), and one construction/real estate business, United Engineers Ltd., which together constitute more than 50% of WBL's gross asset value. The remainder of its asset value is derived from holdings in wholly or majority-controlled, unlisted businesses ranging from low cost-basis, mainland Chinese property assets, to an automotive retail business with a sizeable footprint in Southeast Asia, to a U.S.-based agricultural business and Australian silica mining assets. It is not difficult to see how such a set of various businesses held under the same "roof" might produce analytical obstacles.
- Despite the differences in these businesses, most of their results are consolidated in WBL's financial statements. Specifically, two of the aforementioned, publicly-listed entities are greater than 50%-owned by WBL, and are hence consolidated per accounting standards. The unlisted businesses, also majority owned, are also consolidated, further muddying the waters for one who reviews the accounting statements.
- The consolidation of balance sheets hides the fact that cash at MFLX and other majority-owned holdings is

not necessarily available to WBL, the parent company. For example, WBL's consolidated balance sheet includes 100% of the cash held at MFLX, offset by "Minority Interests" on the right side of the balance sheet. But if MFLX were to pay a dividend to its shareholders, only the proportional amount reflecting WBL's ownership in MFLX would actually become available to WBL. Thus, the consolidated statements obscure the true financial position of WBL.

A key problem with accounting consolidation is that it pools together the balance sheets and income statements of businesses with disparate characteristics – some are income generative going concerns, where value creation depends upon ongoing income generation, while the value creation within some of the other businesses is dependent less upon current income generation than upon the conversion of assets to higher and better uses. Examples of that latter point would include the potential reconfiguring of the valuable Southeast Asian real estate embedded within WBL's automobile retailing business, or similarly crystallizing the value of real estate located along Australia's Sunshine Coast that is associated with WBL's silica mining assets, which are approaching the end of their mine lives. However, this considerable value creation potential would not become evident to those who view the collection of businesses from afar, and/or rely too heavily on the objective numbers found in the consolidated financial statements, while ignoring the true economic values embedded within the businesses that have yet to materialize in the reported figures.

Upon a cool-headed scrutiny of WBL's constituent pieces, the attractions of this investment opportunity become clear:

- WBL owns a collection of attractive underlying businesses. These include MFLX, a rapidly growing leader in FPC manufacturing, which has numerous products essential to Research In Motion's Blackberry, Apple's iPhone and a wide variety of other PDAs and smartphones. In recent years, WBL has also

### Third Avenue International Value Fund (continued) (Unaudited)

undertaken to develop its extremely low cost portfolio of mainland Chinese property, which it acquired over decades past, in an effort to bring its value to light. Additionally, the company continues to operate a large-scale automobile dealership business which dates back to the turn of the twentieth century, making it one of the oldest automobile businesses in Asia; it too includes some extremely valuable city-center real estate assets. Finally, WBL owns numerous other small businesses, several with considerable value primarily derived from their underlying real estate assets, which are likely to be a source of value realization for the company in the future.

- As alluded to earlier, we believe that considerable value can be realized by converting assets to higher and better uses. Indeed, the sale of property associated with the automotive retail segment has generated significant gains in recent years, demonstrating the substantial value within WBL which can be unlocked. Additional examples of value realization potential can be found in WBL's Australian silica mining and U.S. agricultural assets.

**“We believe that WBL and its underlying assets are pregnant with numerous resource conversion opportunities, which will go a long way towards unlocking substantial economic value and ultimately achieving a public market valuation more representative of their intrinsic worth.”**

- The separable nature of WBL's businesses is an attraction in itself. Given the lack of interdependency among its holdings, the sale of one business would not affect the others. This attribute leaves WBL with the ability to capitalize on value creation opportunities as they arise, without inflicting collateral damage on the rest of its business portfolio. Unlike value creation via ongoing earnings generation, value realization through resource conversion often involves lumpy gains and timing which is difficult to predict; these characteristics complicate the analytical picture for

those who focus heavily on reported accounting earnings. Furthermore, if viewed in the simplest of terms, WBL's businesses would not only be largely unaffected from separation, but would actually benefit from it, as discussed below.

- WBL's listed companies would prosper as stand-alone entities. For example, MFLX, whose business has been flourishing in recent years, could grow more freely due to its ability to issue shares as consideration for acquisitions, absent its majority shareholder's concerns relating to dilution. Such opportunities to meaningfully enhance long-term earnings power and value creation are not often recognized in analyses that focus primarily on an extrapolation of recent and current earnings trends, with little to no assessment of the potential for corporate events which can be and often are integral components of long-term corporate wealth creation.
- We have detailed how accounting form – specifically a focus on reported accounting figures and their extrapolation – can obscure the true economic potential of

a business or businesses from an analyst's standpoint. Additionally, it is crucial to note that such obscurity provides challenges which are felt far beyond the offices of the professional analytical community. The sources of complexity and obscurity which we have discussed often raise real-world obstacles faced by the underlying business(es), specifically as related to the ability to raise financing at attractive terms. For example, WBL's unlisted businesses and assets – e.g., Chinese real estate, Australian real estate (via its silica mining business), U.S. real estate (via its agricultural assets), etc. – each with their own financing needs for development, would benefit from the company

**Third Avenue International Value Fund (continued)  
(Unaudited)**

narrowing its focus away from being a holding company of a heterogeneous collection of business, to one more narrowly focused on the development of its embedded real estate values. The improved equity valuation that would very likely accompany this narrower focus of activities would increase the ease of obtaining financing needed for real estate development, as opposed to the discount at which WBL shares currently trade within the existing corporate configuration.

As highlighted above, we believe that WBL and its underlying assets are pregnant with numerous resource conversion opportunities, which will go a long way towards unlocking substantial economic value and ultimately achieving a public market valuation more representative of their intrinsic worth. As a starting point, consider what we believe is the substantial discount to NAV at which WBL trades, as compared to the less modest valuations currently afforded to stand-alone Chinese real estate developers. This discrepancy merely scratches the surface of the value opportunity present within WBL, made available to us (thankfully) in part due to the complexity of its corporate structure and accounting norms which sometimes obscure the true picture.

**GEOGRAPHICAL DISTRIBUTION OF INVESTMENTS**

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

<u>Country</u>	<u>%</u>
Canada	14.53
Japan	9.09
Singapore	8.31
United States	7.82
Taiwan	6.15
Germany	5.36
Poland	5.33
Hong Kong	5.17
United Kingdom	4.38
France	4.35

<u>Country</u>	<u>%</u>
Austria	4.34
New Zealand	3.35
Finland	3.31
Belgium	2.80
South Korea	2.27
Sweden	2.25
Italy	2.09
Netherlands	1.76
Chile	1.50
Greece	0.39
Equities-total	<u>94.55</u>
Cash & Other	<u>5.45</u>
Total	<u><u>100.00%</u></u>

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

I look forward to writing to you again when we publish our Quarterly Report for the period ended April 30, 2011.

Sincerely,



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,

In its short life, the Third Avenue Focused Credit Fund has witnessed the most dramatic healing of the high-yield and distressed credit markets in modern financial history. When the Fund launched in August 2009, the foundation for that healing had already been established and the recovery has endured ever since. Make no mistake, this is a fundamental recovery, led first by a return of liquidity and access to capital markets, followed by improved financial results. Companies once on the brink have found new life. The Focused Credit Fund portfolio contains many such resurrections.

There is also an aspect of investor sentiment to all of this. There very few investments available in today's market that offer the type of yield institutional investors require (7-8% for pensions and endowments). Spreads between investment grade corporate bonds and U.S. Treasuries are at historic lows. Prices of higher yielding assets have been bid up. It would be an expensive time to index your way into the high-yield debt markets; but, we think it makes sense to invest in a concentrated, managed fund with a

flexible mandate and an experienced team of analysts who can find overlooked opportunities in these frothy markets.

The rebound from crisis levels is typical market behavior, though the order of magnitude here is notable. First, we saw it in the credit markets and now we are seeing a similar rebound in the equity markets. Later on we'll discuss what we think the high-yield markets and distressed markets might look like in the years ahead. But first, how we got here and how the Fund has done so far.

### QUARTERLY PERFORMANCE

During the quarter, the Fund returned 4.1% net of fees, compared to 2.8% for the Barclays High Yield Index and 3.8% for the CSFB Leveraged Loan Index. On a one-year trailing basis, the Fund's Institutional Class has returned 17.1%, compared to a return of 16.2% and 10.1% for the Barclay's High Yield Index and the CSFB Leveraged Loan Index, respectively. For the quarter, the Fund ranked in the 10<sup>th</sup> percentile of its Morningstar peer group (meaning it outperformed 90% of its peers) and for the one-year trailing, the Fund ranked in the 15<sup>th</sup> percentile of its peer group, outperforming 85% of competitor funds. We

\* Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Focused Credit Fund's 10 largest issuers and the percentage of the total net assets each represented, as of January 31, 2011: Lyondell Chemical Company, 3.92%; Nuveen Investments, Inc., 3.12%; Energy XXI, 3.10%; Energy Future Holdings Corp./TXU Corp., 2.74%; Marsico Parent Co., 2.60%; Swift Services Holdings, Inc., 2.51%; Clear Channel Communications, Inc., 2.43%; CIT Group Inc., 2.31%; Nortek, Inc., 2.13%; and PACTIV/Reynolds Group, 2.12%.

### Third Avenue Focused Credit Fund (continued) (Unaudited)

achieved these returns while holding a cash balance on average during the quarter of 15%.

Ainsworth Lumber was the single largest contributor to the Fund's performance for the quarter. Because we purchased the bonds at a substantial discount, they provided the Fund with a 15.2% cash flow yield and generated a 17% return in the quarter. Our investment in the debt of Clear Channel Communications, with a cash flow yield of 18.9%, was the second strongest performance contributor and returned 22% in the quarter. Other outperformers for the quarter included Montell Finance (part of Lyondell Chemical) up 14%, and Swift Transportation, which was up 11%.

Media, Building Products, Transportation and Chemicals were the strongest contributing sectors to Fund performance during the quarter.

Very few of the securities in the portfolio posted negative returns for the quarter. The two largest were GMAC 8% of 2031 and CF Industries 7.125% of 2020. Both of these credits are very high quality stories, despite declines of nearly 3% during the quarter. We purchased these securities over one year ago and they have been good performers (about 20%) returns; however, in the past quarter they lost money, even though fundamentals continue to improve. This is a great example of the power and problems of owning high quality (almost Investment Grade) bonds with long duration in a rising rate environment. These companies had very little spread cushion left and significant duration. Thankfully we own very little of these types of investments in the Focused Credit Fund, but the world is full of these "safe" high quality bonds, and someone owns them. The safest of the "safe" are U.S. Treasury bonds and they lost about 5% in the quarter. There is \$12-14 trillion dollars worth of high-quality U.S. corporate, mortgage, Muni, Treasury and agency (Freddie and Fannie) debt outstanding, and most of it yields between 2-5% per year, before fees (and there are always fees). In this past quarter, all of the expected

return from those investments was lost because rates backed up, and the price of those securities fell. While I can't predict what will happen to interest rates over the next 6-12 months, let alone the next 5 years, I am happy that my money (and yours) invested in the Focused Credit Fund should suffer less impact from rising rates compared to other fixed-income investments available to investors. The key factors are duration and spread. The Focused Credit Fund has a relatively low duration and our holdings in bank debt, distressed and debt for equity investments should benefit from rising rates. We also have a relatively high spread or yield over Treasuries that should help cushion any rise in rates.

The Fund's cash position, which is higher than usual due to the successful disposition of certain investments during the quarter, detracted from performance.

Meaningful transactions during the quarter included:

#### **NEW POSITIONS**

- AIG Bonds
- City Centre Holding Bonds
- Commscope Bonds
- General Motors Co. Equity
- Nortek Bonds
- Swift Transportation Bonds
- Trinidad Drilling Bonds

#### **POSITIONS INCREASED**

- Armored Autogroup Bonds
- Energy Future Holdings Bonds
- Harvest Energy Bonds
- Marsico Loan
- Midwest Gaming Bonds
- Multiplan Bonds
- Murray Energy Bonds
- Nuveen Bonds

## Third Avenue Focused Credit Fund (continued) (Unaudited)

### POSITIONS ELIMINATED

CIT Group Common Stock  
Fortescue Bonds  
First Data Corp. Bonds  
Hertz Corporation Bonds  
Opti Canada Bonds  
Seagate Technologies Bonds  
Six Flags Loan  
Swift Transportation Loans  
U.S. Oncology Bonds  
Valeant Pharmaceutical Bonds  
West Corp. Bonds

### POSITIONS DECREASED

Caesar's Entertainment Loan  
Cerberus I Designated Investment Shares  
Cerberus II Designated Investment Shares  
Cerberus III Designated Investment Shares  
Tomkins PLC Loan

### Ainsworth Lumber – Distressed / Stressed Credit

Ainsworth is a leading manufacturer and supplier of oriented strand board (“OSB”), with a focus on value-added specialty products for markets in North America and Asia. The company's products are used primarily for new home construction and its principal markets are the United States, Canada and Japan. Ainsworth has a production capacity of 1.6 billion square feet (bsf) per year, which includes three wholly-owned OSB manufacturing facilities located in Grande Prairie, Alberta; 100 Mile House, British Columbia; and Barwick, Ontario. At full capacity, Ainsworth produces 8% of North American OSB.

We initiated an investment in Ainsworth bonds with an average price of 90. While Ainsworth is a deeply cyclical business and new home construction is at trough levels, we are paid almost 14% to wait until OSB demand and pricing rebound. Since a recapitalization in 2008, Ainsworth has closed plants, slashed costs, and replaced management. The company is free cash flow positive and

has plenty of liquidity; therefore, we expect it to remain a performing credit. Since our purchase, Ainsworth has traded to par levels. We still like the credit and would consider adding to our position at lower levels.

### Nuveen – Stressed Credit

Nuveen is a leading investment management company with over \$175 billion in assets under management (AUM). The company provides mutual funds, separate accounts and other products to institutions and high net worth investors. Nuveen has an excellent reputation with clients and distribution partners and was ranked as the second best mutual fund family by *Barron's* this month. We have owned Nuveen debt since 2009, and have added to our position as the Focused Credit Fund has grown. Currently we own the 12.5% second lien bank debt and 10.5% bonds representing about 3.5% of the Fund. The securities currently yield about 10%, although when we began investing in the company the yields were in the 15-20% range. Nuveen recently gave 9.5% of their equity to US Bankcorp in exchange for 100% of FAF advisors (First American Funds), which has \$25 billion in AUM. This exchange of equity for a cash flow-producing asset effectively credit enhanced our loan and bond positions. Because Nuveen did not incur any additional debt (some cash was paid), total leverage was reduced when the cash flow from FAF is included in the combined company. While Nuveen is still a highly leveraged company (as a result of a Madison Dearborn LBO in 2007), it is a perfect example of a “good company” with a “bad balance sheet.” Management has done an excellent job of developing new products and expanding existing products into new distribution channels. They have also been successful acquirers of businesses and we believe FAF will be no different. We expect Nuveen will be able to refinance the 12.5% bank debt and further improve the balance sheet in the coming year.

### HIGH YIELD'S NEXT STEP

In 2008-2009, we faced debt-fueled Armageddon, with 12% default rates and 20% yields, and now default rates

### Third Avenue Focused Credit Fund (continued) (Unaudited)

in the high-yield space are at 2% and falling. High-yield spreads to Treasuries are down to 5%. Headlines in *The Wall Street Journal* and *The Financial Times* claim that the high-yield space is overheated; and many investors have asked us if the best opportunities are in the past. Recent industry flows indicate that investors are pulling money out of municipal bond funds and getting back into equities. Investment grade corporate bonds are now trading at just 130 basis points over Treasuries and those funds are under pressure too.

However, now is not the time to turn away from high yield. The market has turned from absolutely cheap to relatively cheap, on a historic basis and compared to other asset classes. Spreads are still at or above their historical mean and almost twice their low point of 260 basis points in 2006. Back then, a high-yield investor received 50% more than the risk free rate. These days, the high-yield investor gets 200% more than the risk free rate when investing in high yield. At spreads of 500 over Treasuries, investors are getting compensated for 5% default rates and we believe default rates will be closer to 1% for the next year or, possibly, two. If this turns out to be the case, high-yield spreads could tighten 200 basis points and could return in excess of 15%, but this is in a perfect world and we know we don't live in that world.

Though the market is changing, a whole new class of high potential companies seeking credit may emerge and the Focused Credit Fund, with its flexible mandate that allows it to invest in high-yield and distressed securities at any place in the capital structure, is an ideal vehicle for investing in an evolving market.

The private-equity fueled leveraged buyout boom of 2005-2007 created an abundance of companies that had proven histories as cash flow generators but that were encumbered with too much debt. Companies of this sort can be nursed back to health through cash flow growth, debt pay down and other means. Refinancing debt at a lower interest rate can help get the company out of the danger zone. Once freed from debt, these companies have the potential to

perform quite well; however, a restructuring of obligations is sometimes necessary. The Focused Credit Fund experienced this with investments like CIT Group, Ally Financial (GMAC), Marsico, Aveos and Lyondell. These were good companies with bad balance sheets. Now that their balance sheets have improved, their true value is more evident.

When debt is the only major issue facing an otherwise strong company, our decision whether or not to invest is made on the coupon (are we being paid enough to take this risk?) and seniority (do we have sufficient claim to the company's assets as protection in case something goes wrong?) When we started the Focused Credit Fund a year and a half ago, the opportunity set consisted mostly of these types of investments. While mature companies with leverage and steady cash flow still exist and will continue to be an important source of opportunities for the Fund, they are not the only opportunities.

We believe that as the credit markets continue to heal a new class of investments will emerge. In addition to companies that need increased cash-flows or debt-relief in order to perform, there will be opportunistic companies in search of financing for new projects and or new businesses. If such a new venture were to unravel, it is unlikely that it could be repaired by changing the terms of its credit obligations or restructuring the balance sheet (that only works when you have a mature underlying business). The key here to analyzing debt instruments which are created to finance new ventures is to carefully examine the business plan and the team that will be implementing it. Similar to venture capital investors, our risk/reward scenarios seek to determine whether or not the business can be financially successful and can grow revenue and cash flow from zero to a level that's high enough to support the balance sheet.

New venture financing requires the same "deep dive" fundamental research that is the hallmark of Third Avenue's investment process. It entails meeting with company management, visiting facilities, talking to industry consultants and performing extensive background due

### Third Avenue Focused Credit Fund (continued) (Unaudited)

diligence not just on the project at hand but the people behind it. This could be a difficult for many of our peers and competitors who, over the last five or six years, have gotten used to answering the question: “For this amount of leverage, am I getting the right coupon?” What’s nice about that question is that the answer is ambiguous – you can get it kind of right and still pocket a positive return. When investing in a less mature company, however, the question is binary: “Will this business work or not?”

We’ve seen this in the credit markets before. In the 1990s we saw some companies access the high-yield markets to finance growth and new business development with great success. AK Steel, EchoStar (Dish Networks), DirectTV, HCA, Nextel, MGM Casinos, Horseshoe Gaming, PanAmSat, Triton PCS, Leap Wireless and Dobson Communications all successfully pursued this strategy and used high-yield financing to build new, enduring businesses.

Not every new venture is a success, as some of these investments are indeed more speculative. Winstar raised \$5 billion in debt in an attempt to place transmission equipment to create wireless Internet access in urban areas. It was an attempt to steal “the last mile” from the established telecom companies and, judging by the present ubiquity of Wi-Fi, was entirely ahead of its time; however, the company failed to execute and wound up having its assets sold for pennies on the dollar to IDT, another telecom company that failed to make Winstar work. Globalstar and Iridium raised billions of dollars to attempt to build global satellite phone networks, but by the time their products came to market, compact cellular phones with long distance and international calling had grown ubiquitous. Although both companies that were once ahead of the times, they fell far behind the market and failed. Finally there was Global Crossing, which racked up \$12.4 billion in debt building a global fiber-optic network. During its bankruptcy proceedings many of its key fiber assets were sold to Hutchison Whampoa, a company you’ll

find in several Third Avenue equity portfolios. A sense of care and proportion is essential to this kind of investing.

The Focused Credit Fund is well suited to analyzing these quasi-venture capital investments, because we have the analytic resources required to answer the hard question: “Will this business work or not?” Our Credit team has seven analysts with an average of 12 years experience; they draw on a wider, multidisciplinary team of 28 analysts, as well as Third Avenue’s relationships and distressed experience, which go back decades.

Successful investments in new venture financing should yield equity-like returns. We’ll be looking for 15-30% internal rate of return realized through warrants, convertibles, stapled equity and high coupons that pay in kind. Our ability to invest in both loans and bonds in the same portfolio will be a key asset here, as we may be able to support promising companies through various rounds of financing.

At quarter end, the Fund’s cash position of 19% was a result of several successful investments. Our holdings in Fortescue, West Corp., U.S. Oncology and Hertz were tendered, called or sold during the quarter, all at a profit to the Fund. We’re carefully deploying that cash now and will be updating you on several new positions in the coming months.

At Third Avenue, our analytical resources are of paramount importance to us. Although we already have a strong team with a wide breadth of knowledge and experience, we are currently seeking to hire a new credit analyst to help us sort through the growing list of investment opportunities. Last December, I became a partner of Third Avenue Management, LLC. I estimate that during the course of my career I’ve made 3,000 buy and sell decisions. I think my choice to accept a partnership with Third Avenue was the best personal investment decision of my life. I look forward to spending the rest of my career working with these talented analysts and investment managers.

**Third Avenue Focused Credit Fund (continued)**  
**(Unaudited)**

On behalf of myself and the 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 our fiscal second quarter.

Sincerely,



Thomas Lapointe  
Portfolio Manager,  
Third Avenue Focused Credit Fund

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**Third Avenue Value Fund**

**Third Avenue Small-Cap Value Fund**

**Third Avenue Real Estate Value Fund**

**Third Avenue International Value Fund**

**Third Avenue Focused Credit Fund**

**FIRST QUARTER REPORT**

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January 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) at the website of the Securities and Exchange Commission (“SEC”) at <http://www.sec.gov>, and (iii) on the Funds’ website [www.thirdave.com](http://www.thirdave.com).

### **Schedule of Portfolio Holdings—Form N-Q**

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

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

Principal Amount (\$)	Value (Note 1)	Shares	Value (Note 1)
<b>Corporate Debt Instruments - 2.93%</b>			
			<b>Automotive - 6.31%</b>
16,976,305		10,124,600	Toyota Industries Corp. (Japan) \$ 320,957,714
			<b>Consumer Products - 0.00%#</b>
		526,368	Home Products International, Inc. (a) (b) (c) (e) 26,318
	\$ 6,133,539		
			<b>Depository Institutions - 2.37%</b>
236,630,000		218,500	Carver Bancorp, Inc. (c) 469,775
	128,963,350	10,728,450	Chong Hing Bank, Ltd. (Hong Kong) 31,235,956
		10,000,000	KeyCorp 89,000,000
			120,705,731
14,000,000			<b>Diversified Operations - 9.61%</b>
	14,000,000	7,619,728	Brookfield Asset Management, Inc., Class A (Canada) 248,631,725
		31,822,822	Wharf (Holdings), Ltd. (The) (Hong Kong) 240,406,356
	149,096,889		489,038,081
<b>Shares</b>			
<b>Preferred Stocks - 0.00%#</b>			
			<b>Financial Insurance - 0.01%</b>
4,775		37	Manifold Capital Holdings, Inc. (a) (b) (c) (e) 555,000
	8,586		
1,022,245		83,370	<b>Holding Companies - 24.12%</b>
	216,372	42,692,000	Capital Southwest Corp. 8,132,744
			Cheung Kong Holdings, Ltd. (Hong Kong) 704,173,100
	224,958	10,665,000	Investor AB, Class A (Sweden) 238,280,604
		14,384,200	Lai Sun Garment International, Ltd. (Hong Kong) (a) 1,900,268
			RHJ International (Belgium) (a) (e) 28,750,548
		60,676,500	Wheelock & Co., Ltd. (Hong Kong) 245,923,236
			1,227,160,500
			<b>Insurance &amp; Reinsurance - 0.01%</b>
		127,500	Olympus Re Holdings, Ltd. (Bermuda) (a) (b) (e) 198,900
		32,089	RS Holdings Corp., Class A (a) (b) (e) 6,792
			205,692
<b>Common Stocks - 89.56%</b>			
			<b>Annuities &amp; Mutual Fund Management &amp; Sales - 3.68%</b>
6,000,000		3,317,350	Bank of New York Mellon Corp. (The) 187,380,000
	187,380,000		
			<b>Auto Supply - 0.00%</b>
434,802		—	ISE, Ltd. <sup>1</sup> (a) (b) (e) —
217,401		—	ISE, Ltd., Restricted Voting Shares <sup>1</sup> (a) (b) (e) —
		—	
		—	

*See accompanying notes to the Portfolios of Investments.*

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

Shares	Value (Note 1)	Shares	Value (Note 1)
<b>Common Stocks (continued)</b>		<b>Telecommunications - 1.29%</b>	
	<b>Manufactured Housing - 0.70%</b>	1,871,861	Sycamore Networks, Inc. (c) \$ 39,047,020
500	Fleetwood Homes, Inc. (a) (b) (c) (e) \$ 35,428,724	5,008,450	Tellabs, Inc. 26,544,785
	<b>Mutual Holding Companies - 0.19%</b>		<u>65,591,805</u>
131,512	Brooklyn Federal Bancorp, Inc. 118,360		<b>U.S. Real Estate Operating</b>
47,859	Colonial Financial Services, Inc. (a) 593,452	18,975,821	<b>Companies - 4.91%</b>
232,032	FedFirst Financial Corp. (c) 3,248,448	8,764,203	FNC Realty Corp. (a) (b) (c) 11,385,493
205,511	Gouverneur Bancorp, Inc. (c) 1,808,497	22,500	Forest City Enterprises, Inc., Class A (a) (c) 148,202,673
249,757	Home Federal Bancorp, Inc. (c) 3,120,714	3,420,106	Forest City Enterprises, Inc., Class B (a) 377,325
242,800	SFSB, Inc. (a) (c) 849,800		Tejon Ranch Co. (a) (c) 90,017,190
	<u>9,739,271</u>		<u>249,982,681</u>
	<b>Non-U.S. Real Estate Operating</b>		<b>Utilities, Utility Service</b>
24,220,000	Hang Lung Group, Ltd. (Hong Kong) 152,993,273		<b>Companies &amp; Waste</b>
30,534,000	Hang Lung Properties, Ltd. (Hong Kong) 133,937,371	8,816,889	<b>Management - 2.93%</b>
97,788,054	Henderson Land Development Co., Ltd. (Hong Kong) 677,912,221		Covanta Holding Corp. (c) (e) 149,181,762
	<u>964,842,865</u>		<b>Total Common Stocks</b>
	<b>Oil &amp; Gas Production &amp;</b>		(Cost \$3,396,696,574) <u>4,556,948,603</u>
	<b>Services - 7.13%</b>		<b>Investment</b>
776,800	Cenovus Energy, Inc. (Canada) 26,885,048		<b>Amount (\$)</b>
599,098	Cimarex Energy Co. 62,384,075		<b>or Partnership</b>
776,800	EnCana Corp. (Canada) 25,067,336		<b>Units</b>
10,190,000	Nabors Industries, Ltd. (Bermuda) (a) 248,636,000		<b>Limited Partnerships - 0.18%</b>
	<u>362,972,459</u>		<b>Infrastructure - 0.17%</b>
	<b>Semiconductor Equipment</b>	400,000	Brookfield Infrastructure Partners L.P. (Canada) <sup>2</sup> 8,688,000
	<b>Manufacturers &amp; Related - 0.31%</b>		<b>Insurance &amp; Reinsurance - 0.01%</b>
1,000,000	Applied Materials, Inc. 15,690,000	1,805,000	Insurance Partners II Equity Fund, L.P. (a) (b) 367,955
	<b>Steel &amp; Specialty Steel - 7.03%</b>		<b>Total Limited Partnerships</b>
3,500,000	POSCO, ADR (South Korea) 357,490,000		(Cost \$8,007,814) <u>9,055,955</u>

*See accompanying notes to the Portfolios of Investments.*

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

Principal Amount (\$)	Value (Note 1)
<b>Short Term Investments - 1.97%</b>	
	<b>U.S. Government Obligations - 1.97%</b>
100,000,000	U.S. Treasury Bill, 0.13%‡, due 3/31/11
	<u>\$ 99,978,331</u>
	<b>Total Short Term Investments</b> (Cost \$99,978,331)
	<u>99,978,331</u>
	<b>Total Investment Portfolio - 94.64%</b> (Cost \$3,762,838,287)
	4,815,304,736
	<b>Other Assets less Liabilities - 5.36%</b>
	<u>272,937,678</u>
	<b>NET ASSETS - 100.00%</b>
	<u><u>\$5,088,242,414</u></u>
	<b>Investor Class:</b>
	Net assets applicable to 451,752 shares outstanding
	<u>\$ 23,691,065</u>
	Net asset value, offering and redemption price per share
	<u>\$52.44</u>
	<b>Institutional Class:</b>
	Net assets applicable to 96,570,292 shares outstanding
	<u>\$ 5,064,551,349</u>
	Net asset value, offering and redemption price per share
	<u>\$52.44</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 January 31, 2011.

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

‡ Annualized yield at date of purchase.

<sup>1</sup> Incorporated in Cayman Islands.

<sup>2</sup> Bermuda exempted limited partnership.

Country Concentration

	% of Net Assets
Hong Kong	43.01%
United States*	22.07
South Korea	7.03
Japan	6.31
Canada	6.08
Bermuda	4.89
Sweedden	4.68
Belgium	0.57
United Kingdom	0.00#
Total	<u>94.64%</u>

\* Includes cash equivalents.

# 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 (continued)**  
**at January 31, 2011**  
**(Unaudited)**

Shares or Units	Value (Note 1)	Shares or Units	Value (Note 1)
<b>Common Stocks (continued)</b>		<b>Non-U.S. Real Estate Operating Companies - 5.82%</b>	
	<b>Holding Companies (continued)</b>		
495,300	Leucadia National Corp. \$ 16,107,156	4,505,600	Parco Co., Ltd. (Japan) (c) \$ 42,871,267
475,780,230	PYI Corp., Ltd. (Hong Kong) <sup>1</sup> (a) (b) (c) 25,324,825	4,662,000	Sapporo Holdings, Ltd. (Japan) 20,674,561
	85,774,323		63,545,828
	<b>Industrial Equipment - 1.77%</b>	125,270	<b>Oil &amp; Gas - 1.19%</b>
110,436	Alamo Group, Inc. 2,865,814		Cimarex Energy Co. 13,044,365
980,316	Wacker Neuson SE (Germany) (a) 16,495,637		<b>Securities Trading Services - 3.89%</b>
	19,361,451	514,685	Broadridge Financial Solutions, Inc. 11,781,140
	<b>Industrial Services - 0.63%</b>	1,668,956	Investment Technology Group, Inc. (a) 30,758,859
122,533	UniFirst Corp. 6,832,440		42,539,999
	<b>Information Technology Services - 0.97%</b>		<b>Semiconductor Equipment Manufacturers &amp; Related - 2.01%</b>
262,396	ManTech International Corp., Class A (a) 10,549,631	1,201,168	Electro Scientific Industries, Inc. (a) 20,023,471
	<b>Insurance &amp; Reinsurance - 3.96%</b>	146,526	Verigy, Ltd. (Singapore) (a) 1,954,657
190,022	Arch Capital Group, Ltd. (Bermuda) (a) 16,769,442		21,978,128
11,124	E-L Financial Corp., Ltd. (Canada) 5,387,866		<b>Software - 2.10%</b>
698,733	HCC Insurance Holdings, Inc. 21,157,635	844,670	Synopsys, Inc. (a) 22,915,897
	43,314,943		<b>Telecommunications - 0.98%</b>
	<b>Life Insurance - 2.44%</b>	146,151	Sycamore Networks, Inc. 3,048,710
153,832	National Western Life Insurance Co., Class A 26,609,859	1,442,374	Tellabs, Inc. 7,644,582
	26,609,859		10,693,292
	<b>Media - 1.19%</b>		<b>U.S. Real Estate Operating Companies - 5.85%</b>
195,124	Liberty Media Corp. - Starz Series A (a) 13,008,917	692,836	Alexander & Baldwin, Inc. 27,796,580
	13,008,917	259,434	Alico, Inc. 6,514,388
	<b>Metals Manufacturing - 4.49%</b>	322,646	Tejon Ranch Co. (a) 8,492,043
955,475	Encore Wire Corp. 21,445,636	439,448	Vail Resorts, Inc. (a) 21,115,476
578,099	Kaiser Aluminum Corp. 27,581,103		63,918,487
	49,026,739		<b>Total Common Stocks</b>
			(Cost \$787,666,528) 878,641,700

*See accompanying notes to the Portfolios of Investments.*

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

<b>Investment Amount (\$)</b>	<b>Value (Note 1)</b>	<b>Value (Note 1)</b>
<b>Limited Partnerships - 0.84%</b>		
1,000,000		
<b>Holding Companies - 0.84%</b>		
AP Alternative Assets, L.P. (Guernsey) (b)	\$ 9,167,500	
<b>Total Limited Partnerships</b> (Cost \$20,000,000)	<u>9,167,500</u>	
<b>Notional Amount (†)</b>		
<b>Purchased Options - 0.23%</b>		
75,000,000		
<b>Foreign Currency Put Options - 0.23%</b>		
Euro Currency, strike 1.20 Euro, expires 3/7/12 (a)	1,572,083	
Japan Currency, strike 100 Yen, expires 10/24/13 (a)	<u>991,250</u>	
<b>Total Purchased Options</b> (Cost \$3,687,500)	<u>2,563,333</u>	
<b>Purchased Swaptions - 0.11%</b>		
47,627,920 <sup>JPY</sup>		
6 Month JPY-LIBOR, Put @ 3.22, expires 11/4/11 (a)	435,197	
26,304,564 <sup>JPY</sup>		
6 Month JPY-LIBOR, Put @ 4.42, expires 11/5/12 (a)	<u>788,368</u>	
<b>Total Purchased Swaptions</b> (Cost \$1,242,500)	<u>1,223,565</u>	
<b>Principal Amount (\$)</b>		
<b>Short Term Investments - 11.44%</b>		
125,000,000		
<b>U.S. Government Obligations - 11.44%</b>		
U.S. Treasury Bills, 0.13%-0.18%‡, due 2/17/11-6/16/11	<u>124,955,079</u>	
<b>Total Short Term Investments</b> (Cost \$124,948,759)	<u>124,955,079</u>	
		<b>Total Investment Portfolio - 94.79%</b> (Cost \$951,906,146) \$ 1,035,823,792
		<b>Other Assets less Liabilities - 5.21%</b> 56,888,868
		<b>NET ASSETS - 100.00%</b> <u>\$ 1,092,712,660</u>
		<b>Investor Class:</b> Net assets applicable to 280,867 shares outstanding \$ 6,008,509
		Net asset value, offering and redemption price per share <u>\$21.39</u>
		<b>Institutional Class:</b> Net assets applicable to 50,758,838 shares outstanding \$ 1,086,704,151
		Net asset value, offering and redemption price per share <u>\$21.41</u>

*See accompanying notes to the Portfolios of Investments.*

**Third Avenue Trust  
Third Avenue Small-Cap Value Fund  
Portfolio of Investments (continued)  
at January 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.
- (e) 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.
- † 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 *	69.26%
Canada	7.11
Japan	5.93
Germany	4.38
Hong Kong	2.32
Guernsey	2.18
Belgium	1.90
Bermuda	1.53
Singapore	0.18
Total	94.79%

\* Includes cash equivalents.

*See accompanying notes to the Portfolios of Investments.*

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

Principal Amount (\$)	Value (Note 1)	Shares or Units	Value (Note 1)
<b>Corporate Debt Instruments - 1.38%</b>		<b>Non-U.S. Real Estate Operating Companies - 38.81%</b>	
	<b>Financials - 1.38%</b>		
	Lehman Brothers Holdings, Inc.*:	2,273,126	Brookfield Asset Management, Inc., Class A (Canada) \$ 74,172,101
37,625,000	due 3/23/09 (d) \$ 9,171,094	20,128,500	Capitaland, Ltd. (Singapore) 56,642,383
12,375,000	due 5/25/10 3,016,406	1,750,000	Cheung Kong Holdings, Ltd. (Hong Kong) 28,864,961
50,000,000	due 1/24/13 12,687,500		Daibiru Corp. (Japan) 28,633,622
	<b>Total Corporate Debt Instruments</b>	3,362,300	Henderson Land Development Co., Ltd. (Hong Kong) 103,818,073
	(Cost \$21,482,675) 24,875,000	14,975,637	Hongkong Land Holdings, Ltd. (Hong Kong) <sup>1</sup> 35,122,560
<b>Shares or Units</b>		4,989,000	Hysan Development Co., Ltd. (Hong Kong) 62,770,959
<b>Common Stocks - 80.05%</b>		13,156,000	Mitsubishi Estate Co., Ltd. (Japan) 48,569,688
	<b>Forest Products &amp; Paper - 2.76%</b>	2,572,000	Mitsui Fudosan Co., Ltd. (Japan) 49,401,901
2,151,558	Weyerhaeuser Co. 49,873,114	2,431,000	NTT Urban Development Corp. (Japan) 25,767,544
	<b>Non-U.S. Closed End Fund - 2.40%</b>	25,000	Quintain Estates & Development PLC (United Kingdom) (a) 13,662,040
6,349,051	ProLogis European Properties Fund Units (Luxembourg) (a) 43,464,026	21,869,072	Songbird Estates PLC (United Kingdom) (a) 50,955,295
	<b>Non-U.S. Homebuilder - 3.09%</b>	3,071,000	Sun Hung Kai Properties, Ltd. (Hong Kong) 51,205,325
3,800,000	Bellway PLC (United Kingdom) 37,282,950	17,902,500	Wheelock & Co., Ltd. (Hong Kong) 72,559,240
1,308,761	Berkeley Group (Holdings) PLC (United Kingdom) (a) 18,542,947		<u>702,145,692</u>
	55,825,897		<b>U.S. Homebuilder - 2.58%</b>
	<b>Non-U.S. Real Estate Consulting/Management - 1.03%</b>	2,349,293	Lennar Corp., Class A 45,482,313
3,309,535	Savills PLC (United Kingdom) 18,591,881	66,900	Ryland Group Inc. (The) 1,190,820
	<b>Non-U.S. Real Estate Investment Trusts - 7.83%</b>		<u>46,673,133</u>
1,670,168	Derwent London PLC (United Kingdom) 42,003,008	1,850,298	First Industrial Realty Trust, Inc. (a) 18,910,046
10,400,712	Hammerson PLC (United Kingdom) 71,506,145	862,024	Vornado Realty Trust 75,935,694
773,494	Klepierre (France) 28,127,825		<u>94,845,740</u>
	<u>141,636,978</u>		

*See accompanying notes to the Portfolios of Investments.*

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

Shares or Units		Value (Note 1)	Principal Amount (\$)		Value (Note 1)
<b>Common Stocks (continued)</b>			<b>Short Term Investments - 11.27%</b>		
	<b>U.S. Real Estate Operating Companies - 16.31%</b>			<b>U.S. Government Obligations - 11.27%</b>	
500,500	Consolidated-Tomoka Land Co. (c) \$	14,439,425	204,000,000	U.S. Treasury Bills, 0.13%-0.17% †, due 2/10/11-4/28/11 (e)	\$ 203,964,744
12,982,327	FNC Realty Corp. (a) (b) (c)	7,789,396			
8,290,773	Forest City Enterprises, Inc., Class A (a) (c)	140,196,971		<b>Total Short Term Investments</b>	<u>203,964,744</u>
28,893,141	Newhall Holding Co. LLC, Class A Units (a) (c)	46,229,025		<b>Total Investment Portfolio - 94.91%</b>	<u>1,716,968,100</u>
1,228,228	St. Joe Co. (The) (a)	33,665,729		<b>Other Assets less</b>	
941,627	Tejon Ranch Co. (a)	24,783,623		<b>Liabilities - 5.09%</b>	<u>92,098,002</u>
7,354,979	Thomas Properties Group, Inc. (a) (c)	27,948,920		<b>NET ASSETS - 100.00%</b>	<u>\$ 1,809,066,102</u>
		<u>295,053,089</u>			
	<b>Total Common Stocks</b>			<b>Investor Class:</b>	
	(Cost \$1,227,657,870)	<u>1,448,109,550</u>		Net assets applicable to 1,563,114 shares outstanding	<u>\$ 36,908,676</u>
<b>Investment Amount (\$)</b>				Net asset value, offering and redemption price per share	<u>\$23.61</u>
<b>Limited Partnerships - 2.21%</b>			<b>Institutional Class:</b>		
	<b>Investment Fund - 2.21%</b>			Net assets applicable to 75,009,442 shares outstanding	<u>\$ 1,772,157,426</u>
34,000,000	Alliance Bernstein Legacy Securities (C1) L.P. <sup>2</sup> (a) (b) (c)	40,018,806		Net asset value, offering and redemption price per share	<u>\$23.63</u>
	<b>Total Limited Partnerships</b>	<u>40,018,806</u>			
	(Cost \$34,034,521)				

*See accompanying notes to the Portfolios of Investments.*

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

**Schedule of Forward Foreign Currency Contracts**

<b>Contracts to Sell</b>	<b>Counterparty</b>	<b>Settlement Date</b>	<b>Settlement Value</b>	<b>Value at 1/31/11</b>	<b>Unrealized Appreciation</b>
11,628,710,000 JPY	JP Morgan Securities	10/29/12	\$145,000,000	\$143,948,098	\$1,051,902

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 future fund commitments.

\* Issuer in default.

† Annualized yield at date of purchase.

<sup>1</sup> Incorporated in Bermuda.

<sup>2</sup> Cayman Islands exempted limited partnership.

**Country Concentration**

	% of <u>Net Assets</u>
United States*	41.75%
Hong Kong	19.59
United Kingdom	13.96
Japan	8.42
Canada	4.10
Singapore	3.13
Luxembourg	2.40
France	1.56
Total	<u>94.91%</u>

\* Includes cash equivalents.

*See accompanying notes to the Portfolios of Investments.*

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

Shares or Units	Value (Note 1)	Shares or Units	Value (Note 1)
<b>Common Stocks and Warrants - 94.55%</b>		<b>Holding Companies - 10.36%</b>	
	<b>Advertising - 2.44%</b>	805,584	Compagnie Nationale a Portefeuille (Belgium) \$ 44,581,869
1,437,900	Asatsu-DK, Inc. (Japan) \$ 38,838,015	3,323,400	Guoco Group, Ltd. (Hong Kong) <sup>1</sup> 43,052,260
	<b>Agriculture - 4.95%</b>	1,270,888	Leucadia National Corp. 41,329,278
6,761,364	Viterra, Inc. (Canada) 79,001,307	476,835	LG Corp. (South Korea) (a) 36,231,465
	<b>Building &amp; Construction Products/Services - 1.00%</b>		165,194,872
10,482,120	Tenon, Ltd. (New Zealand) (a) (c) 9,706,862		<b>Insurance - 9.84%</b>
293,108	Titan Cement Co. S.A. (Greece) 6,196,210	349,693	Allianz SE (Germany) 48,572,462
	15,903,072	235,793	Munich Re (Germany) 36,932,445
	<b>Capital Goods - 2.15%</b>	1,533,625	Sampo Oyj, Class A (Finland) 45,144,907
426,084	Nexans S.A. (France) 34,185,660	881,900	Tokio Marine Holdings, Inc. (Japan) 26,280,792
	10,563,332		156,930,606
22,522,784	Boardroom, Ltd. (Singapore) (c) 10,563,332		<b>Investment Companies - 3.18%</b>
	<b>Dairy Products - 2.09%</b>	12,099,065	Resolution, Ltd. (Guernsey) 50,661,491
10,496,839	Parmalat SpA (Italy) 33,270,602		<b>Machinery - 2.68%</b>
	<b>Diversified Operations - 6.23%</b>	500,304	Andritz AG (Austria) 42,681,812
1,204,745	Antarchile S.A. (Chile) 23,943,060		<b>Media - 0.47%</b>
3,381,200	Hutchison Whampoa, Ltd. (Hong Kong) 39,420,915	642,497	Alma Media Corp. (Finland) 7,547,611
479,698	Lundbergforetagen AB, Class B (Sweden) 35,878,895	4,605,000	<b>Metals &amp; Mining - 5.61%</b>
	99,242,870		Dundee Precious Metals, Inc. (Canada) (a) 35,870,575
	<b>Electronics Components - 7.65%</b>	500,400	Dundee Precious Metals, Inc. Warrants, expires 6/29/12 (Canada) (a) (d) 349,808
37,050,140	WBL Corp., Ltd. (Singapore) (c) 121,926,905	1,350,950	Dundee Precious Metals, Inc. Warrants, expires 11/20/15 (Canada) (a) (d) 6,934,521
	<b>Forest Products &amp; Paper - 8.07%</b>	926,246	Kinross Gold Corp. (Canada) 15,391,958
60,271,095	Catalyst Paper Corp. (Canada) (a) (b) (c) (d) 27,133,579	22,869	Kinross Gold Corp. Warrants, expires 9/17/14 (Canada) (a) 84,501
12,000,000	Catalyst Paper Corp. (Canada) (a) (b) (c) (d) (e) 5,402,307	560,036	Newmont Mining Corp. 30,841,183
51,395,523	Rubicon, Ltd. (New Zealand) (a) (c) 43,628,118		89,472,546
2,265,983	Weyerhaeuser Co. 52,525,486	4,105,180	<b>Non-U.S. Closed End Fund - 1.76%</b>
	128,689,490		ProLogis European Properties Fund Units (Luxembourg) (a) 28,103,042

*See accompanying notes to the Portfolios of Investments.*

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

Shares or Units	Value (Note 1)	Notional Amount (\$)	Value (Note 1)
<b>Common Stocks and Warrants (continued)</b>		<b>Purchased Options - 0.08%</b>	
	<b>Non-U.S. Real Estate Operating Companies - 4.81%</b>		<b>Foreign Currency Put Options - 0.08%</b>
4,370,693	Atrium European Real Estate Ltd. (Jersey) \$ 26,551,610	75,000,000	Japan Currency, strike 95 Yen, expires 2/22/11(a) \$ —
666,900	Daibiru Corp. (Japan) 5,679,375	75,000,000	Japan Currency, strike 88 Yen, expires 12/2/11(a) 1,265,625
2,187,000	Mitsui Fudosan Co., Ltd. (Japan) 44,443,421		<b>Total Purchased Options</b> (Cost \$4,918,125) 1,265,625
	76,674,406		
	<b>Oil &amp; Gas Production &amp; Services - 3.85%</b>		<b>Principal Amount (\$)</b>
846,861	Cenovus Energy, Inc. (Canada) 29,309,859		<b>Short Term Investments - 1.88%</b>
993,802	EnCana Corp. (Canada) 32,069,991		<b>U.S. Government Obligations - 1.88%</b>
	61,379,850	30,000,000	U.S. Treasury Bill, 0.13% †, due 3/31/11 29,993,499
	<b>Other Financial - 3.43%</b>		<b>Total Short Term Investments</b> (Cost \$29,993,499) 29,993,499
67,766,000	Yuanta Financial Holding Co., Ltd. (Taiwan) 54,606,781		<b>Total Investment Portfolio - 96.51%</b> (Cost \$1,357,925,305) 1,538,534,027
	<b>Pharmaceuticals - 3.41%</b>		<b>Other Assets less Liabilities - 3.49%</b> 55,624,736
1,062,598	GlaxoSmithKline PLC (United Kingdom) 19,208,398		<b>NET ASSETS - 100.00%</b> \$ 1,594,158,763
514,600	Sanofi-Aventis SA (France) 35,140,167		<b>Investor Class:</b>
	54,348,565		Net assets applicable to 534,022 shares outstanding \$ 9,453,686
	<b>Technology - Hardware - 2.73%</b>		Net asset value, offering and redemption price per share \$17.70
70,685,750	United Microelectronics Corp. (Taiwan) 43,462,357		<b>Institutional Class:</b>
	<b>Telecommunications - 5.32%</b>		Net assets applicable to 89,449,096 shares outstanding \$ 1,584,705,077
46,240,461	Netia S.A. (Poland) (a) (c) 84,874,433		Net asset value, offering and redemption price per share \$17.72
	<b>Transportation - 1.86%</b>		
4,279,000	Seino Holdings Co., Ltd. (Japan) 29,715,278		
	<b>Total Common Stocks and Warrants</b> (Cost \$1,323,013,681) 1,507,274,903		

*See accompanying notes to the Portfolios of Investments.*

**Third Avenue Trust**  
**Third Avenue International Value Fund**  
**Portfolio of Investments (continued)**  
**at January 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.
  - (e) 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.
- † Annualized yield at date of purchase.
- <sup>1</sup> Incorporated in Bermuda.

Country Concentration	% of Net Assets
Canada	14.52%
United States*	9.78
Japan	9.09
Singapore	8.31
Taiwan	6.15
Germany	5.36
Poland	5.32
Hong Kong	5.17
France	4.35
New Zealand	3.35
Finland	3.31
Guernsey	3.18
Belgium	2.80
Austria	2.68
South Korea	2.27
Sweden	2.25
Italy	2.09
Luxembourg	1.76
Jersey	1.67
Chile	1.50
United Kingdom	1.21
Greece	0.39
Total	96.51%

\* Includes cash equivalents.

*See accompanying notes to the Portfolios of Investments.*



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

Principal Amount (\$)		Value (Note 1)	Principal Amount (\$)		Value (Note 1)
<b>Corporate Debt Instruments (continued)</b>			<b>Gaming - 5.20%</b>		
	<b>Entertainment - 0.57%</b>			Caesars Entertainment Operating Co., Inc.:	
9,997,937	Hicks Sport Group LLC, Term Loan B, due 12/15/10* (b)	\$ 6,148,731	2,000,000	11.250%, due 6/1/17	\$ 2,280,000
	<b>Environmental Control - 1.57%</b>		10,000,000	Term Loan B2, 3.303%, due 1/28/15 (b)	9,335,940
15,000,000	EnergySolutions, Inc. / EnergySolutions LLC, 10.750%, due 8/15/18 (a)	17,025,000	10,000,000	CityCenter Holdings LLC/CityCenter Finance Corp., PIK, 10.750%, due 1/15/17 (a)	10,475,000
	<b>Financials - 11.37%</b>			Marina District Finance Co., Inc.:	
5,958,641	American Capital, Ltd., 7.960%, due 12/31/13 (a)	5,930,159	2,000,000	9.500%, due 10/15/15 (a)	2,040,000
	American International Group, Inc.:		10,850,000	9.875%, due 8/15/18 (a)	11,094,125
2,000,000	6.250%, due 3/15/37	1,852,500	9,877,000	MGM Resorts International, 10.000%, due 11/1/16 (a)	10,346,158
14,500,000	8.175%, due 5/15/58 (b)	16,276,250	10,350,000	Midwest Gaming Borrower LLC / Midwest Finance Corp., 11.625%, due 4/15/16 (a)	10,776,938
	CIT Group, Inc.:				<u>56,348,161</u>
5,745,499	7.000%, due 5/1/15	5,838,863		<b>Healthcare - 4.89%</b>	
14,242,498	7.000%, due 5/1/16	14,420,529		Biomet, Inc., PIK, 10.375%, due 10/15/17	12,121,875
4,739,498	7.000%, due 5/1/17	4,792,817		DaVita, Inc.:	
50,000,000	Lehman Brothers Holdings, Inc., due 3/23/09* (b)	12,187,500	10,775,000	6.375%, due 11/1/18	3,030,000
35,615,340	Marsico Parent Co. LLC, Term Loan B, 5.313%, due 12/15/14 (b) (g)	28,195,490		6.625%, due 11/1/20	5,100,000
	Nuveen Investments, Inc.:		3,000,000	InVentiv Health, Inc., 10.000%, due 8/15/18 (a)	10,150,000
21,350,000	10.500%, due 11/15/15	22,097,250	5,000,000	Multiplan, Inc., 9.875%, due 9/1/18 (a)	15,040,187
3,000,000	10.500%, due 11/15/15 (a)	3,105,000	10,000,000	Rotech Healthcare Inc., 10.750%, due 10/15/15	7,503,815
7,925,000	Term Loan, 12.500%, due 7/31/15 (b)	8,585,414	13,910,000		<u>52,945,877</u>
		<u>123,281,772</u>	6,908,000	<b>Industrials - 0.14%</b>	
	<b>Food &amp; Beverage - 2.70%</b>			Florida East Coast Railway Corp., 8.125%, due 2/1/17 (a)	1,563,750
12,500,000	NBTY, Inc., 9.000%, due 10/1/18 (a)	13,531,250	1,500,000		
15,000,000	Pinnacle Foods Finance LLC/ Pinnacle Foods Finance Corp., 9.250%, due 4/1/15	15,750,000			
		<u>29,281,250</u>			

*See accompanying notes to the Portfolios of Investments.*

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

Principal Amount (\$)		Value (Note 1)	Principal Amount (\$)	Value (Note 1)
<b>Corporate Debt Instruments (continued)</b>			<b>Telecommunications - 4.57%</b>	
	<b>Media - 2.43%</b>		Digicel Group, Ltd. (Jamaica) <sup>1</sup> :	
	Clear Channel Communications, Inc.:		8.875%, due 1/15/15 (a)	\$ 12,403,912
5,000,000	10.750%, due 8/1/16	\$ 4,712,500	10.500%, due 4/15/18 (a)	6,880,313
17,367,289	PIK, 11.000%, due 8/1/16	16,064,742	Frontier Communications Corp.:	
	Clear Channel Worldwide Holdings, Inc.:		8.250%, due 4/15/17	5,625,000
1,000,000	9.250%, due 12/15/17	1,110,000	8.500%, due 4/15/20	5,662,500
4,000,000	Series B, 9.250%, due 12/15/17	4,450,000	16,850,000 Intelsat Luxembourg SA, 11.250%, due 2/4/17 (Luxembourg)	18,998,375
		<u>4,450,000</u>		<u>49,570,100</u>
		<u>26,337,242</u>		
	<b>Metals &amp; Mining - 2.44%</b>		<b>Telecommunications Equipment - 0.96%</b>	
3,000,000	Cemex SAB de CV, 9.000%, due 1/11/18 (Mexico) (a)	3,090,000	CommScope, Inc., 8.250%, due 1/15/19 (a)	10,425,000
8,000,000	International Coal Group, Inc., 9.125%, due 4/1/18	8,760,000	<b>Transportation - 2.51%</b>	
13,750,000	Murray Energy Corp., 10.250%, due 10/15/15 (a)	14,643,750	Swift Services Holdings, Inc., 10.000%, due 11/15/18 (a)	27,156,250
		<u>14,643,750</u>		
		<u>26,493,750</u>	<b>Utilities - 4.47%</b>	
	<b>Packaging - 1.45%</b>		Bosque Power Co. LLC, Term Loan, 9.500%, due 12/10/14 (b)	4,203,750
	Reynolds Group Issuer Inc. / Reynolds Group Issuer LLC:		Energy Future Holdings Corp., 10.250%, due 1/15/20 (a)	12,066,242
7,500,000	7.125%, due 4/15/19 (a)	7,781,250	NRG Energy Inc.:	
7,500,000	9.000%, due 4/15/19 (a)	7,912,500	7.375%, due 2/1/16	7,262,500
		<u>7,912,500</u>	7.375%, due 1/15/17	7,297,500
		<u>15,693,750</u>	Texas Competitive Electric Holdings Co. LLC:	
17,500,000	<b>Technology - 1.70%</b>		Term Loan B1, 3.763%, due 10/10/14 (b)	2,873,927
	EVERTEC Inc., 11.000%, due 10/1/18 (a)	18,375,000	Term Loan B3, 3.763%, due 10/10/14 (b)	14,718,157
				<u>48,422,076</u>
			<b>Total Corporate Debt Instruments</b>	
			(Cost \$791,838,733)	<u>845,351,310</u>

*See accompanying notes to the Portfolios of Investments.*

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

Shares	Value (Note 1)	Value (Note 1)
<b>Preferred Stocks - 0.85%</b>		
		<b>Investor Class:</b>
		Net assets applicable to 24,797,854
28,325	Energy XXI Bermuda Ltd., 5.625% (Bermuda)	shares outstanding
	\$ 9,223,328	<u>\$ 284,470,783</u>
	<b>Total Preferred Stocks</b>	Net asset value, offering and
	(Cost \$7,496,795)	redemption price per share
	<u>9,223,328</u>	<u>\$11.47</u>
<b>Private Equities - 0.48%</b>		<b>Institutional Class:</b>
		Net assets applicable to 69,716,402
		shares outstanding
2,568,977	Financials - 0.48%	<u>\$ 799,411,762</u>
2,568,955	Cerberus CG Investor I LLC (e)	Net asset value, offering and
1,284,575	Cerberus CG Investor II LLC (e)	redemption price per share
	1,040,506	<u>\$11.47</u>
	<b>Total Private Equities</b>	
	(Cost \$3,837,449)	
	<u>5,202,231</u>	
<b>Common Stocks - 2.01%</b>		
		PIK: Payment-in-kind.
623,251	Aerospace - 0.59%	(a) Security is exempt from registration under Rule 144A of the Securities Act
	Aveos Fleet Performance, Inc. (d) (e)	of 1933. This security may be resold in transactions that are exempt from
	6,388,320	registration, normally to qualified institutional buyers.
208,333	Automotive - 0.70%	(b) Variable rate security. The rate disclosed is in effect as of January 31, 2011.
	General Motors Co. (e)	(c) Fair-valued security.
	7,602,071	(d) Affiliated issuers—as defined under the Investment Company Act of 1940
247,695	Energy - 0.72%	(ownership of 5% or more of the outstanding voting securities of these
	Stallion Oilfield Holdings, Inc. (e) (f)	issuers).
	7,812,721	(e) Non-income producing security.
	<b>Total Common Stocks</b>	(f) Security is subject to restrictions on resale.
	(Cost \$22,480,235)	(g) A portion of this security is segregated for future fund commitments.
	21,803,112	* Issuer in default.
	<b>Total Investment Portfolio - 81.34%</b>	<sup>1</sup> Incorporated in Bermuda.
	(Cost \$825,653,212)	
	881,579,981	Country Concentration
	<b>Other Assets less</b>	% of
	Liabilities - 18.66%	Net Assets
	202,302,564	United States* 69.30%
	<u>\$ 1,083,882,545</u>	Canada 5.82
		Jamaica 1.78
		Luxembourg 1.75
		Netherlands 1.56
		Bermuda 0.85
		Mexico 0.28
		<u>81.34%</u>
		* Includes cash equivalents.

See accompanying notes to the Portfolios of Investments.

**Third Avenue Trust**  
**Notes to Portfolios of Investments**  
**January 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 January 31, 2011, such securities had a total fair value of \$68,319,093 or 1.34% of net assets of Third Avenue Value Fund, \$44,185,122 or 4.04% of net assets of Third Avenue Small-Cap Value Fund, \$47,808,202 or 2.64% of net assets of Third Avenue Real Estate Value Fund, \$32,535,886 or 2.04% of net assets of Third Avenue International Value Fund, and \$4,413,914 or 0.41% of net assets of Third Avenue Focused Credit Fund. Among the factors 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 discount from

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

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)**  
**January 31, 2011**  
**(Unaudited)**

The following is a summary by level of inputs used to value the Funds' investments as of January 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>
<b>Level 1: Quoted Prices</b>					
<b>Investments in Securities:</b>					
<b>Common Stocks &amp; Warrants:</b>					
Advertising	\$ —	\$ —	\$ —	\$38,838,015	\$ —
Aerospace & Defense	—	782,429	—	—	—
Agriculture	—	42,115,642	—	79,001,307	—
Annuities & Mutual Fund					
Management & Sales	187,380,000	—	—	—	—
Automotive	320,957,714	—	—	—	7,602,071
Building & Construction					
Products/Services	—	—	—	15,903,072	—
Capital Goods	—	—	—	34,185,660	—
Chemical & Allied Products	—	42,463,737	—	—	—
Computer Peripherals	—	20,984,812	—	—	—
Consumer Products	—	26,932,599	—	—	—
Corporate Services	—	—	—	10,563,332	—
Dairy Products	—	—	—	33,270,602	—
Depository Institutions	120,705,731	—	—	—	—
Diversified Operations	489,038,081	—	—	99,242,870	—
Electronics Components	—	72,973,125	—	121,926,905	—
Energy/Services	—	75,688,360	—	—	—
Food Processing	—	12,484,367	—	—	—
Forest Products & Paper	—	33,270,580	49,873,114	96,153,604	—
Healthcare Services	—	48,138,953	—	—	—
Holding Companies	1,227,160,500	60,449,498	—	165,194,872	—
Industrial Equipment	—	19,361,451	—	—	—
Industrial Services	—	6,832,440	—	—	—
Information Technology Services	—	10,549,631	—	—	—
Insurance	—	—	—	156,930,606	—
Insurance & Reinsurance	—	43,314,943	—	—	—
Investment Companies	—	—	—	50,661,491	—
Life Insurance	—	26,609,859	—	—	—
Machinery	—	—	—	42,681,812	—
Media	—	13,008,917	—	7,547,611	—
Metals & Mining	—	—	—	89,472,546	—
Metals Manufacturing	—	49,026,739	—	—	—

**Third Avenue Trust**  
**Notes to Portfolios of Investments (continued)**  
**January 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>
<b>Level 1 (continued)</b>					
Mutual Holding Companies	\$ 9,739,271	\$ —	\$ —	\$ —	\$ —
Non-U.S. Closed End Fund	—	—	43,464,026	28,103,042	—
Non-U.S. Homebuilder	—	—	55,825,897	—	—
Non-U.S. Real Estate					
Consulting/Management	—	—	18,591,881	—	—
Non-U.S. Real Estate Investment Trusts	—	—	141,636,978	—	—
Non-U.S. Real Estate Operating					
Companies	964,842,865	63,545,828	702,145,692	76,674,406	—
Oil & Gas	—	13,044,365	—	—	—
Oil & Gas Production & Services	362,972,459	—	—	61,379,850	—
Pharmaceuticals	—	—	—	54,348,565	—
Securities Trading Services	—	42,539,999	—	—	—
Semiconductor Equipment					
Manufacturers & Related	15,690,000	21,978,128	—	—	—
Software	—	22,915,897	—	—	—
Steel & Specialty Steel	357,490,000	—	—	—	—
Telecommunications	65,591,805	10,693,292	—	84,874,433	—
Transportation	—	—	—	29,715,278	—
U.S. Homebuilder	—	—	46,673,133	—	—
U.S. Real Estate Investment Trusts	—	—	94,845,740	—	—
U.S. Real Estate Operating Companies	238,597,188	63,918,487	241,034,668	—	—
Utilities, Utility Service Companies &					
Waste Management	149,181,762	—	—	—	—
<b>Limited Partnerships:</b>					
Infrastructure	8,688,000	—	—	—	—
<b>Preferred Stocks:</b>					
Energy	—	—	—	—	9,223,328
Insurance & Reinsurance	8,586	—	—	—	—
<b>Total for Level 1 Securities</b>	<u>\$4,518,043,962</u>	<u>\$ 843,624,078</u>	<u>\$1,394,091,129</u>	<u>\$1,376,669,879</u>	<u>\$ 16,825,399</u>

**Third Avenue Trust**  
**Notes to Portfolios of Investments (continued)**  
**January 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>
<b>Level 2: Other Significant Observable Inputs†</b>					
<b>Investments in Securities:</b>					
<b>Common Stocks:</b>					
Aerospace	\$ —	\$ —	\$ —	\$ —	\$ 6,388,320
Energy	—	—	—	—	7,812,721
Other Financial	—	—	—	54,606,781	—
Technology-Hardware	—	—	—	43,462,357	—
U.S. Real Estate Operating Companies	—	—	46,229,025	—	—
<b>Corporate Debt Instruments#</b>	128,963,350	19,272,615	24,875,000	—	840,937,396
<b>Private Equities:</b>					
Financials	—	—	—	—	5,202,231
<b>Purchased Options:</b>					
Foreign Currency Put Options	—	2,563,333	—	1,265,625	—
<b>Purchased Swaps:</b>	—	1,223,565	—	—	—
<b>Short Term Investments:</b>					
U.S. Government Obligations	99,978,331	124,955,079	203,964,744	29,993,499	—
<b>Total for Level 2 Securities</b>	<u>228,941,681</u>	<u>148,014,592</u>	<u>275,068,769</u>	<u>129,328,262</u>	<u>860,340,668</u>
<b>Level 3: Significant Unobservable Inputs</b>					
<b>Investments in Securities:</b>					
<b>Common Stocks:</b>					
Auto Supply	—*	—	—	—	—
Consumer Products	26,318	—	—	—	—
Energy	—	—	—	—	4,413,914
Financial Insurance	555,000	—	—	—	—
Forest Products & Paper	—	9,692,797	—	32,535,886	—
Holding Companies	—	25,324,825	—	—	—
Insurance & Reinsurance	205,692	—	—	—	—
Manufactured Housing	35,428,724	—	—	—	—
U.S. Real Estate Operating Companies	11,385,493	—	7,789,396	—	—
<b>Limited Partnerships:</b>					
Holding Companies	—	9,167,500	—	—	—
Insurance & Reinsurance	367,955	—	—	—	—
Investment Fund	—	—	40,018,806	—	—
<b>Preferred Stocks:</b>					
Insurance & Reinsurance	216,372	—	—	—	—
<b>Corporate Debt Instruments#</b>	20,133,539	—	—	—	—
<b>Total for Level 3 Securities</b>	<u>68,319,093</u>	<u>44,185,122</u>	<u>47,808,202</u>	<u>32,535,886</u>	<u>4,413,914</u>
<b>Total Value of Investments</b>	<u>\$4,815,304,736</u>	<u>\$1,035,823,792</u>	<u>\$1,716,968,100</u>	<u>\$1,538,534,027</u>	<u>\$ 881,579,981</u>

**Third Avenue Trust**  
**Notes to Portfolios of Investments (continued)**  
**January 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>
<b>Investments in Other Financial Instruments:</b>					
<b>Level 2: Other Significant Observable Inputs</b>					
Forward Foreign Currency Contracts	\$ —	\$ —	\$ 1,051,902	\$ —	\$ —
Total Appreciation in Other Financial Instruments	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,051,902</u>	<u>\$ —</u>	<u>\$ —</u>

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

† Includes certain securities trading primarily outside the U.S. whose values were adjusted as a result of the close of local markets.

\* Securities have zero values.

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

**Third Avenue Trust**  
**Notes to Portfolios of Investments (continued)**  
**January 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	Transfer into Level 3	Balance as of 1/31/11 (fair value)	Net change in unrealized appreciation/ (depreciation) attributable to assets still held at period end
<b>Third Avenue Value Fund</b>						
<b>Common Stocks:</b>						
Auto Supply	\$ —*	\$ —	\$ —	\$ —	\$ —*	\$ —
Consumer Products	26,318	—	—	—	26,318	—
Financial Insurance	555,000	—	—	—	555,000	—
Insurance & Reinsurance	191,667	14,025	—	—	205,692	14,025
Manufactured Housing	35,000,000	428,724	—	—	35,428,724	428,724
U.S. Real Estate						
Operating Companies	10,436,702	948,791	—	—	11,385,493	948,791
<b>Corporate Debt Instruments#</b>	7,102,886	(969,347)	14,000,000	—	20,133,539	(969,347)
<b>Limited Partnerships:</b>						
Insurance & Reinsurance	367,955	—	—	—	367,955	—
<b>Preferred Stocks:</b>						
Insurance & Reinsurance	216,372	—	—	—	216,372	—
<b>Total</b>	<u>\$53,896,900</u>	<u>\$ 422,193</u>	<u>\$14,000,000</u>	<u>\$ —</u>	<u>\$68,319,093</u>	<u>\$ 422,193</u>
<b>Third Avenue Small-Cap Value Fund</b>						
<b>Common Stocks:</b>						
Forest Products & Paper	\$ 4,447,931	\$ 5,244,866	\$ —	\$ —	\$ 9,692,797	\$ 5,244,866
Holding Companies	—	7,524,307	—	17,800,518	25,324,825	7,524,307
<b>Limited Partnerships:</b>						
Holding Companies	7,144,000	2,023,500	—	—	9,167,500	2,023,500
<b>Total</b>	<u>\$11,591,931</u>	<u>\$14,792,673</u>	<u>\$ —</u>	<u>\$17,800,518</u>	<u>\$44,185,122</u>	<u>\$14,792,673</u>

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

Reconciliation of Level 3 Investments (continued):

	<u>Balance as of 10/31/10 (fair value)</u>	<u>Net change in unrealized appreciation/ (depreciation)</u>	<u>Bond Discount</u>	<u>Transfer out of Level 3</u>	<u>Balance as of 1/31/11 (fair value)</u>	<u>Net change in unrealized appreciation/ (depreciation) attributable to assets still held at period end</u>
<b>Third Avenue Real Estate Value Fund</b>						
<b>Common Stocks:</b>						
U.S. Real Estate Operating Companies	\$ 7,140,280	\$ 649,116	\$ —	\$ —	\$ 7,789,396	\$ 649,116
<b>Limited Partnerships:</b>						
Investment Fund	<u>38,735,530</u>	<u>1,283,276</u>	<u>—</u>	<u>—</u>	<u>40,018,806</u>	<u>1,283,276</u>
<b>Total</b>	<u>\$45,875,810</u>	<u>\$ 1,932,392</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$47,808,202</u>	<u>\$ 1,932,392</u>
<b>Third Avenue International Value Fund</b>						
<b>Common Stocks:</b>						
Forest Products & Paper	\$14,930,405	\$17,605,481	\$ —	\$ —	\$32,535,886	\$17,605,481
<b>Third Avenue Focused Credit Fund</b>						
<b>Private Equities:</b>						
Financials	\$14,300,000	\$ —	\$ —	\$(14,300,000)	\$ —	\$ —
<b>Corporate Debt Instruments#</b>	<u>14,676,415</u>	<u>(24,772)</u>	<u>24,771</u>	<u>(10,262,500)</u>	<u>4,413,914</u>	<u>(24,772)</u>
<b>Total</b>	<u>\$28,976,415</u>	<u>\$ (24,772)</u>	<u>\$24,771</u>	<u>\$(24,562,500)</u>	<u>\$ 4,413,914</u>	<u>\$ (24,772)</u>

\* Securities have zero values.

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

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.

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

**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 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 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.

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

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 write swaption contracts to manage exposure to fluctuations in interest rates and to enhance portfolio yield. Swaption contracts written by a Fund represent an option that obligates the writer upon exercise by the purchaser, to enter into a previously agreed upon swap contract on a future date. If a written call swaption is exercised, the writer will enter a swap and is obligated to pay the fixed rate and receive a floating rate in exchange. If a written put swaption is exercised, the writer will enter a swap and is obligated to pay the floating rate and receive a fixed rate in exchange.

When the Funds write a swaption, the premium received is recorded as a liability and is subsequently adjusted to the current market value of the swaption. 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 from writing swaptions that expire or are exercised are treated by the Funds as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase 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.

Entering into a swaption contract involves, to varying degrees, the elements of credit, market and interest rate risk, associated with both option contracts and swap contracts. To reduce credit risk from potential counterparty default, the Funds only enter into swaption contracts with counterparties that meet certain standards of creditworthiness. The Funds bear the market risk arising from any change in index values or interest rates.

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

**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 U.S. government or corporate issuers, or by collateral such as mortgages. The indices and prices upon which such securities can be based include interest rates, currency rates and commodities prices. Floating rate securities pay interest according to a coupon which is reset periodically. The reset mechanism may be a formula based on, or reflect the passing through of, floating interest payments on an underlying collateral pool. These obligations generally exhibit a low price volatility for a given stated maturity or average life because their coupons adjust with changes in interest rates.

**2. INVESTMENTS**

The following information is based upon the book basis of investment securities as of January 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	\$1,568,496,633	\$ 214,733,656	\$ 336,593,476	\$ 327,199,347	\$ 63,132,688
Gross unrealized depreciation	<u>(516,030,184)</u>	<u>(130,816,010)</u>	<u>(106,763,954)</u>	<u>(146,590,625)</u>	<u>(7,205,919)</u>
Net unrealized appreciation	\$1,052,466,449	\$ 83,917,646	\$ 229,829,522	\$ 180,608,722	\$ 55,926,769
Aggregate book cost	<u>\$3,762,838,287</u>	<u>\$ 951,906,146</u>	<u>\$1,487,138,578</u>	<u>\$1,357,925,305</u>	<u>\$825,653,212</u>

**3. COMMITMENTS AND CONTINGENCIES**

At January 31, 2011, the Funds had the following commitments and contingencies:

<u>Fund</u>	<u>Issuer</u>	<u>Type</u>	<u>Amount of Commitment</u>	<u>Funded Commitment</u>	<u>Value of Segregated Securities</u>
Third Avenue Real Estate Value Fund	Alliance Bernstein Legacy Securities (C1) L.P.	Limited Partnership	\$40,000,000	\$34,000,000	\$6,000,000
Third Avenue Focused Credit Fund	Aveos Fleet Performance, Inc.	Revolving Credit	2,574,468	858,156	1,716,312

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.

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

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](http://www.sec.gov).



## **BOARD OF TRUSTEES**

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## **OFFICERS**

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**Michael A. Buono — Controller**  
**W. James Hall — General Counsel, Secretary**  
**Joseph J. Reardon — Chief Compliance Officer**

## **TRANSFER AGENT**

**BNY Mellon Investment Servicing (U.S.) Inc.**  
**P.O. Box 9802**  
**Providence, RI 02940-8002**  
**610-239-4600**  
**800-443-1021 (toll-free)**

## **INVESTMENT ADVISER**

**Third Avenue Management LLC**  
**622 Third Avenue**  
**New York, NY 10017**

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**PricewaterhouseCoopers LLP**  
**300 Madison Avenue**  
**New York, NY 10017**

## **CUSTODIAN**

**JPMorgan Chase Bank, N.A.**  
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**Dallas, TX 75254**



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