Dear Fellow Shareholders:

Before moving into the heart of this letter, we wanted to say a few words about the passing of our founder, Marty Whitman. Marty was legend in our industry and spotted opportunities well ahead of the rest. When people would ask me about him, my response would be simply two words, brilliant and generous. His brilliance was obvious to anyone who met him. Marty could break down a situation and see the risks and opportunities at lightning speed. We all felt like rookies around him. His lasting legacy will be associated most by his generosity, both with his wealth and his knowledge. Just last week he gave a college seminar at Syracuse University. He once told me he learned far more about investing by teaching it than he ever did by practicing it. Marty loved to share his wisdom, and all of us feel blessed to have learned from his writing and teaching. The Small-Cap Value team and my colleagues at TAM are eager to carry on his legacy.

It is a pleasure to report the Small-Cap Value Fund’s first quarter results. The Fund rose 2.26% during the first quarter and outperformed its benchmark index, the Russell 2000 Value, which declined 2.64%1. It was a gratifying quarter for two reasons. First, the Fund was able to protect and grow shareholder capital despite most major indices declining during the quarter. Second, two of the top contributors were only added to the portfolio last quarter (Aspen Holdings and Tidewater rose 11% and 17%, respectively). Downside protection weaves through every aspect of our process, so it was nice to see the portfolio generating positive returns despite healthy downside volatility. One quarter is a small sample, but an encouraging one.

We received welcomed news during the quarter as DST Systems announced it was being acquired by SS&C Technologies. The 30% premium paid boosted performance making DST our third best contributor this quarter. We continue to see the private markets closing the valuation gaps through M&A. It’s one of the advantages of managing a small-cap fund since smaller companies are easier to digest.

**ACTIVITY**

During the quarter, we further concentrated the portfolio by eliminating 12 positions (ABM Industries, Anixter International, Carrizo Oil and Gas, Finisar Corp, Haynes International, Kennedy-Wilson, NetScout Systems, PDC Energy, Progress Software, Synaptics, Syntel, and Valley National Bank). We added three companies (FRP Holdings, Westaim Corporation and Seacor Marine).

A brief summary of each new position is listed below:

**FRP Holdings** ("FFP"): FRP is a real estate company with operations in the DC Metro area, Florida and Georgia with a mix of commercial and residential exposure. It is ably run by the Baker family who own 30% of the shares outstanding. The family has a long history of creating value for shareholders through investments in Florida Rock, Patriot Transportation and most recently Bluegrass Materials.

We have expressed interest in increasing our U.S. real estate exposure and believe the supply/demand dynamics are favorable, especially in densely populated areas. The Fund is exposed to West Coast residential real estate and we are eager to broaden the geographic footprint. The FRP investment addressed both of those priorities. When we originally purchased shares, the company was comprised of over 4m sq ft of commercial building space in the DC Metro areas, 6,000 acres of development land in Washington, Maryland and Florida and 15,000 acres of mining land in Florida and Georgia. The assets are well-located, prudently financed and cash flowing. We were able to purchase FRP at a discount to our conservative NAV estimates.

After our purchase, we were greeted with positive news which gave us comfort around our NAV estimates and management’s opportunistic nature. In March, FRP sold a vast majority of its income producing commercial properties for $358m. It is a significant transaction as the current market capitalization is only $560m. Management appeared to be taking advantage of the robust pricing environment in DC Metro due to a strong local economy and the optimism associated with Amazon’s potential move into the area. When Amazon announced their 20 finalist cities for the next headquarters, three were in the DC Metro area. The price paid exceeded our NAV estimate and it gives the Bakers excess capital to build-out their development assets or acquire other properties. Given their distinguished track record, we are confident they will create wealth with the excess capital.

**Westaim Corporation** ("Westaim"): Westaim is a company that provides capital to businesses in the financial services industry. Although it’s based in Canada, all operations are in the U.S. As stated in both of our previous letters, we want to increase our non-bank financial services exposure. A summary of Westaim’s corporate structure with descriptions of each segment is presented below:

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1. The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization.

*Please see Appendix for performance table and information*
Specialty Property and Casualty Insurance ("HIIG")

HIIG is run by Stephen Way who was previously CEO of HCC Insurance Holdings. During his HCC tenure, written premiums and assets grew at a compound annual growth rate (CAGR) of 27% and 29%, respectively.

Alternative Investment Management and Specialty Finance ("Arena")

In an effort to creatively manage HIIG’s insurance float, Westaim partnered with Dan Zwirn to form the Arena Group. Zwirn was the founder of D.B. Zwirn which successfully managed $12B at peak.

Arena provides short-term financing to mid-market companies ($10m loans on average) which is a less competitive segment of the market. The loans provided are well-collateralized with an average loan/value of 50%. Arena performs three functions for Westaim:

1. Invests a portion of HIIG’s float.
2. The Specialty Finance unit manages roughly $180m of Westaim’s capital.
3. Arena also runs an alternative asset management company that is majority owned by Westaim. Westaim did not invest capital into the asset management company, but it’s entitled to distributions as the company grows.

We were attracted to Westaim because it’s cheap, well-capitalized and is not easy to value using conventional analysis. We like that! Most importantly, it is run by skilled entrepreneurs who have compounded capital at a 22% CAGR since taking control of the company in 2009. Insiders also own 9% of the shares outstanding so their interests are aligned.

To sum up our thesis succinctly, you are getting a group of skilled operators and paying less than nothing for future growth. It’s currently trading at a discount to book value which is only comprised of Westaim’s ownership in HIIG and its equity investments in the Specialty Finance unit, but excludes its ownership in the asset management business which has not built up equity yet. Of note, both Way and Zwirn had a fall from grace with their prior companies. In both cases, the departures had little to do with their business acumen. HIIG and Arena represent platforms for both to practice a craft where they have consistently excelled with plenty of motivation to succeed.

The entities are off to a good start. HIIG side-stepped most of the carnage caused by last year’s hurricane season. Arena generated double-digit returns on its investments in 2017 and the asset management company is attracting well-heeled investors. Fairfax Financial agreed to invest $125m with Arena in exchange for an ownership stake in Westaim. Given that insurance companies are aggressively hunting for yield, it is easy to see why Fairfax and others would be interested in Arena’s product offering. The growth of Arena represents significant potential upside to our NAV.

Seacor Marine Holdings ("Seacor Marine"): Seacor Marine’s assets are familiar to us as its former parent, Seacor Holdings, has been owned by various Third Avenue Funds in the past. While researching Tidewater last year, we became intrigued with the offshore energy services business. Seacor Marine is a competitor of Tidewater and its core business is offshore supply vehicles which transport people and cargo to drilling rigs. The sector in general is deeply out of favor and due for a turnaround and/or potential consolidation.

Seacor Marine faced additional pressure when it was spun out of Seacor Holdings last year. It’s the type of well-capitalized, special situation we crave. Seacor Marine dropped over 40% after it was spun-out in mid-2017 and was trading at steep discount to book value when we began acquiring shares. Its management, Charles Fabrikant and John Gellert, have weathered many storms during their times together and easily meet our requirements of skilled operators, financiers and allocators. Insiders own 7% of the company as well. Most importantly, as many peers had to restructure via bankruptcy or flirted with it, Seacor Marine has made it through with a clean balance sheet.

Management wisely raised cheap capital before the industry downturn through a convertible bond that is currently out of the money. It attempted to make an opportunistic acquisition which was rebuffed (due to an excessively low bid!), but remains on the hunt for attractive assets. Current valuations are giving little value to its fleet versus cost or insured values. Seacor has positioned itself in assets that will be the first to benefit in an upturn. Supply and demand dynamics are improving as vessels are being retired and oil companies are generating cash flow again which should eventually lead to more exploration. Seacor Marine has the balance sheet strength and patient management team that we believe will create shareholder value once conditions improve. It is still trading at a 30% discount to book value, so the risk/return profile on the investment may be in our favor.

ACTIVITY

In our initial Q3 2017 letter, we estimated that the number of positions would be cut by 1/3. We are getting there as the number of positions has declined from 62 to 41. We expect activity on both the buy and sell side to moderate to one to two positions per quarter during 2018. We continue to build a portfolio of unique, undervalued, and well-capitalized assets with ample potential to compound
net asset value over time. It’s also important to point out the buying and selling activity over the past six months has resulted in a 50% decline in the portfolio price to book value ratio.

FRP Holdings and Westaim added to our compounding bucket and Seacor Marine Holdings is a "time arbitrage" investment. As a refresher, the compounders are companies run by disciplined allocators who share our emphasis on financial strength. We seek management teams who are willing to save for a rainy day, but also invest when others are running for cover. The compounding bucket will be comprised of long-term buy and hold positions. The time-arbitrage bucket is comprised of companies that are well-capitalized, but deeply out of favor or misunderstood. We also prefer asset support when valuing these companies. There will be higher turnover in this bucket.

Besides being prototypical compounders, FRP Holdings and Westaim also added to our strategic areas of interest (Financial Services and U.S. Real Estate). All three companies added are idiosyncratic with heavy insider ownership, and are run by skilled management teams. Companies with heavy insider ownership and less straightforward business models are less likely to end up in index products given their diversified business models and potentially lower liquidity. It provides a fund like ours an opportunity to buy high quality companies that have attractive valuations given they haven’t been bid up by index funds. Investments similar to the ones made last quarter help to explain why the Small Cap-Value Fund has a 97% active share. Our active share is not an accident and the efforts to concentrate the portfolio is another method to make the Small-Cap Value Fund less like an index.

Compounds are now 75% of the portfolio while time-arbitrage positions are only 17%. Cash was 8% at quarter-end. We expect the time-arbitrage bucket will be one-third of the portfolio over time, but we need more fear in the market. A few more months similar to February will get us get there.

OUTLOOK

We recently received an investor question about the disparity among the Value and Growth indices. Given our high active share, we don’t spend a lot of time thinking about the indices. It was noteworthy that the Growth index outperformed Value by double digits over the past year and has outperformed by over 3% annualized over the past three years. We investigated and our findings were interesting and encouraging.

As mentioned in previous letters, price-to-book is our preferred valuation metric as it’s much more stable than earnings-based measures. It not only tells us about operations, but also management’s ability to finance its business and allocate capital. The chart below shows the price-to-book value of the Russell 2000 Value Index vs. the Russell 2000 Growth Index over the past 10 years.

The price to book ratio of the Growth Index has far exceeded the growth of the Value Index over the past 10 years which was striking to us! Using price to book as a valuation measure, there seems to be higher likelihood that companies in the Growth index are overvalued. We then looked at the individual sectors. Again. It was striking. Healthcare and Technology comprise roughly 50% of the Growth Index (approximately 25% each). That’s up from roughly 40% 10 years ago. Clearly, growth investors have been pouring money into those sectors as they have become a larger part of the index. In comparison, the Value Index allocations to those sectors are in the mid-single digit and have remained at similar allocations for the past 10 years.

Why do we find that interesting and encouraging? We aren’t interested in the indices when managing your capital, but it’s important to point out the Small-Cap Value Fund has limited exposure to Technology (8%, but only 6% excluding DST) and Healthcare (2%). Those sectors tend to have little asset support, are too prone to product obsolescence, government intervention and rarely are cheap enough for us. Given the index data provided above, there may be many companies in those sectors that have benefitted from indiscriminate index buying. We are happy not to own them. We firmly believe that ultimately price matters when trying to achieve investment success. It’s not surprising then that our P/B ratio is 1.6X which is well below the Growth Index and roughly in-line with the Value Index. Not only have we avoided areas where we feel there is indiscriminant buying and absurd valuations, we are deploying capital to areas with attractive valuations and less competition.

Cycles don’t die from old age, but often end due to excess. As we saw during the internet bubble, real estate melt-up and now with the passive shift, when everyone is doing the same thing, it’s usually an indication to proceed with caution.

CONCLUSION

Volatility is our friend and we are happy to see it back on the scene. We are patiently turning over stones and waiting for some of our fully vetted companies to reach compelling prices. In the meantime, we are on the hunt for special situations such as Seacor Marine or off the beaten path...
companies such as FRP or Westaim. With 8% cash (10% including DST proceeds), we have plenty of firepower to put capital to work quickly and hope to bolster our real estate and financial services exposure. In an environment where investors are acting with a herd mentality, it gets easier to find niches that are undiscovered with robust investment potential.

We look forward to reporting back to you next quarter. Thank you for your investment in the Small-Cap Value Fund.

Sincerely,

V. L. Cunningham

Vic Cunningham
IMPORTANT INFORMATION

This publication does not constitute an offer or solicitation of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this publication has been obtained from sources we believe to be reliable, but cannot be guaranteed.

The information in this portfolio manager letter represents the opinions of the portfolio manager(s) and is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed are those of the portfolio manager(s) and may differ from those of other portfolio managers or of the firm as a whole. Also, please note that any discussion of the Fund’s holdings, the Fund’s performance, and the portfolio manager(s) views are as of March 31, 2018 (except as otherwise stated), and are subject to change without notice. Certain information contained in this letter constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe," or the negatives thereof (such as "may not," "should not," "are not expected to," etc.) or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of any fund may differ materially from those reflected or contemplated in any such forward-looking statement. Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

Date of first use of portfolio manager commentary: April 23, 2018
### FUND PERFORMANCE

<table>
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<tr>
<th>Fund</th>
<th>as of 3/31/18</th>
<th>1 yr</th>
<th>3 yr</th>
<th>5 yr</th>
<th>10 yr</th>
<th>Since Inception</th>
<th>Inception Date</th>
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<tbody>
<tr>
<td>TASCX (Institutional)</td>
<td>10.50%</td>
<td>8.11%</td>
<td>9.96%</td>
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<td>TVSX (Investor)</td>
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<td>(n/a)</td>
<td>10.43%</td>
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*Past performance is no guarantee of future results; returns include reinvestment of all distributions. The above represents past performance and current performance may be lower or higher than performance quoted above. Investment return and principal value fluctuate so that an investor’s shares, when redeemed, may be worth more or less than the original cost. For the most recent month-end performance, please visit the Fund’s website at www.thirdave.com. The gross expense ratio for the fund’s institutional, investor and z share classes is 1.20%, 1.45% and 1.10%, respectively, as of March 1, 2018. Risks that could negatively impact returns include: fluctuations in currencies versus the US dollar, political/social/economic instability in foreign countries where the Fund invests, lack of diversification, volatility associated with investing in small-cap securities, and adverse general market conditions.*

#### TOP TEN HOLDINGS

<table>
<thead>
<tr>
<th>Security</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspen Insurance Holdings Ltd.</td>
<td>6.4%</td>
</tr>
<tr>
<td>Tidewater, Inc.</td>
<td>3.7%</td>
</tr>
<tr>
<td>ICF International, Inc.</td>
<td>3.1%</td>
</tr>
<tr>
<td>Cubic Corp.</td>
<td>3.1%</td>
</tr>
<tr>
<td>FTI Consulting, Inc.</td>
<td>2.8%</td>
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<tr>
<td>Legg Mason, Inc.</td>
<td>2.8%</td>
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<tr>
<td>MYR Group, Inc.</td>
<td>2.8%</td>
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<tr>
<td>Prosperity Bancshares, Inc.</td>
<td>2.8%</td>
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<tr>
<td>Southside Bancshares, Inc.</td>
<td>2.5%</td>
</tr>
<tr>
<td>TRI Pointe Group, Inc.</td>
<td>2.5%</td>
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Allocations subject to change.