Third Avenue Value Fund

Third Avenue Small-Cap Value Fund

Third Avenue Real Estate Value Fund

Third Avenue International Value Fund

FOURTH QUARTER PORTFOLIO MANAGER COMMENTARY

31 OCTOBER 2010

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Founder's Letter

MARTIN J. WHITMAN
CHAIRMAN OF THE BOARD
THIRD AVENUE MANAGEMENT
(THIRD AVENUE MANAGEMENT AND THIRD AVENUE CAPITAL ARE SUBSIDIARIES OF THIRD AVENUE HOLDINGS, DELAWARE.)

Dear Fellow Shareholders,

November 1, 2010 marked the 20th anniversary of the launch of Third Avenue Management's first U.S. mutual fund, Third Avenue Value Fund ("TAVF," the "Fund"). Much has been accomplished in the past 20 years by Third Avenue in providing sound investment advice and good results for the shareholders of our five U.S. domiciled mutual funds and four Ireland-domiciled UCITS, as well as clients invested in our separately managed accounts and limited partnerships. I am particularly proud and pleased by what has been achieved by my partners at Third Avenue and by all the employees of the firm. They really are a remarkable bunch.

Twenty Years Of Value Investing

When the Fund first reported to shareholders on 31 October 1990, it had a portfolio of ten securities including municipal bonds, corporate bonds, corporate preferred stock and common stock. "We suppose that many people who read this letter will conclude that the portfolio is speculative," we wrote. "Certainly all the conventional thinkers believe the Fund is speculative. We disagree. Unconventional, sure. But given the prices at which the various securities were acquired, and given the extensive, in-depth research that went into the decision-making process for each investment, speculative versus conservative ought not to be measured only by what is cosmetically acceptable and what ratings services say. Rating services and conventional thinkers pay no attention at all to price. From the Third Avenue perspective, we believe that there ought to be, at the least, a price component in measuring whether an investment is speculative or conservative. There also ought to be a quality of research component. Third Avenue will try to stay conservative by these measures even though the portfolio is unlikely to ever be cosmetically correct."

For two decades, a hallmark of Third Avenue's style has been the search for safety in places where most investors would never look. In a mutual fund industry that has spawned narrower and narrower niches in response to the teaching of Modern Capital Theory ("MCT") and the Efficient Market Hypothesis ("EMH"), Third Avenue has charted a unique path. Guided by an adherence to price consciousness and a deep understanding of underlying business fundamentals and asset values, Third Avenue managers have wide discretion to invest where and when they deem it appropriate. The results have been gratifying – returns that beat the market most of the time and over the long run. The experience has been unique. TAVF and its investors are rarely, if ever, invested alongside the galloping herds.

It was 1993 when the Value Fund first invested in Apple Computer. This was back when Apple's products served a decidedly niche audience and the company seemed destined to, at best, maintain its position as a relatively small manufacturer of personal computers, if not to be outright crushed by Microsoft and computer manufacturers making machines that ran its operating systems. When we initiated our position, we did not know how truly iconic and enduring a fixture Apple would become. What we did know, from our fundamental bottom-up analysis, was enough to understand what the company was worth at the time and how the market, in its momentary ignorance, had left its securities undervalued. Apple enjoyed a super strong financial position. TAVF invested in technology companies large and small throughout the 1990s. In almost every instance, cash alone exceeded total book liabilities. In 1996, our investments in smaller semiconductor capital equipment stocks, brought to the firm by our current Chief Investment Officer, Curtis Jensen, led to the eventual formation of the Third Avenue Small-Cap Value Fund. We avoided the speculative dot com stocks of the day, (including new issues that we called "schlock" in 1999), but we didn't eschew investing in technology. Instead we invested in well-capitalized semiconductor companies, those that built the infrastructure of the Internet that endured even as so many Internet pure plays fizzled into the ether. Outsiders were quick to judge us for not joining the dot com frenzy, with some wondering whether or not we were out of touch with a new era. We invested by the dictates of our philosophy and were ultimately vindicated. At the Value Fund we are now looking at some larger, undervalued American technology companies, as mentioned by my co-portfolio manager, Ian Lapey in his letter to TAVF shareholders.

In the wake of 2001's shock to the U.S. economy, Third Avenue returned to its roots in distress investing. We invested in the high-yield debt of several troubled companies, seeking returns of 25% or more. We owned the unsecured debt of Kmart, which sought bankruptcy protection in 2002. TAVF then purchased common stock to help fund Kmart's reorganization. We exited our position when we believed the stock had become egregiously overvalued.

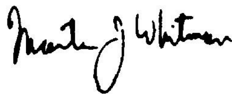
During the 1990s we learned that investing in real estate securities was an essential part of Third Avenue's value strategy. In 1998 we launched the Third Avenue Real Estate Value Fund, managed by Michael Winer since inception. It was Michael who determined that we were able to purchase Kmart common for less than the value of the company's real estate.

In 2004 and 2005, the TAVF began making a number of overseas investments in common stocks, including companies such as South Korean steel producer POSCO and also certain Hong Kong real estate and investment companies. These remain in the portfolio today. At the time, we said that "other things being equal, we would prefer to invest in this country (the U.S.)," but our price consciousness dictated that we look abroad. Once again, price led us in the right direction. It now seems that any long-term investor should want to have a portion of assets in companies headquartered in and doing business in the Far East including Hong Kong. TAVF became an excellent way to gain that exposure through a portfolio of the strongest companies that are run by management teams whose interests are aligned with those of Outside Passive Minority Shareholders("OPMI's"), even when those shareholders are situated abroad. Third Avenue was able to make such investments with confidence because we have a long tradition of global value investing. Amit Wadhwaney, who was an analyst for the firm when we first launched TAVF 20 years ago and the manager since inception of the Third Avenue International Value Fund, now leads a seasoned team of internationally focused analysts, had proven to me years earlier that our "Safe and Cheap" investment philosophy could be applied to other geographic regions. We believe that our portfolio of non-U.S. securities proves that out.

In 2008, a financial shock that in retrospect made the bursting of the dotcom bubble seem quaint, led us to renew our commitment to distress investing once again. Many of the investments that we found and initiated during those troubled months are driving positive returns today. In 2009, as the global credit markets began to recover, Third Avenue launched its only Fund dedicated solely to investing in debt securities. Managers Jeff Gary and Thomas Lapointe bring Third Avenue's unique, price conscious view to those markets and have had a successful first year.

In an industry where independent thinking, fundamental analysis and conviction-based investing have been abandoned by so many other managers in order to force their investment strategies to match a benchmark or fit someone else's mandate or style box, I am proud to say that we have remained true to our investment philosophy for our entire 20 years. Every step of the way we have "eaten our own cooking," investing our personal money in our funds, alongside and on the same terms as you, our fellow shareholders. I guess that makes us biased. But we are biased on your side.

Sincerely yours,



Martin J. Whitman
Chairman Of The Board
Third Avenue Management

Third Avenue Value Fund

MARTIN J. WHITMAN
PORTFOLIO MANAGER
THIRD AVENUE VALUE FUND

IAN LAPEY
PORTFOLIO MANAGER
THIRD AVENUE VALUE FUND

Dear Valued Shareholders:

We are pleased to present you with the Fourth Quarter commentary for the Third Avenue Value Fund UCITS (“The Fund”). The Fund seeks to achieve long-term capital appreciation with limited investment risk by investing opportunistically, without constraints on geography, market capitalization or industry. A list of portfolio changes follows with thoughts on a few securities of note.

QUARTERLY ACTIVITY

New Position

Applied Materials, Inc. Common Stock

Positions Increased

Bank Of New York Mellon
Brookfield Infrastructure Partners
Capital Southwest Corp.
Cenovus Energy
Cimarex Energy
Encana Corp.
Key Corp.
Posco
Tejon Ranch Co.
Tellabs

Positions Decreased

Brookfield Asset Management
Cheung Kong Holdings Ltd.
Forest City Enterprises
Hang Lung Group
Hang Lung Properties
Henderson Land Development
Investor AB
Sycamore Networks
Wharf Holdings
Wheelock & Co
Guoco Group

DISCUSSION OF SIGNIFICANT QUARTERLY ACTIVITY

We added one new position to the Fund during the quarter. Applied Materials is the world's largest semiconductor capital equipment supplier. The company's business has performed well throughout the economic downturn, particularly from a cash generation standpoint and remains extremely well financed with net cash of approximately $3 billion (USD). The shares were purchased at a modest multiple to free cash flow that appears to ascribe little or no value to its promising solar unit. As of 31 October, 2010, Applied Materials was 1.3% of Fund assets.

THIRD AVENUE AND "THE MACRO"

Recently, I saw an article in the *Wall Street Journal* discussing the difficulty most investors are having in a market that seems to be dominated by macro forces. The headline and a few select quotes are below:

" 'Macro' Forces In Market Confound Stock Pickers"
The Wall Street Journal, 24 September 2010

"More and more investors aren't bothering to pore through corporate reports searching for gems and duds"

" 'Stock picking is a dead art form. Macro themes dominate the market now more than ever' – James Bianco"

" 'It's unbelievably frustrating.' – David Pedowitz"

" ' When you have securities that are all moving in the same direction, that by its nature opens up opportunities.' – Cindy Sweeting"

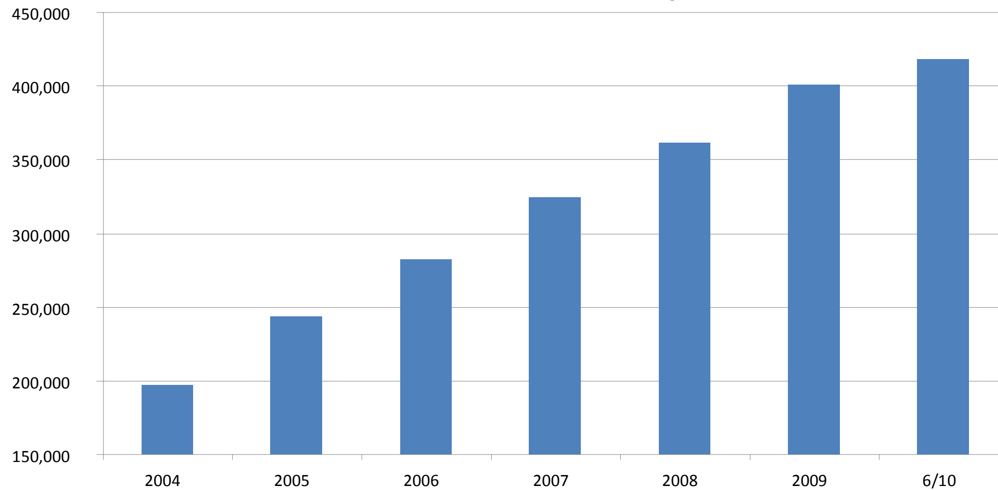
It was an amazing article that really highlighted how different Third Avenue is from most investors. The focus of most investors on "the macro" has created great opportunities for long-term, bottom-up value investors like us. At Third Avenue, we use document intensive research to identify common stocks of companies with extremely strong financial positions, attractive long-term business outlooks and capable management teams. We purchase shares when they are trading at significant discounts to readily ascertainable net asset value and then hold for the long term (average annual turnover for The Third Avenue Value Fund, the American 40 Act mutual fund run according to the same strategy as this UCITS was 13% between 2000 and 2009).

According to the article, investors do not seem to be reviewing financials, which is exactly what we do at Third Avenue. If everyone were trying to do what we do, it would be much harder and more competitive. I certainly do not agree with Mr. Bianco that stock picking is a dead art form-- in fact, I believe just the opposite -- there currently appear to be numerous opportunities for patient bottom-up value investors. We also respectfully disagree with Mr. Pedowitz's view that the current environment is frustrating. As Ms. Sweeting indicates in the quote above, when stocks all move together it creates great investing opportunities.

Nevertheless, we certainly have been through a period when macro-economic forces have been very important for virtually all businesses, particularly during the Great Recession and credit crunch of 2008 and 2009. Fortunately, our focus on only investing in common stocks with extremely strong financial positions enabled us to largely avoid permanent impairments during this period.

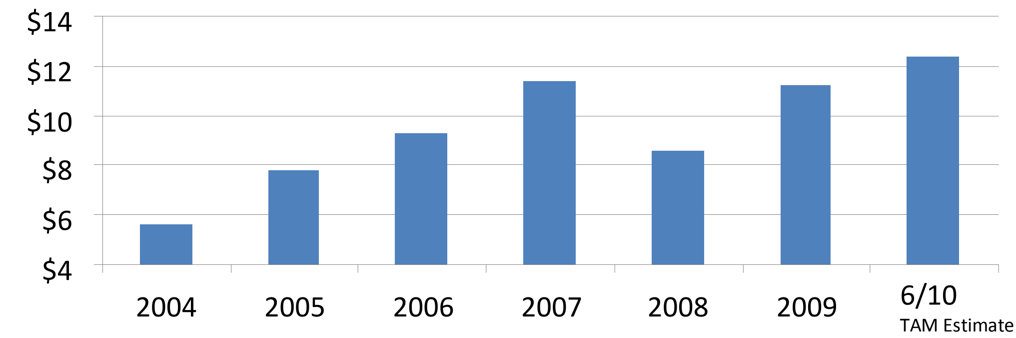
In fact, most of our holdings generated strong growth in net asset value over the last five years, almost as if the Great Recession and credit crunch never happened. For example, as the following graphs indicate, Posco (a Korean steel producer), our Hong Kong-based real estate and investment companies, Brookfield Asset Management (a Canadian investment and asset management firm) and Nabors Industries (a U.S. land driller) have generated annual growth in reported book value of between 8 and 19% over this period (including dividends). The common stocks of these companies (including separately traded operating companies) accounted for approximately 52.1% of the Fund's net assets as of 31 October, 2010.

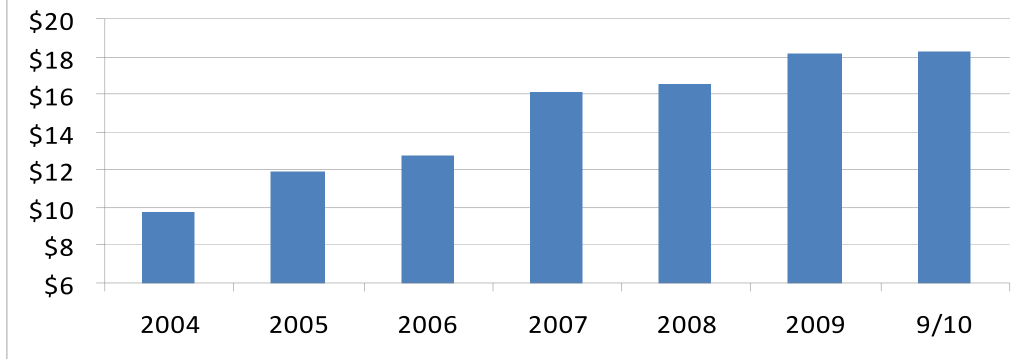
Posco
Reported Book Value [1]
17% CAGR (including dividends)



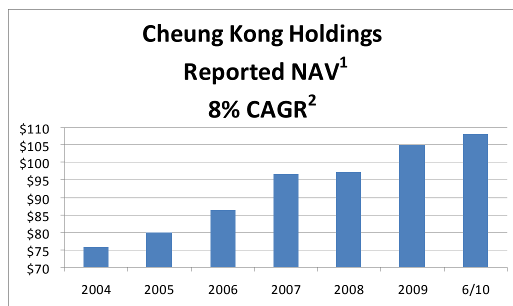
(1) In Korean won per share

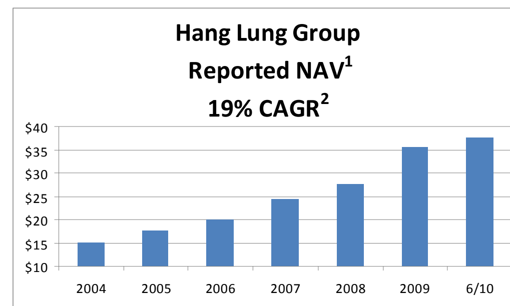
Brookfield Asset Management
Reported Book value
19% CAGR (including dividends)

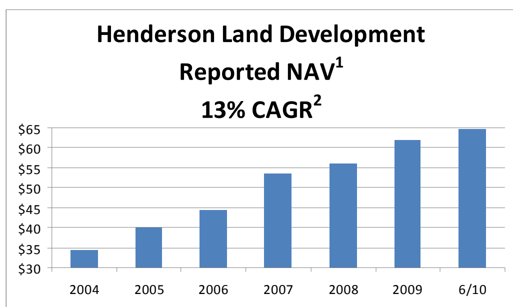


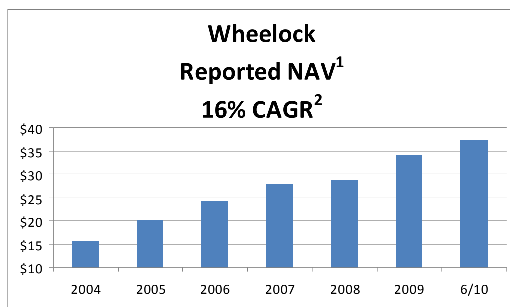


Hong Kong Real Estate and Investment Companies









(1) In Hong Kong dollars per share
(2) Including dividends

Additionally, the following other significant holdings have reported respectable business results despite the Great Recession and credit crunch:

- Investor AB's reported net asset value has increased at a 6% annual rate over the last five years, including dividends. Investor AB is a Sweden-based investment company with holdings in European blue-chip stocks and private equity. As of 31 October 2010, Investor AB accounted for 4.8% of Fund assets.
- The Bank of New York Mellon's two core businesses, asset servicing and asset management, have both grown since the company's formation in July 2007. As of 30 September 2010, the company's assets under custody and assets under

management had increased 20% and 5% to $24.4 trillion (USD) and $1.1 trillion (USD), respectively. Although the company incurred significant losses in its investment portfolio and increased its share-count by 9%, book value per share has increased by 2% over the last three years. The company's loan portfolio performed very well and continues to exhibit very attractive credit metrics and trends. As of 31 October 2010, Bank of New York accounted for 4.6% of Fund assets.

- The businesses of the Fund's common stock investments in oil and gas exploration and production companies (Cimarex Energy Co., Encana Corp, and Cenovus Energy, Inc. – collectively 6% of Fund assets as of 31 October 2010) have performed superbly. Each company has generated strong growth in production and reserves per share (proxies for net asset value). Most impressively, in late 2008, Cimarex used its strong financial position to buy acreage from a distressed competitor in the Cana-Woodford shale play in Oklahoma. This play has been an important driver of Cimarex's 29% production growth in 2010.
- Toyota Industries had the worst business performance over the last five years of the companies in whose common stocks the Fund has significant investments. Fund Management has been disappointed by both the operating losses incurred by Toyota Industries and Toyota Motor during fiscal 2009 and Toyota Motor's recall issues in 2010. Nevertheless, Toyota Industries' reported Net Asset Value has only declined at an annual rate of approximately 1% since 2005, and Toyota Industries and Toyota Motor continue to have strong financial positions. As of 31 October 2010, Toyota Industries Common traded at a discount of approximately 40% to our estimate of net asset value and represented 8.5% of the Fund's net assets.

As the aforementioned *Wall Street Journal* article referenced above noted, 2010 has been a year in which there have been numerous macro concerns for investors. However, Fund Management is comforted by the strong business performance of its holdings over the last five years and excited by the potential for even better business performance going forward.

QE2 VS. THIRD AVENUE VALUE FUND HOLDINGS

On 3 November 2010 , the United States Federal Reserve announced that it would purchase $600 billion (USD) in U.S. Treasuries through June 2011. The purchases will reportedly be of two to 10-year Treasuries that currently yield between 0.5% and 2.9% (the bulk of the purchases are expected to be of securities with five- to- six year maturities, which currently yield approximately 1.5%).

At Third Avenue, we analyze investments from a creditor's point of view, and, as such, I am somewhat perplexed about the wisdom of the Federal Reserve's action. Given the U.S. government's huge debt load and ongoing budget deficit, it would appear to make more sense to be issuing as much long-term debt as possible, as opposed to repurchasing its low-yielding debt. I am pleased that the strongly-financed companies in whose common stocks the Fund is invested seem to be following a much more sensible strategy by issuing long-term debt (and preferred stock) at very attractive rates. One of the benefits of having a strong financial position is the ability to choose when to access the capital markets, and now seems to be an opportune time. Examples in our portfolio include the following:

- Posco sold $700 million (USD) of 10-year notes in October at a spread of 179 basis points to Treasuries (approximately 4.2%).
- Brookfield Asset Management issued $1.4 billion (USD) of corporate debt and perpetual preferred stock at an average cost of 5% during the third quarter. The company has also been refinancing mortgages on office buildings at even lower rates.
- The Bank of New York Mellon issued $650 million (USD) in five-year 2.95% Senior Unsecured Notes in June. Since then, the Notes have appreciated above 104 and now yield approximately 2%.
- Nabors Industries sold $700 million (USD) in 10-year Senior Unsecured Notes in September at a yield of 5.06%.
- Henderson Land Development Co entered into a HK$13.25 billion five-year term loan and revolving credit facility in June at a spread of only 78 basis points to the Hong Kong Interbank Offered Rate (HIBOR; approximately 0.25%).
- Covanta Holding Corp, issued $400 million (USD) in Senior Unsecured Notes in November at a yield of 7.25%.

We believe that access to low cost long-term financing, as demonstrated in the examples above, should enable our portfolio holdings to accelerate net asset value growth going forward.

Best wishes for a happy and healthy New Year. I shall write to you again when we publish our first quarter report dated 31 January, 2011.

Sincerely yours,

Ian Lapey
Co-Manager,
Third Avenue Value Fund UCITS

Third Avenue Small-Cap Value Fund

CURTIS R. JENSEN
PORTFOLIO MANAGER
THIRD AVENUE SMALL-CAP VALUE FUND

Dear Valued Shareholders:

We are pleased to present you with the Fourth Quarter commentary for the Third Avenue Small-Cap Value Fund UCITS ("The Fund"). A record of portfolio activity follows, along with a discussion of some key points we consider when selecting investments for our portfolios.

QUARTERLY ACTIVITY

New Position

Sanderson Farms

Positions Increased

Alamo Group, Inc.
Arch Capital
Bel Fuse
Bristow Group
Broadridge Financial Solutions
Bronco Drilling
Cross Country Healthcare
Electro Scientific Industries
Electronics For Imaging
Encore Wire
HCC Insurance
Imation Corp.
Ingram Micro Inc.
Investment Technology Group
Jakks Pacific
JZ Capital Partners
Kaiser Aluminum
Leucadia National
Liberty Media
MEMC Electronic Materials
National Western Life Insurance
Park Electrochemical Corp.
PH Glatfelter
Pharmaceutical Product Development
PYI Corp.
Tellabs
Tidewater Inc.
Timberwest Forest Corp.
UniFirst Corp.
Vail Resorts

Positions Increased (continued)

Viterra
Wilmington Trust Corp.

Positions Decreased

Ackermans & van Haaren N.V.
Brookfield Asset Management
Lanxess AG
Sycamore Networks
Synopsys

DISCUSSION OF SIGNIFICANT QUARTERLY ACTIVITY

Fund Management added one new name and increased its holdings in most of the positions initiated last quarter. We also took advantage of the rapid and steep ascent of the equity markets to selectively re-size several holdings where discounts narrowed to less attractive levels, and to raise slightly the Fund's cash holdings.

Sometimes Mr. Market's short-term, earnings-centric focus presents opportunity for long-term oriented investors, such as Third Avenue. Sanderson Farms Common, saw its share price severely dented by a clouded outlook for next year's earnings. Founded in the late 1940s, Sanderson Farms is the nation's fourth largest poultry producer and is arguably the lowest cost producer in the industry. We view Sanderson as a high quality franchise within a mundane, commodity business. Sanderson shares seem to exemplify much of Third Avenue's investment philosophy. Both the business and the company boast a number of attractive attributes, including:

- Generally high rates of return on assets and equity (on average and over time). Notably these enviable returns have been achieved using little financial leverage and despite a host of volatile elements attached to the operations;
- A fortress-like balance sheet, with zero goodwill and a net cash position, in stark contrast to some of the industry's financially constrained competitors;
- High barriers to entry, via periodically significant capital outlays and long-term customer contracts and relationships. For example, the cost of a new plant like the one currently under development by the company can cost in excess of $100 million (USD);
- The company's capital spending appears to have been productive and, historically, the business has required little in the way of access to external sources of capital;[1]
- A management team that has consciously and admirably avoided "diworsification," e.g., diversifying into other proteins like pork or expanding through dilutive acquisitions in other areas;
- CEO Joe Sanderson and employees own more than 12% of the company's stock, suggesting they think and act like owners, not just managers;
- Efficient operations that protect the business in difficult periods and benefit from an ability to pass through, with a lag, higher input costs. Management seems closely attuned to its operational core competencies and intent on sticking to them;
- Chicken appears to be a very competitive form of protein relative to beef and pork, in particular, as it relates to feed requirements (e.g., corn, soy and other cost components) and, over the last few decades, has enjoyed relatively steady increases in per capita consumption, in contrast to other forms of protein;

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[1] Sanderson opportunistically raised equity earlier this year at $53 per share, only the second time in more than twenty years for the company to issue equity in the public markets, in order to help fund the development of two new plants.

The business does come with some blemishes, however, most of which are out of management's control. For example, China and Russia, two key export markets, periodically impose tariffs or quotas on certain types of U.S. chicken parts[2]. Similarly the U.S. government's policies (e.g., in the areas of energy or U.S. dollar debasement) tend to exacerbate the spikes in corn and similar commodity prices (which negatively impacts producers not only of chicken but of beef and pork as well). I call Sanderson a "one-step back and two steps forward" kind of business. Given time, the business has developed well, but not without temporary setbacks. Today, that backward step primarily relates to i) weakened demand from food service customers (think high unemployment levels); ii) squabbling with Russia and China (for the moment, Russian exports have resumed); and iii) upward pressure on corn and soy prices. These problems tend to come with the territory, but the pain is usually temporary. Looking further out, Sanderson's large current capital spending program will taper off and ought to increase the company's earning power in the next two to three years, suggesting further growth in corporate value. Stock returns will get a boost to the extent that management can continue to raise the dividend as it has in each of the past few years. The Fund's cost basis equates to a modest premium to a rock solid GAAP book value, a book value that, at a per share level, has compounded at double digit rates during the past five and seven years[3]. As a less meaningful point of reference, the Fund's initial acquisition price translated to approximately seven times 2010 earnings.

Macro Myopia Spells Opportunity

Bernanke & Co. have just embarked on their second version of "Quantitative Easing" ("QE2"), the euphemistic term that involves printing money in order to monetize the United States' growing and substantial debts. The sheer size ($600 billion USD) and target (long-dated Treasury notes and bonds) of the program puts our policy makers in uncharted waters. The Fed believes that its program will boost asset prices - in everything from homes to stocks and bonds - enhance consumer confidence and spur greater consumption (the so-called "wealth effect"). As bottom-up, value-oriented investors, we have little ability to predict the success of such an undertaking. But one observation seems fair -- these programs can distort the normal price signals in the economy and encourage speculation in risky assets. Mispriced credit in one part of the world, for example, not only threatens the proper allocation of scarce resources within that region, but has the potential to inadvertently ricochet into other economies with unintended consequences. Coupled with the waves of uncertainty flowing out of Washington, D.C. – whether it is in the realm of health care reform, financial regulation or energy and tax policy – it is not at all clear whether the intoxicating effects of QE2 and the associated rise in asset prices will translate into lasting benefits in the real economy. Given this backdrop, it is not surprising that pessimism and uncertainty have, at times, had a stranglehold on the markets. But two things really stand out for me this year. First, I can't remember a period when I have gotten more questions from investors and clients about "macro" issues than we have gotten this year. Second, as alluded to in my last letter "Uncertainty and Fixed Income Fever," the continued stampede by retail investors into the continued stampede by retail investors into the "Beta play" of fixed income, seemingly without regard to credit or duration risk, looks like a herd about to run off a cliff. Selective opportunities exist within the broad fixed-income asset class, e.g., High Yield; but, investors must be cautious.

Investors buying long-dated U.S. Treasuries today have to be concluding that the next five to 10 years will look a lot like the past and that equities, generally speaking, look as unattractive as they did 10 years ago. This is a classic mistake – projecting future performance based on the past. I think the same type of mistake could be made by investors about the Small-Cap Value Fund – the future will not look like the recent past. We expect it to look a lot better.

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[2] According to Sanderson management, the industry's shipments of broiler pounds to China and Russia in the first half of 2010 declined by nearly 87% and 90%, respectively. In 2009 China and Russia accounted for more than 40% of the export market for U.S. producers.

[3] Book value seems like a useful measure of value – and potential for growth – in a business where inventory and plant and property comprise so much of the assets. As a much more stable measure of value over time book value also tends to be a superior measure to Sanderson's highly variable earnings.

With a portfolio of high quality, well financed and reasonably managed companies that currently trades around book value, and a renewed focus on execution we have many reasons to be optimistic about the future of the Fund. I don't think there has ever been a better time to be a stock picker, when so many are focused on the macro outlook, political uncertainty and market volatility.

I look forward to writing you again in the New Year when we publish our First Quarter Report, dated 31 January 2011. May you and your families enjoy and a healthy and prosperous New Year. Thank you for your continued support.

Sincerely yours,

Curtis R. Jensen
Portfolio Manager,
Third Avenue Small-Cap Value Fund

Third Avenue Real Estate Value Fund

MICHAEL H. WINER
PORTFOLIO MANAGER
THIRD AVENUE REAL ESTATE VALUE FUND

JASON WOLF
PORTFOLIO MANAGER
THIRD AVENUE REAL ESTATE VALUE FUND

Dear Valued Shareholders:

We are pleased to present you with the Fourth Quarterly commentary for the Third Avenue Real Estate Value Fund UCITS ("The Fund"). A record of portfolio changes follows, as well as a discussion of some of our major holdings and the broader economic environment in which we operate.

QUARTERLY ACTIVITY

New Positions

Lehman Brothers Holdings Senior Unsecured Notes (3 issues)
Bellway plc Common Stock
First Industrial Realty Trust Common Stock
General Growth Properties, Inc. Common Stock
Japanese Yen / U.S. Dollar 2-year Currency Swap

Positions Increased

Henderson Land Development Co.
Lennar Corp. Common Stock ("Lennar Common")
Prologis European Properties
Songbird Estates Plc
Weyerhaeuser & Co.

Position Decreased

Klepierre

Positions Eliminated

Brookfield Properties Corp.
Hang Lung Properties Ltd. Common Stock
Unibail-Rodamco SE Common Stock

DISCUSSION OF SIGNIFICANT QUARTERLY ACTIVITY

The Fund had a relatively active quarter – adding several new positions and selling a few positions at substantial profits. Some of the sale proceeds were used to increase the Fund's exposure to the ailing U.S. and U.K. housing sectors and in two special situation U.S. REIT positions. Finally, the Fund added a new distressed debt investment. The Fund's cash balance at quarter end was approximately 14%, providing ample dry powder for unforeseen opportunities.

Fund Management's attraction to the U.S. and U.K. housing sectors is no doubt contrarian and, we admit, may be early. The consistent reporting of negative housing-related data has kept most investors out of the sector. In the U.S., persistently weak job creation, unpredictable housing price trends, foreclosures issues, increasing inventory levels and challenging mortgage availability (despite all time low rates) have led to a very challenging operating environment for industry participants. The near-term outlook is, at best, uncertain and conditions may get worse. But this typically leads to opportunity. It is difficult to foresee a sustainable U.S. economic recovery without an associated recovery in the U.S. housing sector. Most market participants will not invest in this sector until it is clear that a recovery is underway. By that time it may be too late. During the quarter, the Fund increased its exposure to Lennar Common and Weyerhaeuser Common.

During the last quarter, U.K. housing stocks declined sharply on fears of domestic economic troubles and the associated austerity measures implemented by the British government. The U.K. housing market is fundamentally different from the U.S. in that supply levels are reasonably in balance with demand. The U.K. has not seen the same level of distressed home sales and foreclosures as the U.S., thus, inventory is not as elevated and the market is likely to recover sooner than in the U.S.

Bellway is a U.K.-based real estate operating company that primarily builds homes for first-time buyers throughout England. Historically, the company has been among the U.K.'s best-managed builders. It is not surprising that Bellway, with its very strong balance sheet (net cash), is one of the few builders that have been able to actively add strategic home sites over the past year. After recent purchases, the company now controls more than 30,000 lots across England at historically low valuations, giving it a strong competitive advantage when market conditions do improve. The Fund acquired Bellway Common at a discount to book value.

Notwithstanding our overall negative view of U.S. REITs, the Fund initiated special situation investments in two U.S. REIT common stocks. Unfortunately, in each case, the Fund was only able to establish a small position before prices rose above our targeted buy prices. First Industrial is a U.S. REIT that owns a nationwide portfolio of industrial properties. Unlike most U.S. REITs, First Industrial's shares have been trading at a big discount to net asset value, due to concerns about the company's high debt levels and the poor operating fundamentals in the industrial sector. The Fund established its position in First Industrial Common at an attractive price and anticipated that the company would likely need to raise more equity to solidify its balance sheet. In that event, the Fund would be in a position to provide a substantial portion of that equity and benefit from the re-rating of the company's shares based upon its shored-up financial position. The company recently announced that it had amended its credit facility (relaxing its financial covenants) and was granted more leeway to sell off non-strategic assets to pay down debt. The shares have since risen sharply (approximately 60% above the Fund's cost) and it now seems less likely that the Fund would participate in an equity raise. The Fund also invested in General Growth Common. General Growth is a U.S.-based retail mall company that was operating under bankruptcy protection at the time of the Fund's investment. The general market setback in August provided us with a brief opportunity to buy shares at an attractive price, but the Fund was unable to accumulate a substantial position. The company emerged from bankruptcy in November, splitting into two separately traded companies. We hope to have more to discuss regarding General Growth in the next quarterly letter.

Illustrating the synergies of Fund Management's research team, the Fund leveraged off of the in-depth analysis performed by the Third Avenue credit team and initiated a position in Lehman Notes. Lehman Brothers was one of the largest U.S. investment banks until it filed for bankruptcy protection in September 2008. The Lehman bankruptcy is the largest and

most complex corporate bankruptcy in U.S. history. Since filing bankruptcy, the debtor entity has made significant progress in selling assets, unwinding complex derivative contracts and accumulating nearly $20 billion (USD) of cash. It is expected that the company will exit bankruptcy in early 2011 and convert into an entity that will ultimately distribute proceeds to creditors from liquidating its assets. While Lehman Brothers is not a "real estate" company, a substantial portion of the liquidation proceeds will come from the company's portfolio of residential and commercial whole loans, owned properties, equity interests and other real estate investments in North America, Europe and Asia. The initial plan of reorganization filed by the company conservatively estimates recovery on the notes of 17.4%. Fund Management believes that this represents a reasonable worst case recovery on the senior notes since the plan excludes significant value recovery from foreign subsidiaries as well as potential litigation recoveries. The Fund acquired Lehman Notes at an average cost of 21.5% of face amount. Fund Management estimates that the ultimate recovery will be between 27% and 38% over three to four years, and the Fund's internal rate of return will depend on the timing of distributions.

The Fund executed a two-year forward contract with J.P. Morgan to hedge the Fund's exposure to the Japanese Yen. The contract effectively eliminates the risk of currency losses (and currency gains) on the Fund's Japanese common stock holdings. Over the past three years the Fund has benefited from the strong appreciation of the Yen versus the U.S. dollar – offsetting the substantial price declines of the Fund's Japanese holdings. Going forward, if stock prices appreciate (they are currently trading at historically large discounts to net asset value) and the Yen weakens, the Fund will benefit from rising stock prices without the offsetting currency losses.

The Fund sold Hang Lung Common, Unibail Common and its remaining performing debt securities. All of these securities were originally purchased at very attractive prices, but in Fund Management's view they had appreciated to levels where it made sense to take profits. When there does not appear to be an abundance of compelling investment opportunities, it is difficult to make sell decisions knowing that replacing a "winner" is likely going to take patience. The appropriate discipline is to sell when the reasons to buy in the first place are no longer valid (e.g., the security is no longer "Safe and Cheap").

PORTFOLIO POSITIONING

Despite lingering fears of a double-dip recession, Eurozone fiscal and financial troubles, U.S. government and municipal deficits, commodity inflation, emerging market asset bubbles, currency imbalances and artificially low interest rates, Fund Management is optimistic about the Fund's long-term prospects. This optimism is primarily due to our ability to operate the Fund with an enormous amount of flexibility. The ability to invest across the capital structure, hold large amounts of cash, invest without benchmark constraints and patiently wait for opportunities provides us with a competitive advantage.

Fund Management believes it is important to have a balanced portfolio of securities with characteristics that are likely to produce above-average gains over their holding period, but not necessarily all at the same time. If the Fund was restricted to investing only in U.S. REIT stocks (like many real estate funds), the portfolio would be very homogenous – the stocks would generally move in lockstep and in bear markets there would be no place to hide. In this regard, Fund Management believes the Fund is well positioned for the future.

The Fund's investments in Asia should continue to benefit in the near-to-mid-term as economic fundamentals drive up asset values and stock prices. The Fund's investments in U.S. and U.K. housing related stocks are unlikely to benefit from any near-term catalysts, but the seeds for long-term growth have been planted – and at the prices paid for these securities (as out of favor as they are currently), the potential for outsized gains is encouraging. The Fund's other core holdings in discounted securities with excellent long-term growth prospects (e.g., Forest City Common, Brookfield Common and several U.K.-based REITs) should continue to provide long-term growth in NAV. Additionally, the Fund's substantial cash reserves should enable it to take advantage of opportunistic investments, whether in distressed debt securities or in out-of-favor common stocks.

The likely result of having a non-homogenous portfolio is “lumpy” and non-correlated returns – with which Fund Management has always been comfortable. We continue to spend most of our time worrying about might go wrong with each investment and tend to let the timing of when each investment ultimately matures take care of itself.

We look forward to writing to you again next quarter, ending in January. Best wishes for a healthy and prosperous 2011.

Sincerely,

Michael H. Winer — Co-Manager
Jason Wolf, CFA — Co-Manager
Third Avenue Real Estate Value Fund UCITS

Third Avenue International Value Fund

AMIT B. WADHWANEY
PORTFOLIO MANAGER
THIRD AVENUE INTERNATIONAL VALUE FUND

Dear Valued Shareholders:

We are pleased to present you with the Fourth Quarter commentary on the Third Avenue International Value Fund UCITS ("The Fund"). A record of portfolio activity follows as well as a discussion about selected securities in the portfolio.

QUARTERLY ACTIVITY

New Position

Kinross Gold (common stock and warrants)

Positions Increased

Dundee Precious Metals (common stock and warrants)
Guoco Group
Nexans SA
Prologis European Properties
Weyerhaeuser & Co.

Positions Decreased

EnCana Corp.
Glaxosmithkline
Hutchison Whampoa
Leucadia National Corp.
LG Corp.
Lundbergforetagen AB
Mitsui Fudosan
Muenchener Rueckversicherungs
Netia
Newmont Mining
Resolution Ltd.
Sampo Oyj
Sanofi Aventis
Seino Holdings
Tokio Marine Holdings
United Microelectronics Corp.
Viterra
Yuanta Financial

DISCUSSION OF SIGNIFICANT QUARTERLY ACTIVITY

During the quarter, we increased existing positions as opportunities to invest at attractive prices emerged. As mentioned in last quarter's letter, Europe continues to be a region where we have found a disproportionate amount of compelling opportunities.

Also during the quarter, the Fund established new positions in the common stock and warrants of Kinross Gold Corp. ("Kinross"). The genesis of this position was an investment in Red Back Mining Inc. ("Red Back"), which was acquired by Kinross in September 2010. Kinross is a Canadian-based gold mining company with mines and projects in Canada, the U.S., Brazil, Chile, Ecuador, and Russia. The recent merger between Kinross and Red Back effectively combined two complementary asset and resource bases. Red Back's early-stage resource base, located in Ghana and Mauritania, boasts significant exploration and expansion potential and provides Kinross with a strong position in the fast-growing West African gold region. These assets will complement Kinross' more geographically balanced portfolio of operating mines and growth projects. Additionally, Red Back Chairman, Lukas Lundin, and CEO, Richard Clark, are expected to join the Kinross Board of Directors; their considerable experience in the West African region will likely benefit the newly-combined company. Kinross is well-financed and, at current prices, we believe it is valued attractively relative to its peers, its history, and to gold itself.

Eschewing Clutter

Our fellow investors often ask how we identify and select investment opportunities. In executing our "Safe and Cheap " philosophy, we spend a considerable amount of time learning and understanding the business or businesses underlying a potential investment, focusing on the potential risks of permanent diminution of value, as well as the potential opportunities to compound shareholder wealth at a satisfactory rate over the long term.

Theoretically, there are thousands of factoids a person can learn about any one company. Typically, however, only a handful of factors are crucial when deciding whether or not to initiate an investment in a particular security. A critical component of our investment analysis is the ability to recognize and separate the factors which are truly relevant to the long-term economic prosperity of the underlying business, from the noise which emanates from countless sources within "the market." This practice of "de-cluttering" is a key part of our investment process.

"Noise" or "clutter" is a concept familiar to most, and at the risk of oversimplification, it refers to short-term, transitory aberrations or complexities - either within a company's operating environment, its internal structure, or the marketplace at large - which distracts from the fundamental economic merits of the underlying business. There are many different sources of noise which we attempt to look past in our efforts to assess the economics and long-term fundamentals of the businesses which we analyze.

The most common sources of noise are usually top-down in nature - sometimes macro economic (actual or imagined) - or something in the broader environment, e.g. relating to politics, corporate governance and so on. While these clearly will weigh upon the price of the security (and possibly the business) in question, tackling these analytically is done on a company by company basis, as every business has a unique relationship to its larger environment. Rather than succumb to the temptation of attempting to prognosticate the exact future path of macro variables (an imponderable in our view), or similarly attempt to divine unknowable changes in the environment and their investment impact on the company, the focus of our analysis is on gauging the impact of possible changes (especially adverse ones) on the company in question. The resilience of a company to significant top-down shocks is relevant to our calculation of the safety afforded by a potential investment. Without ignoring sources of top-down uncertainty or noise, our approach focuses solely on the set of relevant factors that could potentially impact the investee company and weighs their impact appropriately. Because the Fund has a long investment horizon, we can often discount the weight of certain macro events that will have only a transitory effect on the company under consideration.

Another source of informational clutter comes from the company itself. Public companies are required to disclose vast amounts of information; however, each disclosure item is not of

equal importance, and some items may not be of much significance to long-term investors. For example, accounting standards may, in some cases, require companies to take significant deductions from reported earnings or asset values under mark-to-market principles. These sudden, rapid declines in reported earnings typically garner the attention of the financial media and investors - especially those with a short-term focus - with negative implications to the afflicted company's stock price. In many cases, such haircuts to reported earnings and asset values may very well indicate a real, perhaps irreparable, impairment to the underlying business. However, in many other cases such accounting-related data reflect one-time adjustments and disguise the true economics of a business. It is in these latter cases where we strive to ignore information which may be relevant to a short-term trader or speculator, but which matter little to the overall long-term health and prospects of the business.

Complex corporate organizational structures might, in and as of themselves, present analytical clutter. Companies which own disparate sets of unrelated assets in a seemingly less than simple structure may, in some cases, inadvertently distract market observers from the intrinsic value which lies within the structure itself, waiting to be unlocked. Sometimes neglected (if not outright ignored) by the professional analytical community because the various underlying businesses do not fit neatly into a single basket or industry group, these companies' true value may be obscured further by a familiar distraction - reported accounting numbers - due to standards such as consolidated reporting. Reported financial statements are excellent objective tools with which to analyze a business, but care must be taken to focus on what the numbers really mean rather than what they are.

The following examples illustrate the importance of focusing on fundamentals while ignoring the noise.

Viterra

A large position, Viterra Inc. ("Viterra"), demonstrates the ease with which a solid company with high-quality, irreplaceable assets was marred by the externalities of its industry as well as internal (though transitory) issues. Viterra, formerly known as Saskatchewan Wheat Pool, was an investment initiated in the first quarter of 2006. Historically a co-operative of farmers, the company listed its shares on the Toronto Stock Exchange. However, the listed entity had unappealing corparate governance issues, most notably the ability of farmer shareholders to elect the majority of the Board of Directors. The company embarked on an aggressive expansion project in 1997, building a high-quality network of grain elevators. Unable to issue equity because of this quirky corporate governance situation, the expansion saddled the company with high levels of debt. This was particularly risky considering its volatile operating environment, where operating revenues were held hostage to climatic conditions. A succession of three years of drought in the early 2000s, accompanied by lower profitability and a burgeoning debt load, forced a complete restructuring of the balance sheet and a sizable raising of equity capital.

At the time of our original investment in Viterra, investors feared that further droughts would introduce volatility into the business and devastate the company and its shareholders once again. Such concerns were understandable, given the volume-sensitivity of the grain handling business. However, what was lost on many in the aftermath of the droughts and subsequent restructuring was the impact of the changes which had taken place during the tumultuous period of the restructuring. More specifically:

- The company's highly-leveraged financial position was greatly strengthened by a series of steps taken in connection with the restructuring, including a rights offering and a debt-to-equity conversion.

- The capital expenditure program which had provided the company with the highest-quality asset base in the Canadian Prairie Provinces had largely ended, reducing the recurrent annual committed capital expenditure that had previously stretched the balance sheet.

- The restructuring corrected the previously-noted governance issues, by eliminating the different classes of shareholders and ensuring a Board better aligned with shareholder interests. This created an economically motivated ownership structure which was not present under the previous farmer co-operative type model.

Importantly, this restored access to capital markets and the ability to finance existing and new business.

Our investment analysis placed less emphasis on the short-term, transitory issues and greater emphasis on the lasting changes which made the longer-term economic potential of the business more attractive -- namely, reduced governance risk; a reduced financial risk profile; and improved competitive positioning, in an industry which was pregnant with restructuring potential. The trauma of the terrible results in the drought years and the horse trading of the restructuring obscured the potential opportunities that industry restructuring held for the company, given the sizable barriers to entry that the resultant networks of grain elevators presented to new industry entrants.

Due to the droughts and restructuring, we were able to acquire the shares at a meaningful discount to our estimate of net asset value ("NAV") and at a modest multiple of operating earnings. This was particularly attractive considering the solid long-term demand fundamentals for agricultural commodities.

At the time that the Fund initiated its position in Viterra, one of the characteristics that led to the investment was a dramatically reduced risk profile. While there was no avoiding the climatic risk inherent in the business, Viterra had built a strong balance sheet and gained much improved access to capital markets, both of which would serve the company well and help it withstand short-term challenges in the future. Post-restructuring, Viterra was well-positioned to not only survive, but thrive, as one of the more efficient operators if the industry continued to rationalize, as it had over the prior five years.

Today, the improvements made to Viterra's business fundamentals during that tumultuous period have borne fruit. Viterra's improved financial strength and access to capital markets have enabled the company to consolidate the Western Canadian grain handling market, primarily through its acquisition of competitor Agricore United; Viterra currently controls roughly 45% of this market, as well as about 30% of the region's agri-product retail market. It also has enabled Viterra to grow internationally, primarily through its acquisition of ABB Grain in Australia - a transaction which meaningfully diversifies and mitigates climatic risk.

The company is well-positioned to benefit from solid long-term fundamentals supporting grain demand: global population growth, increasing meat production driven by a growing middle class in emerging countries, etc. As long-term shareholders, the short-term noise in the form of restructuring and drought-related losses provided us with the opportunity to invest in a strong, growing leader in an industry with compelling long-term prospects.

Leucadia National Corp.

Leucadia National Corp. ("Leucadia") is a NYSE-listed holding company. Run by Ian Cumming and Joe Steinberg since its founding in the late seventies, Leucadia has compounded the NAV of its portfolio by about 18.5% per annum, on average, over the last 30 years.

Given such a long-term track record, it is hardly surprising that Leucadia's stock has rarely been inexpensive. There have, however, been opportunities to purchase these shares at attractive valuations following sizable double-digit declines in stated book value, as occurred in 1999 and 2008. In 2008, mark-to-market losses on several of its investments resulted in a decline of over 55% in its stated book value. The company also took sizable accounting write-downs to its deferred tax asset. The resultant negative impacts on reported earnings and book value drew the ire of the market at large, and the company's stock price plummeted to what we deemed to be unusually attractive levels.

While the mark-to-market declines and writedowns in these various assets conformed to accounting standards, the resultant declines in reported earnings and book value pushed many investors to the exits and provided us with precisely the type of opportunity that we look for -- a short-term distraction which allowed us to partner, at bargain prices, with a management team which has proven its ability to grow NAV at truly exceptional rates over the past 30 years.

It was not particularly surprising that Leucadia recognized substantial accounting losses during the depths of the financial crisis, in early 2009. Its portfolio included equity and royalty interests in a large-scale, Australian iron ore mining operation and another base metals mining company, the market values of which had declined reflecting expectations of poor near-term profitability. In addition it held significant investments in a U.S.-based, full-service investment banking and securities firm, which, while its security price declined during the financial crisis, had employed its strong balance sheet to expand its work force and build its market presence during a period when its competitors closed shop or retrenched. Our conclusion was that these reported losses did not represent a true permanent impairment to the underlying businesses and the long-term fundamentals of the businesses remained attractive.

Additionally, the sizable write-downs of deferred tax assets, which exceeded $1.5 billion in 2008 alone, were prompted by a mechanical interpretation of accounting law that had neither any negative effects on cash-flow, nor, we suspected, any longer-term economic repercussions. Presumably, when business conditions were to moderate, these substantial tax assets would once again be available to provide protection from taxes on future realized investment results; and given the aforementioned track record of the company, we believed that the odds of Leucadia delivering value realization in the future were in our favor.

Let us look more closely at these mark-to-market write-downs which helped spark a sell-off in Leucadia's share price. Did they instill widespread fear in the market? Yes. Would such write-downs be undeniably unpleasant, if not downright scary, for those investors/speculators with short-term time horizons and/or leveraged portfolios? Certainly. But from Third Avenue's perspective - that of a long-term, fundamental investor which does not employ financial leverage -- these accounting write-downs were merely distractions from the key factors in our analysis, and largely irrelevant to the consideration of economic book values which were considerably longer term in nature.

We find a bit of irony in that last point; specifically, that the environment which scared many investors out of Leucadia stock was precisely the type of environment in which Leucadia has historically been able to sow the seeds of long-term value creation. This point is one that should be clear to anybody who has analyzed Leucadia's history, but also one which was, to many, drowned out by the noise of reported accounting statistics and general market anxiety. In this case, such noise ultimately lacked relevance to the fundamental, long-term health of the underlying business, and to the key factors which played into our decision to invest. Among these factors were the unusually cheap valuation at which we were able to invest, the long-term track record of value creation and the aforementioned exceptional tax attributes.

COUNTRY	%
Canada	**13.58%**
Japan	**9.91%**
United States	**7.35%**
Singapore	**6.71%**
Hong Kong	**6.43%**
Britain	**6.34%**
Poland	**5.86%**
Germany	**5.33%**
Taiwan	**5.15%**
France	**4.19%**
Finland	**3.35%**
Belgium	**2.96%**
Austria	**2.61%**
Sweden	**2.59%**
South Korea	**2.21%**
Chile	**1.72%**
Jersey	**1.54%**
Cash	**12.07%**
Total	**100.00%**

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

I look forward to writing to you again when we publish our Quarterly Report for the period ended January 31, 2011. Best wishes for a happy and prosperous New Year.

Sincerely,

Amit Wadhwaney
Portfolio Manager,
Third Avenue International Value Fund UCITS