

THIRD AVENUE FOCUSED CREDIT FUND

QUARTERLY UPDATE FOR THE PERIOD ENDED DECEMBER 31, 2011



PERFORMANCE

	One Month	Three Month	Year-to-Date	One Year	Annualized Since Inception*
Third Avenue Focused Credit Fund (Investor Class)	0.75%	4.15%	-4.73%	-4.73%	6.84%
Third Avenue Focused Credit Fund (Institutional Class)	0.81%	4.22%	-4.60%	-4.60%	7.04%
Barclays Capital U.S. Corporate High-Yield Index	2.66%	6.46%	4.98%	4.98%	13.95%
CSFB Leveraged Loan Index	0.51%	2.72%	1.82%	1.82%	8.08%

+ Inception Date: August 31, 2009

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.

The Barclays Capital U.S. Corporate High Yield Index comprises issues that have at least \$150 million par value outstanding, a maximum credit rating of Ba1 or BB+ (including defaulted issues) and at least one year to maturity. The CSFB Leveraged Loan Index is designed to mirror the investible universe of the \$US-denominated leveraged loan market. Loans are added to the index upon issuance if they qualify according to the following criteria: (1) Loans must be rated "5B" or lower. That is, the highest Moody's/S&P ratings are Baa1/BB+ or Ba1/BBB+. If unrated, the initial spread level must be Libor plus 125 basis points or higher. (2) Only funded term loans are included. (3) The tenure must be at least one year. Fallen angels are added to the index subject to the new loan criteria. Rising stars are removed from the index when they are upgraded to investment grade. Loans are taken out of the index when they exit the market (for example, at maturity, refinancing or workout).

The Indices are not securities that can be purchased or sold, and their total returns are reflective of unmanaged portfolios. The returns include reinvestment of interest, capital gains and dividends.

INVESTMENT APPROACH

Third Avenue Focused Credit Fund is constructed from intensive, bottom-up research. We invest across the credit spectrum, including high-yield bonds, bank loans and distressed securities, and focus capital in our highest conviction ideas.

The Fund applies Third Avenue's value and downside risk assessment capabilities to the universe of credit securities, seeking total return from a combination of capital appreciation and interest income.

BOTTOM-UP ANALYSIS

Our analysis is distinguished by our evaluation of key business and industry fundamentals. We then use this assessment to build a risk profile of the security:

Company Business and Financials:

We prefer companies that have leading market share, barriers to entry, and pricing power. We thoroughly analyze all financial statements and look to identify off-balance sheet liabilities and hidden assets. We emphasize companies with free cash flow and adequate liquidity.

Industry Position:

We evaluate a company's position in its industry, often using our extensive business connections to gain insight. We analyze the concentration and capacity utilization of the industry to help assess pricing power. We routinely contact customers, competitors, suppliers and private equity professionals to obtain independent information on the company.

Capital and Corporate Structure:

We analyze the company's capital and corporate structure, as well as the debt covenants associated with a particular credit. We evaluate limitations on additional debt, use of free cash flow and other methods that equity owners utilize to potentially enrich themselves at the bond holder's expense.

Company Management:

Our selection process emphasizes good management teams that have a solid track record and have been friendly to debt holders.

Potential for Reorganization:

For companies that are stressed or distressed, there may be a high probability of reorganization, either in or out of court. In such cases, we invest in the fulcrum security, which is the senior most security that will participate in the reorganization.

DOWNSIDE RISK ASSESSMENT

After conducting thorough, bottom-up analysis, we evaluate the potential risk of default against the potential upside for each security. We take into account hard asset value and strategic value to help assess our downside risk. We look to buy at a discount that we believe will compensate us for the risks of the investment.

TOP 10 ISSUERS*

Lehman Brothers	6.0%
Intelsat Luxembourg	5.1%
Koosharem Corp.	4.7%
Nuveen Investment	4.3%
Caesars Entertainment	4.2%
Clear Channel Communications, Inc.	4.0%
Energy Future Holdings	3.7%
Aveos	3.1%
CityCenter Holdings	3.0%
Swift Transportation Co.	2.9%

*Holdings subject to change without notice.

FUND INFORMATION

Portfolio Manager	Thomas Lapointe
Inception Date	8/31/2009

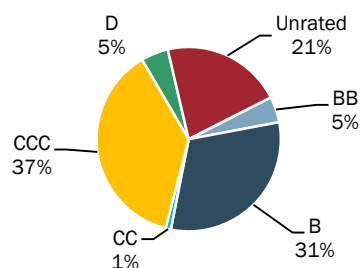
INVESTOR SHARE CLASS

Ticker	TFCVX
CUSIP	884116609
Minimum Investment	\$2,500

INSTITUTIONAL SHARE CLASS

Ticker	TFCIX
CUSIP	884116708
Minimum Investment	\$100,000

CREDIT RATING*



CREDIT TYPE

Performing	21.5%
Stressed ¹	32.0%
Distressed ²	24.5%
Capital Infusions	0.0%
Debt-for-Equity ³	11.8%

ASSET CLASSES

Corporate Debt	69.7%
Bank Loans	13.4%
Equities ⁵	6.6%
Cash & Equivalents ⁴	10.3%

TOP 5 INDUSTRIES

Financials	15.1%
Gaming & Entertainment	12.5%
Energy	10.9%
Media & Cable	9.9%
Health Care	5.8%

REGIONAL BREAKDOWN

United States & Canada	83.2%
Other Regions	6.5%

BOND MATURITY

< 3 Years	14.7%
3 – 6 Years	36.3%
6 – 10 Years	29.7%
> 10 Years	2.4%
Convertible Securities & Other ⁵	6.6%

PORTFOLIO CHARACTERISTICS

		Investor Class	Institutional Class
Average Coupon⁶	8.20%	Size of Class	\$286.75 Million
Average Maturity⁶	5.01 Years	NAV/Share	\$9.51
Portfolio Turnover⁷	105%	30-Day SEC Yield	8.94%
Yield to Maturity⁸	10.60%	Gross Expense Ratio¹⁰	1.18%
Average Price	\$73.29	Net Expense Ratio¹⁰	0.92%
Number of Issuers	53	Management (Advisory) Fee	0.75%
Duration⁹	2.9 Years	Distribution (12b-1) Fees	0.25%
			None

1 Stressed securities are securities that are more senior in the debt capital structure of companies that have a higher level of uncertainty.

2 Distressed securities are securities that trade at a spread greater than or equal to 1000 basis points over corresponding Treasuries.

3 Includes equity securities and debt that may be exchanged for equity.

4 Includes receivables and payables.

5 Equities purchased and equity from debt-for-equity exchanges.

6 "Average Coupon" is the weighted average annual coupon for the securities in the Fund. "Average Maturity" is the weighted average time to maturity for the securities held in the Fund. Includes Fixed Income, Preferred Stock, and Cash – Excludes Common Equities.

7 For the twelve-month period ended October 31, 2011.

8 "Yield-to-Maturity" is the rate of return anticipated on a bond if held until maturity. Includes Fixed Income, Preferred Stock, and Cash – Excludes Common Equities.

9 "Duration" is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates.

10 The Adviser has contractually agreed, for a period of one year from March 1, 2011, to limit Net Annual Operating Expenses to 1.20% and 0.95% of the average daily net assets of the Investor Class and Institutional Class, respectively.

*Credit ratings for each security provided by Standard & Poor's. Credit ratings are forward-looking opinions about credit risk. Standard & Poor's credit ratings express the agency's opinion about the ability and willingness of an issuer, such as a corporation or state or city government, to meet its financial obligations in full and on time. Ratings are expressed on a scale from "AAA" to "D", where "AAA" signifies the highest confidence in the issuer's capability to meet financial commitments, and "D" signifies an issuer that is in payment default.

The Fund's investments in high-yield and distressed securities may expose the Fund to greater risks than if the Fund only owned higher-grade securities. The value of high-yield, lower quality securities is affected by the creditworthiness of the issuers of the securities and by general economic and specific industry conditions. Issuers of high-yield securities are not as strong financially as those with higher credit ratings, so the securities are usually considered speculative instruments. For a full disclosure of principal investment risks, please refer to the Fund's Prospectus.

This material must be accompanied by a current Prospectus. Prospectuses contain more complete information on management fees, distribution charges, and other expenses. Please read the Prospectus carefully before investing or sending money. For month-end Fund performance or a copy of the Prospectus please visit our website: www.thirdave.com or call 800-443-1021. M.J. Whitman LLC, Distributor. Member FINRA/SIPC.

