Third Avenue Funds

THIRD AVENUE VALUE FUND

THIRD AVENUE SMALL-CAP VALUE FUND

THIRD AVENUE REAL ESTATE VALUE FUND

FIRST QUARTER REPORT

(Unaudited)

January 31, 2001

Third Avenue Value Fund

Dear Fellow Shareholders;

At January 31, 2001, the unaudited net asset value attributable to the 57,644,723 common shares outstanding of the Third Avenue Value Fund ("TAVF", "Third Avenue" or the "Fund") was $38.41 per share. This compares with an audited net asset value at October 31, 2000 of $35.64 per share and an unaudited net asset value at January, 31, 2000 of $30.39 per share, both adjusted for subsequent distributions to shareholders. At February 20, 2001, the unaudited net asset value was $37.40 per share.

QUARTERLY ACTIVITY

During the quarter new positions were established in the distressed senior securities of two issuers and five new common stock issues were purchased. Of the five common stock issues, three are issues of small cap-high tech companies, one is a real estate liquidation and one is a Canadian business development company. In addition, a new position was created in Novellus Systems Common Stock when that semiconductor equipment manufacturer acquired GaSonics International in a common stock for common stock merger transaction. The Fund increased its positions in the high-yield debt securities of three issuers and expanded its stakes in the common stocks of eleven issuers, seven of which were small cap-high tech issuers; two of which were real estate companies; one was a business development company; and one, a building products manufacturer. Positions in four common stock issues were reduced and three common stock positions were eliminated entirely:

Principal Amount or Number of Shares	New Positions Acquired
$40,915,000	Armstrong World Industries Senior Notes ("Armstrong Notes")
$5,000,000	Pacific Gas & Electric First Mortgage Bonds ("Pacific Gas & Electric Mortgage Bonds")
234,800 shares	Burnham Pacific Properties, Inc. Common Stock ("Burnham Common")
31,400 shares	Credence Systems Corp. Common Stock ("Credence Common")
130,400 shares	Harrowston, Inc. Class A Common Stock ("Harrowston Common")
1,810,400 shares	KEMET Corp. Common Stock ("KEMET Common")
1,000,000 shares	Vishay Intertechnology, Inc. Common Stock ("Vishay Common")
	Increases in Existing Positions
$39,730,000	USG Corp Senior Notes ("USG Senior Notes")
$3,750,000	Frank's Nursery & Crafts, Inc. 10.25%, due 3/1/08 Unsecured Notes ("Frank's Notes")

Increases in Existing Positions (continued)

$51,800,000	Home Products International, Inc. 9.625%, due 5/15/08 Subordinated Debentures ("Home Products Subordinates")
869,400 shares	American Power Conversion Corp. Common Stock ("American Power Common")
8,000 shares	Analogic Corp. Common Stock ("Analogic Common")
1,065,800 shares	AVX Corp. Common Stock ("AVX Common")
5,125 shares	Capital Southwest Corp. Common Stock ("Capital Southwest Common")
105,900 shares	Electro Scientific Industries, Inc. Common Stock ("Electro Scientific Common")
11,400 shares	Electroglas, Inc. Common Stock ("Electroglas Common")
84,176 shares	Forest City Enterprises, Inc. Class A Common Stock ("Forest City Common")
310,600 shares	FSI International, Inc. Common Stock ("FSI Common")
67,500 shares	Mestek, Inc. Common Stock ("Mestek Common")
10,000 shares	PAREXEL International Corp. Common Stock ("PAREXEL Common")
374,597 shares	Tejon Ranch Co. Common Stock ("Tejon Common")

Reductions in Existing Positions

201,800 shares	First American Corporation Common Stock ("First American Common")
1,309,800 shares	Silicon Valley Group, Inc. Common Stock ("Silicon Valley Common")
78,000 shares	Tecumseh Products Co., Class B Common Stock ("Tecumseh Common")
496,400 shares	Value City Department Stores, Inc. Common Stock ("Value City Common")

Positions Eliminated

716,130 shares	D.R. Horton, Inc. Common Stock ("Horton Common")
424,000 shares	Hypercom Corp. Common Stock ("Hypercom Common")
148,200 shares	Palm, Inc. Common Stock ("Palm Common")

The Fund acquired the Armstrong Notes at a dollar price of about 35% of claim just prior to the time that Armstrong sought relief from asbestos claims under Chapter 11 of the Bankruptcy Code. At the time, Armstrong was seeking to refinance its bank loans rather than file for Chapter 11 relief. It was obvious that this time around the banks would insist on security for any loans to Armstrong. The indentures for the Armstrong Notes contain a "ratable" clause meaning that the Armstrong Notes would share pro rata in any collateral given to the banks. As a consequence, had the bank loans been refinanced, the Armstrong Notes would have become senior to any asbestos claims that might be perfected to the extent of the value of the collateral. The shortfall in collateral value, if any, would have been pari passu, or equal in seniority, to perfected asbestos claims. Armstrong, however, was unable to refinance with the banks and the Armstrong Notes now remain unsecured. The Armstrong Notes are pari passu with all other senior creditors including the banks, asbestos claimants and the trade. The TAVF investment in Armstrong Notes probably will work out reasonably profitably, but there are, of course, no guarantees.

The Fund acquired what it could of Pacific Gas & Electric Mortgage Bonds at a yield to maturity of 25.5%. It is hard for me to see how this issue carries with it any credit risks regardless of how the California energy crisis works out. Having been an advisor to Long Island Lighting, and a significant owner of the mortgage bonds of Public Service Company of New Hampshire, Tucson Electric and El Paso Electric, I think I know whereof I speak. As an aside though, the California energy crisis does raise problems, and hopefully, opportunities, for the Fund. It seems almost assured that the California economy will be depressed for several years to come if, as seems likely, the solution to the problem will be paid for by California ratepayers and taxpayers rather than through a reorganization where sacrifices have to be made also by those holding the junior securities of the utilities and the utilities' parents. Heavy power users will not move into California, and many of those now there may move out. Certainly the severe economic depression in New England in the early 1990's that came to pass after the massive rate increases triggered by Public Service of New Hampshire's nuclear problems might be replicated in California in the early 2000's. TAVF is heavily involved in California real estate through its investments in the common stocks of Burnham, Catellus and Tejon. Hopefully though the California troubles might present a golden opportunity for Tejon. Tejon is currently a joint venturer with Enron Corporation in building a proposed, large, gas fired, electricity generating power facility on Tejon property. In the event that Tejon Ranch management can ever get a captive source of electric power at reasonable prices to supply to other properties located at Tejon, the profit potential for Tejon could be huge. Tejon management is quite aware of this potential.

TAVF also increased its positions in the USG Notes, the Frank's Notes and the Home Products Subordinates. Like Pacific Gas and Electric Mortgage Bonds, it is hard to figure out what the credit risks in the USG Notes might be. The yield to maturity on the USG Notes average out at around 21%.

Frank's is a far more troubled business than I had visualized when TAVF established its positions. A Chapter 11 filing now seems likely. TAVF expects to participate actively in the Chapter 11 reorganization of Frank's but values as of now seem uncertain.

Home Products Subordinates seem likely to continue to be a performing loan. Based on the Fund's cost the issue has a yield to maturity of 21% and a current yield of 16.8%. Moreover, in the event of either a change of control or a reorganization of the company, TAVF seems to be very favorably situated.

During the quarter, the Fund was able to acquire a plethora of small cap-high tech common stocks of financially strong companies at prices that seem ultra low compared with long term growth potentials. Such issues acquired during the quarter encompassed Credence, KEMET, Vishay, American Power Conversion, Analogic, AVX, Electroglas, Electro Scientific Industries, FSI International and PAREXEL. Most analysts on Wall Street now seem to be extremely short run conscious about high tech common stocks. If it at all looks as if earnings will not reach consensus forecasts, or that 2001 earnings might not be as good as 2000, the high tech common stocks are sold. This gave the Fund opportunities to acquire the common stocks of AVX, KEMET and Vishay at 4 to 6 times earnings. These businesses seem unlikely to be subject to severe earnings downswings in 2001, 2002 or 2003. Their long-term growth prospects continue to appear to be glowing. At January 31, the common stocks of these three manufacturers of passive components accounted for 8.1% of the Fund's net assets.

Before we learned of the Californian debacle, we acquired a small position in Burnham Common which is liquidating. The Fund also expanded its positions in Forest City Common and Tejon Common. TAVF also established an initial common stock position in a Canadian business development company, Harrowston, and expanded its position in the common stock of a US business development company, Capital Southwest.

TAVF's positions were reduced in First American Common and Silicon Valley Common strictly on a price basis. Both companies continue to appear to be strong businesses. After the sales, and at January 31, First American accounted for 4.0% of TAVF's net assets and Silicon Valley accounted for 5.2% of net assets. Value City Common, on the other hand, was sold because of fears that the company may be suffering a permanent impairment of capital in the excruciatingly competitive environment faced by discount retailers.

The Fund reduced its position in Tecumseh Common. Tecumseh's charter and by-laws are loaded with provisions designed to entrench incumbent management in power. If any management seems unworthy of retrenchment, it is this one against the background that this cash rich- asset rich company has been such a poor performer, apparently losing considerable market position in its largest single product line, air conditioning compressors. Unless certain changes in Tecumseh corporate governance are made, TAVF intends to vote against the election of any director nominated by the incumbents.

Hypercom Common was eliminated from the TAVF portfolio because a permanent impairment of capital might be occurring. Palm Common, received as a distribution from 3 Com, was sold because the issue appeared to be so high priced. Horton Common was eliminated even though its management has been extraordinarily successful to date. Housing construction historically has been an extremely cyclical business. TAVF wants to restrict its long-term investments in this industry to companies which enjoy much above average financial strength.

TAVF AND THE EFFICIENT MARKET

There is the tale about a finance professor and a student who came upon a $100 bill lying on the ground. The student stooped to pick up the bill. "Don't bother," says the professor, "If it really were a $100 bill, it wouldn't be there." This story misses the main point relevant to financial analysis. Neither by training, nor by background, would the finance professor be able to identify what the piece of paper lying on the ground was — a $100 bill or a scrap of worthless paper. Trying to distinguish between the two is what fundamental value analysts, and most control investors, do. Academics, on the other hand, are technician-chartists with PhD's. They study markets and securities prices, not fundamentals. You need to be literate about fundamentals if you are to have any hope of distinguishing between $100 bills and garbage in the field of security analysis.

Starting in the 1960's the theories embodied in Academic Finance which revolve around the study of security prices, have taken over security analysis rather completely. The quants rule the roost; Graham and Dodd is mostly dead except for the small minority of outside investors who have a Third Avenue type of approach.

If one signs off on the assumptions underlying Academic Finance, the investment techniques that are an outgrowth of Academic Finance make sense. Indeed, most common stock investment today follows academic precepts. It dominates investment styles. Most investment techniques used by passive investors bottom on the academic theories of the Efficient Market Hypothesis ("EMH") and Efficient Portfolio Theory ("EPT") as for example:

Indexing
Asset Allocation
Top Down Market Strategies
Diversification
Value is determined strictly by forecasts of discounted cash flows (DCF)

The bedrock of Academic Finance is the assumption embodied in EMH that the market is efficient, or to put it in TAVF language, the market attains instantaneous efficiency.

TAVF has a markedly different view of efficiency than the academics. It ought to be helpful to Third Avenue shareholders to explain the differences:

The Academic View

1) The market is efficient, or achieves instantaneous efficiency. The market is defined as trading marts populated by "investors", i.e. Outside, Passive, Minority Investors ("OPMI's"). The principal trading marts for securities are sites such as the New York Stock Exchange and NASDAQ.

2) Without access to superior information, no OPMI can hope to outperform the market, or relevant benchmarks, consistently. Consistently means all the time, or almost all the time.

3) Market prices value any business at any time more correctly than any other measure that might be used. Thus, if a debt free company has 50,000,000 common shares outstanding, and the shares are quoted at $10, the best measure of the value of the company for all purposes is $500,000,000 (50,000,000 shares times $10 per share price).

The TAVF View

1) There exist myriad markets, not one. There are OPMI markets, hostile take-over markets, Leveraged Buy-Out ("LBO") markets, Strategic Buyer Markets, Merger and Acquisition markets where new common stock issuances rather than cash are the "coin of the realm," etc. Each market has its own pricing parameters. A market is defined as any arena in which participants strive to reach agreement on price, and other terms, which each participant believes is the best reasonably achievable under the circumstances.

2) All markets tend toward efficiency. Very few markets, though, ever achieve instantaneous efficiency. Those that do achieve instantaneous efficiency seem to be "special cases." In many markets the tendency toward efficiency can be quite weak, especially where efficiency is defined as appraising a business or a security at a price that approximates an underlying value.

3) Most market actions are driven by activists — promoters, investment bankers, attorneys, salesmen, management — who, by most definitions, earn excess return relatively consistently. For most OPMI's, the non-genius ones, the path to earning excess returns is not to obtain superior information, but rather to use the available information in a superior manner. For example, most analysts, most of the time, ignore the corporate balance sheet in their analyses. There is no way that TAVF would have invested so heavily in the common stocks of AVX, KEMET and Vishay, unless each company enjoyed, as they do, superb financial strength as reflected on their balance sheets. This balance sheet emphasis ought to mean that the Fund is using the available information in a superior manner.

4) An efficient price in one market is, most often, an inefficient price in another market. For example, any activist operating in an LBO market, knows that in the vast majority of cases, a buy-out will not be a do-able transaction unless the price offered in the take-over represents a meaningful premium over OPMI market prices.

Reconciling the Two Views

There are markets that are characterized by instantaneous efficiency. These markets, however, seem to be narrow special cases. The underlying problems of Academic Finance here seem to be two-fold. First, academia takes these special cases and tries to make a general law out of them covering all, or almost all, securities investments. Second, academics look at investments only from the viewpoint of the OPMI, rather than the varied viewpoints of the many participants in the investment process.

TAVF does not, with rare exceptions, participate in those markets characterized by the existence of instantaneous efficiencies; markets achieving instantaneous efficiency seem to have two characteristics:

1) The "Investor" is a trader seeking to maximize a market-risk adjusted total return realizable in cash, consistently (TAVF is a buy and hold Investor with little or no demonstrated skill in short-run trading)

2) The securities (or commodities) being analyzed, can be analyzed by reference to only a limited number of computer programmable variables. These special case securities seem to be limited to three types of issues:

   a) Credit Instruments without credit risk (e.g., U.S. Treasuries)

   b) Derivatives (e.g., options, convertibles, warrants, swaps)

   c) Risk arbitrage (e.g., situations where there will be relatively determinant workout events in relatively determinant periods of time). An example of a risk arbitrage is an announced corporate merger where the common stock of the target company is priced below the indicated market value, or cash value, that will be received if the transaction closes. Most TAVF investments do not have risk arbitrage characteristics though some do, such as the Fund's investments in certain distressed credits (see the recent purchase of USG 9½% Notes maturing September 15, 2001).

If one believes that all markets attain instantaneous efficiency, one also has to believe that in all markets, there exists instantaneous, or almost instantaneous, convergence. Convergence refers to the belief that like securities trading in the same, or different, markets will end up selling at the same price. For example, Tecumseh Class A common selling at $49.44 per share at January 31 is exactly the same security as Tecumseh Class B common selling at $45.38, except that only the Class B common has voting rights. Under convergence theory, market forces will buy Tecumseh Class B increasing its price; and market forces will sell Tecumseh Class A decreasing its price. In short order, both Tecumseh A and Tecumseh B ought be selling at, say, $47. The truth is that the discount at which Tecumseh B sells, has persisted for a long time and probably will continue to exist until, say, an activist Tecumseh Board makes the "B" stock convertible into "A" stock on a share for share basis.

Convergence pricing seems to approach instantaneous efficiency most of the time in the "special case" markets I've identified above. For most of what Third Avenue does, however, there is no instantaneous efficiency. Almost all of the convergence that actually takes place, takes place because active players act rather than because amorphous market forces identify disparities in value between related securities; and then cause the spreads to narrow, or disappear, as if an invisible hand uses "magic".

Unlike academics, Third Avenue management and similar fundamentalists are probably pretty good at identifying $100 bills, for which we, at TAVF, try to pay not more than $50. Our problem, and the problem of other fundamentalists similarly situated, is not so much in identifying the $100 bills, but rather in how to get enough efficiency into one, or more, markets, so that the realization on the $100 bill can be $100, or even $65 or $70. Most investors comparable to TAVF try to do this by either identifying catalysts or becoming catalysts themselves (See Mutual Shares in pressing Chase Manhattan Bank to sell out, or Gabelli in encouraging a bidding process in connection with the sale of control of Paramount Pictures). At Third Avenue, management spends little time identifying, or seeking, catalysts. Rather the TAVF approach revolves around relying on a long-term tendency toward efficiency. The fund owns a large number of common stocks of well financed companies that have been acquired at what seem to be steep discount prices. The view is that while Fund management cannot time when individual situations will work out, enough situations in the Fund's portfolio are likely to work out on a lumpy, rather than consistent, basis, so that overall the TAVF portfolio ought to perform okay.

The TAVF portfolio seems to be loaded with $100 bills acquired for $50 or less. It is much easier for Fund management, and I suspect everyone else, to identify $100 bills using a balance sheet, rather than an income account, or cash flow statement, approach, albeit any good security analyst considers all elements that go into the accounting cycle. Common stocks in the TAVF portfolio that appear to be $100 bills bought at large discounts include the following:

Toyoda Automatic Loom Works, Ltd. ("TAL")
Alico, Inc.
Arch Capital Group, Ltd.
Capital Southwest Corp.
C.I.T. Group, Inc. Class A
Harrowston, Inc.
Forest City Enterprises, Inc.

Liberty Financial Companies
Liberty Homes, Inc.
Japanese Non-Life Insurers
Stewart Information Services Corp.
Tejon Ranch Co.
Weis Markets, Inc.
Woronoco Bancorp, Inc.

TAL serves as a good example of how instantaneous convergence does not work in complicated situations. At January 31, TAL Common closed at $19.26 per share. Its assets consisted of holdings of Toyota Motor Common with a market value of approximately $21 per TAL share; other marketable securities with a market value of about $8–$9 per TAL share; and magnificent, world-wide, operating businesses with a probable present value of $6–$9 per TAL share after deducting all debt. If Toyota Motor, which owns 22% of TAL Common, and/or TAL, as activists, do not undertake one or more of the several corporate actions available to them, the disparity between the market price of TAL Common and the underlying net asset values inherent in TAL, more likely than not, will persist.

There are all sorts of real world frictions that argue against the elimination of convergence, at least in the context of instantaneous efficiency. One example revolves around the near-universal existence of management entrenchment provisions embodied in corporate charters and by laws; state corporate laws; and certain Securities and Exchange Commission regulations. The costs to an outside activist trying to cash in that $100 bill the business would really be worth if there were a change of control can be prohibitive even where the activist might be able to acquire non-control common stock in the OPMI market for, say, $30 or $40. Other frictions discouraging convergence include management stock options; huge administrative costs for attorneys and investment bankers; and traditional corporate policies such as those that seem to govern the actions, and non-actions, of TAL and Toyota Motor.

The belief in instantaneous efficiency, and that the prices in the OPMI market reflect economic reality better than anywhere else pervades many areas of American life, including law and sociology as well as finance. There are now many proposals being floated to privatize partially social security on the theory that Wall Street is better able to identify attractive common stock investments in an efficient market then could government investing in credit instruments without credit risk. TAVF would never trust any of its investments to mainstream Wall Street. After all these are the same people, trained in academic finance, who brought us the dot.com madness of 1997 to early 2000, probably the greatest speculative bubble in the history of mankind.

I shall write again when the Semi-Annual Report for the period to end April 30, 2001 is published.

Sincerely yours,

Martin J. Whitman
Chairman of the Board

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments
at January 31, 2001
(Unaudited)

	Principal Amount ($)	Issues	Value	% of Net Assets
Asset Backed Securities - 0.06%				
	181,846	Ford Credit Auto Owner Trust Series 1998-B Class A-3, 5.85%, due 10/15/01	$ 181,961	
	1,212,844	Ford Credit Auto Owner Trust Series 1999-C Class A-3, 5.77%, due 11/15/01	1,213,683	
		Total Asset Backed Securities (Cost $1,393,238)	1,395,644	0.06%
Bank and Other Debt - 0.77%				
Healthcare	12,419,888	Genesis Health Ventures Revolving Loan (c)	7,886,629	0.35%
Insurance Services Companies	6,332,902	Safelite Glass Term A Note (c)	4,179,715	
	6,332,902	Safelite Glass Term B Note (c)	4,179,715	
			8,359,430	0.38%
Oil Services	867,125	Cimarron Petroleum Corp. (c) (d)	886,350	0.04%
		Total Bank and Other Debt (Cost $19,548,488)	17,132,409	
Convertible Bonds - 0.23%				
Assisted Living Facilities	59,384,000	CareMatrix Corp. 6.25%, due 8/15/04 (a) *	5,047,640	0.23%
		Total Convertible Bonds (Cost $17,260,378)	5,047,640	
Corporate Bonds - 6.10%				
Bermuda Based Financial Institutions	7,500,000	CGA Special Account Trust (b) (c)	7,500,000	0.34%
Building & Construction	19,500,000	Armstrong World Industries, Inc. 6.35%, due 8/15/03	6,922,500	
	21,415,000	Armstrong World Industries, Inc. 6.50%, due 8/15/05	7,602,325	
	34,655,000	USG Corp. 9.25%, due 9/15/01	33,747,005	
	41,000,000	USG Corp. 8.50%, due 8/01/05	33,760,384	
			82,032,214	3.70%

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

	Principal Amount ($)	Issues	Value	% of Net Assets
Corporate Bonds (continued)				
Consumer Products	53,800,000	Home Products International, Inc. 9.625%, due 5/15/08	$ 30,397,000	1.37%
Electrics - Integrated	5,000,000	Pacific Gas and Electric Co. First Mortgage 7.875%, due 3/1/02	4,425,000	0.20%
Hard Goods Retail	18,648,000	Hechinger Co. 6.95%, due 10/15/03 (a) *	1,212,120	
	14,752,000	Hechinger Co. 9.45%, due 11/15/12 (a) *	958,880	
			2,171,000	0.10%
Lawn & Garden Retail	20,753,000	Frank's Nursery & Crafts, Inc. 10.25%, due 3/1/08	8,612,495	0.39%
		Total Corporate Bonds (Cost $131,347,942)	135,137,709	
	Shares			
Common Stocks and Warrants - 77.09%				
Annuities & Mutual Fund Management & Sales	10,000	Atalanta/Sosnoff Capital Corp.	110,000	
	163,300	John Nuveen & Co., Inc. Class A (e)	9,226,450	
	1,050,000	Liberty Financial Companies, Inc. (e)	47,554,500	
			56,890,950	2.57%
Apparel Manufacturers	150,000	Kleinerts, Inc. (a) (c)	1,200,000	0.05%
Bermuda Based Financial Institutions	3,341,703	CGA Group, Ltd. (a) (b) (c)	1,286,556	
	91,999	Cobalt Holdings, LLC (c)	920	
	118,449	ESG Re, Ltd. (a)	259,107	
	15,675	ESG Re, Ltd. Warrants (c)	1	
	1,064,516	St. George Holdings, Ltd. Class A (a) (b) (c)	106,451	
	9,044	St. George Holdings, Ltd. Class B (a) (b) (c)	905	
	295,217	Trenwick Group, Ltd.	7,188,534	
			8,842,474	0.40%
Building Materials	1,493,400	USG Corp. (e)	33,153,480	1.50%
Business Development & Investment Companies	432,300	Arch Capital Group, Ltd. (a)	6,673,631	
	83,370	Capital Southwest Corp.	5,252,310	
	130,400	Harrowston, Inc. Class A - (Canada) (a)	364,746	
			12,290,687	0.56%
Computerized Trading	223,600	Investment Technology Group, Inc.	10,511,436	0.47%

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

	Shares	Issues	Value	% of Net Assets
Common Stocks and Warrants (continued)				
Computers, Networks & Software	100,000	3Com Corp. (a)	$ 1,075,000	0.05%
Depository Institutions	53,000	Astoria Financial Corp.	2,765,938	
	69,566	Banknorth Group, Inc.	1,378,276	
	218,500	Carver Bancorp, Inc. (b)	2,228,700	
	61,543	Commercial Federal Corp.	1,350,253	
	250,787	Golden State Bancorp., Inc.	6,771,249	
	250,787	Golden State Bancorp, Inc. Litigation Tracking Warrants (a)	360,506	
	41,100	Tompkins Trustco, Inc. (e)	1,132,305	
	402,800	Woronoco Bancorp, Inc. (b)	5,840,600	
			21,827,827	0.99%
Electronics	1,500,000	American Power Conversion Corp.	24,562,500	
	5,258,800	AVX Corp.	114,957,368	
	1,371,900	Electro Scientific Industries, Inc. (a) (b)	48,702,450	
	1,810,400	KEMET Corp. (a)	41,639,200	
	1,000,000	Vishay Intertechnology, Inc. (a)	21,800,000	
			251,661,518	11.36%
Finance	440,000	C.I.T. Group, Inc. Class A	10,335,600	0.47%
Financial Insurance	300,000	Ambac Financial Group, Inc.	16,713,000	
	2,444,500	Enhance Financial Services Group, Inc. (b)	32,242,955	
	1,076,073	MBIA Inc.	77,132,913	
			126,088,868	5.69%
Food Manufacturers & Purveyors	495,000	J & J Snack Foods Corp. (a) (b)	7,579,687	
	109,100	Weis Markets, Inc.	4,091,250	
			11,670,937	0.53%
Industrial Equipment	594,300	Alamo Group, Inc. (b)	8,765,925	
	123,900	Cummins Engine Co., Inc.	4,648,728	
	226,700	Lindsay Manufacturing Co. (e)	5,345,586	
	360,100	Mestek, Inc. (a)	6,175,715	
	300,000	Paccar, Inc.	15,112,500	

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

	Shares	Issues	Value	% of Net Assets
Common Stocks and Warrants (continued)				
Industrial Equipment (continued)	480,500	Standex International Corp.	$ 10,931,375	
	385,400	Tecumseh Products Co. Class A (b)	19,053,212	
	548,400	Tecumseh Products Co. Class B (b)	24,883,650	
	897,000	Trinity Industries, Inc.	21,124,350	
			116,041,041	5.24%
Industrial - Japan	3,532,000	Toyoda Automatic Loom Works, Ltd.	68,036,943	3.07%
Insurance Holding Companies	87,035	ACE Ltd.	3,220,295	
	200,678	ACMAT Corp. Class A (a) (b) (e)	1,680,678	
	803,669	Danielson Holding Corp. (a) (b) (c)	3,897,795	
	58,300	White Mountains Insurance Group Inc.	17,081,900	
			25,880,668	1.17%
Insurance Services Companies	641,646	Safelite Glass Corp. (c)	802,057	
	43,012	Safelite Realty Corp. (c)	53,765	
			855,822	0.04%
Manufactured Housing	89,000	Liberty Homes, Inc. Class A	464,469	
	40,000	Liberty Homes, Inc. Class B	205,000	
			669,469	0.03%
Medical Supplies & Services	251,300	Analogic Corp.	10,900,138	
	342,300	Datascope Corp.	12,579,525	
	554,950	Prime Medical Services, Inc. (a) (e)	3,225,647	
	90,750	St. Jude Medical, Inc.	5,535,750	
			32,241,060	1.46%
Natural Resources & Real Estate	1,160,000	Alexander & Baldwin, Inc.	32,498,125	
	166,000	Alico, Inc.	2,884,250	
	234,800	Burnham Pacific Properties, Inc.	1,235,048	
	179,600	Catellus Development Corp. (a)	2,887,968	
	31,000	Consolidated-Tomoka Land Co.	443,300	
	657,676	Forest City Enterprises, Inc. Class A	27,326,438	

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

	Shares	Issues	Value	% of Net Assets
Common Stocks and Warrants (continued)				
Natural Resources & Real Estate (continued)	7,500	Forest City Enterprises, Inc. Class B	$ 315,375	
	473,489	HomeFed Corp. (a)	478,224	
	1,180,336	Koger Equity, Inc.	17,929,304	
	14,600	LNR Property Corp.	424,130	
	846	Public Storage, Inc.	21,996	
	3,420,105	Tejon Ranch Co. (a) (b)	68,744,110	
	238,200	The St. Joe Co.	5,240,400	
			160,428,668	7.25%
Non-Life Insurance-Japan	7,319,000	Mitsui Marine & Fire Insurance Co., Ltd.	38,708,197	
	7,399,000	The Chiyoda Fire & Marine Insurance Co., Ltd.	19,024,809	
	2,350,000	The Nissan Fire & Marine Insurance Co., Ltd.	7,800,658	
	3,246,000	The Sumitomo Marine & Fire Insurance Co., Ltd.	19,232,858	
	1,520,800	The Tokio Marine & Fire Insurance Co., Ltd., Sponsored ADR	77,750,900	
	3,000,000	The Yasuda Fire & Marine Insurance Co., Ltd.	15,066,424	
			177,583,846	8.02%
Oil Services	500,000	Nabors Industries, Inc. (a)	29,505,000	1.33%
Pharmaceutical Services	5,308,740	Innovative Clinical Solutions, Ltd. (b) (e)	2,986,166	
	929,500	Kendle International, Inc. (a) (b)	11,502,562	
	588,000	PAREXEL International Corp. (a)	9,082,125	
	400,000	Pharmaceutical Product Development, Inc. (a)	16,500,000	
			40,070,853	1.81%
Retail	376,700	Value City Department Stores, Inc.	2,636,900	0.11%
Security Brokers, Dealers & Flotation Companies	223,600	Jefferies Group, Inc.	6,763,900	
	893,332	Legg Mason, Inc.	49,374,460	
	1,086,250	Raymond James Financial, Inc.	41,798,900	
			97,937,260	4.42%
Semiconductor Equipment Manufacturers & Related	200,000	Applied Materials, Inc. (a) (e)	10,062,500	
	1,004,500	C.P. Clare Corp. (a) (b)	5,273,625	
	31,400	Credence Systems Corp. (a)	788,925	

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

	Shares	Issues	Value	% of Net Assets
Common Stocks and Warrants (continued)				
Semiconductor Equipment Manufacturers & Related (continued)	2,874,700	Electroglas, Inc. (a) (b)	$ 53,900,625	
	3,329,000	FSI International, Inc. (a) (b)	33,498,062	
	100,000	KLA-Tencor Corp. (a) (e)	4,600,000	
	208,676	Novellus Systems, Inc. (a)	10,094,701	
	300,000	Photronics, Inc. (a)	10,537,500	
	3,194,300	Silicon Valley Group, Inc. (a) (b)	114,994,800	
	500,000	Veeco Instruments, Inc. (a) (e)	28,359,375	
			272,110,113	12.29%
Small-Cap Technology	247,200	Planar Systems, Inc. (a)	7,570,500	
	1,499	CareCentric, Inc. (a)	6,699	
			7,577,199	0.34%
Title Insurance	3,000,000	First American Corp.	88,650,000	
	1,951,400	Stewart Information Services Corp. (b)	39,047,514	
			127,697,514	5.77%
Transportation	55,032	Florida East Coast Industries, Inc. Class B	2,154,503	0.10%
		Total Common Stocks and Warrants (Cost $1,118,653,881)	1,706,975,636	
Preferred Stock - 1.00%				
Bermuda Based Financial Institutions	688,630	CGA Group, Ltd., Series A (b) (c)	17,215,752	
	6,045,667	CGA Group, Ltd., Series C (b) (c)	2,327,582	
			19,543,334	0.89%
Financial Insurance	2,500	American Capital Access Holdings, LLC (c)	2,500,000	0.11%
Insurance Holding Companies	4,775	Ecclesiastical Insurance, 8.625%	7,814	0.00%
		Total Preferred Stock (Cost $24,541,101)	22,051,148	

	Investment Amount ($)	Issues	Value	% of Net Assets
Limited Partnerships - 0.43%				
Bermuda Based Financial Institutions	2,202,000	ESG Partners, LP (c)	$ 106,224	0.00%
Financial Insurance	15,000,000	American Capital Access Holdings, LLC (c)	7,500,000	0.34%
Insurance Holding	3,264,756	Head Insurance Investors LP (c)	548,213	
Companies	1,425,000	Insurance Partners II Equity Fund, LP (c)	1,425,000	
			1,973,213	0.09%
		Total Limited Partnerships (Cost $21,891,756)	9,579,437	
	Notional Amount ($)			
Other Investments - (0.22%)				
Foreign Currency Swap Contracts	150,000,000	Bear Stearns Currency Swap, Termination Date 4/17/01 (c) (h)	(4,838,783)	(0.22%)
		Total Other Investments (Cost $0)	(4,838,783)	
	Principal Amount ($)			
Short Term Investments - 13.50%				
Repurchase Agreement	186,307,231	Bear Stearns 5.68%, due 2/1/01 (f)	186,307,231	8.41%
U.S. Treasury Bills	2,500,000	U.S. Treasury Bill 6.15%†, 04/26/01 (g)	2,471,532	
	350,000	U.S. Treasury Bill 6.19%†, 04/26/01 (g)	346,015	
	38,500,000	U.S. Treasury Bill 5.96%†, 06/07/01	37,869,370	
	35,000,000	U.S. Treasury Bill 5.93%†, 06/21/01	34,360,270	
	39,000,000	U.S. Treasury Bill 5.57%†, 11/29/01	37,571,742	
			112,618,929	5.09%
		Total Short Term Investments (Cost $298,338,637)	$ 298,926,160	

Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

	Value
Total Investment Portfolio - 98.96% (Cost $1,632,975,421)	$2,191,407,000
Cash and Other Assets less Liabilities - 1.04%	22,971,521
NET ASSETS - 100.00% (Applicable to 57,644,723 shares outstanding)	$2,214,378,521
NET ASSET VALUE PER SHARE	$38.41

Notes:

(a) Non-income producing securities.
(b) Affiliated issuers — as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).
(c) Restricted/fair valued securities.
(d) Interest accrued at a current rate of prime + 2%.
(e) Securities in whole or in part on loan.
(f) Repurchase agreement collateralized by:
U.S. Treasury Strips, par value $50,000,000, matures 11/15/13, market value $24,859,500.
U.S. Treasury Bonds, par value $28,115,000, matures 05/15/17, market value $37,612,528.
U.S. Treasury Strips, par value $40,072,000, matures 05/15/19, market value $14,012,778.
U.S. Treasury Strips, par value $95,790,000, matures 08/15/22, market value $27,779,100.
U.S. Treasury Strips, par value $100,000,000, matures 08/15/22, market value $29,250,000.
U.S. Treasury Strips, par value $34,000,000, matures 02/15/26, market value $8,308,920.
U.S. Treasury Bonds, par value $44,985,000, matures 04/15/29, market value $47,178,019.
(g) Security segregated for future Fund commitments.
(h) The Fund is selling 15.9 billion Yen and paying an interest rate of 0.38% in exhange for 150 million U.S. Dollars and an interest rate of 6.85%.
* Issuer in default.
† Annualized yield at date of purchase.
ADR: American Depository Receipt.

Third Avenue Small-Cap Value Fund

Dear Fellow Shareholders:

At January 31, 2001, the end of the first fiscal quarter, the unaudited net asset value attributable to the 11,428,534 common shares outstanding of Third Avenue Small-Cap Value Fund ("Small-Cap" or the "Fund") was $14.47 per share, compared with the Fund's audited net asset value of $13.86 per share at October 31, 2000 and an unaudited net asset value at January 31, 2000 of $12.20 per share. At February 20, 2001, the net asset value was $14.23 per share.

QUARTERLY ACTIVITY

During the quarter, Small-Cap established ten new positions, added to seven of its 37 existing positions, reduced its holdings in six companies and eliminated positions in three companies. At January 31, 2001, Small-Cap held positions in 44 companies, the top ten positions of which accounted for approximately 34% of the Fund's net assets.

Number of Shares	New Positions Acquired
131,000 shares	American Power Conversion Corp. Common Stock ("American Power Common")
150,000 shares	Arch Capital Group, Ltd. Common Stock ("Arch Common")
95,000 shares	Burnham Pacific Properties, Inc. Common Stock ("BPP Common")
13,500 shares	Capital Southwest Corp. Common Stock ("Capital Southwest Common")
54,600 shares	Cummins Engine Co. Common Stock ("Cummins Engine Common")
29,000 shares	Forest City Enterprises Common Stock ("Forest City Common")
120,900 shares	Herley Industries, Inc. Common Stock ("Herley Common")
172,400 shares	KEMET Corp. Common Stock ("KEMET Common")
41,284 shares	Novellus Systems Common Stock ("Novellus Common")
15,000 shares	Security Capital Group Common Stock ("Security Capital Common")
	Increases in Existing Positions
38,800 shares	Brooks Automation Common Stock ("Brooks Common")
68,900 shares	Century Aluminum Co. Common Stock ("Century Common")
47,800 shares	Electro Scientific Industries Common Stock ("ESI Common")
28,500 shares	FSI International, Inc. Common Stock ("FSI Common")
42,800 shares	Koger Equity Common Stock ("Koger Common")
24,600 shares	Tejon Ranch Co. Common Stock ("Tejon Common")
15,000 shares	Trinity Industries Common Stock ("Trinity Common")

Decreases in Existing Positions

20,000 shares	Credence Systems Corp. Common Stock ("Credence Common")
79,800 shares	First American Financial Common Stock ("First American Common")
49,922 shares	MBIA, Inc. Common Stock ("MBIA Common")
75,000 shares	Planar Systems, Inc. Common Stock ("Planar Common")
25,000 shares	Silicon Valley Group, Inc. Common Stock ("SVG Common")
151,000 shares	Value City Department Stores, Inc. Common Stock ("Value City Common")

Positions Eliminated

26,000 shares	Bel Fuse, Inc. Class A Common Stock ("Bel Fuse A Common")
140,900 shares	GaSonics International Corp. Common Stock ("GaSonics Common")
237,900 shares	HomeBase, Inc. Common Stock ("HomeBase Common")

The Small-Cap Value Fund was relatively busy during the quarter on both the buy side and the sell side. On the buy side, Small-Cap initiated new positions in three new issues (American Power Common, Herley Common, KEMET Common) as well as seven issues (Arch Common, BPP Common, Capital Southwest Common, Cummins Common, Forest City Common, Security Capital Common) owned by Small-Cap's sister funds.

The new holdings share at least two common characteristics: 1) conservative finances that can carry the companies through a downturn of virtually any magnitude or duration; 2) weakening near-term earnings outlooks coupled with very bright, long-term prospects. We took advantage of bearish markets, overly focused on the short-term slow-down in electronic components, to purchase American Power, Herley and KEMET Common at compelling absolute valuations.

Perhaps most interesting during the quarter, Small-Cap initiated a number of investments in what might be reasonably called "closed-end fund arbitrage." That is, the purchase of securities, which, for analytical purposes, can be viewed as closed-end funds, selling at a discount to their underlying net asset values. Securities that share these closed-end fund characteristics, and their respective areas of focus, include Arch Capital Common (insurance); BPP Common (real estate); Capital Southwest Common (venture capital); and Security Capital Common (real estate). The largest of these investments, Arch Capital, serves as a case study for the Fund's closed-end fund arbitrage investments.

Arch Capital Group is run by competent insurance industry veterans who have constructed an investment portfolio comprising cash, bonds, and both publicly traded and privately held insurance company common stocks. Arch does not have any debt or other meaningful liabilities, nor does it assume any insurance underwriting risk. The value today of the company's net assets (i.e., assets minus liabilities) approximates $20 per share, but the stock purchased by Small-Cap sells today for around $15 per share — a discount of 25%. By investing in Arch Capital Common, investors buy the expertise of a team of veteran insurance investors, a diverse portfolio of insurance company investments, all purchased at a discount from today's realizable values. The discount (and the attractiveness of the investment) will vary with fluctuations in both the price of Arch Common and the values of the underlying assets. The discount can shrink in one of two ways: the price of Arch Common appreciates to a level that approximates the value of the company's net assets (i.e., $20, favorable for the Fund as an owner), or the value of the assets declines to a level approximating the current share price (i.e., $15). Obviously, the former is preferable to the latter!

Sales during the quarter stemmed from both investment and portfolio considerations. The Fund parted with approximately one -third of its position in MBIA Common when, owing to price appreciation, that holding approximated 8% of the Fund's assets and carried a healthy absolute valuation. We continue to own a large position in MBIA because we think it is a terrific franchise. The Fund also trimmed its position in semiconductor equipment manufacturers in an effort to take advantage of very significant price appreciation during the quarter — ranging in some cases from 50% to 100% — despite a rapidly deteriorating short-term business environment. As noted in our Annual Report, the industry remains attractive on a long-term basis, and the Fund will continue to look for opportunities to add to its positions. However, it became difficult to justify the rapid price appreciation, a rate of appreciation that not only likely borrowed from future appreciation, but also approximated reasonable absolute values, in the face of a weakening industry environment.

Much has been said and written by the media, corporate chieftains and the new administration regarding a weakening business environment in the U.S. — some of the pundits have even suggested that a recession is officially under way. Third Avenue's investment process expends little energy analyzing such "macro" factors, preferring instead to study specific companies and their securities. As Peter Lynch, the well-regarded Fidelity fund manager used to say, "If you spend more than 15 minutes a year analyzing interest rates, the stock market, or the economy, you've wasted 13 minutes."

Nevertheless, to the extent the U.S. does experience some form of business recession in coming periods, our portfolio companies are likely to fair especially well. Third Avenue can make this argument because it has chosen companies with very strong and conservative financials. Strong financials, the cornerstone of our investment philosophy, constitute our so-called "sleep-at-night-factor," and are, without a doubt, the most powerful component of our investing framework.

While other companies with weaker financials will likely find any downturn particularly troublesome, Third Avenue's portfolio companies will use their financial strength to fund important corporate projects, make acquisitions, repurchase stock, or pursue other attractive opportunities. While financially weaker companies will undoubtedly find it difficult to access capital in a downturn (e.g., borrowing from the bank or issuing stock), Third Avenue's companies should need little access to outside capital, and important business decisions can be executed with the knowledge that the funding already exists. A business downturn might actually *help* our companies competitively. In as much as Third Avenue's portfolio companies face poorly-financed competitors, they might use a business downturn, for example, to acquire their competitors, accelerate new product development or make plant and equipment investments that their competitors can't fund. One such company that embodies Third Avenue's philosophy, and may well benefit longer-term from any economic downturn, is Electro Scientific Industries (Nasdaq — ESIO).

Electro Scientific manufactures capital equipment used in making a wide variety of electronic components. Though Electro Scientific's overall businesses are cyclical — a cyclicality that often creates wonderful buying opportunities — the longer-term growth of the combined businesses is excellent. Electro Scientifc has a diversified product portfolio, boasts high margins, requires modest amounts of capital, dominates its markets and has an opportunistic management team capable of managing a company twice the size of the current business. Most importantly, Electro Scientific has a fortress balance sheet with $140 million in cash, no debt and $300 million in shareholders equity.

At current levels, Electro Scientific Common is reasonably priced, particularly if one adjusts the earnings for the $30 to $40 million expensed each year on research and development ("R&D"). While accounting rules require that R&D gets expensed during the period it is incurred — thereby depressing reported earnings — one can arguably say that R&D in this case should be amortized over a two to three year period as it is an investment that supports the growth of the company over that time frame. Viewed in that manner, Electro Scientific's reported earnings and book value are probably understated.

Suffice it to say, for Electro Scientific, as well as our other similarly situated portfolio companies, a recession might not be so bad after all.

I look forward to writing you again when we publish our Semi-Annual Report dated April 30, 2001.

Sincerely,

Curtis R. Jensen

Curtis R. Jensen
Co-manager, Third Avenue Small-Cap Value Fund

Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments
at January 31, 2001
(Unaudited)

	Shares	Issues	Value	% of Net Assets
Common Stocks - 81.31%				
Bermuda Based Financial Institutions	135,400	Trenwick Group, Ltd.	$ 3,296,990	1.99%
Building Materials	100,000	USG Corp. (b)	2,220,000	1.34%
Business Development & Investment Companies	150,000	Arch Capital Group, Ltd. (a)	2,315,625	
	13,500	Capital Southwest Corp.	850,500	
			3,166,125	1.91%
Electronics	131,000	American Power Conversion Corp.	2,145,125	
	90,000	Electro Scientific Industries, Inc. (a)	3,195,000	
	172,400	KEMET Corp. (a)	3,965,200	
			9,305,325	5.63%
Financial Insurance	163,300	Enhance Financial Services Group, Inc.	2,153,927	
	104,900	MBIA, Inc.	7,519,232	
			9,673,159	5.85%
Industrial Equipment	319,500	Alamo Group, Inc.	4,712,625	
	54,600	Cummins Engine Co., Inc.	2,048,592	
	184,000	Trinity Industries, Inc.	4,333,200	
			11,094,417	6.71%
Life Insurance	179,000	FBL Financial Group, Inc. Class A	3,087,750	1.87%
Manufactured Housing	184,300	Skyline Corp.	4,111,733	2.49%
Media	120,000	ValueVision International, Inc. Class A (a)	2,047,500	1.24%
Metal & Metal Products	196,900	Century Aluminum Co. (b)	2,165,900	1.31%
Natural Resources & Real Estate	187,500	Alexander & Baldwin, Inc.	5,252,930	
	187,300	Alico, Inc.	3,254,337	
	139,000	Avatar Holdings, Inc. (a) (b)	3,266,500	
	126,900	Cabot Industrial Trust	2,493,585	
	255,400	Deltic Timber Corp.	5,618,800	
	29,000	Forest City Enterprises, Inc. Class A	1,204,950	

Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

	Shares	Issues	Value	% of Net Assets
Common Stocks (continued)				
Natural Resources & Real Estate (continued)	248,800	Koger Equity, Inc.	$ 3,779,272	
	15,000	Security Capital Group, Inc. Class B (a)	297,000	
	224,600	Tejon Ranch Co. (a)	4,514,460	
	1,104,700	The TimberWest Forest Corp. (Canada)	8,092,825	
			37,774,659	22.85%
Non-Life Insurance - Japan	2,025,000	The Nissan Fire & Marine Insurance Co., Ltd.	6,721,844	4.06%
Pharmaceutical Services	76,400	Kendle International, Inc. (a)	945,450	
	58,100	PAREXEL International Corp. (a)	882,394	
	93,000	Pharmaceutical Product Development, Inc. (a) (b)	3,836,250	
			5,664,094	3.43%
Real Estate Investment Trust	95,000	Burnham Pacific Properties, Inc.	499,700	0.30%
Retail	175,500	Value City Department Stores, Inc. (a)	1,228,500	0.74%
Semiconductor Equipment Manufacturers and Related	85,000	Brooks Automation, Inc. (a)	3,219,375	
	484,800	C.P. Clare Corp. (a)	2,545,200	
	38,100	Credence Systems Corp. (a)	957,262	
	100,000	Electroglas, Inc. (a) (b)	1,875,000	
	373,400	FSI International, Inc. (a)	3,757,337	
	41,284	Novellus Systems, Inc. (a)	1,997,114	
	103,400	Silicon Valley Group, Inc. (a)	3,722,400	
	150,000	SpeedFam-IPEC, Inc. (a) (b)	1,396,875	
			19,470,563	11.77%
Technology	133,400	Bel Fuse, Inc. Class B	5,027,512	
	120,900	Herley Industries, Inc. (a)	1,873,950	
	100,000	Planar Systems, Inc. (a)	3,062,500	
			9,963,962	6.03%
Title Insurance	100,000	First American Corp.	2,955,000	1.79%

Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

		Issues	Value	% of Net Assets
Common Stocks (continued)				
		Total Common Stocks (Cost $115,572,893)	$134,447,221	
	Notional Amount ($)			
Other Investments - (0.16%)				
Foreign Currency Swap Contracts	6,000,000	Bear Stearns Currency Swap, Termination Date 2/28/01 (c) (d)	(266,514)	(0.16%)
		Total Other Investments (Cost $0)	(266,514)	
	Principal Amount ($)			
Short Term Investments - 19.19%				
Repurchase Agreements	31,230,247	Bear Stearns 5.68%, due 2/1/01 (e)	31,230,247	18.89%
U.S. Treasury Bills	500,000	U.S. Treasury Bill 6.27%†, 4/26/01	494,307	0.30%
		Total Short Term Investments (Cost $31,723,201)	31,724,554	
		Total Investment Portfolio - 100.34% (Cost $147,296,094)	165,905,261	
		Liabilities Net of Cash and Other Assets - (0.34%)	(559,142)	
		NET ASSETS - 100.00% (Applicable to 11,428,534 shares outstanding)	$165,346,119	
		NET ASSET VALUE PER SHARE	$14.47	

Notes:
(a) Non-income producing securities.
(b) Securities in whole or in part on loan.
(c) Restricted/fair valued securities.
(d) The Fund is selling 6.7 billion Yen and paying an interest rate of 0.25% in exchange for 6 million U.S. Dollars and an interest rate of 6.73%.
(e) Repurchase agreement collateralized by:
U.S. Treasury Bonds, par value $30,050,000, matures 04/15/29, market value $31,514,938.
ADR: American Depository Receipt.
† Annualized yield at date of purchase.

Third Avenue Real Estate Value Fund

Dear Fellow Shareholders:

At January 31, 2001, the end of the first fiscal quarter of 2001, the unaudited net asset value attributable to the 2,422,418 shares outstanding of the Third Avenue Real Estate Value Fund (the "Fund") was $14.43 per share. This compares with an audited net asset value of $13.08 per share at October 31, 2000 and an unaudited net asset value of $10.29 per share at January 31, 2000, both as adjusted for subsequent distributions to shareholders of $0.565 per share. At February 20, 2001, the unaudited net assets totaled $37,003,934, attributable to the 2,563,363 shares outstanding with a net asset value of $14.44 per share.

QUARTERLY ACTIVITY

During the first quarter of fiscal 2001, the Fund established new positions in the senior notes of one company and the common stock of one company; increased its position in the senior notes of two companies and in the common stocks of ten companies; reduced its position in the common stock of one company; and eliminated its position in the senior notes of one company and in the common stock of four companies. At January 31, 2001, the Fund held positions in 27 companies with the ten largest positions accounting for approximately 51% of the Fund's net assets.

Principal Amount or Number of shares	New Position Acquired
$1,000,000	Imperial Credit Industries, Inc. 9.75% Senior Notes due 1/15/04 ("Imperial Notes")
235,700 shares	Burnham Pacific Properties, Inc. Common Stock ("Burnham Common")
	Increases in Existing Positions
$500,000	Frank's Nursery and Crafts, Inc. 10.25% Senior Subordinated Notes due 3/1/08 ("Frank's Notes")
$300,000	USG Corp. 9.25% Senior Notes due 9/15/01 ("USG Notes")
27,000 shares	Avatar Holdings, Inc. Common Stock ("Avatar Common")
39,900 shares	Captec Net Lease Realty, Inc. Common Stock ("Captec Common")
40,000 shares	Catellus Development Corp. Common Stock ("Catellus Common")
7,900 shares	Consolidated-Tomoka Land Co. Common Stock ("Consolidated Common")
27,000 shares	Forest City Enterprises, Inc. Class A Common Stock ("Forest City Common")
40,000 shares	Koger Equity, Inc. Common Stock ("Koger Common")
35,000 shares	Prime Group Realty Trust Common Stock ("Prime Group Common")
10,000 shares	Security Capital Group, Inc. Class B Common Stock ("Security Capital Common")

	Increases in Existing Positions (continued)
45,424 shares	Tejon Ranch Co. Common Stock ("Tejon Common")
16,800 shares	Wellsford Real Properties, Inc. Common Stock ("Wellsford Common")
	Reductions in Existing Positions
20,000 shares	First American Corp. Common Stock ("First American Common")
	Positions Eliminated
$1,050,000	Ocwen Asset Investment Corp. 11.50% Senior Notes due 7/1/05 ("Ocwen Notes")
25,000 shares	AMRESCO Capital Trust, Inc. Common Stock ("AMRESCO Common")
24,500 shares	Centex Corp. Common Stock ("Centex Common")
60,168 shares	D.R. Horton, Inc. Common Stock ("Horton Common")
21, 298 shares	Lennar Corp. Common Stock ("Lennar Common")

Imperial Notes

The Fund acquired its position in Imperial Notes after initially establishing a position in Imperial 9.875% senior notes during the prior quarter. The two issues have equal ranking in the company's capital structure. The Company's financial position has deteriorated further due to additional provisions for loan losses at Southern Pacific Bank, the Company's wholly-owned bank subsidiary ("SPB"). As a result, SPB has entered into a regulatory order with the FDIC. The order requires SPB to increase its capital ratios and restricts the payment of dividends to the Company. The Company has retained a financial advisor to assist in a recapitalization plan in order to comply with the FDIC order. We expect that the Company will be successful in raising new equity capital, but also expect that holders of Imperial Notes will be asked to either convert a portion of their notes to equity or agree to revised repayment terms. The Fund's average cost for the two issues is still about 50% of what we expect our ultimate recovery value to be. In the meantime, the Company has continued to make interest payments.

Burnham Common

Burnham Pacific Properties is a real estate investment trust that owns primarily neighborhood and community shopping centers in the western United States (primarily California and Washington). The Company's board of directors and shareholders recently approved a liquidation plan pursuant to which the Company's assets will be sold and the net proceeds will be distributed to Burnham Common holders after repayment of debt and preferred shares. The Company estimates that distributions to Burnham Common holders will be between $6.00 and $7.50 per share plus regular quarterly distributions from operating cash flow. A substantial number of properties have already been sold and several others are under contract. The Fund acquired Burnham Common at an average cost of about $4.58 per share. Barring a severe recession in California, which could delay the liquidation process, we like the risk arbitrage and see very little downside.

Ocwen Notes

The Fund tendered its Ocwen Notes for 87.25% of par. The Company initially made a tender offer for all of the outstanding Ocwen Notes at 84% of par. The tender offer included a provision that if at least 50% of the notes were tendered, the Company would be able to modify the trust indenture to the detriment of dissenting holders. The Fund, along with other holders aggregating more than 50% of the outstanding notes, rejected the Company's initial tender offer. A large institutional holder (with more than 50% of the issue) negotiated with the Company and agreed to tender its notes at the revised price of 87.25% of par. While we were confident that the Ocwen Notes were ultimately worth par, we could not risk holding them with the prospect of indenture modifications. The Fund's investment in Ocwen Notes returned less than it could have or should have, but still worked out to about a 41% internal rate of return.

AMRESCO Common

AMRESCO is a mortgage REIT that is in the process of conducting an orderly liquidation. The Fund originally acquired AMRESCO Common in anticipation that the Company would ultimately be sold or liquidated. The Fund sold its remaining shares of AMRESCO Common based upon our analysis indicating the market price had appreciated to a level that, on a risk-adjusted basis, exceeded the potential liquidation proceeds. The Fund's investment in AMRESCO Common resulted in about a 29% internal rate of return.

Centex Common, Horton Common and Lennar Common

The Fund began acquiring the common stocks of homebuilders about a year ago when there appeared to be a disconnect between their earnings (trailing and projected) and their stock price. The Fund acquired Centex Common, Horton Common and Lennar Common at price/earnings ratios of less than 5 and at discounts to book value. During 2000, most homebuilders reported record sales, earnings and backlogs (homes sold but not yet closed), and their stock prices more than doubled. We are concerned, however, that recent dramatic changes in the economic environment must ultimately negatively affect the homebuilding industry. Key factors include reduced consumer confidence, higher unemployment rates, reduced capital equipment orders and the unknown impact of California's utility problems. Third Avenue Funds' investment philosophy does not typically incorporate making market predictions. Our decision to sell the Fund's holdings in the common stocks of homebuilders was not based on a market call. Rather, we acknowledge that homebuilding has always been a highly cyclical business that is closely tied to economic conditions. Our professional judgment tells us there is high likelihood the industry is near a cyclical high, and we see a much greater chance of downside than upside in homebuilder common stocks. There is always the chance we will be proven wrong and we will miss out on additional appreciation. But the Fund made more than a 100% return on its investment in homebuilder common stocks and we would not want to watch these stocks make a "roundtrip" while still holding them.

INVESTING IN REAL ESTATE — DIRECT OWNERSHIP OR REAL ESTATE SECURITES?

There are three basic ways to invest in real estate where the desired result is cash flow and capital appreciation — in essence, owning equity in real estate.

- Direct investments (purchase fee ownership to property)
- Real estate limited partnerships
- Common stocks

1. Examples of direct investments would include purchasing fee ownership of an apartment building, shopping center, office building, etc. Since we all have to live somewhere, I do not include a primary personal residence in this category.

   The advantages of owning property directly include control, tax write-offs and the ability to obtain financing. The ability to make decisions regarding the maintenance, leasing, management and sale of property can be very desirable – especially for experienced property investors. Owning property affords an investor the opportunity to take advantage of certain tax benefits (primarily depreciation deductions) that can shelter some or all of the property's cash flow from income taxes. In certain instances, the investor can offset taxable income from other sources with non-cash losses generated from property investments. Properties can easily be financed based upon the quality and quantity of net cash flow that is generated from the tenant leases. In many cases (again, depending upon the experience of the investor) lenders will make non-recourse loans secured only by the property without personal guarantees. If all goes well, a property can be refinanced a few years later and the investor can cash in on appreciation without realizing capital gains. This theoretically can be repeated over and over again as the property continues to appreciate.

   The disadvantages of owning property directly include lack of liquidity, lack of available financing, management issues and lack of diversification. Quality investment properties are relatively easy to sell if priced and marketed properly. However, it is not unusual for a property sale to take months from the time a decision is made to sell until the actual receipt of sale proceeds. Financing for property investments at favorable rates and terms is often difficult to obtain — especially during periods of credit tightening. Less experienced investors may not be able to obtain non-recourse mortgage financing and often must provide personal guarantees. Most loans on investment properties do not fully amortize over the term of the loan and require a balloon payment at maturity. Takeout financing may not be available at maturity and the investor may be forced to sell at an inopportune time. Investment properties require management. Depending upon property type, management activities can be very intensive or they could be minimal. For example, owning a multi-tenant retail property requires maintenance, bookkeeping, collection, legal, leasing, construction and other routine activities. Many of these management functions can be contracted with third parties, but absentee ownership entails other risks. On the other end of the spectrum, owning a single tenant, triple-net leased property is much less management intensive and generally requires more upfront due diligence in determining the tenant's credit quality and the property's alternative uses.

Finally, unless an investor has significant capital to invest in a diversified portfolio of properties, it is difficult to avoid concentration risks — including property type, geographic location and tenant mix.

2. Real estate limited partnerships were very popular prior to the enactment of tax law changes in 1986. Many limited partnerships were registered with the SEC and partnership interests were offered to the public. Private limited partnerships are still a very common vehicle for real estate ownership.

   Limited partnerships offer the advantages of pass-through of tax losses, limited liability, defined term and expert management. Limited partnerships are not subject to federal income taxes and all income, gains and losses are passed through to its partners. Similar to direct ownership, limited partners can shelter cash flow from taxes primarily due to the pass-through of depreciation deductions. Limited partners are only at risk for the amount of money invested in the partnership, and creditors of the partnership generally cannot collect from them. Limited partnerships generally have a defined life. Therefore, it is assumed that at some point in the future the properties will be sold and the proceeds distributed to the partners. The general partner or sponsor of the limited partnership normally has (or at least claims to have) the necessary expertise to acquire, manage, operate and lease properties.

   Disadvantages of limited partnership investments include lack of liquidity, limited voting rights (control), and complex tax reporting. There is a very limited market for publicly-traded limited partnership units and no market for private limited partnership interests. Therefore, liquidity is only available when properties are sold or refinanced and the general partner distributes cash. Additionally, limited partners have no say in managing the affairs of the partnership except for limited voting rights that typically relate to major decisions such as a sale or liquidation. Limited partners report their share of the partnership's earnings and losses based upon information provided by the general partner on a Schedule K-1. The tax reporting is often complex, and investors may be required to file tax returns in multiple states.

3. There are an abundance of publicly-traded real estate companies (PRCs) whose common stocks can be bought and sold on major stock exchanges. For purposes of this discussion, I combine real estate investment trusts (REITs) and real estate operating companies (REOCs) in the same category. These companies come in all shapes and sizes — some are highly diversified by property type or geographic area, and others are very concentrated.

   Investing in PRCs provides distinct advantages over direct ownership or limited partnerships including:

   - Price — Common stocks of many PRCs often trade at discounts to net asset value, enabling investors to effectively buy real estate cheaper than making direct investments.
   - Liquidity — Common stocks of most PRCs are traded on major exchanges and can (in most cases) easily be converted to cash.
   - Voting rights — Shareholders elect a board of directors; and shareholders generally must approve major corporate transactions.
   - Simplified tax reporting — Shareholders receive a Form 1099 from the PRC for dividends received. There is no complicated record keeping (as with direct ownership) or complex reporting requirements (as with partnerships).

• Professional management — Many PRCs have experienced real estate operators, developers and managers running the company. Not enough can be said to illustrate the importance of quality management.

• Diversification — PRCs have total market capitalization ranging from a few million dollars to several billion dollars. A large capital base enables PRCs to spread risk among multiple assets. An investment of only a few thousand dollars in the common stock of one PRC can mean investing in several hundred properties.

• Access to capital markets — PRCs have access to much cheaper forms of capital (both debt and equity) than most individual investors or limited partnerships. This enables them to increase their portfolios and enhance investment returns.

• Ability to use margin — Most PRC common stocks can be bought on margin. Though buying stocks on margin adds obvious elements of risk, it is possible to enhance returns with leverage. Theoretically it is possible to more highly leverage an investment in a PRC than a direct investment. For example, an investor can usually leverage investment property for say 70% of appraised value — requiring 30% equity. If an investor uses 50% margin to buy common stock in a PRC that also uses 70% leverage, the investor has effectively created 85% leverage. (It should be noted that this is not a strategy we recommend.)

Investing in PRCs also has its disadvantages, including:

• Limited control — While shareholders do have voting rights, investment and operating decisions are controlled by management. Unfortunately, real estate financiers are among the most often noted groups of professionals with dubious reputations.

• Lack of tax benefits — PRCs do not provide flow-through deductions like direct ownership or partnerships. REITs enjoy a special tax exempt status provided they distribute 90% of their taxable income to shareholders. REIT dividends are generally taxable to shareholders. Real estate operating companies are usually corporations that are subject to corporate income tax. If the corporation pays dividends, they are also generally taxable to shareholders, resulting in double taxation.

• Difficult to choose good ones — With an abundance of PRCs to choose from, it can be difficult for investors to properly evaluate each company's portfolio, financial stability and quality of management.

There are also an abundance of mutual funds that specialize in investing in common stocks of PRCs. Real estate mutual funds may have as their objective either current income, total return or capital appreciation. Each fund's objective will dictate whether its investments will be concentrated in REITs or REOCs, and their investment discipline will dictate price consciousness and tolerance for risk. Overall, the real advantage of investing in real estate through the Third Avenue Real Estate Value Fund ought to be price. The Fund tries to acquire equities in real estate entities at prices that represent substantial discounts from the prices being paid in direct investments or by limited partnerships. It seems to be a lot easier to obtain these discount prices when you are buying common stocks in public markets rather than being a direct investor in the private market or a limited partner.

Since the Fund's investment objective is long-term capital appreciation, we focus our investments in common stocks of well-capitalized REOCs. Investors seeking current income with much less price consciousness (which many funds provide) would clearly be better off elsewhere. We do not strive to consistently beat relative benchmarks. Rather, we try to make investments in solid companies that offer prospects for excellent long-term capital growth, while reducing overall investment risk with our "safe and cheap" philosophy. We are also firm believers in eating our own cooking. Our personal stakes in the Third Avenue Funds represent significant portions of our net worth.

I look forward to writing to you again when we publish the Fund's Semi-Annual Report for the period ending April 30, 2001.

Sincerely,

Michael H. Winer
Co-manager, Third Avenue Real Estate Value Fund

Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments
at January 31, 2001
(Unaudited)

	Principal Amount ($)	Issues	Value	% of Net Assets
Convertible Bonds - 1.88%				
Assisted Living Facilities	1,000,000	CareMatrix Corp. 6.25%, due 8/15/04 (a) *	$ 85,000	0.24%
Financial Services	3,500,000	ContiFinancial Corp. 8.375%, due 8/15/03 (a) *	573,125	1.64%
		Total Convertible Bonds (Cost $647,715)	658,125	
Corporate Bonds - 6.72%				
Building Materials	600,000	USG Corp. 9.25%, due 9/15/01	584,279	1.67%
Diversified Financial Services	1,000,000	Imperial Credit Industries, Inc. 9.75%, due 1/15/04	395,000	
	500,000	Imperial Credit Industries, Inc. 9.875%, due 1/15/07	192,500	
			587,500	1.68%
Lawn and Garden Retail	1,234,600	Frank's Nursery & Crafts, Inc. 10.25%, due 3/1/08	512,359	1.47%
Real Estate Operating Companies	700,000	Rockefeller Center Property Trust, Floating Rate, 7.437%, due 12/31/07	665,644	1.90%
		Total Corporate Bonds (Cost $2,369,150)	2,349,782	
	Shares			
Common Stocks - 72.25%				
Building Materials	18,000	USG Corp. (b)	399,600	1.14%
Natural Resources	26,500	Deltic Timber Corp.	583,000	
	4,000	The TimberWest Forest Corp. (Canada)	29,303	
			612,303	1.75%
Real Estate Management	35,500	Security Capital Group, Inc. Class B (a)	702,900	2.01%
Real Estate Investment Trusts	84,600	Aegis Realty, Inc.	867,150	
	80,698	American Land Lease, Inc.	953,043	
	75,500	Anthracite Capital, Inc.	660,625	
	235,700	Burnham Pacific Properties, Inc.	1,239,782	
	80,100	Captec Net Lease Realty, Inc.	996,244	
	82,500	Koger Equity, Inc.	1,253,175	

Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

	Shares	Issues	Value	% of Net Assets
Common Stocks (continued)				
Real Estate Investment Trusts (continued)	113,800	Prime Group Realty Trust	$ 1,638,720	
	107,700	United Investors Realty Trust	545,231	
			8,153,970	23.34%
Real Estate Operating Companies	96,100	Avatar Holdings, Inc. (a)	2,258,350	
	139,000	Catellus Development Corp. (a)	2,235,120	
	37,800	Consolidated-Tomoka Land Co.	540,540	
	57,700	Forest City Enterprises, Inc. Class A	2,397,435	
	63,300	LNR Property Corp.	1,838,865	
	84,524	Tejon Ranch Co. (a)	1,698,933	
	83,900	The St. Joe Co.	1,845,800	
	81,350	Wellsford Real Properties, Inc. (a)	1,423,625	
			14,238,668	40.74%
Title Insurance	16,000	First American Corp.	472,800	1.35%
Transportation	17,073	Florida East Coast Industries, Inc. Class B	668,408	1.92%
		Total Common Stocks (Cost $21,925,305)	25,248,649	

	Principal Amount ($)			
Short Term Investments - 8.58%				
Repurchase Agreement	3,000,000	Bear Stearns 5.68%, due 2/1/01 (c)	3,000,000	8.58%
		Total Short Term Investments (Cost $3,000,000)	3,000,000	
		Total Investment Portfolio - 89.43% (Cost $27,942,170)	31,256,556	
		Cash and Other Assets Less Liabilities - 10.57%	3,692,805	

Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments (continued)
at January 31, 2001
(Unaudited)

	Value
NET ASSETS - 100.00% (Applicable to 2,422,418 shares outstanding)	$34,949,361
NET ASSET VALUE PER SHARE	$14.43

Notes:
(a) Non-income producing securities.
(b) Securities in whole or in part on loan.
(c) Repurchase agreements collateralized by:
U.S. Treasury Bonds, par value $2,890,000, matures 04/15/29, market value $3,030,888.
* Issuer in default.

Privacy Notice

Third Avenue Funds respects 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' distributor) and service providers. 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.

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