Third Avenue Funds

THIRD AVENUE VALUE FUND

THIRD AVENUE SMALL-CAP VALUE FUND

THIRD AVENUE REAL ESTATE VALUE FUND

THIRD QUARTER REPORT

(Unaudited)

July 31, 2001

Third Avenue Value Fund

Dear Fellow Shareholders:

At July 31, 2001, the unaudited net asset value attributable to the 68,190,347 common shares outstanding of the Third Avenue Value Fund ("TAVF", "Third Avenue", or the "Fund") was $37.71 per share. This compares with an unaudited net asset value of $37.48 per share at April 30, 2001, and an unaudited net asset value, adjusted for subsequent distributions, of $34.26 per share at July 31, 2000. At August 24, 2001, the unaudited net asset value was $38.15 per share.

QUARTERLY ACTIVITY

During the quarter new positions were established in the distressed credits of one issuer, Exodus Communications, the largest provider of web hosting centers for internet users. New positions were also established in the common stocks of three issuers—BKF, Brascan and Southwest Securities. These three are essentially wealth creation companies rather than pure earnings companies, and are engaged principally in financial and/or real estate activities. Each of the three appears to be selling at substantial discounts from adjusted net asset values.

Positions were increased in three distressed credits—Home Products, Lodgian Capital and USG Corp. In each case, the Fund now holds over 50% of the particular debt issue outstanding although in the case of USG Corp, which is operating in Chapter 11, TAVF is parri passu with the bank lenders so that effectively the Fund owns only about 28% of the combined credits held by public bondholders and the banks. Positions were also increased in six common stocks of well-capitalized companies.

One position, Woronoco Common, was reduced after Woronoco repurchased some of its own shares.This forced me to reduce our position slightly in order to avoid any percentage limitations on ownership imposed by banking regulations and corresponding corporate bylaws.

Resource conversion activities accounted for the elimination of four equity positions during the quarter. CGA and Harrowston were acquired for cash in take-overs. C.I.T. Group was acquired by Tyco International in exchange for Tyco Common; the Fund then sold the Tyco Common. The long-awaited acquisition of Silicon Valley Group by ASML Holding N.V. via a common stock for common stock merger closed during the quarter; the Fund continues to hold its position in ASML Holding Common. Paccar Common was sold because of price considerations albeit Paccar remains a very fine company. Tecumseh Common was sold because Fund management has lost confidence in Tecumseh management. Weis Markets Common was sold essentially because the company used up much of its strong financial position in buying out members of the Weis family. Finally, USG Common was sold—possibly mistakenly from a strictly economic point of view—because holding USG Common might have tainted TAVF's position as a dominant USG creditor. David Barse, President of TAVF, has been elected the Chairman of the Official Creditors Committee in the USG Chapter 11 case.

Principal Amount Or Number of Shares	New Positions Acquired
$44,500,000 equivalents	Exodus Communications Senior Notes ("Exodus Senior Notes")
6,000 shares	BKF Capital Group, Inc. Common Stocks ("BKF Common")
1,478,900 shares	Brascan Corporation Class A Common Stock ("Brascan Common")
556,850 shares	Southwest Securities Group, Inc. Common Stock ("Southwest Common")
	Increases in Existing Positions
$9,250,000 equivalents	Lodgian, Inc. 7% Convertible Subordinated Debentures due 6/30/10 ("Lodgian Subordinates")
$88,439,000	USG Corp. Senior Notes ("USG Senior Notes")
180,000 shares	American Power Conversion Corporation Common Stock ("American Power Common Stock")
724,200 shares	Burnham Pacific Properties, Inc. Common Stock ("Burnham Pacific Common")
1,700,000 shares	Hutchison Whampoa Ltd. Common Stock ("Hutchison Whampoa Common")
522,600 shares	Liberty Financial Companies, Inc. Common Stock ("Liberty Financial Common")
337,500 shares	The MONY Group, Inc. Common Stock ("MONY Common")
66,000 shares	Toyota Industries Corp. Common Stock (Toyota Industries Common")
	Reductions in Existing Positions
12,000 shares	Woronoco Bancorp, Inc. Common Stock ("Woronoco Common")

Number of Shares	Positions Eliminated
736,788 shares	CGA Group Ltd. Senior A Preferred Stock ("CGA Preferred")
440,000 shares	C.I.T Group, Inc. Class A Common Stock ("C.I.T Common")
175,200 shares	Harrowston, Inc. Class A Common Stock ("Harrowston Common")
300,000 shares	Paccar, Inc. Common Stock ("Paccar Common")
185,000 shares	Tecumseh Products Co. Class B Common Stock ("Tecumseh Common")
1,493,400 shares	USG Corp. Common Stock ("USG Common")
109,100 shares	Weis Markets, Inc. Common Stock ("Weis Common")

Two of the positions increased during the quarter were the common stocks of Hutchison Whampoa, headquartered in Hong Kong, and Toyota Industries, headquartered in Nagoya, Japan. As of August 1, Toyoda Automatic Loom Works changed its name to Toyota Industries. Both common stocks appear to be selling at very substantial discounts from readily ascertainable net asset values. More importantly, each company seems to have prospects of becoming first-rate growth vehicles. Hutchison Whampoa has invested heavily into 3G-infrastructure on a worldwide basis. 3G could take over the next generation of wireless telephony. Toyota Industries is the largest stockholder of Toyota Motor and also runs several magnificent operating businesses throughout the world. Toyota Motor seems to have a shot at becoming the "Wal-Mart of automotive assemblers". It will become the "Wal-Mart" if it continues to increase its market penetration on a worldwide basis. Already Toyota passenger cars outsell those of Chrysler in the U.S. and Canada by a widening margin and Toyota seems to be gaining fast in light truck SUV's and minivans.

It has been a most disappointing three months and nine months for the Fund in terms of events affecting portfolio companies, even though TAVF has outperformed most stock market benchmarks. Net asset value of the Fund is up for the nine-month period; most stock market indexes are down. This above average stock market performance seems attributable to the fact that "safe and cheap" seems to work most of the time, even when Fund management's forecasting skills seem to leave much to be desired. "Safe" refers to restricting common stock investments to the issues of companies that are extremely well financed, apparently reasonably well managed, and whose businesses are understandable to us. "Cheap" refers to restricting common stock investments to issues available at prices that seem to represent substantial discounts from what the common stock would be worth were the company a private business or a take-over candidate. In credit investing, "safe" refers to a well enough covenanted debt instrument so that investment risk ought to be minimal whether the issue remains a performing loan or participates in a reorganization, either out-of-court or in Chapter

11. “Cheap” in credit analysis refers to acquiring issues at prices that are, at least, 1000 basis points higher than could be obtained by buying a “plain vanilla” performing loan of comparable underlying credit quality.

The reason why the nine months interim has been so disappointing in terms of corporate performance is that, among the largest positions held by Third Avenue, results have been considerably worse than I was predicting at the times the particular securities were acquired.

Third Avenue’s investment in USG Senior Notes was based in part on the belief that USG would, more likely than not, retire the USG Senior Notes due September 15, 2001 before filing for Chapter 11 relief. USG sought Chapter 11 relief on June 25.

Silicon Valley Group was acquired by ASML Holding in a common stock for common stock transaction, which closed in May. While profitable for TAVF based on the Fund’s cost basis for Silicon Valley Common, the pricing for the transaction was so low that it smacked more of being a take-under by ASML Holding rather than a take-over.

Liberty Financial is in liquidation at a price that will result in a fair sized profit for TAVF. Nonetheless, the liquidating value attributable to Liberty Financial Common will be at the very bottom of the ranges of value that seemed likely to be realized. It is hard to complain, though, because it appears as if the Liberty Financial assets were exposed to the market over a long period of time in a competent fashion. The best bids that could be generated were accepted by the Liberty Financial control group.

TAVF has invested heavily in the common stocks of producers of passive components—AVX, Kemet and Vishay. The industry is now much more depressed than I ever thought was likely, and that depression might last longer than I had previously thought might be the case.

TAVF has invested heavily in certain extremely well capitalized Japanese “blue chips”. Interestingly enough, Third Avenue has been an investor in Japan since early 1997. The Fund has a paper profit on its “blue chip” Japanese portfolio even though the Japanese Nikkei Index has declined from about 20,000 in 1997 to around 11,500 now. This seems to be another demonstration that “safe and cheap” works most of the time. The general economic depression in Japan is far deeper, and far longer lasting than I had thought would be the case. More importantly, though, there seems little evidence that the management of the companies in which the Fund has invested are either redeploying their excess resources effectively, or are much interested in the welfare of their outside, minority shareholders.

Put simply, most of the developments affecting major positions owned by the Fund in the past nine months have resulted in unpleasant surprises, rather than pleasant ones (such as the take-over of FSA in 2000). I’m hopeful that future events will show that the recent results are attributable much more to a streak of bad luck rather than to a streak of bad analyses. Probably, there has been a little bit of both.

This letter seems an opportune place to discuss three issues very much in the news nowadays: The Role of Financial Accounting in Security Analysis; Security Analysts and Conflicts of Interest; and SEC Regulation FD–Fair Disclosure. Needless to say, my positions tend to differ from the conventional wisdom on the three issues by about 180 degrees in each case. The issues seem important, not so much because they might affect TAVF on a day to day basis (they won't), but rather because of possible impacts on the integrity of U.S. Capital Markets: –the best informed, most honest, most efficient capital markets that have existed in the history of mankind.

The Role of Financial Accounting in Security Analysis

In the TAVF scheme of things, financial accounting is useful, indeed essential, because it is the only tool which provides the objective benchmarks that a security analyst can use in trying to determine corporate values and corporate dynamics. For the Fund there is no belief that accounting should be expected to describe *Truth:* rather, financial accounting gives results derived in accordance with a relatively rigid system: GAAP, i.e., Generally Accepted Accounting Principles. Many of the underlying assumptions of GAAP have to be unrealistic as for example property values are based on historic cost less periodic depreciation charges, rather than estimated market values for properties. For TAVF, there is no *priori* reason why any one accounting number, say earnings per share, has to be more important than any other accounting number, say book value. Indeed, every accounting number is derived from, modified by, and a function of, all other accounting numbers. For the Fund, what the numbers *mean* tends to be much more important than what the numbers *are.*

In contrast, conventional security analysis, at least equity analysis, looks to have financial accounting reflect *Truth,* i.e., describe some sort of economic reality. Moreover, just one set of accounting figures is deemed to be important: earnings from operations or its derivatives; EBITDA, cash flow from operations, or earnings per share. In conventional security analysis what the numbers *are* tends to be far more important than what the numbers *mean.* Insofar as one labors under the assumption that the goal of security analysis ought to be predicting what the price performance of a publicly traded common stock will be in the immediate future, conventional security analysis seems to be applying an appropriate emphasis to a primacy of the income account approach, as reported for GAAP purposes. It seems obvious that earnings as reported tends to be a key factor influencing short-term fluctuations in the prices of publicly traded common stocks, even though those reported earnings give little, or no, clues as to what underlying values may be.

Most analysts, whether money managers or employed in research departments of broker/dealers, seem to believe that their primary job is to forecast near-term earnings results as reported, say for the next 3 months to 12 months: These analysts tend to put "buy" or "strong buy" recommendations on the common stocks of companies likely to report improved earnings soon. If the immediate profits outlook is glum, conventional analysts would rather not take a position in the security, not at least until they perceive that a bottom is near. In contrast, at TAVF, we are striving to identify underlying long-term values for companies and the securities they issue. For most of the common stocks the Fund acquires, the near-term earnings outlook at the time of acquisition is poor. The Fund buys at the time the near-term outlook is poor provided the company is well capitalized, if our analysis indicates that the common shares are available at a low price earnings ratio relative to long-term future earning power and/or are selling at a substantial discount from an adjusted, and measurable, net asset value. Thus, the difference between the ways TAVF uses financial accounting and the way most conventional equity analysts use financial accounting, seems understandable. It's the difference between a long-term balanced approach with emphasis on what the numbers *mean* (the Fund) vs. a short term, primacy of earnings approach with emphasis on what the numbers *are* (conventional analysts).

The stock option controversy serves as a good example of how conventional security analysts are unable to use GAAP to determine the *Truth.* On one side, the granting of stock options to executives are not a charge against the GAAP income account at the time of grant, albeit details of the options are fully described in footnotes to financials. Many conventional analysts want to alter GAAP so that the income account is charged with the market value of stock options granted to executives. Thus, assuming an executive received options on 2,000,000 shares of common stock with a value as determined by the Black-Scholes formula, of $2 per option, then GAAP should be altered so that operating income would be charged with a $4 million expense, the same as would be the case if, in lieu of options, the executive were paid $4 million cash.

The conventional proposals to alter the GAAP treatment of stock options tend to be ludicrous. First, there is no necessary correlation between the value of a benefit to a recipient—the executive—and the cost to an issuer—the company—to grant that benefit. What is the proper charge against income when a retail sales employee acquires a sweater with a retail price tag of $100 which cost the company $20 at a 60% employee discount, or for $40? The value of the sweater to the recipient is $100; no one would argue that the cost to the company is anything other than $20.

In fact, the cost to the company from issuing the executive stock option, which has a value to the executive of about $4 million, is the present value of the diminution, if any, in the company's future ability to access capital markets for new equity. This is something hard to measure. There may be other company costs, but I haven't figured out what they might be.

Issuing executive options often results in diluting the common capitalization outstanding. But common stock dilution in those instances where no cash dividends are paid is a stockholder problem, not a company problem insofar as it does not detract from a company's ability to access capital markets.

A good part of the problem for conventional security analysts, and virtually all academics, is that they fail to view the company as a stand-alone. Rather they implicitly assume that there exists a substantive consolidation between the interests of the company and the interests of its stockholders. Most of the time, substantive consolidation is an unrealistic economic assumption. Indeed, in credit analysis, whether for performing loans or distressed credits, the company is almost always analyzed as either a stand-alone, or a stand-alone with parent-subsidiary relationships. The stockholder just doesn't figure in most of the time.

There are macro problems involved with designing GAAP to meet the perceived needs of conventional equity analysts for *Truth* determined on a short-run basis with emphasis on the primacy of the income account. To begin with filling those perceived needs probably is an impossible task. More importantly though, trying to fulfill those needs has unnecessarily made GAAP just about as complex as the Internal Revenue Code. The Internal Revenue Code has to be complex because it leads to just one number—a taxpayer's tax bill. GAAP on the other hand need only give the analysts objective benchmarks. From the available information, I can figure out for my analytic purposes, what the true costs of executive stock options to a company might be. I don't need a Certified Public Accountant to do it for me, even assuming the CPA could.

Security Analysts and Conflicts of Interest

Holders of TAVF Common Stock do not have to worry about conflicts of interest. I haven't purchased a publicly traded security in years. If a security is attractive, the Fund buys it. If I, or my wife, have investable funds, we buy Third Avenue Common Stock.

There is now a general sense of rebellion against security analysts, who during the period prior to April 2000, were putting out strong buy recommendations for dot com common stocks, telecom common stocks, and other issues of companies whose only apparent real asset was an ability to sell new issues to the public at ridiculous prices. Many analysts are perceived to have had conflicts of interest because, among other things, the investment banking departments of the broker-dealers employing these analysts, benefited because the recommendations were essential if the investment bankers were to keep, or develop, relationships with present or potential issuers. There is validity to this view of conflicts of interest. However, it overlooks the main point of what went on during this period of speculative excess. The main point is that many, if not most, analysts, by and large, were incompetent. It was like they were in Jonestown drinking the Kool-Aid. Put otherwise I bet the same trillion of dollars would have been lost by the investing public even if there had been no conflicts of interest.

Many analysts are very smart and also very well informed. However, except for the extremely rare genius and skilled risk arbitrageurs (risk arbitrage exists where there are relatively determinate workouts in relatively determinate periods of time—e.g., announced merger transactions), it seems as if no one person, or group, can outperform a market, or index, by trying to predict short-term swings in security prices. It seems apparent that you can't beat the market by trying to beat the market consistently.

During the period of speculative excess, it was very hard for conventional analysts to not recommend dot com, telecom and similar common stocks, no matter what the price. If the analyst failed to outperform his peers, or benchmarks consistently, not only might his or her compensation level been in question but even his or her job. These analysts were in no position to pay attention to "safe and cheap" even if it was on their radar screens. It had little, or nothing, to do with conflicts of interest.

At present the major broker-dealers are implementing programs to assure that security analysts give out advice that is objective. Who do you want your investment advice from? Someone who is objective or someone who has their money where their mouth is. At Third Avenue, you don't get objectivity; you get managers who are investing on the same terms as any other TAVF stockholder.

The macro issue here is that so much ought to be done to raise the standards of security analysis practice so that in equity analysis, there is a de-emphasis on the importance of outperforming benchmarks consistently in the stock market. There's much to be learned from credit analysis where the analyst has to look mostly to the resources in the business and the performance of the business in order to gauge the quality of the security being analyzed. In credit analysis there tends to be little attention paid to market psychology, i.e., what will a bigger fool pay me for the security I hold regardless of that security's underlying merit or the security's price.

SEC Regulation FD—Fair Disclosure

Regulation FD is now under attack. FD requires issuers to make disclosures available to everyone in the market at the same time, rather than leaking disclosures to a select few. Many people want FD repealed. The issue really does not have anything to do with the Fund. Ever since TAVF has been in existence, Third Avenue has almost always been the last to know. TAVF does not operate with needs to obtain superior, i.e., early, disclosure. Rather, Fund operations revolve around using the available disclosures in a superior manner.

Yet, I think Regulation FD, which has been in existence only since October 2000, is very important as one guarantor of market integrity from a macro point of view. One of the United States' most valuable assets is that its capital markets are perceived as the best, deepest, most informed, most honest capital markets that have ever existed. This is a perception that should be nurtured carefully. Trading markets have to be viewed as fair. It can be said today that the U.S. does not really have a trade deficit but rather that the U.S. is exporting participations in its magnificent capital markets.

That confidence in U.S. markets might cease to exist if trading markets came to be viewed as unfair and disorderly. Regulation of securities, especially by the SEC, covers three principal functions:

1) The maintenance of fair and orderly markets

2) Providing disclosure

3) Oversight of fiduciaries, and quasi-fiduciaries.

Of the three, the first seems to be most important. Regulation FD goes a long way toward preserving the perception that the public trading markets are fair and orderly. Regulation FD should not be repealed.

I will write you again when the Annual Report for the year to end October 31, 2001 is published.

Sincerely yours,

Martin J. Whitman
Chairman of the Board

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

	Principal Amount ($)	Issues		Value	% of Net Assets
Asset Backed Securities - 2.72%					
Government National Mortgage Association	3,987,562	GNMA 2001-27 VC 6.50%, due 10/16/04	$	4,062,748	
	9,100,558	GNMA 2001-29 VD 6.50%, due 07/20/06		9,297,995	
	13,442,000	GNMA 1999-28 PL 6.50%, due 12/20/22		13,657,506	
	12,917,205	GNMA 2001-19 PA 5.50%, due 02/20/25		13,023,449	
	9,879,862	GNMA 2001-24 PA 5.50%, due 08/20/25		9,932,768	
	9,879,862	GNMA 2001-25 PA 5.50%, due 08/20/25		9,932,768	
	10,000,000	GNMA 2001-33 PA 5.50%, due 08/20/25		10,056,250	
				69,963,484	2.72%
		Total Asset Backed Securities (Cost $69,829,576)		69,963,484	
Bank and Other Debt - 1.00%					
Healthcare	12,403,733	Genesis Health Ventures Revolving Loan (c)		9,178,762	0.36%
Insurance Services Companies	9,066,484	Safelite Glass Term A Note (c)		7,706,511	
	9,500,707	Safelite Glass Term B Note (c)		8,075,601	
				15,782,112	0.61%
Oil Services	733,721	Cimarron Petroleum Corp. (c) (d)		752,946	0.03%
		Total Bank and Other Debt (Cost $22,885,363)		25,713,820	
Convertible Bonds and Equivalents - 0.94%					
Assisted Living Facilities	59,384,000	CareMatrix Corp. 6.25%, due 8/15/04 (a) (c)*		7,719,920	0.30%
Hotels & Motels	88,635,000	Lodgian, Inc. 7.00%, due 6/30/10 (b)		16,397,475	0.64%
		Total Convertible Bonds and Equivalents (Cost $36,279,603)		24,117,395	
Corporate Bonds - 7.82%					
Aerospace/Defense	14,027,000	Kellstrom Industries, Inc. 5.75%, due 10/15/02		3,436,615	0.13%
Building & Construction	19,500,000	Armstrong World Industries, Inc. 6.35%, due 8/15/03 (a) (e)*		9,481,875	
	21,415,000	Armstrong World Industries, Inc. 6.50%, due 8/15/05 (a) (e)*		10,413,044	

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

	Principal Amount ($)	Issues	Value	% of Net Assets
Corporate Bonds (continued)				
Building & Construction (continued)	78,559,000	USG Corp. 9.25%, due 9/15/01 (a)*	$ 56,562,480	
	85,535,000	USG Corp. 8.50%, due 8/01/05 (a)*	61,585,200	
			138,042,599	5.37%
Consumer Products	62,300,000	Home Products International, Inc. 9.625%, due 5/15/08	34,576,500	1.35%
Electrics - Integrated	5,000,000	Pacific Gas & Electric Co. First Mortgage 7.875%, due 3/1/02	4,725,000	0.18%
Hard Goods Retail	18,648,000	Hechinger Co. 6.95%, due 10/15/03 (a)*	1,491,840	
	14,752,000	Hechinger Co. 9.45%, due 11/15/12 (a)*	1,180,160	
			2,672,000	0.10%
Internet Content	9,000,000	Exodus Communications Inc. 11.25%, due 07/01/08	2,745,000	
	15,500,000	Exodus Communications Inc. 10.75%, due 12/15/09	4,979,375	
	15,000,000	Exodus Communications Inc. 11.625%, due 07/15/10	4,875,000	
	5,000,000	Exodus Communications Inc. 11.375%, due 07/15/08 (Euro)	1,312,428	
			13,911,803	0.54%
Lawn & Garden Retail	20,753,000	Frank's Nursery & Crafts, Inc. 10.25%, due 3/1/08 (a)*	3,735,540	0.15%
		Total Corporate Bonds (Cost $218,670,584)	201,100,057	
	Shares			
Common Stocks and Warrants - 69.02%				
Annuities & Mutual Fund Management & Sales	10,000	Atalanta/Sosnoff Capital Corp.	109,500	
	6,000	BKF Capital Group, Inc.	172,200	
	163,300	John Nuveen & Co., Inc. Class A (e)	10,127,866	
	1,572,600	Liberty Financial Companies, Inc.	51,392,568	
			61,802,134	2.40%
Apparel Manufacturers	150,000	Kleinerts, Inc. (a) (c)	1,200,000	0.05%
Bermuda Based Financial Institutions	118,449	ESG Re, Ltd. (a)	420,494	
	15,675	ESG Re, Ltd. Warrants (a) (c)	1	
	295,217	Trenwick Group, Ltd.	5,225,341	
			5,645,836	0.22%

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

	Shares	Issues	Value	% of Net Assets
Common Stocks and Warrants (continued)				
Business Development & Investment Companies	432,300	Arch Capital Group, Ltd. (a)	$ 7,288,232	
	1,478,900	Brascan Corp. Class A	26,546,255	
	83,370	Capital Southwest Corp.	5,534,934	
	2,200,000	Hutchison Whampoa, Ltd. - (Hong Kong)	21,226,019	
	1,000,000	Investor AB Class A - (Sweden)	12,421,694	
			73,017,134	2.84%
Computerized Trading	223,600	Investment Technology Group, Inc.	11,736,764	0.46%
Computers, Networks & Software	100,000	3Com Corp. (a)	490,000	0.02%
Depository Institutions	53,000	Astoria Financial Corp.	3,179,470	
	835,000	BankAtlantic Bancorp, Inc. Class A (e)	8,558,750	
	69,566	Banknorth Group, Inc. (e)	1,597,235	
	218,500	Carver Bancorp, Inc. (b)	1,922,800	
	61,543	Commercial Federal Corp.	1,532,421	
	40,000	EverTrust Financial Group, Inc.	622,000	
	250,787	Golden State Bancorp., Inc.	8,333,652	
	250,787	Golden State Bancorp, Inc. Litigation Tracking Warrants (a)	318,500	
	41,100	Tompkins Trustco, Inc. (e)	1,581,117	
	390,800	Woronoco Bancorp, Inc. (b)	6,252,800	
			33,898,745	1.32%
Electronics	2,175,000	American Power Conversion Corp. (a)	29,036,250	
	5,463,500	AVX Corp. (e)	120,197,000	
	1,746,900	Electro Scientific Industries, Inc. (a) (b)	56,162,835	
	3,100,000	KEMET Corp. (a)	60,016,000	
	2,530,000	Vishay Intertechnology, Inc. (a) (e)	60,846,500	
			326,258,585	12.69%
Financial Insurance	300,000	Ambac Financial Group, Inc.	17,262,000	
	119	American Capital Access Holdings (a) (c)	6,785,968	
	1,614,109	MBIA, Inc. (e)	90,648,361	
			114,696,329	4.46%

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

	Shares	Issues	Value	% of Net Assets
Common Stocks and Warrants (continued)				
Food Manufacturers & Purveyors	495,000	J & J Snack Foods Corp. (a) (b) (e)	$ 11,622,600	0.45%
Industrial Equipment	594,300	Alamo Group, Inc. (b) (e)	8,647,065	
	123,900	Cummins, Inc.	5,043,969	
	299,300	Lindsay Manufacturing Co.	5,462,225	
	360,100	Mestek, Inc. (a) (e)	8,822,450	
	480,500	Standex International Corp.	11,219,675	
	1,100,000	Trinity Industries, Inc.	25,322,000	
			64,517,384	2.51%
Industrial - Japan	3,598,000	Toyota Industries Corp.	71,020,376	2.76%
Insurance Holding Companies	87,035	ACE Ltd.	3,038,392	
	200,678	ACMAT Corp. Class A (a) (b)	1,876,339	
	803,669	Danielson Holding Corp. (a) (c)	3,295,043	
	1,075,580	Radian Group, Inc. (e)	43,044,712	
	58,300	White Mountains Insurance Group, Inc.	20,988,000	
			72,242,486	2.81%
Insurance Services Companies	940,130	Safelite Glass Corp. (a) (c)	940,130	
	63,160	Safelite Realty Corp. (a) (c)	63,160	
			1,003,290	0.04%
Life Insurance	374,800	The MONY Group, Inc. (a)	14,804,600	0.58%
Manufactured Housing	89,000	Liberty Homes, Inc. Class A	609,650	
	40,000	Liberty Homes, Inc. Class B (e)	248,000	
			857,650	0.03%
Medical Supplies & Services	251,300	Analogic Corp.	10,079,643	
	342,300	Datascope Corp.	14,469,021	
	554,950	Prime Medical Services, Inc. (a)	2,774,750	
	90,750	St. Jude Medical, Inc. (a)	6,352,500	
			33,675,914	1.31%

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

	Shares	Issues	Value	% of Net Assets
Common Stocks and Warrants (continued)				
Natural Resources & Real Estate	1,160,000	Alexander & Baldwin, Inc.	$ 29,464,000	
	166,000	Alico, Inc. (a)	4,789,100	
	959,000	Burnham Pacific Properties, Inc.	4,795,000	
	179,600	Catellus Development Corp. (a)	3,286,680	
	31,000	Consolidated-Tomoka Land Co.	623,100	
	657,676	Forest City Enterprises, Inc. Class A	33,738,779	
	7,500	Forest City Enterprises, Inc. Class B	387,750	
	473,489	HomeFed Corp. (a)	445,080	
	1,352,836	Koger Equity, Inc. (b)	21,780,660	
	14,600	LNR Property Corp.	492,750	
	846	Public Storage, Inc.	24,974	
	238,200	The St. Joe Co.	7,014,990	
	3,420,106	Tejon Ranch Co. (a) (b)	93,710,904	
			200,553,767	7.80%
Non-Life Insurance-Japan	6,659,100	Aioi Insurance Co., Ltd. (a)	22,609,256	
	7,319,000	Mitsui Marine & Fire Insurance Co., Ltd.	39,736,199	
	2,350,000	The Nissan Fire & Marine Insurance Co., Ltd.	10,406,337	
	3,246,000	The Sumitomo Marine & Fire Insurance Co., Ltd.	19,390,644	
	1,520,800	The Tokio Marine & Fire Insurance Co., Ltd., Sponsored ADR	70,521,017	
	3,000,000	The Yasuda Fire & Marine Insurance Co., Ltd.	19,146,282	
			181,809,735	7.07%
Oil Services	500,000	Nabors Industries, Inc. (a)	14,650,000	0.57%
Pharmaceutical Services	5,308,740	Innovative Clinical Solutions, Ltd. (a) (b)	1,645,709	
	929,500	Kendle International, Inc. (a) (b)	15,727,140	
	598,000	PAREXEL International Corp. (a) (e)	9,603,880	
	800,000	Pharmaceutical Product Development, Inc. (a)	28,328,000	
			55,304,729	2.15%
Security Brokers, Dealers & Flotation Companies	223,600	Jefferies Group, Inc. (e)	7,928,856	
	893,332	Legg Mason, Inc. (e)	43,005,002	

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

	Shares	Issues	Value	% of Net Assets
Common Stocks and Warrants (continued)				
Security Brokers, Dealers & Flotation Companies (continued)	1,086,250	Raymond James Financial, Inc.	$ 32,478,875	
	556,850	Southwest Securities Group, Inc. (e)	10,051,142	
			93,463,875	3.63%
Semiconductor Equipment Manufacturers & Related	200,000	Applied Materials, Inc. (a)	9,172,000	
	3,975,283	ASML Holding N.V. (a)	81,374,043	
	1,004,500	Clare, Inc. (a) (b)	2,661,925	
	31,400	Credence Systems Corp. (a)	649,980	
	2,874,700	Electroglas, Inc. (a) (b)	46,426,405	
	3,329,000	FSI International, Inc. (a) (b)	48,403,660	
	100,000	KLA-Tencor Corp. (a)	5,439,000	
	208,676	Novellus Systems, Inc. (a) (e)	10,636,216	
	300,000	Photronics, Inc. (a)	6,270,000	
	500,000	Veeco Instruments, Inc. (a) (e)	18,475,000	
			229,508,229	8.92%
Small-Cap Technology	1,499	CareCentric, Inc. (a)	3,560	
	247,200	Planar Systems, Inc. (a)	7,537,128	
			7,540,688	0.29%
Title Insurance	3,000,000	First American Corp.	53,250,000	
	1,951,400	Stewart Information Services Corp. (a) (b)	38,540,150	
			91,790,150	3.57%
Transportation	55,032	Florida East Coast Industries, Inc. Class B	1,720,300	0.07%
		Total Common Stocks and Warrants (Cost $1,214,109,328)	1,774,831,300	
Preferred Stock - 0.88%				
Bermuda Based Financial Institutions	6,045,667	CGA Group, Ltd., Series C (a) (c)	0	
			0	0.00%
Financial Insurance	12,500	American Capital Access Holdings, Convertible (a) (c)	12,500,000	
	10,000	American Capital Access Holdings, Senior Convertible (a) (c)	10,000,000	
			22,500,000	0.88%

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

	Shares	Issues	Value	% of Net Assets
Preferred Stock (continued)				
Insurance Holding Companies	4,775	Ecclesiastical Insurance, 8.625%	$ 7,928	0.00%
		Total Preferred Stock (Cost $29,548,975)	22,507,928	
	Investment Amount ($)			
Limited Partnerships - 0.08%				
Bermuda Based Financial Institutions	2,202,000	ESG Partners, LP (a) (c)	185,893	0.01%
Insurance Holding Companies	3,264,756	Head Insurance Investors LP (a) (c)	548,213	
	1,425,000	Insurance Partners II Equity Fund, LP (a) (c)	1,425,000	
			1,973,213	0.07%
		Total Limited Partnerships (Cost $6,891,756)	2,159,106	
	Notional Amount ($)			
Other Investments - (0.01%)				
Foreign Currency Swap Contracts	150,000,000	Bear Stearns Currency Swap, Termination Date 4/17/02 (g)	(281,419)	(0.01%)
		Total Other Investments (Cost $0)	(281,419)	
	Principal Amount ($)			
Short Term Investments - 17.89%				
Repurchase Agreements	348,177,421	Bear Stearns 3.86%, due 8/1/01 (f)	348,177,421	13.54%

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

	Principal Amount ($)	Issues	Value	% of Net Assets
Short Term Investments	**(continued)**			
U.S. Treasury Bills	19,500,000	U.S. Treasury Bill 3.61%†, due 09/06/01	$ 19,433,989	
	17,500,000	U.S. Treasury Bill 3.48%†, due 09/20/01	17,418,654	
	39,000,000	U.S. Treasury Bill 5.81%†, due 11/29/01	38,564,487	
	19,500,000	U.S. Treasury Bill 3.59%†, due 12/06/01	19,270,232	
	17,500,000	U.S. Treasury Bill 3.47%†, due 12/20/01	17,268,335	
			111,955,697	4.35%
		Total Short Term Investments (Cost $459,851,929)	460,133,118	
		Total Investment Portfolio - 100.34% (Cost $2,058,067,114)	2,580,244,789	
		Liabilities in Excess of Other Assets - (0.34%)	(8,691,836)	
		NET ASSETS - 100.00% (Applicable to 68,190,347 shares outstanding)	$2,571,552,953	
		NET ASSET VALUE PER SHARE	$37.71	

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 Notes, par value $8,455,000, matures 1/15/10, market value $9,030,955.
U.S. Treasury Notes, par value $25,000,000, matures 01/15/11, market value $25,335,750.
U.S. Treasury Strips, par value $122,000,000, matures 02/15/26, market value $30,004,680.
U.S. Treasury Strips, par value $56,000,000, matures 02/15/20, market value $19,267,360.
U.S. Treasury Strips, par value $120,500,000, matures 08/15/23, market value $34,117,165.
U.S. Treasury Strips, par value $29,450,000, matures 02/15/22, market value $8,991,380.
U.S. Treasury Strips, par value $60,000,000, matures 05/15/12, market value $33,731,400.
U.S. Treasury Strips, par value $23,500,000, matures 08/15/12, market value $13,005,840.
U.S. Treasury Strips, par value $50,000,000, matures 11/15/13, market value $25,547,000.
U.S. Treasury Strips, par value $127,200,000, matures 08/15/22, market value $37,961,568.
U.S. Treasury Strips, par value $33,720,000, matures 05/15/14, market value $16,723,097.
U.S. Treasury Strips, par value $202,300,000, matures 02/15/19, market value $73,839,500.
U.S. Treasury Strips, par value $9,890,000, matures 08/15/24, market value $2,636,278.
U.S. Treasury Strips, par value $80,550,000, matures 11/15/21, market value $24,894,783.
(g) The Fund is selling 18.6 billion Japanese yen and paying an interest rate of 0.18% in exhange for 150 million U.S. dollars and an interest rate of 4.72%.
* Issuer in default.
† Annualized yield at date of purchase.
ADR: American Depository Receipt.

Third Avenue Small-Cap Value Fund

Dear Fellow Shareholders:

At July 31, 2001, the end of the third fiscal quarter, the unaudited net asset value attributable to the 14,489,770 common shares outstanding of Third Avenue Small-Cap Value Fund ("Small-Cap" or the "Fund") was $15.60 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 April 30, 2001 of $14.88 per share. At August 24, 2001, the net asset value was $15.79 per share.

QUARTERLY ACTIVITY

During the quarter, Small-Cap established three new positions, added to eight of its 47 existing positions, reduced its holdings in four companies, and eliminated positions in one company. At July 31, 2001, Small-Cap held positions in 49 companies, the top 10 positions of which accounted for approximately 30% of the Fund's net assets.

Number of shares	New Positions Acquired
70,730 shares	ASML Holding N.V. Common Stock ("ASML Common")
287,900 shares	Brascan Corp. Class A Common Stock ("Brascan Common")
50,000 shares	Coherent, Inc. Common Stock ("Coherent Common")
64,300 shares	Jones Lang LaSalle, Inc. Common Stock ("Jones Common")
	Increases in Existing Positions
8,600 shares	Alamo Group, Inc. Common Stock ("Alamo Common")
7,500 shares	Arch Capital Group Ltd. Common Stock ("Arch Common")
24,300 shares	Bel Fuse, Inc. Class B Common Stock ("Bel Fuse Common")
16,400 shares	Lindsay Manufacturing Co. Common Stock ("Lindsay Common")
54,700 shares	The MONY Group, Inc. Common Stock ("MONY Common")
5,000 shares	First American Corporation Common Stock ("First American Common")

Number of shares	Increases in Existing Positions (continued)
292,780 shares	Southwest Securities Corp. Common Stock (“Southwest Common”)
42,500 shares	Trenwick Group, Ltd. Common Stock (“Trenwick Common”)
	Decreases in Existing Positions
5,000 shares	Brooks Automation, Inc. Common Stock (“Brooks Common”)
18,500 shares	Century Aluminum Co. Common Stock (“Century Common”)
10,000 shares	Planar Systems, Inc. Common Stock (“Planar Common”)
50,800 shares	Pharmaceutical Product Development, Inc. Common Stock (“PPD Common”)
	Positions Eliminated
79,600 shares	Silicon Valley Group, Inc. Common Stock (“SVG Common”)
100,000 shares	USG Corp. Common Stock (“USG Common”)

In contrast to the prior quarter, generally higher share prices this period worked against us as a buyer of securities. Nevertheless, we were able to start modest positions in Jones Common and Coherent Common and a slightly more meaningful position in Brascan Common. With the exception of Southwest Common, additions to our existing positions were similarly modest. Additionally, we exchanged our shares in SVG Common for shares in ASML Common, following a share for share merger transaction.

Brascan is a Canadian-based conglomerate of sorts, which has made considerable strides in improving the quality of its assets, focusing on a narrower set of properties that today include real-estate, energy, forest products, financial services and mining. Jones Lang is a real-estate management and services company, providing tenant representation, corporate property, valuation, and investment management services. Founded in 1966, Coherent manufactures lasers, laser-based systems and precision optics with applications in semiconductor manufacturing, telecommunications equipment, graphic arts and materials processing. Additionally, Coherent owns large positions in the publicly-traded common stocks of Lamda Physik and ESC Medical Systems.

The Fund’s holdings in USG Common were sold before that company filed for bankruptcy. The Fund realized a relatively large loss on the position. Realized losses, however, have a silver lining: Fund shareholders avoided nearly $450,000 in taxes. It may be that there is still value in the equity, but we sold it on two counts: 1) it no longer qualified as “safe and cheap”; and 2) our original analysis, as it pertained to the company’s asbestos liability, was flawed. We like the business and the very capable management team and, were it not for the as yet un-quantified asbestos liability, it is likely that we would continue to own the common stock.

The Fund now holds 20% of its assets in cash and equivalents (up from 15% in April, 2001). The cash position does not reflect a bearish view about the general market, nor an attempt to "time the market." This abnormally high level of cash reflects a narrower set of good, well-financed businesses selling at meaningful discounts to private market value.

A few statistics might put these comments in some perspective. The Russell 2000 Value Index—a rough proxy for our hunting grounds—a year ago had a P/E of 13.6x and a price/book value of 1.4x. Indicating both share price appreciation and deteriorating business conditions, those ratios today have climbed to 20.9x and 1.6x, respectively. While not wildly excessive, the most recent ratios seem to support a view that the world is more expensive than it used to be, expensive enough to reduce meaningfully the Fund's "opportunity set."

A couple of recent Fund purchases also illustrate these points. The Fund during the April quarter made significant purchases of Electro Scientific Common and Credence Systems Common. The table compares the Fund's average purchase cost during the April quarter with the daily average prices and volumes during the April and July quarters. (Readers will note too that purchasing during the July quarter would have been made more difficult by significantly lower volumes.)

	Fund's	Avg. Market Price		End of Period Price		Volume (000's)		
	Avg. Cost	April Q	July Q	April 30	July 31	April Q	July Q	% Chg
Credence	$18.60	$22.67	$22.37	$23.75	$21.12	1,170	838	(28%)
Electro Scientific	$27.26	$31.08	$36.07	$35.83	$32.15	296	230	(22%)

I would rather not hold as much cash as the Fund has, but am determined not to stray from an investing philosophy that has served investors well for many years. As I think about the cash position, I can not help but think of other professional investors (Long Term Capital Management and any number of LBO and venture capital firms come to mind) who, on the receiving end of too much cash in recent years, were forced to move beyond their respective "circles of competence" and ended up squandering billions of dollars by allocating too much capital to the wrong businesses. Call it capital allocation myopia. The experience of any number of industries from the late 1990's illustrates my point, but a few recent examples really stand out: movie theatre exhibition; telecommunications infrastructure; manufactured housing; and assisted living facilities. I intend to avoid repeating the mistakes of those derelict pieces of capital markets history.

You should rest assured that our entire investment team continues to search diligently for new ideas, and will stick closely to our knitting. It will take only a few really good ideas to employ our cash hoard and normalize our cash position. I look forward to writing you again when we publish our Annual Report dated October 31, 2001.

Sincerely,

Curtis R. Jensen

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

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

	Shares	Issues	Value	% of Net Assets
Common Stocks - 78.40%				
Aerospace/Defense	255,000	Herley Industries, Inc. (a) (b)	$ 4,286,550	1.90%
Bermuda Based Financial Institutions	177,900	Trenwick Group, Ltd.	3,148,830	1.39%
Business Development & Investment Companies	200,600	Arch Capital Group, Ltd. (a)	3,381,955	
	287,900	Brascan Corp. Class A	5,167,805	
	13,500	Capital Southwest Corp.	896,265	
			9,446,025	4.18%
Electronics	242,000	Advanced Power Technology, Inc. (a)	3,230,700	
	160,000	American Power Conversion Corp. (a)	2,136,000	
	200,000	Bel Fuse, Inc. Class B	4,844,000	
	484,800	Clare, Inc. (a)	1,284,720	
	290,000	KEMET Corp. (a)	5,614,400	
	95,000	Planar Systems, Inc. (a)	2,896,550	
			20,006,370	8.85%
Financial Insurance	150,000	MBIA, Inc. (b)	8,424,000	3.73%
Industrial Equipment	328,100	Alamo Group, Inc.	4,773,855	
	54,600	Cummins, Inc. (b)	2,222,766	
	168,600	Lindsay Manufacturing Co. (b)	3,076,950	
	262,900	Trinity Industries, Inc.	6,051,958	
			16,125,529	7.14%
Insurance Holding Companies	71,852	Radian Group, Inc. (b)	2,875,517	1.27%
Life Insurance	179,000	FBL Financial Group, Inc. Class A	3,329,400	
	109,700	The MONY Group, Inc.	4,333,150	
			7,662,550	3.39%
Manufactured Housing	184,300	Skyline Corp.	4,828,660	2.14%
Media	120,000	ValueVision International, Inc. Class A (a)	2,167,200	0.96%
Metal & Metal Products	181,900	Century Aluminum Co. (b)	3,174,155	1.40%

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

	Shares	Issues	Value	% of Net Assets
Common Stocks (continued)				
Natural Resources & Real Estate	187,500	Alexander & Baldwin, Inc.	$ 4,762,500	
	187,300	Alico, Inc. (b)	5,403,605	
	139,000	Avatar Holdings, Inc. (a) (b)	3,475,000	
	126,900	Cabot Industrial Trust	2,664,900	
	255,400	Deltic Timber Corp. (b)	6,844,720	
	39,000	Forest City Enterprises, Inc. Class A	2,000,700	
	268,800	Koger Equity, Inc.	4,327,680	
	17,000	Security Capital Group, Inc. Class B (a)	350,200	
	224,600	Tejon Ranch Co. (a) (b)	6,154,040	
	1,104,700	The TimberWest Forest Corp. (Canada) (b)	8,782,146	
			44,765,491	19.81%
Non-Life Insurance - Japan	2,025,000	The Nissan Fire & Marine Insurance Co., Ltd.	8,967,163	3.97%
Pharmaceutical Services	76,400	Kendle International, Inc. (a)	1,292,688	
	58,100	PAREXEL International Corp. (a) (b)	933,086	
	135,200	Pharmaceutical Product Development, Inc. (a)	4,787,432	
			7,013,206	3.10%
Real Estate Investment Trust	219,300	Burnham Pacific Properties, Inc.	1,096,500	0.49%
Real Estate Management	64,300	Jones Lang LaSalle, Inc. (a) (b)	922,705	0.41%
Securities Brokers, Dealers & Flotation Companies	346,180	Southwest Securities Group, Inc. (b)	6,248,549	2.76%
Semiconductor Equipment Manufacturers & Related	70,730	ASML Holding N.V.	1,447,843	
	58,000	Brooks Automation, Inc. (a)	2,759,060	
	50,000	Coherent, Inc. (a)	1,849,000	
	124,100	Credence Systems Corp. (a) (b)	2,568,870	
	198,500	CyberOptics Corp. (a)	2,094,175	
	159,300	Electro Scientific Industries, Inc. (a)	5,121,495	
	100,000	Electroglas, Inc. (a)	1,615,000	
	373,400	FSI International, Inc. (a)	5,429,236	

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

	Shares	Issues	Value	% of Net Assets
Common Stocks (continued)				
Semiconductor Equipment Manufacturers (continued)	25,000	Novellus Systems, Inc. (a)	$ 1,274,250	
			24,158,929	10.69%
Title Insurance	105,000	First American Corp. (b)	1,863,750	0.82%
		Total Common Stocks (Cost $145,742,107)	177,181,679	
	Principal Amount ($)			
Short Term Investments - 20.37%				
Repurchase Agreements	31,166,013	Bear Stearns 3.86%, due 8/1/01 (c)	31,166,013	13.79%
U.S. Treasury Bills	15,000,000	U.S. Treasury Bill 3.44%†, due 10/25/01	14,878,170	6.58%
		Total Short Term Investments (Cost $46,043,569)	46,044,183	
		Total Investment Portfolio - 98.77% (Cost $191,785,676)	223,225,862	
		Other Assets less Liabilities - 1.23%	2,777,579	
		NET ASSETS - 100.00% (Applicable to 14,489,770 shares outstanding)	$226,003,441	
		NET ASSET VALUE PER SHARE	$15.60	

Notes:
(a) Non-income producing securities.
(b) Securities in whole or in part on loan.
(c) Repurchase agreement collateralized by:
U.S. Treasury Notes, par value $29,710,000, matures 01/15/10, market value $31,733,845.
† Annualized yield at date of purchase.

Third Avenue Real Estate Value Fund

Dear Fellow Shareholders:

At July 31, 2001, the end of the third fiscal quarter of 2001, the unaudited net asset value attributable to the 4,105,996 shares outstanding of the Third Avenue Real Estate Value Fund (the "Fund") was $15.89 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 $12.49 per share at July 31, 2000, both as adjusted for subsequent distributions to shareholders of $0.565 per share. At August 24, 2001, the unaudited net assets totaled $76,329,632, attributable to the 4,661,126 common shares outstanding with a net asset value of $16.38 per share.

QUARTERLY ACTIVITY

During the third quarter of fiscal 2001, the Fund established new positions in the subordinated notes of one company, the senior notes of two companies, the preferred stock of one company, warrants on the common stock of one company and in the common stock of three companies. The Fund increased its position in the subordinated debentures of one company and in the common stock of nine companies; and reduced its position in the common stock of one company. The Fund eliminated its position in the senior notes of two companies, the liquidating trust units of one company and in the common stock of two companies. At July 31, 2001, the Fund held positions in 30 companies with the ten largest positions accounting for approximately 49% of the Fund's net assets.

Principal Amount or Number of shares	New Positions Acquired
$1,100,000	Assisted Living Concepts, Inc. 5.625% Convertible Subordinated Notes, due 5/1/03 ("Assisted Living Subordinates")
$369,000	Assisted Living Concepts, Inc. 6.00% Convertible Subordinated Notes, due 11/1/02 ("Assisted Living Subordinates")
$725,000	USG Corp. (Oregon State Solid Waste Disposal Facilities) 6.4% Revenue Bonds, due 12/1/29 ("Oregon Bonds")
$500,000	USG Corp. 8.5% Senior Notes due 8/1/05 ("USG Notes")
$464,100	Imperial Credit Industries, Inc. 12% Senior Notes, due 6/30/05 ("Imperial New Notes")
60,000 shares	Anthracite Capital, Inc. 10% Series B Convertible Preferred Stock ("Anthracite Preferred")
148,800 shares	Brookfield Properties Corp. Common Stock ("Brookfield Common")
22,223 warrants	Imperial Credit Industries, Inc. Common Stock Warrants ("Imperial Warrants")

Principal Amount or Number of shares	New Positions Acquired (continued)
142,000 shares	Jones Lang LaSalle, Inc. Common Stock (“Jones Lang Common”)
235,000 shares	Trammell Crow Co. Common Stock (“Trammell Crow Common”)
	Increases in Existing Positions
$1,250,000 equivalents	Lodgian, Inc. 7% Convertible Subordinated Debentures, due 6/30/10 (“Lodgian Subordinates”)
200 shares	American Land Lease, Inc. Common Stock (“American Land Common”)
70,000 shares	Catellus Development Corp. Common Stock (“Catellus Common”)
17,600 shares	Consolidated-Tomoka Land Co. Common Stock (“Consolidated Common”)
10,000 shares	First American Corp. Common Stock (“First American Common”)
34,900 shares	Golf Trust of America, Inc. Common Stock (“Golf Trust Common”)
11,100 shares	LNR Property Corp. Common Stock (“LNR Common”)
15,000 shares	Prime Group Realty Trust Common Stock (“Prime Group Common”)
85,000 shares	Security Capital Group, Inc. Class B Common Stock (“Security Capital Common”)
22,900 shares	Wellsford Real Properties, Inc. Common Stock (“Wellsford Common”)
	Reductions in Existing Positions
5,100 shares	Captec Net Lease Realty, Inc. Common Stock (“Captec Common”)
	Positions Eliminated
$700,000	Rockefeller Center Property Trust Floating Rate Notes, due 12/31/07 (“Rockefeller Notes”)

Principal Amount or Number of shares	Positions Eliminated (continued)
$714,000	Imperial Credit Industries, Inc. 9.875% Senior Notes due 11/5/07 ("Imperial 9.875% Notes")
3,055,278 units	CFN Liquidating Trust Units of Beneficial Interest ("CFN Units")
107,700 shares	United Investors Realty Trust Common Stock ("United Investors Common")
18,000 shares	USG Corp. Common Stock ("USG Common")

HIGHLIGHTS OF QUARTERLY ACTIVITY

Investments in Distressed Credits

Assisted Living Concepts owns/leases and operates 185 assisted living facilities, primarily small facilities (40 beds each) in small towns in Washington, Oregon, Texas and the Midwest. The company's goal was to reach a total of 300 residences in order to take advantage of economies of scale. The assisted living business experienced significant overbuilding during the late 1990s, and the company (along with most others in the business) lost its access to capital for further expansion. Without achieving critical mass, the company's business model is not viable, and its debt load cannot be adequately serviced. The Fund purchased Assisted Living Subordinates with the expectation that the company will file for bankruptcy protection and we will ultimately receive equity in the reorganized company. By converting the Assisted Living Subordinates to equity, the company should be able to stabilize its properties and sell them into a better market within the next few years. At an average cost of about 33 cents on the dollar, we think there is the potential for significant upside in the Assisted Living Subordinates.

USG Corp. and its U.S. subsidiaries (including U.S. Gypsum Company) filed for bankruptcy protection on June 25, 2001. According to the company, the filing was the direct result of the dramatic increase in the number of asbestos claims filed against the company; the increased costs of resolving claims; and the chain reaction of recent bankruptcy filings by other companies that forced USG to bear not only its own unjustly inflated burden but also the burdens of other companies. USG's business is currently in a cyclical downturn—gypsum wallboard prices are at about half the price of one year ago due to excess capacity. However, aside from asbestos liabilities, the company is extremely well financed and it would have no problem meeting all of its debt obligations. The Fund acquired USG 8.5% Senior Notes and Oregon Bonds (which are unsecured liabilities of USG) at a dollar price of about 66 and 47, respectively. The Fund also owns USG 9.25% Senior Notes. Both USG Senior Note issues, the Oregon Bonds and the bank credit facility all rank in parity with each other as senior unsecured claims of USG (the parent company). The vast majority of USG's asbestos claims are against U.S. Gypsum (a wholly owned subsidiary). We believe it is highly unlikely that there would be a resolution to the bankruptcy pursuant to which our claims would be subordinated to asbestos claims. A reasonable worst-case scenario assuming a par recovery (without interest from the date of filing) in three to four years should net a mid-teens internal rate of return. The returns will be substantially higher if we receive post-petition interest. We expect that USG will reorganize pursuant to Section 524 (g) of the U.S. Bankruptcy Code—which provides for the formation of a trust to be funded by the company. The trust will own a substantial portion of the equity in the reorganized company, all existing and future asbestos claims will be channeled to the trust, and the company will be cleansed of asbestos liabilities. The Fund sold its position in USG Common prior to the bankruptcy filing as it no longer met our criteria for "safe".

Imperial Credit Industries reduced its outstanding senior debt by $60 million with the successful completion of a capital infusion and debt exchange. The Fund exchanged its Imperial 9.875% Senior Notes for Imperial New Notes in an amount equal to 65% of the original face amount plus common stock and out-of-the-money warrants (we sold the common stock). We elected to keep the Imperial 9.75% Senior Notes instead of accepting the exchange offer in which we would have received New Notes equal to 50% of the original face amount. The 9.75% Notes mature in January 2004, approximately 18 months before the maturity date of the New Notes. While most of the financial covenants have been stripped from the indenture, our right to receive a money payment cannot be altered without our consent or a court order. The outstanding balance of the entire issue is only $7.5 million and is the company's next maturing issue. Unless the company's financial condition deteriorates significantly, we expect to continue to hold a performing loan and be paid off at maturity. Our cost basis in the 9.75% Notes is about 39% of par, which gives us a 25% current yield and over a 50% yield to maturity.

The Rockefeller Notes were called and paid in full by the company. The Fund originally purchased Rockefeller Notes at 86% of par in July 2000. The investment resulted in an internal rate of return of 22%. It should be noted that we never considered Rockefeller Notes to be distressed. When we bought them, they were just safe and cheap.

The Fund sold its position in CFN Units since it became difficult to determine a reasonable valuation for CFN Liquidating Trust's remaining assets. The Fund originally invested in ContiFinancial Corp. Senior Notes prior to the company's bankruptcy filing in May 2000. Upon confirmation of the plan of reorganization, we received distributions of cash plus the CFN Units. The Fund's internal rate of return on the original investment was 93%.

Investments in Equities

The Fund first invested in Anthracite Capital common stock ("Anthracite Common") in late 1998 when many mortgage REITs were in trouble due to mark-to-market adjustments that resulted in margin calls and forced sales of mortgage-backed securities. At that time, Anthracite held a high-quality portfolio of securities and mortgage loans without significant leverage. The stock was cheap, but we believed it was mispriced because of panic in the market. Since then, Anthracite Common has performed very well (over 100% return including appreciation and dividends). We continue to hold our investment in Anthracite Common and we are comfortable with management's performance and conservative underwriting approach. During the quarter, we were able to acquire Anthracite Preferred at a 13% current yield and a 23% discount to the liquidation preference amount. Considering that we still like Anthracite Common, our investment in Anthracite Preferred seems very safe.

Brookfield Properties Corp. is a Canadian real estate operating company that develops, owns, leases and manages high-profile office buildings primarily in New York, Boston, Calgary and Toronto. Nearly all of Brookfield's debt is nonrecourse, fixed rate mortgage debt and its properties are generally leased to high-quality credit tenants with lease terms averaging about 10 years. The Fund's average cost of Brookfield Common represents about a 20% discount to net asset value. Brookfield's management team also seems to be very competent and their interests are aligned with shareholders.

Jones Lang LaSalle and Trammell Crow are diversified real estate services and investment management companies. Both provide a wide variety of commercial real estate transactional, advisory and investment management services for local, national and international corporations and a large percentage of their total revenues are generated from recurring fees (e.g., contracts for property and facility management, and investment management) as opposed to being heavily dependent on transaction fees. Due to weakening economic factors in the United States, Europe and Asia, the near-term outlook for real estate services companies is cloudy—especially for companies that depend on non-recurring commissions. The Fund bought Jones Lang Common and Trammell Crow Common because they are both well financed (safe) and trading at what appears to be depressed levels. Wall Street analysts can't seem to get a clear picture of what the next few quarters are going to look like for the industry and until they can "call the bottom" these stocks will probably be out of favor. Our view is more long-term. Jones Lang and Trammell Crow have very strong business franchises and we expect they will continue to be the industry leaders.

Sometimes it Pays to be an Activist

United Investors Realty Trust entered into a merger agreement with Equity One, Inc. (a REIT), pursuant to which shareholders will receive $3.65 in cash plus common shares in Equity One (based on a formula). Depending on the price of Equity One's common stock, the total consideration will be $6.75 to $7.30 per share plus an additional $.13 dividend. The transaction is contingent upon receiving both companies' shareholders' approval. The Fund sold its position in United Investors Common at prices that we determined, on a risk adjusted basis, equaled or exceeded the expected merger consideration. It should be noted that the company's decision to seek a merger partner was significantly influenced by pressure exerted by the Fund's adviser and other large shareholders. We became dissatisfied with management's performance and concerned about the deterioration in the value of the properties and what appeared to be significant conflicts of interest. The Fund was part of group that became known as "The Committee to Restore Shareholder Value". The Committee waged a heated proxy contest to elect its own slate of directors, with the ultimate goal of maximizing value for shareholders. Though the Committee failed to get its slate of directors elected, we believe the pressure exerted was instrumental in forcing the company's management and directors to focus on shareholder concerns, and ultimately led to a fair transaction. The Fund's investment in United Investors Common was certainly not a homerun by our standards. In fact, I would classify it as a mistake. We have often said that evaluating management is one of the most difficult tasks when making investment decisions. United Investors was an example of how management's lack of competence can actually destroy shareholder value. When the Fund first invested in United Investors Common, I estimated net asset value was about $10 per share (pretty close to book value, or cost basis). The $7.30 per share in merger consideration is a clear indication of management's shortcomings. The Fund's average cost of United Investors Common was $5.89 per share. Including dividends and stock sale proceeds, we still earned an internal rate of return of over 16%. Not a homerun, but not bad for a mistake. Had we not taken an active role, I believe the results would have been significantly worse.

The Fund's adviser also took an active role in opposing a merger transaction proposed by Aegis Realty. In December 2000, Aegis announced it had entered into a transaction to acquire a portfolio of retail centers by issuing Aegis Common to the sellers of the portfolio. The transaction was billed as an acquisition, but the terms looked more like a reverse merger since the sellers would end up controlling the company. The price assigned to the shares to be issued for the acquisition was significantly below book value and our estimate of net asset value. Additionally, management was to receive fees that seemed excessive and to the detriment of shareholders. We, along with other large shareholders (including Warren Buffett), expressed our dissatisfaction with the proposed transaction and our intention to vote against it. We encouraged management to terminate the transaction and pursue a sale or liquidation of the company to maximize shareholder value. The company ultimately reached a mutual agreement with the seller to terminate the transaction. The company's board has directed management to retain an investment advisor and pursue a sale of the company or its assets. Only time will tell if there is a more favorable transaction, but clearly the proposed transaction looked grossly unfair to shareholders.

I look forward to writing to you again when we publish our Annual Report for the fiscal year ended October 31, 2001.

Sincerely,

Michael H. Winer

Portfolio Manager, Third Avenue Real Estate Value Fund

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

	Principal Amount ($)	Issues	Value	% of Net Assets
Convertible Bonds and Equivalents - 2.67%				
Assisted Living Facilities	$ 1,100,000	Assisted Living Concepts, Inc. 5.625%, due 5/1/03	$ 341,000	
	369,000	Assisted Living Concepts, Inc. 6.00%, due 11/1/02	114,390	
	1,000,000	CareMatrix Corp. 6.25%, due 8/15/04 (a) (c)*	130,000	
			585,390	0.90%
Hotels & Motels	6,250,000	Lodgian, Inc. 7.00%, due 6/30/10	1,156,250	1.77%
		Total Convertible Bonds and Equivalents (Cost $2,259,877)	1,741,640	
Corporate Bonds - 3.80%				
Building Materials	500,000	USG Corp. 8.50%, due 8/1/05 (a)*	360,000	
	600,000	USG Corp. 9.25%, due 9/15/01 (a)*	432,000	
	725,000	USG Corp. (Oregon State Solid Waste Disposal Facilities) Revenue Bonds 6.40%, due 12/1/29 (a)*	420,500	
			1,212,500	1.86%
Diversified Financial Services	1,504,000	Imperial Credit Industries, Inc. 9.75%, due 1/15/04	654,240	
	464,100	Imperial Credit Industries, Inc. 12.00%, due 6/30/05	392,164	
			1,046,404	1.60%
Lawn & Garden Retail	1,234,600	Frank's Nursery & Crafts, Inc. 10.25%, due 3/1/08 (a)*	222,228	0.34%
		Total Corporate Bonds (Cost $2,866,552)	2,481,132	
	Shares			
Common Stocks and Warrants - 73.96%				
Diversified Financial Services	22,223	Imperial Credit Industries, Inc. Warrants	0	0.00%
Natural Resources	26,500	Deltic Timber Corp.	710,200	
	4,000	The TimberWest Forest Corp. (Canada)	31,799	
			741,999	1.14%
Real Estate Investment Trusts	84,600	Aegis Realty, Inc.	896,760	
	109,798	American Land Lease, Inc.	1,449,334	

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

	Shares	Issues	Value	% of Net Assets
Common Stocks and Warrants (continued)				
Real Estate Investment Trusts (continued)	75,500	Anthracite Capital, Inc.	$ 866,740	
	329,700	Burnham Pacific Properties, Inc.	1,648,500	
	75,000	Captec Net Lease Realty, Inc.	910,500	
	58,800	Golf Trust of America, Inc.	455,700	
	122,500	Koger Equity, Inc.	1,972,250	
	180,800	Prime Group Realty Trust	2,332,320	
			10,532,104	16.14%
Real Estate Management	142,000	Jones Lang LaSalle, Inc. (a) (b)	2,037,700	
	235,000	Trammell Crow Co. (a) (b)	2,112,650	
			4,150,350	6.36%
Real Estate Operating Companies	96,100	Avatar Holdings, Inc. (a) (b)	2,402,500	
	148,800	Brookfield Properties Corp. (b)	2,894,160	
	254,000	Catellus Development Corp. (a)	4,648,200	
	157,600	Consolidated-Tomoka Land Co.	3,167,760	
	57,700	Forest City Enterprises, Inc. Class A	2,960,010	
	114,400	LNR Property Corp.	3,861,000	
	150,500	Security Capital Group, Inc. Class B (a)	3,100,300	
	120,200	The St. Joe Co.	3,539,890	
	84,525	Tejon Ranch Co. (a)	2,315,985	
	148,750	Wellsford Real Properties, Inc. (a)	2,945,250	
			31,835,055	48.79%
Title Insurance	26,000	First American Corp.	461,500	0.71%
Transportation	17,073	Florida East Coast Industries, Inc. Class B	533,702	0.82%
		Total Common Stocks (Cost $39,794,614)	48,254,710	

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

	Shares	Issues	Value	% of Net Assets
Preferred Stock - 1.77%				
Real Estate Investment Trusts	60,000	Anthracite Capital, Inc. 10% Series B	$ 1,155,000	1.77%
		Total Preferred Stock (Cost $1,155,000)	1,155,000	

	Principal Amount ($)			
Short Term Investments - 17.99%				
Repurchase Agreements	1,822,106	Bear Stearns 3.86%, due 8/1/01 (d)	1,822,106	2.79%
U.S. Treasury Bills	10,000,000	U.S. Treasury Bill 3.48%†, due 10/25/01	9,918,780	15.20%
		Total Short Term Investments (Cost $11,740,509)	11,740,886	
		Total Investment Portfolio - 100.19% (Cost $57,816,552)	65,373,368	
		Liabilities in Excess of Cash and Other Assets - (0.19%)	(127,547)	
		NET ASSETS - 100.00% (Applicable to 4,105,996 shares outstanding)	$65,245,821	
		NET ASSET VALUE PER SHARE	$15.89	

Notes:

(a) Non-income producing securities.
(b) Securities in whole or in part on loan.
(c) Restriced / fair valued securities.
(d) Repurchase agreements collateralized by:
U.S. Treasury Notes, par value $1,740,000, matures 01/15/10, market value $1,858,529.
* Issuer in default.
† Annualized yield at date of purchase.

THIRD AVENUE FUNDS PRIVACY POLICY

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, 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 the Fund's affiliated money management entities) and service providers, or as otherwise permitted by law. To protect your personal information, we permit access only by authorized employees. Be assured that we maintain physical, electronic and procedural safeguards that comply with federal standards to guard your personal information.

Officers
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David M. Barse
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Michael Carney
Chief Financial Officer, Treasurer
Kerri Weltz, Assistant Treasurer
W. James Hall
General Counsel, Secretary

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