Third Avenue Value Fund

Third Avenue Small-Cap Value Fund

Third Avenue Real Estate Value Fund

Third Avenue International Value Fund

LETTERS TO OUR SHAREHOLDERS

Fourth Quarter Commentary

October 31, 2008

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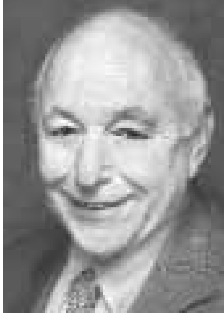
If you should have any questions, please call 1-800-443-1021, or visit our web site at: www.thirdavenuefunds.com, for the most recent month-end performance data or a copy of our prospectus. Current performance results may be lower or higher than performance numbers quoted in certain letters to shareholders.

M.J. Whitman LLC, Distributor. Date of first use November 13, 2008.

Third Avenue Value Fund



MARTIN J. WHITMAN
CO-CHIEF INVESTMENT OFFICER
& PORTFOLIO MANAGER OF
THIRD AVENUE VALUE FUND

IAN LAPEY
SENIOR RESEARCH ANALYST

Dear Fellow Shareholders:

At October 31, 2008, the end of the Fund's eighteenth fiscal year, the unaudited net asset value attributed to the 152,814,331 shares outstanding of the Third Avenue Value Fund ("TAVF", "Third Avenue" or the "Fund") was $35.15 per share. This compares with an unaudited net asset value at July 31, 2008 of $49.46 per share, and an audited net asset value adjusted for a subsequent distribution of $65.95 per share at October 31, 2007. At November 12, 2008, the unaudited net value was $31.16 per share.

During the quarter, Fund management spent more time on portfolio management than investment management. Third Avenue wishes it had more liquidity, because then management would have been heavy buyers of high-quality equity securities, which are now as cheap as either of us ever remember them being. Management also would have been much more aggressive in acquiring more performing loans trading at distressed prices, where the great weight of probabilities seem to be that these loans will remain performing loans. These bonds and notes were acquired at yields to maturity, or yields to call, of anywhere from 23% to 54%. We were also focused on raising cash to meet redemptions and remain liquid by selling certain non-core positions. During the quarter, the number of TAVF shares outstanding declined by 11%, from 171.6 million shares to 152.8 million shares. Sales during the quarter resulted in losses which will minimize or eliminate taxable income or capital gains for Fund shareholders. To have burdened Third Avenue shareholders with meaningful tax bills in 2008 when Fund performance was so poor would be adding insult to injury.

Fund performance in fiscal 2008 paralleled that of most other value mutual funds. Third Avenue, however, differed from many others in that there were almost no permanent impairments among Third Avenue's portfolio companies. For example, TAVF did not own any securities issued by Bear Stearns, Lehman Brothers, Countrywide, Fannie Mae, Freddie Mac, Wachovia or AIG. As far as we are concerned, the Fund's poor 2008 performance is attributable to an irrational stock market, not any fundamental deterioration in the businesses in which TAVF has invested. Further, the cost basis for these investments when acquired mostly represented very substantial discounts from readily ascertainable net asset values ("NAVs"). At present, the discounts from NAV are materially larger than the discounts were when the securities were acquired, both because the common stocks went down in price and the NAVs went up.

* Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of October 31, 2008: Cheung Kong Holdings, 9.62%; Henderson Land Development Co., Ltd., 8.05%; Toyota Industries Corp., 7.81%; MBIA, 7.12%; Posco (ADR), 4.31%; The St. Joe Company, 3.69%; Covanta Holding Corp., 3.54%; Brookfield Asset Management, 3.36%; Bank of New York Mellon, 3.34%; and Nabors Industries, Ltd., 2.97%.

QUARTERLY ACTIVITY

Principal activities during the quarter were as follows:

Principal Amount	New Positions Acquired
$15,000,000	Forest City Enterprises 3 5/8% due 2011 Senior Debentures ("Forest City Senior Unsecureds")
$10,000,000	General Motors Acceptance Corp. 7 3/4% due 1/2010 Senior Notes ("GMAC Senior Unsecureds" or "7 3/4 Senior Unsecureds")

Principal Amount or Number of Shares	Increases in Existing Positions
$20,002,000	General Motors Acceptance Corp. Notes 5 3/8% due 2011 ("GMAC Senior Unsecureds")
$20,612,000	MBIA Insurance Corp. 14% Surplus Notes ("MBIA Surplus Notes")
150,000 shares	Encana Corp. Common Stock ("Encana Common")
367,560 shares	Forest City Enterprises Class A Common Stock ("Forest City Common")
301,000 shares	Hang Lung Group, Ltd Common Stock ("Hang Lung Common")
527,000 shares	Henderson Land Development Co. Common Stock ("Henderson Land Common")
1,000,000 shares	Nabors Industries Common Stock ("Nabors Common")
95,500 shares	Posco Common Stock ("Posco Common")
200,000 shares	Toyota Industries Common Stock ("Toyota Industries Common")
171,000 shares	Wharf Holding Common Stock ("Wharf Common")

Principal Amount	Decreases in Existing Positions
$22,000,000	Standard Pacific Debentures 7% due 2015 ("Standard Pacific Debentures")

Number of Shares	Decreases in Existing Positions (continued)
2,000,000 shares	Ambac Financial Corp. Common Stock ("Ambac Common")
2,500 shares	Homefed Corp. Common Stock ("Homefed Common")
4,300,000 shares	MBIA Inc. Common Stock ("MBIA Common")
1,311,563 shares	RHJ International Common Stock ("RHJ Common")
1,000,000 shares	St. Joe Common Stock ("St. Joe Common")
3,563,000 shares	Tokio Marine Holdings Common Stock ("Tokio Marine Common")

Number of Shares	Positions Eliminated
60,670 shares	Alico Inc. Common Stock ("Alico Common")
700,000 shares	Applied Materials Common Stock ("Applied Materials Common")
390,800 shares	Berkshire Hills Bancorp Common Stock ("Berkshire Hills Common")
529,600 shares	Brookline Bancorp Common Stock ("Brookline Common")
25,150,000 shares	Henderson Investment Ltd. Common Stock ("Henderson Investment Common")
3,500,000 shares	Intel Corp. Common Stock ("Intel Common")
894,400 shares	Jefferies Group Common Stock ("Jefferies Common")
2,451,598 shares	Legg Mason Common Stock ("Legg Mason Common")
2,000,000 shares	Microsoft Corp. Common Stock ("Microsoft Common")
2,444,062 shares	Raymond James Financial, Inc. Common Stock ("Raymond James Common")
3,189,400 shares	USG Corp. Common Stock ("USG Common")

DISTRESSED SECURITIES

The credit crisis has resulted in increased investment opportunities in distressed securities. We thought it would be helpful to give TAVF Shareholders insight into some of the types of investments Third Avenue is making in the distressed area. On October 21st, Martin Whitman lectured at a joint session of the New York University Stern Business School and the New York University Law School about distressed investing. The template used to demonstrate various points were the GMAC 7 3/4% Senior Unsecureds maturing on November 19, 2010. Roughly the same dynamics applicable to the GMAC Unsecureds also apply to the Forest City Senior Unsecureds and the MBIA Surplus Notes, albeit the Forest City Unsecureds do not mature until 2011 and the MBIA Surplus Notes first become callable in 2013. A shortened version of the NYU presentation follows.

It is important to understand that no one can take away a creditor's right to a money payment unless he, she or it consents, or Chapter 11 relief is granted. What does this mean for a distress investor?

If a company is going to avoid Chapter 11, a short-term maturity date gives the distress investor *de facto* seniority.

If a company is to be granted Chapter 11 relief, seniority lies in the loan covenants; maturity dates for unsecured lenders become irrelevant.

Let's apply these lessons to a current issue.

$2,500,000,000 GMAC 7 3/4 Senior Unsecured Notes Maturing 1/19/2010

Recent Price:	$62
Yield to Maturity	53.42%
Current Yield	12.50%

Denied access to capital markets to refinance maturing obligations, the GMAC business is effectively in run-off.

GMAC has three types of assets that could be convertible into cash to meet maturing obligations:

1) Receivables and leases;
2) 100% interest in a profitable property and casualty insurance company which earns $400-600 million per year and is probably worth a sizable premium over book value in normal market environments; and
3) A 1/3 stock interest in GMAC Bank, much of whose assets may be in residential mortgages.

Prior to making an investment in this security, there are three questions we had to consider:

- Will the 7 3/4 Senior Unsecureds remain a performing loan?
- Will the 7 3/4 Senior Unsecureds participate in a Chapter 11 Reorganization?
- Will there be a voluntary exchange offer for the 7 3/4 Senior Unsecureds run by Cerberus Capital Management LP, the owner of 51% of GMAC common stock?

Whether or not the 7 3/4 Senior Unsecureds remain a performing loan seems to depend a lot on what will be the loss experience on the run-off of the receivables and lease portfolios. My best estimate is that there is a 70%-75% probability that the run off will be profitable enough to keep the 7 3/4 Senior Unsecureds a performing loan through maturity. If the 7 3/4 Senior Unsecureds are to be a performing loan, the key measure for the distressed investor is yield-to-maturity, 53%.

If the 7 3/4 Senior Unsecureds are to participate in a Chapter 11 Reorganization, say a 25%-30% probability, the 7 3/4 Senior Unsecureds upon reorganization will receive a new package of securities, probably including common stock, in what ought to become a conservatively financed finance company. Here, the distressed investor measures his return by the dollar price paid for 7 3/4 Senior Unsecureds and the workout value of the securities to be received upon reorganization. My estimate is that such a workout value ought to range between $70 and $90.

Cerberus could try a voluntary exchange offer for various GMAC Senior Unsecured Notes, including the 7 3/4 Senior Unsecureds. The exchange offer would propose that the holders of the 7 3/4 Senior Unsecureds accept a new package of securities with stretched out maturity dates that would have an expected market value of say $80-$85. There is no way that such an exchange offer would be accepted by most holders of the 7 3/4 Senior Unsecureds, unless the holders can be shown some meaningful downside if they do not exchange. The one downside I can think of that might encourage acceptances is that if an insufficient number of 7 3/4 Senior Unsecureds are offered for tender, GMAC will file for Chapter 11 Relief. Such a scenario seems very unlikely. Cerberus, a GMAC stockholder, is not going to want to commit suicide, or even take a suicide risk.

COMMON STOCKS

Fund management made the portfolio decision that TAVF should concentrate on its core positions. Insofar as there were common stock purchases during the quarter, the common stocks were concentrated in energy, U.S. investment builders, Hong Kong-based enterprises, Posco and Toyota Industries. Securities sold to meet redemptions were non-core holdings. Admittedly, none of the issues would have been sold were it not necessary to maintain liquidity. Sales of high cost holdings of Ambac Common, MBIA Common and St. Joe Common resulted in capital losses which were available to offset earlier capital gains.

TOP-DOWN INVESTING COMPARED WITH BOTTOM-UP INVESTING

Looked at from the top down, the economic situation seems bleak:

- The country and the world have entered a deep recession.
- Stock markets are mostly in a panic mode.
- The credit markets have frozen up – it is almost impossible for corporations to borrow.
- To date, the U.S. Government's handling of the credit crisis can most kindly be referred to as inept.

Looked at from the bottom-up, though, the investment opportunities appear to be enormous.

Indeed, today the opportunity of a lifetime seems to be present for passive investors who follow a few simple caveats:

1) Be a buy-and-hold investor;

2) Don't use borrowed funds to invest;

3) Don't own the common stocks of companies which need relatively continual access to capital markets if they are to remain going concerns. Even the best and highest quality of such companies can be in trouble in today's environment:

General Electric
Goldman Sachs
Merrill Lynch
Morgan Stanley

"Indeed, today the opportunity of a lifetime seems to be present for passive investors who follow a few simple caveats..."

In other words, deep value and high quality alone are not sufficient conditions for investing in common stocks. Deep value pricing and high quality assets must be accompanied by creditworthiness, and it's super hard to be credit worthy today if a corporation has to access credit markets for loan instruments other than demand deposits.

Fortunately, there are large numbers of companies that are credit worthy, combining strong balance sheets with an ability to prosper without seeking access to credit markets.

At Third Avenue, we acquire common stocks with these characteristics:

1) Super strong financial positions, which insulate the companies from the need to access capital markets.
2) Common stock selling at large discounts, say 40%-70% from readily ascertainable NAVs. There has never before been a time in our careers when so many high-quality well-financed companies have been available at such large discounts from NAV.
3) Companies that have excellent prospects over the next five years for increasing NAV by at least 10% per annum compounded.

Which analysis is the one for Third Avenue to focus on, Top Down or Bottom Up?

For Fund management, it's pretty easy. Given relative political stability and an absence of violence in the street, a focus on the bottom-up wins hands down.

STRONG BUSINESSES, HUGE DISCOUNTS

A major problem with our "Safe and Cheap*" investing philosophy is that "Safe and Cheap" securities tend to become cheaper when the near-term results and/or outlook are poor. This is currently the case for the distressed portion of the portfolio (MBIA Common; Ambac Common; GMAC Senior Unsecureds; MBIA Surplus Notes; and Forest City Senior Unsecureds). However, much of the portfolio is invested in Asian blue-chip companies involved with real estate; private equity; manufacturing, with emphasis on auto parts and materials handling; and a steel company. Recent results for these companies were quite strong in 2008, albeit it now looks as if 2009 will be a down year. However, each company reviewed below is likely to remain quite profitable. The common stocks reviewed below, in the aggregate accounted for approximately 44% of the Fund's net assets at October 31st.

As the following table illustrates, these securities have been trading at significant discounts to their estimated net asset values.

Security	Estimated NAV	Stock Price as of 10/31/2008	Implied Discount
Cheung Kong	HK $100.40	HK $72.55	28%
Hutchison Whampoa	HK $73.00	HK $41.00	44%
Henderson Land Development Company	HK $56.00	HK $27.10	52%
Toyota Industries	¥3994	¥2190	45%
Mitsui Fudosan	¥3500	¥1669	52%
Mitsubishi Estate	¥3400	¥1707	50%
Wheelock	HK $30.09	HK $11.42	62%
Wharf Holdings	HK $38.00	HK $15.00	61%
Hang Lung Group	HK $27.57	HK $24.20	12%

Cheung Kong (a 9.6% position in the Fund) is a Hong Kong-based holding company with investments primarily in real estate and private equity. The company reported a 70% year-over-year increase in operating profit, for the six months ended June 30, 2008, driven by strong property sales. Net asset value increased by 7%, compared to a year ago, to approximately HK $100.40 per share, despite the payment of HK $2.42 per share of dividends. Hutchison Whampoa (a 1.3% position in the Fund; 50% owned by Cheung Kong) reported a 46% increase in EBIT from established businesses (ports, property, retail, energy, infrastructure, finance and telecom) and significant improvement in its 3G telecommunications start-up. Cheung Kong's strong financial position (15% net debt to equity ratio) should enable it to weather the current slowdown in many of its businesses and potentially make additional investments at depressed prices. Cheung Kong's share price, at October 31st, was HK $72.55.

Henderson Land Development Company (an 8.1% position in the Fund) is a Hong Kong-based real estate

* "Safe" means the companies, in our judgment, have strong finances, competent management, and an understandable business. "Cheap" means that, in our judgment, we can buy the securities for significantly less than what a private buyer might pay for control of the business.

operating company focused primarily on commercial and residential property in Hong Kong and mainland China. The company also owns significant stakes in several publicly-listed entities, the largest of which is a 39% stake in Hong Kong and China Gas. Henderson reported a 45% increase in earnings per share, for its fiscal year ended June 30, 2008, driven by a HK $6.7 billion increase in the fair value of real estate properties (Hong Kong financial reporting standards require real estate investment properties to be stated on the balance sheet at fair value). Leasing fundamentals remained healthy, as net rental income increased 11% and the leasing rate for core properties remained high at 94%. Net asset value per share increased by 18%, to HK $56, which is more than twice its October 31st market price of HK $27.10. The company's financial position remains strong, as evidenced by its net debt to shareholders equity ratio of 16.5%.

Although Henderson's real estate operations will be negatively impacted in the near term by the softening global economy, the company may be able to take advantage of the global bear market to increase its ownership or privatize partially owned subsidiaries at lower prices. In recent years, Henderson has privatized Henderson China and most of the assets of Henderson Investment. Potential future opportunities include the following:

- Miramar Hotel and Investment (44% owned, whose common stock is down 65% for the year, as of October 31st).
- Hong Kong Ferry (31% owned, whose common stock is down 49% for the year, as of October 31st).
- Hong Kong and China Gas (39% owned, whose common stock is down 38% for the year, as of October 31st).
- Sunlight Real Investment Trust (5% owned, whose common stock is down 50% for the year, as of October 31st).
- Henderson Investment (68% owned, whose common stock is down 79% for the year, as of October 31st).

Toyota Industries (a 7.8% position in the Fund) is a diversified manufacturer of automobiles, engines, air conditioning compressors, forklifts and the electronics for hybrids, such as the Prius. The company also has a large common stock investment portfolio including ownership of roughly 6% of Toyota Motor. Both Toyota Motor and Toyota Industries should benefit from the current troubles of North American auto producers and suppliers. Toyota Industries has a very strong financial position with 150 billion yen of cash and short-term investments and 529 billion yen of debt. Most of the company's debt is long term and low coupon, with interest rates ranging from 0.4% to 2.5%. The company's large investment portfolio was valued at 1.27 trillion yen, as of September 30, 2008. Toyota Motor also has a very strong financial position. Although earnings have been depressed by the current weak industry conditions, both companies have remained profitable.

The recent announcement that GMAC is pulling back on auto lending should benefit Toyota Motor, which has been actively promoting zero percent financing. As of October 31, Toyota Industries Common was selling at 55% of reported net asset value and 5 times our estimate of "look through" earnings, which include the company's share of the undistributed earnings of Toyota Motor and other affiliates.

Mitsui Fudosan (a 2.6% position in the Fund) and Mitsubishi Estate (a 2.7% position in the Fund) are real estate operating companies based in Japan. Mitsui Fudosan reported that operating income for the six months ended September 30, 2008 increased 11%,

driven by a 14% increase in leasing income. Office fundamentals in Tokyo remain healthy, as the company's vacancy rate totaled only 1.6%, as of September 30, 2008. Fund management estimates that Mitsui Fudosan's NAV is 3500 yen per share, compared with an October 31st price of 1669 yen per share. Mitsubishi Estate also benefitted from the strong Tokyo office market for Class A properties, reporting a 30% increase in operating profit. Fund management estimates that Mitsubishi Estate's NAV is 3400 yen per share, compared with an October 31st price of 1707 yen per share. Both Mitsui Fudosan and Mitsubishi Estate remain very well financed with low cost debt (less than 2%) and healthy interest coverage (greater than 5 times).

Posco (a 4.3% position in the Fund) is a leading Korean steel producer. The company recently reported that third quarter 2008 revenue and operating income increased 68% and 85%, respectively, owing to robust steel demand and pricing. The company also increased its full year earnings outlook, projecting a full year increase in operating income of 54%, despite rising raw materials prices. Posco's financial position remained very strong with cash and equivalents of 4.3 trillion Korean won compared to total debt of 4.1 trillion won. Additionally, the company had an 8.4 trillion won portfolio of investment securities. At October 31st, Posco Common was trading at a PE ratio of 6, based on reported earning for the last 12 months.

The current macroeconomic uncertainty should enable Posco to execute on its long-term growth plan more efficiently. The company's 10-year plan calls for increasing its steel production to 50 million tons, from 31 million tons, by 2018. This growth is expected to come from new steel plants (projects are being pursued in India, Vietnam and Mexico) and acquisitions. A weaker global steel market would enhance the company's ability to grow both organically and through acquisitions. The company recently expressed interest in buying steel companies in global markets, including the US and Europe.

Wheelock (a 2.5% position in the Fund) is a Hong Kong-based real estate and private equity company. The company reported that net asset value per share increased 8% in the first six months of 2008, to HK $30.09 per share. Net debt to equity declined to 18% from 19%, positioning the company to take advantage of potential opportunities in a softer global economy. Wheelock's 50% owned subsidiary, Wharf Holdings (a 1.8% position in the Fund), reported robust results at its core Hong Kong properties.

- Harbor City generated a 23% increase in operating profit, driven by favorable rental renewals as occupancy levels were nearly 100% and 96% for the office and retail properties, respectively.
- Times Square produced a 15% increase in operating profit, as occupancy levels at its office and retail properties totaled 98% and virtually 100%, respectively.

At October 31st, Wheelock Common was selling at HK $11.42 per share.

Hang Lung Group (a 1.5% position in the Fund) is a Hong Kong-based holding company. Its primary asset is a 51% ownership stake in Hang Lung Properties (a 1.4% position in the Fund), a Hong Kong-based real estate operating company. Hang Lung Group reported a 26% increase in net asset value per share, to HK $27.57, for its fiscal year ended June 30, 2008. This growth was driven by robust results from Hang Lung Properties, which reported a 107% (HK $13.2 billion) increase in net profit. Hang Lung Properties recorded a HK $10.2 billion increase in the fair value of its investment properties, along with strong growth in property leasing income (11% and 63% in Hong Kong and Shanghai,

respectively) and property sales in Hong Kong. Hang Lung Group's gearing ratio fell to 0.4%, from 6% a year ago, and Hang Lung Properties had a net cash position. Hang Lung Group Common was priced at HK $24.20 per share, on October 31st.

Hang Lung Properties should benefit from lower land prices in mainland China. The company has purchased land for nine of its 18 mainland China projects, but stopped buying in February of 2007 owing to rising prices. In his recently released Chairman's Statement, Chairman and CEO Ronnie Chan expressed optimism that the company would be able to acquire the land for the remaining nine projects in the next 16 months. Other portfolio holdings that should benefit from lower land costs in mainland China include Henderson, Wheelock/ Wharf and Cheung Kong.

Owing to the weakening global economy, the 2009 earnings outlook is poor for several of these companies, particularly those with Hong Kong real estate operations. Nevertheless, we believe that they still have the financial strength to prosper. None of these companies needs near-term access to the capital markets.

The current global credit crunch may enable the strongly-capitalized companies in the portfolio to increase net asset value at faster rates than previously contemplated, by investing in either organic growth or acquisitions at more attractive rates.

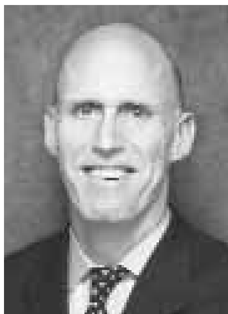
We shall write you again after the January 31, 2009 quarter end. Best wishes for a happy and healthy New Year.

Sincerely yours,

Martin J. Whitman
Chairman of the Board

Ian Lapey
Senior Research Analyst

Third Avenue Small-Cap Value Fund



CURTIS R. JENSEN
CO-CHIEF INVESTMENT OFFICER & PORTFOLIO MANAGER OF THIRD AVENUE SMALL-CAP VALUE FUND

Dear Fellow Shareholders:

At October 31, 2008, the end of the Fund's fiscal year, the unaudited net asset value attributable to the 83,426,942 common shares outstanding of the Third Avenue Small-Cap Value Fund ("Small-Cap Value" or the "Fund") was $16.45 per share, compared with the Fund's audited net asset value of $24.94 per share at October 31, 2007, adjusted for a subsequent distribution, and an unaudited net asset value at July 31, 2008 of $23.09 per share. At November 12, 2008, the unaudited net asset value was $14.57 per share.

QUARTERLY ACTIVITY

During the quarter, Small-Cap Value added to 17 of its 65 existing positions, eliminated nine positions and reduced its holdings in 22 companies. At October 31, 2008, Small-Cap Value held positions in 63 common stocks, the top 10 positions of which accounted for approximately 32% of the Fund's net assets.

Number of Shares or Face Amount	New Positions Acquired
889,483 shares	Investment Technology Group, Inc. ("ITG Common")
986,637 shares	Kaiser Aluminum Corp. Common Stock ("Kaiser Common")
$2,000,000	Ply Gem Industries 11.75% First Lien Secured Notes Due June 15, 2013 ("Ply Gem Notes")
$12,500,000	Saint Acquisition Term Loan B Due May 6, 2014 ("Swift Term Loan")

Number of Shares	Increases in Existing Positions
161,938 shares	Ackermans & van Haaren N.V. ("AvH Common")
372,100 shares	Alexander & Baldwin Inc. ("Alex Common")
177,502 shares	Bristow Group, Inc. Common Stock ("Bristow Common")
421,061 shares	Cimarex Energy Co., Common Stock ("Cimarex Common")
212,000 shares	CommScope, Inc. Common Stock ("CommScope Common")
182,508 shares	Cross Country Healthcare, Inc. Common Stock ("Cross Country Common")
32,464 shares	Encore Wire Corp., Common Stock ("Wire Common")
79,801 shares	Genesee & Wyoming Inc. Common Stock ("Genesee Common")
580,429 shares	Lanxess AG Common Stock ("Lanxess Common")

* Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Small-Cap Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of October 31, 2008: Sapporo Holdings, Ltd., 4.07%; Parco Co., Ltd., 3.50%; St. Mary Land and Exploration Co., 3.38%; Cimarex Energy Co., 3.24%; National Western Life Insurance Co., 3.21%; Alexander & Baldwin, Inc., 3.19%; Encore Wire Corp., 2.97%; Tidewater, Inc., 2.94%; Brookfield Asset Management, 2.76%; and Synopsys, Inc., 2.50%.

Number of Shares	Increases in Existing Positions (continued)
377,000 shares	Parco Company Ltd. Common Stock ("Parco Common")
41,792 shares	Park Electrochemical Corp. Common Stock ("Park Common")
103,278,000 shares	PYI Corp. Ltd. Common Stock ("PYI Corp. Common")
691,338 shares	St. Mary Land and Exploration Co., Common Stock ("St. Mary Common")
708,724 shares	Synopsys, Inc. Common Stock ("Synopsys Common")
247,840 shares	Tidewater, Inc. Common Stock ("Tidewater Common")
1,375,600 shares	Viterra, Inc. Common Stock ("Viterra Common")
527,570 shares	Wacker Construction Equipment Common Stock ("Wacker Common")

Number of Shares	Decreases in Existing Positions
1,134 shares	Alico, Inc. Common Stock ("Alico Common")
489,217 shares	Bronco Drilling Co., Inc. Common Stock ("Bronco Common")
1,004,100 shares	Canfor Corp. Common Stock ("Canfor Common")
181,972 shares	Coherent, Inc. Common Stock ("Coherent Common")
548,295 shares	Derwent London Plc Common Stock ("Derwent Common")
106,012 shares	Electro Scientific Industries, Inc. Common Stock ("ESI Common")
456,859 shares	Electronics for Imaging, Inc Common Stock ("EFI Common")
80,002 shares	FBL Financial Group, Inc. Common Stock ("FBL Common")
255,000 shares	Forest City Enterprises, Inc. Class A Common Stock ("FCE Common")
430,471 shares	Glatfelter, Inc. Common Stock ("Glatfelter Common")

Number of Shares	Decreases in Existing Positions (continued)
694,032 shares	Herley Industries, Inc. Common Stock ("Herley Common")
167,283 shares	Imation Corp. Common Stock ("Imation Common")
1,117,715 shares	Journal Communications, Inc. Common Stock ("Journal Common")
508,948 shares	K-Swiss, Inc. Class A Common Stock ("Swiss Common")
588,398 shares	Lexmark International, Inc. Common Stock ("Lexmark Common")
340,121 shares	Pioneer Drilling Co. Common Stock ("Pioneer Common")
302,606 shares	Russ Berrie & Co., Inc. Common Stock ("Berrie Common")
298,850 shares	Superior Industries International, Inc. Common Stock ("Superior Common")
2,007,000 shares	Tellabs, Inc. Common Stock ("Tellabs Common")
25,000 shares	Timberwest Forest Corp. Common Stock ("Timberwest Units")
542,069 shares	Vail Resorts, Inc.. Common Stock ("Vail Common")
1,726,638 shares	Westlake Chemical Corp. Common Stock ("Westlake Common")

Number of Shares	Positions Eliminated
802,697 shares	ACA Capital Holdings, Inc.. Common Stock ("ACA Common")
540,583 shares	Deltic Timber Corp. Common Stock ("Deltic Common")
100,000 shares	Fording Canadian Coal Trust Units ("Fording Units")
449,743 shares	IDT Corp. Class C Common Stock ("IDT C Common")
1,706,400 shares	IDT Corp. Common Stock ("IDT Common")

Number of Shares	Positions Eliminated (continued)
769,761 shares	New Alliance Bancshares, Inc. Common Stock (“Alliance Common”)
589,400 shares	Phoenix Companies, Inc. Common Stock (“Phoenix Common”)
115,350 shares	St. Joe Company (The) Common Stock (“Joe Common”)
887,237 shares	Stanley Furniture Co., Inc. Common Stock (“Stanley Common”)

QUARTERLY ACTIVITY

The unique set of conditions characterizing global securities markets this year dictate that I organize my letter this quarter a bit differently. Within investment circles, 2008 will surely be remembered as an *annus horribilis*. While yours truly made his fair share of investment mistakes, this year there was literally no place to hide for an investor's risked capital, as the table below vividly illustrates. This was as true for the corporate pension fund and college endowment as it was for the individual investor.

YEAR TO DATE PERFORMANCE – OCTOBER 31, 2008

Asset Class	Metric*	YTD Performance
U.S. Equities	S&P 500	(32.8%)
Small Company Equities	Russell 2000	(29.0%)
Foreign Equities	MSCI-EAFE	(43.3%)
U.S. Real Estate	MSCI US REIT	(30.6%)
High Yield Bonds	CS High Yield	(23.5%)
Hedge Funds	HFRX Global	(19.8%)
Private Equity	No scorecard	Negative
Commodities	DJ-AIG	(28.6%)
Gold	Spot price	(13.2%)
Third Avenue Small-Cap Value Fund	TASCX	(29.8%)

Nevertheless, I believe the dark rain clouds that have drenched investors with terrible short-term performance come with a silver lining and reason for optimism. As we have communicated in earlier shareholder letters, Fund management believes the current environment has created the broadest and deepest set of investment opportunities it has seen in decades – more on this below. Secondly, the Fund today finds itself with greatly diminished competition for investments and, as in any business, less competition is good news! Hedge funds, for example, many of which depend on prime brokers or other lending sources for access to cheap capital and which are driven by short-term performance, are being forced to liquidate portfolios, as their lenders exit the business and their spooked investors redeem in droves. Hedge funds have almost always had some presence as shareholders among the Fund's portfolio holdings, and

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Performance data year to date through October 31, 2008, unaudited.

* The S&P 500 Index is an unmanaged index (with no defined investment objective) of common stocks. The Russell 2000 Index measures the performance of small companies. The MSCI-EAFE Index measures international equity performance, representing the developed markets outside of North America: Europe, Australasia and the Far East. The MSCI US REIT Index is comprised of REIT securities that are included in the MSCI US Investable Market 2500 Index, with the exception of: REITs classified in the Mortgage REITs Sub-Industry; and REITs classified in the Specialized REITs Sub-Industry that do not generate a majority of their revenue and income from real estate rental and related leasing operations. CS High Yield Index is an unmanaged index of high yield debt securities. The Dow Jones - AIG Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The spot price of a commodity is the price that is quoted for immediate (spot) settlement (payment and delivery). The S&P 500 Index, Russell 2000 Index, MSCI-EAFE Index, MSCI US REIT Index, CS High Yield Index and DJ-AIG Commodity Index are not securities that can be purchased or sold, and their total returns are reflective of unmanaged portfolios.

their forced withdrawal from the markets has been quite palpable. Private Equity ("PE") firms no longer have access to the cheap credit that enabled the mid-decade boom in takeovers and leveraged buyouts, a boom that artificially elevated asset and corporate values. Worse perhaps for PE, is that their pools of illiquid capital have not been able to sell assets via public offerings or trade sales, as both avenues remain closed. Without such realizations, they can not return capital to their limited partners, mark up the value of their existing holdings, or re-invest sale proceeds in new companies. Long time shareholders may recall that, approaching the peak in private equity in 2006, Fund Management largely chose to "sit out the party," preferring instead to let the Fund's cash accumulate and ultimately electing to close the Fund. A much more subtle agony – but most emphatically highlighted by AIG's travails – has transpired among insurance companies who have watched their once highly rated, albeit leveraged, investment portfolios wither under the strains of the credit crisis. For the moment, as these competitive pools of capital de-leverage and unwind their portfolios, the massive squeeze on securities prices has been nothing short of spectacular.

Fund management continues to take advantage of this unprecedented market chaos, addressing ultra depressed corporate values and securities prices as prudently and as opportunistically as we can. The rest of this letter discusses some of the Fund's investments made during this tumultuous period, in order to give you a better sense of how we have responded and how we think about these investments.

DISTRESSED DEBT

You will note that the Fund made its first major purchase of distressed debt and initiated a smaller position in a second distressed debt security, both of which ought to produce equity like returns[1]. While each distressed opportunity comes with its own charms and dangers, the Swift Term Loan embodies our approach to the distressed debt business. The Saint Acquisition Corp. Term Loan investment is a senior obligation of the Swift Transportation Company, one of the country's largest operators of trucking fleets and related terminals. The secured bank loan is part of a debt package originally used to support the May 2007 management buyout of the company for $3.6 billion. While multiple outcomes for this investment are possible (e.g., performing credit, yield to improved credit/refinancing, or reorganization in or out of bankruptcy), based on the Fund's cost basis of less than 60% of par value and assuming it remains a performing credit, the yield to maturity is 19%, with a current yield of 11%[2]. If, as seems possible given a sharply deteriorating economic backdrop, the company must be reorganized and the Fund participates in the reorganized company's equity, the return profile might improve markedly. With a fleet comprising more than 15,000 trucks, 50,000 trailers and 31 major terminals in 26 states, the company occupies an enormous footprint across the country, boasts a long record of profitability through business cycles, holds strategic import for its customers, like Wal Mart and Costco, and may well benefit as operationally weaker competitors fail and industry capacity gets rationalized. In the meantime, sitting in the most senior position in the capital structure, we get "paid to wait." Worth noting, relatively stiff loan covenants and a first lien on substantially all present and future tangible and intangible assets of the company afford bank debt holders, like the Fund, a meaningful source of downside protection.

In addition to a burgeoning group of distressed debt ideas, I believe the Small-Cap Value Fund's equity investments are, from a quality and valuation perspective, the most attractive in the 11-year history of the Fund. Corporate valuations among the Fund's holdings rival

[1]Subsequent to the Fund's fiscal year end, another distressed debt investment was added to the portfolio.
[2]The yield assumes a Libor rate of 3%

Valuations of Select Common Stocks Acquired – Fourth Quarter 2008

Name	Market Cap ($mil)	P:B	EV/EBIT	LTM EV/EBITDA	PE	Next FY Est PE	Oct '08 Perf
Bristow Group, Inc.	$591	0.5 x	5.7 x	4.1 x	5.4 x	6.3 x	(42.4%)
Investment Technology Group, Inc.	$972	1.3 x	3.7 x	—	8.2 x	8.3 x	(26.9%)
Kaiser Aluminum Corp.	$514	0.5 x	2.6 x	2.4 x	4.6 x	7.5 x	(38.6%)
Lanxess AG	€930	0.6 x	3.0 x	2.2 x	3.9 x	4.4 x	(42.0%)
Synopsys, Inc.	$2,426	1.6 x	7.8 x	5.2 x	13.1 x	10.2 x	(17.2%)
Tidewater Inc.	$1,912	1.0 x	5.3 x	4.0 x	5.5 x	4.7 x	(31.5%)
Viterra, Inc.	C$1,626	0.8 x	4.5 x	3.5 x	6.3 x	7.9 x	(31.4%)

Source: Third Avenue estimates and company reports

those found in the worst bear markets of decades past and, in fact, make almost no sense unless a business "ice age" descends upon us in the coming periods. The table above outlines a representative list of such common stocks acquired by the Fund during the quarter and their approximate valuations at the time of purchase. The last column, in particular, should also remind us that there is no *habeas corpus* in the stock market!

ENERGY

The Fund's investment in Bristow Common exemplifies our focus on competitively-entrenched, sensibly financed and well-managed companies with attractive growth profiles. Bristow is one of two global providers of helicopter and related marine aviation services to the offshore oil and gas industry. Here is how I described the investment at its inception in January 2007:

> "With a fleet of more than 341 aircraft and operating in more than 20 countries, Bristow Group is the largest contractor of helicopter services to the global oil and gas industry. A majority of Bristow's work comes from offshore production activity and customer operating expenditures, a less volatile source of revenue than that derived from exploration activities. The company's longer-term stability is further enhanced by the presence of multi-year contracts on a meaningful portion of its work. Competitive forces in the next two years or so ought to be relatively tame as demand for helicopter services seems to be outpacing supply, a supply that is constrained as helicopter manufacturers are fully booked for a number of years. Bristow Common was purchased at a modest discount to Fund Management's conservative estimate of Net Asset Value ("NAV"), a value that is likely to grow at above-average rates should the company's ambitious fleet expansion capitalize on the attractive growth prospects offered by opportunities in the Middle East and Southeast Asia. A liquid market for helicopters exists outside the energy industry for medical, tourism, corporate, law enforcement and similar activities, underpinning the company's asset values, and lending significant downside protection to this investment."

"In addition to a burgeoning group of distressed debt ideas, I believe the Small-Cap Value Fund's equity investments are, from a quality and valuation perspective, the most attractive in the 11-year history of the Fund."

While recent operating results have been challenged by rising maintenance and other costs, as well as by currency fluctuations, our original thesis remains well intact. Along with significant growth in the fleet (to more than 500 aircraft), per share revenues, day rates, operating income, safety-related performance and other key metrics continue to develop nicely and management has maintained a sound balance sheet. An aging industry fleet and restrained supply dynamics will likely conspire to keep helicopter supply shortages acute, possibly for years, benefiting the largest incumbent players with modern fleets like Bristow. In our estimation, the company's net asset value or private market value[3] sits at least 50% to 80% above the current quote, as evidenced by i) the recent acquisition of Bristow's closest competitor, CHC Helicopter, at nearly two times Bristow's current valuation; ii) a realistic "blue book" value of the company's high quality fleet that is a multiple of the current stock price; and iii) gains on recent sales of older, non-core aircraft. Even considering the terrible sentiment around oil and gas equities, the punishment meted out to the company's share price has been, in our view, unjustified and overlooks what I believe are bright, longer-term prospects.

AGRICULTURE

As the credit crisis accelerated in mid-September, the multi-year bull market in agricultural commodities spun into a furious reversal. The Fund's holding in Viterra (formerly Saskatchewan Wheat Pool), a diversified Canadian agribusiness, was not spared. The bulk of Viterra's operations and value reside in i) a grain handling business used to clean, dry, blend and store various seeds and grains, and ii) the manufacturing, distribution and retailing of agri-products, including bulk fertilizers, crop protection products, and equipment. The company boasts the most modern and efficient grain handling network in Western Canada, a network of elevators and port operations that helps Viterra export to customers in over 50 countries and one which would be virtually impossible for any competitor to replicate. Within the grain handling business, Viterra enjoys a dominant market share in what is a highly concentrated industry. The company's competitive position is further strengthened by long-standing customer and farmer relationships, important intangibles that make life difficult even for the most determined competitor. The company's agri-products business, whose products get delivered through more than 275 retail locations across Western Canada and are an integral component to a farmer's planning and efficiency, ought to produce more than C$1.5 billion of revenue in fiscal 2008. Since our original investment more than a year ago, management has evidenced both operational competence as well as disciplined and opportunistic capital allocation skills; first with its accretive 2007 acquisition of rival Agricore United and, more recently, with an oversubscribed equity offering that freshened up the company's war chest. Viterra boasts a pristine balance sheet with nearly C$ 500 million of cash and no significant debt maturities for four to five years. Such a strong financial position should enable the company to weather any potential business downturn and ideally position it to take advantage of generally depressed asset values should any opportunities surface. While this volume-sensitive business may be negatively impacted in the near-term by weaker economic conditions, those same conditions will likely introduce mitigating factors of their own (e.g., lower input and transportation costs) that may offset a portion of the short-term weakness in the business. Similarly, continued cost cutting initiatives related to the integration of Agricore will lend support to the company in 2009. Longer term, the world's food supply remains challenged and as rising incomes in developing economies stimulate demand for richer diets and as the use of bio-fuels expands, the demand for grains and

[3] Private market value, i.e., the value that a knowledgeable industrial buyer would pay for control of the company.

related agricultural inputs ought to be influenced accordingly, benefiting companies like Viterra.

TECHNOLOGY

The Fund initiated its position in Synopsys Common some years ago, subsequent to the curious reaction of investors to the company's announcement that it intended to change its revenue recognition methodology as provided by GAAP accounting. Investors reacted negatively to the prospect of revenues and operating income being deferred – even for a brief period – as the company transitioned to a subscription-based licensing model. In our minds, the accounting change brought the myth of accounting closer to economic reality, provided a more stable business model and was a positive development overall. As the leading vendor of Electronic Design Automation ("EDA") software tools, Synopsys plays an indispensable and dominant role in the design of highly complex integrated circuits. Within most of its served applications, Synopsys' tools hold the number one or two market share positions. While technically a software company, Synopsys could, analytically speaking, be thought of more as an acquisition and distribution business, whose key to success is broadening the adoption of acquired technologies. As its customers come under pressure to differentiate their products and reduce their time to market, Synopsys provides them with highly-integrated solutions. The relatively small corner of the global semiconductor industry occupied by the EDA industry is fairly concentrated. Venture capital-funded start-ups – always a threat in technology businesses – have retreated in tandem with the financial crisis and two of Synopsys' major publicly-listed competitors, Cadence and Mentor, appear to have struggles unique to those firms. So, how has Synopsys progressed since the Fund initiated its position in mid 2004? While the top line has shown rather anemic growth, per share operating income and retained earnings have doubled; the balance sheet remains debt free and cash per share has grown by 50%, today accounting for more than 35% of the company's market capitalization. As importantly, the company's new products continue to gain meaningful traction in, and adoption by, the customer base. While I view these developments quite favorably, Mr. Market has a different opinion. By the market's measure, the company is worth 15% to 20% less than when we bought it three years ago! While the semiconductor industry enters one of its inviolable downturns – a downturn amplified by the looming recession – Synopsys seems to be in an enviable position: a fortress-like balance sheet that endows it with superlative financial strength; a reasonably stable source of revenues in a modestly growing industry supported by an arguably stronger competitive position than ever before.

"IF YOU WAIT FOR THE ROBINS, SPRING WILL BE OVER"[4]

We do not know when the "bottom" in the stock market will be reached, nor does anyone else. Writing about investors' futile attempts to identify a market bottom, Jason Zweig observed in a recent piece in *The Wall Street Journal*[5]:

> "In short, bear markets sometimes end with a bang, sometimes with a whimper. You're more likely to see a unicorn in your backyard or a chimera in your kitchen than you are to spot an indisputable sign of market capitulation."

We have to recognize that we are value-oriented – sometimes contrarian – investors, not market timers. As such, investments made today can and do get marked down by the market tomorrow, painful indeed for those who don't understand what they own or for those who have borrowed against their investments.

[4] Warren Buffet made this remark in a recent *New York Times* article in commenting about market timing.
[5] Capitulation:When the Market Throws in the Towel, Jason Zweig, *The Wall Street Journal*, October 25, 2008.

From where we sit today, it does not take any heroic assumptions with regard to either earnings power or the multiple assigned to those earnings to retrace much of October's bone-jarring depreciation. Many of the Fund's stocks could double and still be considered cheap, in my opinion. Assuming a corporate earnings drought next year or beyond, however, such a recovery may take some time. If shares double in the next five years – a reasonable amount of time for credit markets to heal and for businesses to regain a more stable economic footing – returns will be roughly 15% annually. Assuming an earnings/multiple recovery takes 10 years, returns will drop to 7% – still not bad in relation to the investor's main enemy, inflation.

SHAREHOLDER DISTRIBUTION

At the date of this letter, distributions have not been finalized. What I can say at this point is that the Fund is likely to make a very modest long-term capital gain distribution. While making any taxable distribution in a year with negative results might seem particularly nettlesome, investors should consider the following:

• Fund management made significant sales during the quarter, resulting in realized losses which offset both long and short-term realized gains.

• A portion of the gains were unavoidable in as much as the Fund received cash in acquisitions of several of its holdings, holdings that approximated nearly 9% of the Fund's assets as of October 31, 2007.

• Had Fund management not sold other holdings during the year and avoided realizing gains, the Fund's Net Asset Value would almost certainly be lower today (i.e., your holdings today would be worth less).

• If we had to pick a time to realize long-term gains, 2008 might be as good as it gets, insofar as a new administration may raise capital gains taxes.

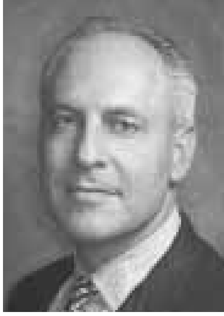
I look forward to writing you again in the New Year when we publish our First Quarter report dated January 31, 2009. The Fund has continued to attract positive and stable inflows this year thanks to your continued support. Thank you for your vote of confidence. May you and your families enjoy a healthy and prosperous New Year.

Sincerely,

Curtis R. Jensen

Curtis R. Jensen
Co-Chief Investment Officer and Portfolio Manager
Third Avenue Small-Cap Value Fund

Third Avenue Real Estate Value Fund



Michael H. Winer
Portfolio Manager of Third Avenue Real Estate Value Fund

Dear Fellow Shareholders:

I am pleased to provide you with Third Avenue Real Estate Value Fund's (the "Fund" or "TAREX") shareholder letter for the fiscal year ended October 31, 2008. This fiscal year end marks the Fund's tenth full year of operation since its inception on September 17, 1998. At October 31, 2008, the unaudited net asset value attributable to the 77,446,102 shares outstanding was $16.21 per share. This compares with the Fund's unaudited net asset value of $23.68 per share at July 31, 2008, and an audited net asset value, adjusted for subsequent distributions to shareholders, of $31.62 per share at October 31, 2007. At November 12, 2008, the unaudited net asset value was $14.08 per share.

QUARTERLY ACTIVITY

The following summarizes the Fund's investment activity during the quarter:

Principal Amount	New Positions Acquired
$10,000,000	Developers Diversified Realty Corp. 3.5% Convertible Senior Notes due August 2011 ("DDR 3.5% Senior Notes")
$20,000,000	Developers Diversified Realty Corp. 3% Convertible Senior Notes due March 2012 ("DDR 3% Senior Notes")
$18,200,000	Forest City Enterprises, Inc. 3.625% Convertible Senior Notes due October 2011 ("Forest City Senior Notes")
$5,000,000	iStar Financial, Inc. Floating Rate Senior Notes due September 2009 ("iStar Floating Senior Notes")
$20,000,000	iStar Financial, Inc. 5.15% Senior Notes due March 2012 ("iStar 5.15% Senior Notes")
$5,000,000	LNR Property Corp. Floating Rate Senior Term Loan due July 2011 ("LNR Senior Term Loan")
$1,079,000	Prologis 1.875% Convertible Senior Notes due November 2037 ("Prologis 1.875% Senior Notes")
$14,000,000	Prologis 2.25% Convertible Senior Notes due April 2037 ("Prologis 2.25% Senior Notes")

* Portfolio holdings are subject to change without notice. The following is a list of Third Avenue Real Estate Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of October 31, 2008: Brookfield Asset Management, 7.36%; Forest City Enterprises, Inc., 7.06%; Henderson Land Development Co., Ltd., 5.30%; The St. Joe Company, 4.87%; British Land Company PLC, 4.54%; Vornado Realty Trust, 4.40%; Mitsui Fudosan Co., Ltd., 4.38%, Mitsubishi Estate Co., Ltd., 4.27% Hang Lung Properties, Ltd., 4.26%; and Hammerson PLC, 3.98%.

Number of Shares or Principal Amount	New Positions Acquired (continued)
$5,000,000	Prologis 2.625% Convertible Senior Notes due May 2038 (“Prologis 2.625% Senior Notes”)
17,419,000 shares	Capitaland, Ltd. Common Stock (“Capitaland Common”)
5,710,000 shares	Hongkong Land Holdings, Ltd. Common Stock (“Hongkong Land Common”)
10,000,000 shares	The Wharf (Holdings) Limited Common Stock (“Wharf Common”)

Number of Shares or Principal Amount	Increases in Existing Positions
$65,855,379	LandSource Communities Development LLC Senior Term Loan due February 2013 (“LandSource Senior Term Loan”)
226,276 shares	Brookfield Asset Management, Inc. Common Stock (“Brookfield Common”)
5,000,000 shares	Henderson Land Development Co., Ltd. Common Stock (“Henderson Common”)
321,000 shares	Mitsubishi Estate Company, Ltd. Common Stock (“Mitsubishi Common”)
500,000 shares	Mitsui Fudosan Co., Ltd. Common Stock (“Mitsui Fudosan Common”)
2,924,394 shares	Savills plc Common Stock (“Savills Common”)
5,125,000 shares	Wheelock Properties, Ltd. Common Stock (“Wheelock Common”)

Number of Shares	Decreses in Existing Positions
660,205 shares	Associated Estates Realty Corp. Common Stock (“Associated Common”)
1,608,314 shares	British Land Company plc Common Stock (“British Land Common”)
1,146,576 shares	Cousins Properties, Inc. Common Stock (“Cousins Common”)

Number of Shares	Decreases in Existing Positions (continued)
1,301,364 shares	Crystal River Capital, Inc. Common Stock (“Crystal River Common”)
750,000 shares	Derwent London plc Common Stock (“Derwent Common”)
322,741 shares	Forest City Enterprises, Inc. Class A Common Stock (“Forest City Common”)
300,586 shares	Hammerson plc Common Stock (“Hammerson Common”)
2,236,800 shares	JER Investors Trust, Inc. Common Stock (“JER Common”)
466,000 shares	Parco Co. Ltd. Common Shares (“Parco Common”)
419,636 shares	Quintain Estates & Development plc Common Stock (“Quintain Common”)
2,130,623 shares	The St. Joe Company Common Stock (“St. Joe Common”)
	Positions Eliminated
322,700 shares	Acadia Realty Trust Common Stock (“Acadia Common”)
1,006,821 shares	Eastgroup Properties, Inc. Common Stock (“Eastgroup Common”)
91,657 shares	First Potomac Realty, Inc. Common Stock (“First Potomac Common”)
1,904,066 shares	Liberty International plc Common Stock (“Liberty Common”)
128,331 shares	One Liberty Properties, Inc. Common Stock (“One Liberty Common”)
510,524 shares	PS Business Parks, Inc. Common Stock (“PS Business Common”)
2,614,014 shares	RAIT Financial Trust Common Stock (“RAIT Common”)
22,780,700 shares	Sapporo Holdings, Ltd. Common Stock (“Sapporo Common”)
1,439,447 shares	Unite Group plc Common Stock (“Unite Common”)

DISCUSSION OF QUARTERLY ACTIVITY

The quarter ended October 31, 2008 was one of the most active quarters in the Fund's ten-year history as a result of: (1) purchasing and selling securities with a view towards maximizing tax efficiency, (2) selling securities to raise cash for redemptions, (3) selling securities to raise cash for opportunistic investments, (4) opportunistically increasing holdings in existing securities, and (5) purchasing new debt and equity securities.

Tax Loss Sales. Several securities were sold during the quarter which generated tax losses, thereby minimizing capital gain distributions to shareholders at year end. In the case of Mitsubishi Common and Quintain Common, the Fund repurchased securities (after the applicable thirty-day "wash sale" period) at substantially lower prices. Several other securities that were sold for tax losses were not repurchased (e.g., Crystal River Common, JER Common and RAIT Common), due to the availability of much more compelling investment opportunities.

Cash for Redemptions. Since January 1, 2008, the Fund has had net redemptions of approximately $200 million. Fund Management has proactively sold securities throughout the year in response to market sentiment and expectations for higher-than-normal redemptions. As a result, the Fund has not been a "forced seller" of securities and has continued to maintain adequate cash reserves for redemptions as well as new investment opportunities.

Cash for New Investment Opportunities. As discussed in more detail below, the global credit crisis and general fear in the market has created opportunities for the Fund to invest in several distressed debt securities and in the common stocks of several companies (primarily Hong Kong and Singapore based). In order to provide "dry powder" to take advantage of these opportunities, the Fund reduced or eliminated several securities that, in Fund Management's opinion, either didn't offer equivalent long-term upside potential or downside protection. Generally, the Fund sold common stocks in US and UK REITs, including Associated Common, Cousins Common, Eastgroup Common, Acadia Common, First Potomac Common, Hammerson Common, Liberty Common, One Liberty Common and PS Business Common. The Fund also eliminated its positions in Sapporo Common and Unite Common. Additionally, the Fund reduced its holdings in Forest City Common and St. Joe Common to adjust position sizes based on the Fund's smaller asset base.

"The continuing credit market crisis, the deleveraging of financial institutions and forced selling by hedge funds and other leveraged investors have created opportunities to acquire debt securities at substantial discounts to par value with expected yields-to-maturity, workout or improved credit in excess of 20%."

Increases in Existing Holdings. The Fund opportunistically increased its holdings in several existing positions as market prices fell to levels representing substantial discounts to conservative estimates of net asset value. Substantial additions were made to existing positions in LandSource Senior Term Loan, Brookfield Common, Henderson Common, Mitsui Fudosan Common and Savills Common. In addition, the Fund acquired Hongkong Land Common and Wharf Common – both previously held in the Fund, but sold due to price appreciation. The Fund acquired both securities at prices below the Fund's earlier acquisitions in 2005 and 2006, representing substantial discounts to their net asset values (which had increased since previous acquisitions).

Purchases of New Debt and Equity Securities. The continuing credit market crisis, the deleveraging of financial institutions and forced selling by hedge funds and other leveraged investors have created opportunities to

acquire debt securities at substantial discounts to par value with expected yields-to-maturity, workout or improved credit in excess of 20%. As discussed in more detail below, the Fund acquired DDR Senior Notes, Forest City Senior Notes, iStar Senior Notes, LNR Senior Term Loan and Prologis Senior Notes, in addition to substantially increasing its position in LandSource Senior Term Loan. The Fund also acquired Capitaland Common.

During the quarter, the Fund established positions in the convertible notes of three real estate companies, two of which are common stock holdings in the Fund (Forest City and Prologis).

Each of the convertible notes has a low coupon and gives holders the option to convert the notes into the common stock of the issuers – but at prices significantly higher than recent trading prices. As the table at the bottom of the page illustrates, the Fund purchased the notes at yields-to-maturity or yields-to-put in excess of 20% per annum. Fund Management believes that the opportunity to acquire these securities is due to technical trading/market issues, as opposed to company fundamentals. The technical issues seem to be related to forced-selling by leveraged closed-end funds and convertible arbitrage funds. The notes are senior unsecured obligations of the companies and rank equal in priority with all other senior unsecured obligations. Fund Management expects the notes will continue to perform and be paid off at maturity or when put to the company. Interestingly, and further evidence that the notes are not trading based on fundamentals, each of the companies has preferred stock outstanding that trade at significantly lower yields than the higher ranking unsecured debt issues. We believe that the Fund has locked in greater than 20% yields over three to five years. These yields are not dependent upon the market prices of the securities. Rather, they depend upon each company's ability to pay off the notes when due. The current status of the credit markets might make it difficult for each company to pay off the notes if they had to do so today. Thus, the ultimate payoff will depend upon the credit markets returning to "normal" within the next three years. The unlikely worst-case scenario would be default and liquidation which, even using conservative valuation assumptions, should result in full recoveries.

iStar Financial, Inc. is a real estate investment trust that specializes in making loans to owners and developers of commercial real estate. iStar's loan portfolio is comprised mostly of first mortgage loans on apartments, land, office buildings, industrial buildings, condo construction projects and condo conversions. The company also owns a portfolio of office and distribution properties that it acquired through "sale/leaseback" transactions with multiple corporate owners. A smaller portion of iStar's portfolio consists of mezzanine or junior loans. iStar has financed its lending operations primarily by issuing unsecured notes, with laddered maturities ranging from three to ten years. Until recently, iStar unsecured debt had an "investment-grade" credit rating. As with most commercial real estate lenders, iStar's borrowers depend upon access to debt markets to refinance and pay off their

	Coupon	Maturity Date	Earlier Put Date	Face Amount ($Millions)	Cost ($Millions)	Approx. Yield to Maturity or Put
Developers Diversified Realty	3.500%	8/15/2011	NA	10.00	6.00	23.8%
Developers Diversified Realty	3.000%	3/15/2012	NA	20.00	11.20	22.1%
Forest City Enterprises	3.625%	10/15/2011	NA	18.20	10.31	25.3%
Prologis	1.875%	11/15/2037	1/15/2013	1.08	0.51	21.7%
Prologis	2.250%	4/1/2037	4/15/2012	14.00	7.22	23.7%
Prologis	2.625%	5/15/2038	5/20/2013	5.00	2.18	23.5%

loans. Historically, iStar's portfolio has performed very well, and the company was able to pay off its own maturing debt obligations from borrower repayments, available credit facilities and/or the issuance of additional unsecured notes. iStar's portfolio has recently experienced increased delinquencies, raising concern that its borrowers will be unable to pay off maturing loans in sufficient amounts to provide iStar the liquidity to pay off its own maturing obligations. In this event, iStar may default on its maturing notes and end up filing for bankruptcy protection. The Fund acquired iStar Floating Senior Notes and iStar 5.15% Senior Notes at 66% and 46% of face amount, respectively. If the Notes continue to perform, the expected yields-to-maturity are approximately 53% and 33%, respectively. In the event iStar files bankruptcy, assuming our analysis is correct, the Notes should ultimately receive recoveries from liquidation that will still result in excellent returns, but the yield will be determined by the length of the bankruptcy period.

LNR Property Corp. primarily invests in below-investment-grade commercial mortgage-backed securities ("CMBS") and is the largest special servicer of CMBS in the United States, with an estimated 31% market share. LNR only acquires CMBS in which it has been designated the special servicer. As the designated special servicer, LNR underwrites each loan prior to its inclusion in the pool of loans that serve as the collateral for a CMBS, giving it the opportunity to exclude riskier loans. The special servicer is responsible for all workouts when a loan goes into default. LNR owns a portfolio of CMBS (approximately 85% of which was originated before 2006), in addition to investments in three partnerships that have interests in European property debt (securities and loans), US commercial properties and US land holdings (primarily Landsource Communities). LNR common stock was publicly traded until the company was acquired by Cerberus in 2005. The Fund was one of LNR's largest shareholders at the time the company was acquired. Cerberus financed the acquisition with a combination of equity and a bridge loan. The bridge loan was paid off in 2006 with a $1.6 billion secured credit facility, including a revolver and three term loans. The total outstanding balance on the $1.6 billion credit facility is approximately $1.1 billion. The company's latest financial statements reported cash balances of over $800 million, which is approximately 72% of its outstanding senior debt. Loan covenants restrict cash payouts to equity holders and subordinated debt if certain financial ratios are not maintained, but there are risks that not all of the existing cash would be available to payoff debt. The LNR Senior Secured Term Loan has recently been trading between 50% and 60% of face amount. In order to take advantage of what the company believes is a significant mispricing of its debt, the company recently announced that it is seeking an amendment to the credit facility that will permit it to purchase up to $400 million of the outstanding senior debt pursuant to a tender offer priced at 50% to 55% of face amount. The company would utilize a portion of its existing cash to complete the tender offer. Prior to this announcement, the Fund acquired $5 million face amount of the LNR Senior Secured Term Loan at 50.5% of face amount – which, as a performing loan, should earn a yield-to-maturity in excess of 35%. If the company defaults, Fund Management estimates that a reasonable worst case liquidation value is 50 cents on the dollar. A more likely scenario would be a conversion of debt to equity in a reorganized and well-financed company.

The Fund initiated a position in Capitaland Common. Capitaland is one of the largest listed property companies in Asia. The company is based in Singapore, but has operations in more than one hundred cities in over twenty countries. Capitaland's core strategy is property development, including residential, retail, commercial and serviced apartments. Capitaland's residential (for sale) developments are concentrated in Singapore, several mainland China cities (including Shanghai, Beijing and Chengdu) and Vietnam. The company develops its retail and commercial projects with the intention of selling them upon stabilization to third parties or to one of its listed REITs or unlisted private funds. This "capital recycling"

model has enabled Capitaland to capture development profits, redeploy capital into new developments, retain a significant ownership interest through its associated entities and generate long-term management fees through its continued involvement in the properties. Capitaland has developed a network of five listed REITs and fifteen unlisted private funds that help it execute this model. The company owns or controls high-quality office and retail properties with concentrations in Singapore, China and Malaysia. The concern that tight credit availability will weaken Capitaland's affiliates' ability to acquire assets and thereby slow down the process of capital recycling has caused a dramatic decline in Capitaland Common's market price (down approximately 67% since October 2007). Over the near term, it is likely that Capitaland will delay new development projects and may have to hold properties on its balance sheet for longer periods before selling them to affiliates. However, Capitaland has the balance sheet capacity to hold its development projects for several years or until credit becomes more available to its affiliated REITs and private funds. Over the long term, Capitaland is positioned to take advantage of the expected growth in Pan-Asian property markets. The Fund took advantage of market turmoil and acquired Capitaland Common at a substantial discount to conservative estimates of net asset value.

AN OPPORTUNISTIC TIME IN REAL ESTATE

The Fund commenced operations in September 1998. During the first five years, the Fund was primarily focused on U.S. real estate companies. Over the last five years, the Fund has become more globally focused, with substantial investments in the UK, Hong Kong, Japan and Singapore. Since more than 50% of the Fund's investments are now in the common stocks of companies outside the U.S., Morningstar recently reclassified the Fund as a "Global Real Estate" rather than a "Specialty – Real Estate" fund. It is important to note that the Fund's reclassification to a Global fund is not the result of any changes in the Fund's investment objective or investment philosophy. Fund Management has always been and continues to be focused on investing in the common stocks of extremely well-financed real estate companies trading at substantial discounts to readily ascertainable net asset values, regardless of geographic location. Additionally, when opportunities arise, the Fund invests in debt securities where it expects to earn high yields-to-maturity or improved credit or where the debt is expected to be the most senior security in the capital structure that will participate in the company's reorganization. Furthermore, the Fund will invest in the common stocks of companies that are not in the real estate business, but own substantial real estate that may be incidental to their operations (examples include retailers, ranches, timber companies and manufacturers).

Since its inception, the Fund has often been described by both fans and critics as "eclectic", "different" or "not a typical REIT fund". Fund Management does not dispute that these characterizations are accurate. The Fund is most definitely not a typical REIT fund, which makes it different than the vast majority of all other real estate mutual funds. However, we are not trying to be different because we believe it might attract more shareholders to the Fund. On the contrary, Fund Management understands that the Fund may not suit everyone – especially not investors with less than a three to five year investment horizon or those seeking current income from REIT dividends.

Fund Management believes it is important for shareholders to focus on the following:

1. **Now is the time to be invested in real estate securities.** Real estate securities are currently cheaper (relative to real estate assets) than we have seen for nearly twenty years. Global property values have certainly been impacted by the credit crisis and cyclical downturn. However, factoring in even lower property values and a global recession, securities prices (including the Fund's holdings) appear to be at levels

that assume Armageddon (well-financed companies going out of business). It is impossible for anyone to predict if we are at or near the bottom. In all likelihood, when investors recognize the bottom, it will be viewed in hindsight and most will have missed a substantial opportunity to profit from the recovery in securities prices. When the Fund began operations in 1998, real estate securities were out-of-favor (much like today, only not to the current extremes). During its first two years of operations, the Fund generated significant positive returns. Investors that waited to pick the bottom missed out on these returns.

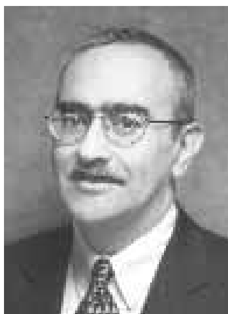
2. Fund Management is confident that the current portfolio represents the "best in class" real estate companies from the world's developed countries, and that over the next three to five years, each will not only survive the current crisis, but will be long-term beneficiaries of their high-quality property portfolios, historically conservative balance sheets and talented management teams. The Fund is currently taking advantage of new opportunities as they arise in common stocks of real estate companies, mispriced debt securities of well-financed companies and debt securities in distressed companies that may benefit from a reorganization. Fund Management believes that its flexibility to invest globally and in debt or equity securities will continue to serve our shareholders well in the coming years.

I look forward to writing to you again when we publish our quarterly report for the period ending January 31, 2009. Best wishes for a safe, healthy and prosperous New Year.

Sincerely,

Michael H. Winer
Portfolio Manager
Third Avenue Real Estate Value Fund

Third Avenue International Value Fund



Amit B. Wadhwaney
Portfolio Manager of Third Avenue International Value Fund

Dear Fellow Shareholders:

At October 31, 2008, the audited net asset value attributable to the 92,888,275 common shares outstanding of the Third Avenue International Value Fund (the "Fund") was $11.51 per share, compared with the Fund's audited net asset value at October 31, 2007 of $21.17 per share, adjusted for a subsequent distribution. At November 12, 2008, the unaudited net asset value was $11.39 per share.

QUARTERLY ACTIVITY:

In the most recent quarter of operations, the Fund established a new position in the common stock of one company and added to positions in the common stocks of 11 companies, while reducing positions in the common stocks of 12 companies and eliminating two others.

Number of Shares	New Positions Acquired
426,447 shares	Sampo Oyj -A shares ("Sampo Common")

Number of Shares	Increases in Existing Positions
150,000 shares	ABB Grain Limited Common Stock ("ABB Common")
82,314 shares	Allianz SE Common Stock ("Allianz Common")
2,113,987 shares	Brit Insurance Holdings PLC Common Stock ("Brit Common")
1,244,867 shares	CSR Limited Common Stock ("CSR Common")
8,895 shares	GlaxoSmithKline PLC Common Stock ("GSK Common")
313,000 shares	Hutchison Whampoa Ltd. Common Stock ("Hutchison Common")
425,000 shares	Mitsui Fudosan Co., Ltd. Common Stock ("Mitsui Fudosan Common")
45,534 shares	Munchener Ruckversicherungs-Gesellschaft AG Common Stock ("Munich Re Common")
50,000 shares	Sanofi-Aventis S.A. Common Stock ("Sanofi Common")
279,800 shares	Tokio Marine Holdings, Inc. Common Stock ("Tokio Marine Common")
3,282,750 shares	United Microelectronics Corp. Common Stock ("UMC Common")

Number of Shares	Decreases in Existing Positions
55,000 shares	BW Gas Limited Common Stock ("BW Gas Common")
801,900 shares	Capital Nomura Securities PCL Common Stock ("Capital Nomura Common")

* Portfolio holdings are subject to change without notice. The following is a list of Third Avenue International Value Fund's 10 largest issuers, and the percentage of the total net assets each represented, as of October 31, 2008: ABB Grain, Ltd., 6.07%; Viterra, 3.98%; Compagnie Nationale A Portefeuille, 3.85%; Brit Insurance Holdings PLC, 3.64%; WBL Corp., Ltd., 3.34%; Yuanta Financial Holding Co., Ltd., 3.30%; Nippon Sheet Glass Co., Ltd., 3.26%; Sanofi-Aventis SA, 3.05%; and Munich Re, 2.96%.

Number of Shares	Decreases in Existing Positions (continued)
30,846,001 shares	Capital Securities Corp. Common Stock ("Capital Securities Common")
17,561,000 shares	Gigabyte Technology Co. Ltd. Common Stock ("Gigabyte Common")
15,418,900 shares	KGI Securities Thailand PCL Common Stock ("KGI Common")
428,000 shares	Liu Chong Hing Investment Ltd. Common Stock ("LCHI Common")
640,113 shares	Montpelier Re Holdings Ltd. ("Montpelier Re Common")
328,810 shares	Newmont Mining Corp. Common Stock ("Newmont Common")
2,500,000 shares	Nippon Sheet Glass Co., Ltd. Common Stock ("NSG Common")
17,802,000 shares	President Securities Corp. Common Stock ("President Common")
1,500,000 shares	Seino Holdings Co., Ltd., Common Stock ("Seino Common")
3,522,000 shares	Vitasoy International Holdings Ltd. Common Stock ("Vitasoy Common")

Number of Shares	Positions Eliminated
3,817,500 shares	Canfor Corp. Common Stock ("Canfor Common")
7,828 shares	Norton Holdings, Ltd. (Bermuda) Common Stock ("Norton Common")

REVIEW OF QUARTERLY ACTIVITY

While much of the activity on the buy side this quarter revolved around additions to existing positions, the one new purchase this quarter was the common stock of Sampo Oyj ("Sampo"), a Finnish financial services company. The furious deleveraging that has recently been convulsing the financial system provided Fund management the opportunity to obtain premium merchandise at fire sale prices. The stock price of Sampo Common collapsed when a 20% shareholder, a highly-leveraged Icelandic investment company, was forced to liquidate its stake. Margin clerks tend to be disinterested in Net Asset Value ("NAV") analyses and with the resultant forced selling of this holding, the Fund was able to acquire Sampo shares at highly attractive valuations.

Sampo is a Finnish company with pan-Nordic operations in the areas of life and non-life insurance. Having sold its banking subsidiary, Sampo Bank, in early 2007, Sampo is now among Europe's better capitalized insurance companies. Sampo has excess capital of €3.4 billion, representing more than half of its book value. While banking businesses around the world fight for survival, Sampo's boring but steady life and non-life insurance franchises give it unusual stability.

Sampo has kept the proceeds of the sale of its banking business mostly in cash, which would stand it in good stead were the appropriate acquisition opportunity to present itself. Given that the company has a history of well-timed investments in the Nordic financial services industry, we would not be surprised to see management take advantage of their substantial firepower and current valuations to acquire another bank or insurance company. Sampo has already accumulated small stakes in Nordea Bank AB of Sweden and Topdanmark A/S, a Danish insurer.

The motivation behind much of the activity on the sell side during the quarter was a combination of raising cash to meet redemption requirements and tax management. The one elimination in the portfolio, which was not a sale, was Norton Common, where the Fund received a final liquidating dividend during the quarter.

RISK MANAGEMENT

During the past few months, financial markets have been roiled considerably, driven by panic and indiscriminate selling of securities around the globe. A pervasive sense of heightened investment risk has developed, fostered by the rapid declines in the prices of securities. While shares of companies with weak financial positions are expected

to decline in such markets, those of many well-capitalized, well-managed companies, such as our portfolio holdings, are being punished unfairly. Currently, for the vast majority of businesses, there is no relationship between stock price movements and the health of the underlying businesses. Exceptions include businesses which require access to capital in the near term, or businesses which suffer a crisis of customer confidence and large-scale customer defections. The Fund has routinely avoided these types of enterprises. For a number of businesses, the dramatic decline in stock price may have been a reasonable response to an over-leveraged balance sheet or gross overvaluation. Yet, for most, the decline in stock price does not reflect the condition and value of the underlying business. Indeed, assessment of risks as we see it is largely separated from stock prices and their day-to-day movements.

The manner in which risk measurement is conducted at Third Avenue starkly distinguishes the firm from virtually all practitioners of academic finance, which, as its cornerstone, relies upon historical stock price volatility as the primary measurement of investment risk. At Third Avenue, we are concerned with risks specific to individual businesses, industries and assets. We are largely unconcerned with short-term stock price fluctuations, except in instances when volatile periods provide attractive entry or exit points. The use of historical stock price volatility (i.e., beta) as a proxy for investment risk is neither intuitive, nor useful, to us.

In less abstract terms, a brief history of our investment in Viterra, Inc. serves well to distinguish business risk and stock price risk, our focus being on the former. In the late nineties, Viterra, Inc., then known as Saskatchewan Wheat Pool, was a highly regarded and expanding grain-handling network in the Canadian Prairies. While the assets and business were compelling to us even then, the matters of valuation, which was a function of the publicly perceived safety of the business and its favorable outlook at that time, and increasing financial leverage, particularly in light of the climatic sensitivity of the business, prevented us from investing in the company at that time. In the years that followed, Canada's grain growing region suffered a severe multi-year drought, causing Viterra to collapse under the debt load it had incurred to finance its lauded expansion. Even with the much reduced valuation, Third Avenue did not become a shareholder until 2005, when Viterra had completed a rights offering, a debt-for-equity swap and eliminated its dual share classes. One irony is that the public valuation of Viterra, post the drought, the collapse of the stock price and subsequent recapitalization, reflected the investing public's perception that the business had somehow become considerably riskier; yet, the company had eliminated several major business risks, which we had been unwilling to bear, and was now available for purchase at a far cheaper valuation.

Our distaste for the use of volatility as a measure of risk at the individual investment level is clear. Equally anathema to us is the related use of historical relationships (i.e., correlations) between stock price movements as a measurement of risk or a tool for the management of risk at the portfolio level. The current credit crisis for example, like many crises before it, has sent correlations of previously uncorrelated assets skyrocketing. In short, it is our belief that the real world is sufficiently dynamic and that models built upon historical data are very unlikely to be reliable predictors of the future.

However, much more useful to us is an understanding of the types of business risks borne from our security selection when aggregated at the portfolio level. For example, our investment in BW Gas, a Norwegian LNG and LPG shipping company, has sensitivity to the price of oil as a major component of its cost structure. Less obvious though is that the sensitivity is shared by a business like Catalyst Paper, which is a consumer of hydrocarbon fuels, has its cost structure in Canadian dollars and sells product denominated in U.S. dollars. Canada, a large oil producer, might well expect to see its currency depreciate against the U.S. dollar in an

environment of declining oil demand and price, as has certainly been the case of late. Though operating in vastly different industries on different continents, both companies share an important risk factor and are, all else being equal, net beneficiaries of declining oil prices. Compagnie Nationale a Portefeuille, a Belgian family-controlled holding company, on the other hand, is likely to have the opposite reaction, as it is the largest shareholder of Total S.A., one of the world's largest producers of oil and gas.

Our purchase of ABB Grain Ltd. is a manifestation of portfolio risk control. ABB is a grain-handling business, much like Viterra, though it operates in Australia. Our attraction to ABB, while it is a fine business on a standalone basis, stems in part from the climatic diversification it offers to our investment in Viterra. The impact of drought, which nearly toppled Viterra in a previous life, can have a severe impact on grain production volumes and, in turn, grain handling volumes. The low probability of weather patterns detrimentally affecting our grain-handling investments simultaneously reduces the concentration of business risk incurred.

Third Avenue's analysis focuses primarily on business risk. The central component of our risk control process, at the individual investment level as well as at the portfolio level, is our effort to understand and estimate, rather than avoid, risks to the process of wealth creation taking place within a company — whether through going-concern business operations, development of assets, sales of assets or otherwise. Threats to asset values, financial leverage, tenuousness of competitive position and management misalignment with minority shareholders are all examples of risks to which the Fund pays great attention. This type of risk management strives to avoid permanent impairments or diminutions of the values of actual businesses and assets, as distinct from stock price declines. Furthermore, we seek to avoid subjecting the Fund to undue concentrations of business risk, whether historically obvious or otherwise.

"Our in-depth knowledge of the business fundamentals and inherent risks of each of our portfolio companies gives us the confidence to endure and take advantage of short-term market volatility. This strategy is particularly relevant given the current financial turmoil."

While we are not insulated from short-term price volatility at the individual investment level or the portfolio level, we believe that a focus on business risk is a superior means by which to avoid permanent loss of capital. Our in-depth knowledge of the business fundamentals and inherent risks of each of our portfolio companies gives us the confidence to endure and take advantage of short-term market volatility. This strategy is particularly relevant given the current financial turmoil. The Fund has been actively buying wonderful businesses at truly extraordinary valuations, which we expect will bode well for the long-term performance of the Fund.

GEOGRAPHICAL DISTRIBUTION OF INVESTMENTS

The Fund's performance may be influenced by a foreign country's political, social and economic situation. Other risks include currency fluctuations political uncertainty, less liquidity, lack of efficient trading markets, and different auditing and legal standards. One or more of these factors may result in more volatility for the Fund.

At the end of October 2008, the geographical distribution of securities held by the Fund was as follows:

	%
Japan	17.12
Australia	7.92
Canada	7.00
Hong Kong	6.67
Singapore	6.27
Taiwan	6.16
United Kingdom	5.05
Germany	5.00
France	4.46
Belgium	3.85
South Korea	2.54
New Zealand	2.00
Poland	1.99
Chile	1.96
Bermuda	1.55
United States	1.29
Norway	0.97
Sweden	0.90
Finland	0.80
Denmark	0.70
Thailand	0.35
Equities-total	84.55
Cash & Other	15.45
Total	100.00%

Portfolio holdings are subject to change without notice.

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

I will write you again when the report for the period to end January 31, 2009 is issued. Best wishes for a happy and prosperous New Year.

Sincerely,

Amit Wadhwaney
Portfolio Manager,
Third Avenue International Value Fund

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LETTERS TO OUR SHAREHOLDERS

Fourth Quarter Commentary

October 31, 2008

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