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

Second Quarter Commentary

April 30, 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 June 16, 2008.

Third Avenue Value Fund

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

Dear Fellow Shareholders:

At April 30, 2008, the unaudited net asset value attributed to the 181,557,196 shares outstanding of the Third Avenue Value Fund ("TAVF", "Third Avenue", or the "Fund") was $56.37 per share. This compares with an unaudited net asset value of $57.04 per share at January 31, 2008; and an unaudited net asset value of $61.32 per share at April 30, 2007, as adjusted for a subsequent distribution to shareholders. At June 12, 2008, the unaudited net asset value was $53.26 per share.

QUARTERLY ACTIVITY

Principal activities during the quarter were as follows:

Principal Amount	New Positions Acquired
$8,250,000	CIT Group, Inc. 4 3/4% due 2010 ("CIT Senior Unsecureds")
$14,125,000	GMAC LLC 7 1/4% due 2011 ("GMAC Senior Unsecureds")

Number of Shares	Positions Increased
7,407,403 shares	Ambac Financial Group Common Stock ("Ambac Common")
1,000,000 shares	CIT Group Common Stock ("CIT Common")
10,610,425 shares	MBIA Common Stock ("MBIA Common")
1,000,000 shares	Mitsui Fudosan Common Stock ("Mitsui Fudosan Common")
343,544 shares	St. Joe. Common Stock ("St. Joe Common")
1,000,000 shares	Toyota Industries Common Stock ("Toyota Industries Common")
	Positions Decreased
28,589 shares	Alico, Inc. Common Stock ("Alico Common")
6,372,000 shares	Chong Hing Bank Common Stock ("Chong Hing Common")
8,000 shares	Homefed Corp. Common Stock ("Homefed Common")
7,509,698 shares	Mitsui Sumitomo Insurance Common Stock ("Mitsui Sumitomo Common")
1,188,808 shares	Pharmaceutical Product Development Common Stock ("PPDI Common")
30,355 shares	White Mountains Insurance Common Stock ("White Mountains Common")
	Positions Eliminated
1,387,200 shares	Alexander & Baldwin Common Stock ("Alexander & Baldwin Common")
432,300 shares	Arch Capital Common Stock ("Arch Capital Common")
19,737 shares	Consolidated-Tomoka Land Common Stock (Consolidated-Tomoka Common")

* 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 April 30, 2008: Henderson Land Development Co., Ltd., 8.88%; Cheung Kong Holdings, 8.19%; Toyota Industries Corp., 6.23%; Posco (ADR), 4.04%; Nabors Industries, Ltd., 3.70%; Brookfield Asset Management, 3.20%; Forest City Enterprises, 3.14%; The St. Joe Company, 2.95%; Wheelock & Co., Ltd., 2.78%; and Investor AB, 2.41%.

Number of Shares	Positions Eliminated (continued)
1,000,000 shares	First American Corp. Common Stock (“First American Common”)
399,285 shares	Haynes International Common Stock (“Haynes International Common”)
132,800 shares	Investment Technology Group Common Stock (“ITG Common”)
47,250 shares	Jakks Pacific Common Stock (“Jakks Pacific Common”)
861,208 shares	Mirant Corp. Common Stock (“Mirant Common”)
480,000 shares	Montpelier Re Common Stock (“Montpelier Common”)
676,607 shares	ProLogis Common Stock (“ProLogis Common”)
412,030 shares	Stewart Information Services Common Stock (“Stewart Information Common”)
41,857 shares	Tompkins Financial Corp. Common Stock (“Tompkins Common”)

None of the issues sold during the quarter appeared to be grossly overpriced. Rather the sales were made for portfolio management reasons, not investment reasons. First, as a mutual fund which may be subject to potentially massive redemptions, TAVF operates most comfortably with a cash cushion. Current cash holdings amount to about 10% of total assets. Second, Third Avenue's management wanted to concentrate more heavily in two areas of distress – first, investing in credit instruments where the great weight of probabilities are that the securities, available at yields to maturity of around 20%, would either never miss a contracted for money payment; or alternatively, would, upon reorganization become a fully credit-worthy zero coupon bond; and second, investing directly into the common stocks of well-financed, but troubled issuers, where the capital infusions by TAVF were at prices of between 20% and 30% of Net Asset Value (“NAV”), and, perhaps, three to five times normalized earnings to be expected after the current credit market crisis ends. Thus, during the quarter, the Fund invested in CIT Senior Unsecureds, GMAC Senior Unsecureds, Ambac Common, MBIA Common and St. Joe Common.

Despite the large number of securities sales by TAVF, most of which resulted in substantial long-term capital gains, TAVF management by this fiscal year end (October 31, 2008) intends to realize enough long-term capital losses so that the capital gains tax impact on Fund shareholders ought to be minimal. Tax-wise, though, TAVF shareholders may still be stuck with relatively large amounts of ordinary income. Interest income from performing loans will be subject to ordinary income tax, as will be the annual unrealized appreciation, if any, on the common stocks of companies which, for U.S. income tax purposes, are considered Passive Foreign Investment Companies (“PFICs”). Common stock holdings in companies which appear to be PFICs as of this writing, are Guoco Group, Investor AB, Pargesa Holdings and Toyota Industries.

DISTRESS INVESTING

Distress Investing, as far as Fund management is concerned, seems to encompass four different businesses:

1) **Issues that are to remain performing loans; are to be reinstated in the event of Chapter 11 filings; or, are to become the equivalent of zero coupon bonds.** These credit issues are deemed by TAVF management to have at least a 90% probability of never missing a contracted for payment for interest, principal or premium; or, if they are to miss payments, to become the equivalent of zero coupon bonds where the pay-off at maturity would equal the principal amount plus interest and interest on interest. Third Avenue holds a number of these issues, which were acquired at yields to maturity of between 14% and 20%. Such issues are CIT Senior Unsecureds, GMAC Senior Unsecureds, MBIA Insurance Corp. Surplus Notes, and Standard Pacific Senior Unsecureds.

2) **Small reorganization (or liquidation) cases.** These are cases where the administrative expenses incurred in reorganizing (or liquidating) the company far exceed any cash savings for the company arising out of not

making interest payments on unsecured debt and undersecured debt to the amount of undersecurity. In small cases, a reorganization (or liquidation) has to take place in a hurry if there are to be any values left for pre-petition unsecured creditors. Such cases with which the Fund has been involved in recent years include Home Products International and Haynes International.

3) **Large reorganization (or liquidation) cases.** These are Chapter 11 cases where the cash savings from not paying interest and principal on unsecured debt and undersecured debt to the amount of undersecurity, exceeds the administrative expenses of reorganization (or liquidation). Here, unlike small cases, speed is not necessarily of the essence. The most important large case with which the Fund has been involved in recent years is Kmart.

4) **Making capital infusions directly into issuers to financially strengthen them or, put in other words, to make them feasible.** This has become an important new business for Third Avenue. During calendar 2008, the Fund has made capital infusions into MBIA Insurance Corp. through purchasing Surplus Notes; and has also acquired the common stocks of MBIA (Parent), Ambac and St. Joe. Fund management is currently looking at one other possible common stock deal.

Mitsui Fudosan Common and Toyota Industries Common were also acquired during the quarter. Mitsui Fudosan is a high-quality owner of Class A office buildings in downtown Tokyo and downtown Osaka. Mitsui Fudosan Common is probably priced more cheaply than almost any other common stock of a company holding Class A office real estate in G-7 countries, i.e., industrialized, affluent, economies. The Fund has now been invested in Toyota Industries for 11 years. During that period, the company has performed brilliantly, while the market performance of Toyota Industries Common has been at best, so-so. As a consequence, TAVF was able to acquire Toyota Industries common during the quarter at under six times flow-through earnings. Flow-through earnings reflect Toyota Industries' equity in the undistributed earnings of portfolio companies; Toyota Motor Common is the principal portfolio issue held by Toyota Industries.

CIT Common, selling at a large discount from book value, appears to be an attractive take-over candidate. There seems to be widespread opinion that the Company is "in play".

THE LESSONS FROM THE BEAR STEARNS MELTDOWN

The analysis of Bear Stearns Common Stock ("Bear Stearns Common") is simple. Assuming that Bear Stearns was credit-worthy, Bear Stearns Common was worth well over $100 per share, even assuming that there had been a material amount of permanent impairments, e.g., the asset management business was a disaster area. However, assuming that Bear Stearns was not credit-worthy, Bear Stearns Common was valueless.

It turned out that Bear Stearns was not credit-worthy. It is only being made credit-worthy via its acquisition in a common stock for common stock exchange by JP Morgan Chase at a value for Bear Stearns Common of around $10 per share; and the provision by the Federal Reserve Bank of New York ("the Fed") of a $29 billion special funding facility secured by a pool of collateral consisting of investment grade securities (largely mortgage related), residential and commercial mortgage loans classified as performing and related hedges held by Bear Stearns (I will bet that the vast majority of this collateral will continue to be performing loans and that the Fed will never lose any money on this rescue deal).

There probably were a number of financial reasons for the Bear Stearns collapse. However, it appears as if the most important reason, by far, was a concerted bear raid designed to persuade principal customers, i.e., counterparties and principal creditors, that Bear Stearns was no longer credit-worthy. Further, the bears argued, it was easy, and cost-free, to transfer accounts from Bear Stearns to Bear Stearns' competitors. Why take credit risks with Bear Stearns? Thus, a run on the bank.

It seems as if it is now easier, and more economical, to conduct bear raids than has ever been the case heretofore – even before 1929.

1) There is no longer an uptick rule. Prior to July 2007 and since the early 1930's, a common stock listed on the New York Stock Exchange (as was Bear Stearns Common) could be shorted only at a price that was higher than the last price or change of price.

2) There are now well-developed options markets, where one can go short without incurring any material cash outlays – say, buy put options and offset the cost of put options, by selling call options.

3) It is now feasible to sell short specific indices, e.g., the Markit ABX.HE, the indices that track prices of residential mortgages.

4) Perhaps most important, the means are more available, and more effective than they have ever been, to spread rumors through new communications devices – the Internet and business television stations.

"One of the important lessons from the Bear Stearns debacle for TAVF is to avoid owning common stocks where the businesses need to have relatively continuous access to capital markets in order to survive as going concerns."

One of the important lessons from the Bear Stearns debacle for TAVF is to avoid owning common stocks of companies where the businesses need to have relatively continuous access to capital markets in order to survive as going concerns. It is also important to avoid common stocks of companies where the customer base can be lost because of a rumor campaign and where Third Avenue would suffer losses were there to be a run-off of the business. With the possible exceptions of CIT Common and Radian Common, the common stocks in the Fund portfolio do not appear to be vulnerable to company damaging bear raids. The holdings in CIT Common and Radian Common account for less than 1% of TAVF's assets. Virtually every other portfolio company whose common stock is owned by the Fund enjoys an extremely strong financial position.

Net-net, the bear raids seem beneficial for the Fund. The raids are beneficial if all they do is depress the prices of common stocks by propagandizing faulty analysis, e.g., Ambac and MBIA. TAVF can acquire securities at true bargain prices. However, insofar as bear raiders can actually reduce corporate values, e.g., Bear Stearns, where important customers and creditor constituencies were convinced that Bear Stearns was not credit-worthy, bear raiders can be a real problem. Since TAVF is not going to become a bear raider, Fund management's job is to avoid those situations where bear raiders actually harm companies; and to acquire common stocks of well-capitalized companies where all the bear raiders succeed in doing is to depress common stock prices without diminishing the underlying values of the businesses which are the targets of the bear raiders.

Bear raids will continue unabated unless those people leading short-selling forays can be shown some downside, whether economic, legal or both. For example, there appears to be a four-pronged approach toward trying to destabilize MBIA as a going concern. First, there are efforts to strip the holding company of assets so that the holding company might become insolvent. Second, there is pressure brought on the ratings agencies to remove the AAA ratings from MBIA's insurance subsidiaries. Third, there are pleas to regulators suggesting that they restrict the insurance subsidiaries' ability to write policies. Finally, and as part of the other three, the bear raiders are trying to discourage clients from doing business with MBIA. None of these actions seem to have any merit at all. But from the bear raiders point of view, why not press these approaches? After all, there is no downside.

I will write to you again when the report for the period to end July 31, 2008 is published.

Sincerely yours,

Martin J. Whitman
Chairman of the Board

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 April 30, 2008, the end of the Fund's second fiscal quarter, the unaudited net asset value attributable to the 79,956,217 common shares outstanding of the Third Avenue Small-Cap Value Fund ("Small-Cap Value" or the "Fund") was $23.78 per share, compared with the Fund's unaudited net asset value of $22.67 per share at January 31, 2008, adjusted for a subsequent distribution, and an unaudited net asset value at April 30, 2007 of $24.68 per share. At June 12, 2008, the unaudited net asset value was $24.52 per share.

QUARTERLY ACTIVITY

During the quarter, Small-Cap Value added to 16 of its 69 existing positions, eliminated three positions and reduced its holdings in nine companies. At April 30, 2008, the top 10 positions accounted for approximately 31% of the Fund's net assets.

Number of Shares or Units	Increases in Existing Positions
50,000 shares	Alexander & Baldwin, Inc. Common Stock ("Alex Common")
9,422,474 shares	Catalyst Paper Corp. Common Stock ("Catalyst Common")
612,865 shares	Cross Country Healthcare Inc. Common Stock ("Cross Country Common")
30,609 shares	Electronics for Imaging, Inc. Common Stock ("Imaging Common")
103,827 shares	Encore Wire Corp., Common Stock ("Wire Common")
12,500 shares	Imation Corp. Common Stock ("Imation Common")
115,069 shares	K-Swiss, Inc. Common Stock ("K-Swiss Common")
295,000 shares	Lanxess AG Common Stock ("Lanxess Common")
8,784 shares	National Western Life Insurance Co. Class A Common Stock ("Western Common")
17,175,999 shares	PYI Corp Ltd. Common Stock ("PYI Common")
68,911 shares	Sybase, Inc. Common Stock ("Sybase Common")
164,800 shares	Tellabs, Inc. Common Stock ("Tellabs Common")
25,000 shares	Tidewater, Inc. Common Stock ("Tidewater Common")
25,000 units	TimberWest Forest Corp. Stapled Units ("TimberWest Units")

* 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 April 30, 2008: Sapporo Holdings, Ltd., 3.96%; St. Mary Land and Exploration Co., 3.77%; Brookfield Asset Management, 3.62%; Parco Co., Ltd., 3.12%; National Western Life Insurance Co., 3.09%; Westlake Chemical Corp., 2.87%; Lanxess AG, 2.76%; Viterra, Inc., 2.73%; Encore Wire Corp., 2.70%; and Alexander & Baldwin, Inc., 2.65%.

Number of Shares or Units	Increases in Existing Positions (continued)
198,300 shares	Vail Resorts, Inc. Common Stock (“Vail Common”)
361,444 shares	Westlake Chemical Corp. Common Stock (“Westlake Common”)
	Decreases in Existing Positions
700 shares	Alamo Group, Inc. Common Stock (“Alamo Common”)
1,000,000 shares	Borland Software Corp. Common Stock (“Borland Common”)
545,618 shares	Cimarex Energy Co. Common Stock (“Cimarex Common”)
75,762 shares	Deltic Timber Corp. Common Stock (“Deltic Common”)
890,729 units	Fording Canadian Coal Trust Units (“Fording Units”)
44,401 shares	GSI Group, Inc. Common Stock (“GSI Common”)
430,118 shares	JAKKS Pacific, Inc. Common Stock (“JAKKS Common”)
602,800 shares	The St. Joe Company Common Stock (“Joe Common”)
50,000 shares	Whiting Petroleum Co. Common Stock (“Whiting Common”)
	Positions Eliminated
465,214 shares	ASV, Inc. Common Stock (“ASV Common”)
41,759 units	Canfor Pulp Income Fund Units (“Canfor Pulp Units”)
291,450 shares	Ingram Micro, Inc. Common Stock (“Ingram Micro Common”)

QUARTERLY ACTIVITY

Fund management’s investment pace moderated a bit this quarter, in contrast to the elevated levels of recent periods, as market volatility subsided and valuations, on average, edged higher. The bulk of our energies focused on opportunistically adding to existing positions and widening our “on-deck circle” of prospects, a growing list which is as healthy and robust as at any point I can remember.

The Fund participated in an oversubscribed rights offering by Catalyst Paper, the Vancouver-based producer of newsprint and specialty papers. The proceeds of the rights offering were used to purchase a low-cost newsprint mill in Arizona. The Snowflake mill came to Catalyst on rather attractive terms as the financially-distressed seller faced a short timeline imposed by the U.S. Department of Justice, and as many capital providers remained sidelined by the credit crisis. Not only does the mill add low-cost capacity with a stable source of fiber, but it diversifies the company’s base of operations away from Western Canada, where labor problems, cost inflation, fiber shortages and a strong Canadian currency continue to plague the industry. While we underestimated the challenges of this investment at its inception, management continues to do a laudable job and a succession of price increases promises improved results. Participation in the rights offering (and the associated use of proceeds) markedly improved the business, while simultaneously lowering the Fund’s per share cost basis by more than one-third.

Fund management added significantly to its existing holdings in chemical makers Lanxess AG and Westlake Chemical, where progress reports remain mixed. Lanxess continues to benefit from cost-cutting initiatives and price increases. By contrast, the general economic slowdown continues to challenge Westlake, particularly in those segments with exposure to construction markets. However, Westlake remains well financed unlike much of its peer group, at least a portion of which might not survive a more draconian economic downturn. Weakness in the shares of Vail Resorts contrasted with the relatively positive medium and long-term operating developments at that company, allowing Fund management to add to its position at attractive levels. I estimate that the above noted additions were effected at discounts ranging from 20% to 50% of underlying net asset values.

Most of the time in investing, luck beats brains, and that is precisely the case with Fording Units, whose partial disposition this quarter continues the Fund's exit from a spectacular five-year investment and follows the windfall that has elevated the equities of producers of metallurgical coal, including those of Fording. Massive floods in Australia[1] and power outages in South Africa, both critical sources of the coking coal used in steel production, have resulted in unprecedented price spikes across virtually all grades of coal. In the wake of such developments, Fording's long-life mines have undoubtedly become more valuable, at least for the present, though it is not at all clear that an industrial buyer could rationally use current coal prices as the basis for paying a premium for Fording's assets. Fund management remains generally bullish on the long-term prospects for North American oil and gas related equities, but reduced its positions in Whiting Common and Cimarex Common primarily for portfolio management reasons (i.e., reducing the portfolio's industry exposure). The Fund continued to sell its position in Borland Common at a loss; a loss that is relatively modest in dollar terms, but horrific when measured in percentages.

"THINK LIKE MAIN STREET, NOT WALL STREET."
– Martin J. Whitman

We are often asked how we distinguish ourselves from other fund managers. For me, the answer starts with the lens through which we view the world. Recognizing that some of the world's great fortunes have been cobbled together through the long-term ownership of a few mundane businesses, we try to emulate the approach employed by some of these same industrialists, a group we might label as "Main Street" business owners. I assembled the following table to help me reinforce a lesson I forget too often.

"MAIN STREET"	KEY INVESTMENTS
Warren Buffett	Berkshire-Hathaway
Carl Icahn	Kerr-McGee Mylan Labs Nabisco Texaco, USX, TWA
T. Boone Pickens	Mesa Petroleum Gulf Oil, Phillips Petroleum Diamond Shamrock, Newmont Mining
Laurence Tisch	Loews Corporation CBS Tobacco, Insurance, Hotels
Philip Anschutz	Regal Cinemas Qwest Communications Southern Pacific Railroad

Though we lack some of the significant advantages enjoyed by business owners (tax attributes and control, for example), we nonetheless try to put ourselves in their shoes when searching for and analyzing a prospective investment and in building our portfolios. But our differences from other fund managers extend well beyond our "Main Street" mentality and include the following:

- *We place a disproportionate emphasis on a strong financial position in common stock investing.* We start our reviews of a company and its securities by asking some relatively straightforward questions, with a heavy emphasis on the balance sheet: Is the business sensibly capitalized, given the needs of the company? Could the balance sheet withstand a deep and prolonged business recession? What contingencies, either those in the real world or of a financial nature, might permanently impair the business? Our unapologetic aversion to financial leverage and other encumbrances often means

[1] Reportedly the heaviest damage occurred in Queensland, Australia's Bowen Basin, reputed to be the source of 40% of the world's steelmaking coal.

we miss some good investments. So be it – we insist on a healthy financial cushion for any business and sleep better at night knowing that our portfolio holdings possess long-term staying power.

- *We like concentration and are willing to hold cash.* Like the aforementioned Main Street business owners, our preference is to concentrate our energies on fewer ideas, believing that we better control investment risk by knowing more about a limited number of ideas than through diversification. In the Small-Cap Fund today, for example, we have concentrated investments in real estate, oil and gas (both exploration and production and services), forest products and a burgeoning focus on chemicals. The Fund's top ten holding represent approximately 30% of the Fund's assets. When we can't find investments that meet our investment criteria, we will sit with cash. We will not be invested just for the sake of being invested – not with our money and your money at stake!

- *We are value conscious, not outlook conscious.* In making their investment decisions, it seems the vast majority of institutional investors and speculators place inordinate weight on a company's near-term earnings outlook, the economy or the stock markets. The consensus invariably avoids those businesses and industries with a cloudy near-term forecast, behavior that can create wonderful opportunities for investors like Third Avenue – fifty cent dollars rarely surface when the outlook is bright and sunny. In stark contrast, we give a much greater weight to the economic value proposition (i.e., the size of the gap, if any, between our conservative estimate of the underlying economic value of a given business and the value ascribed to it by the public markets). We ask ourselves whether a reasonable and knowledgeable business person would pay a meaningful premium over the current share price for control of the company. We rarely stray far from our parsimonious ways.

- *We define risk differently.* I can't tell you how many times a client's first question regards short-term performance: "Boy, you didn't fare so well last quarter" or, "how come that stock went down last week?" Unlike many, if not most institutional investors, we do not equate short-term stock price moves and portfolio volatility with risk (a.k.a., "market risk"). In many cases, for various reasons, the businesses whose securities we buy are under pressure and the stocks invariably trend down for a period of time. This sometimes weak stock performance is generally not a source of concern to us. (Importantly, we do not compensate our analysts based on short-term stock price performance either. We often joke that most of us would be fired if we graded ourselves based on such short-term criteria!) Our energies are, however, geared toward understanding and controlling business risk, not market risk (i.e., understanding what is happening at the business level, which is separate and distinct from the stock.)

- *We adhere to a patient approach.* The average equity fund manager today shows an annual portfolio turnover that exceeds 100%. In other words, that manager sells their entire portfolio – sometimes as many as 300 or 400 stocks – every year. At Third Avenue, our turnover averages 10%-20% annually, meaning that, on average, we own securities for five, seven or even ten years at a time. Our experience shows that we are better off holding onto an investment and letting the business values grow over time, rather than trying to frantically trade in and out of positions. Many times our advantage lays in our ability to "out patient" the other guy. Brokers hate us.

- *We eat our own cooking.* We are co-invested with you, our shareholders, *on the same terms* as you (i.e., we buy Fund shares for cash at current net asset values). Our internal compensation policies provide that a material portion of our after-tax bonus proceeds be invested in Third Avenue products.

THE FUND HAS REOPENED TO NEW INVESTORS

Fund management has elected to open the Fund to new investors, effective May 19, 2008 (it had always remained open to existing shareholders). We closed the Fund a little more than two years ago when Fund assets reached $2.3 billion and the rate of capital inflows began to outpace our idea generation ability. Closing the Fund better protected existing shareholders by allowing us to stick to our investment discipline and to prudently deploy a large cash position. At present, Fund assets total $1.9 billion and cash levels have dropped to relatively low levels. We find ourselves with more ideas than capital and benefit from an even larger, more productive research team. As noted at the beginning of this letter, the current environment has allowed us to expand our inventory of prospective investments and we would like to be able to better take advantage of those opportunities. Also, as I believe is evident from our activity in recent quarters, we would like to selectively build upon our existing holdings. If your investment time horizon only extends out for the next 12 months or so, this is the wrong place for your savings. But I hope you share our view that today's investing environment is a considerably richer one than it has been in some time, and that now is a good time to plant the seeds of future harvests.

"I hope you share our view that today's investing environment is a considerably richer one than it has been in some time, and that now is a good time to plant the seeds of future harvests."

I look forward to writing you again when we publish our Third Quarter report dated July 31, 2008. Thank you for your continued support.

Sincerely,

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:

At April 30, 2008, the end of the second fiscal quarter of 2008, the unaudited net asset value attributable to the 85,718,050 shares outstanding of the Third Avenue Real Estate Value Fund (the "Fund") was $27.24 per share. This compares with an unaudited net asset value of $27.55 per share at January 31, 2008, and an unaudited net asset value of $32.90 per share at April 30, 2007, adjusted for subsequent distributions to shareholders. At June 12, 2008, the unaudited net asset value was $25.63 per share.

QUARTERLY ACTIVITY

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

Number of Shares or Principal Amount	
	Increases in Existing Positions
500,000 shares	British Land Company plc Common Stock ("British Land Common")
42,433 shares	Brookfield Infrastructure Partners, L.P. Common Units ("Brookfield Infrastructure Common")
1,000,000 shares	Quintain Estates and Development plc Common Stock ("Quintain Common")
6,605,000 shares	Wheelock Properties, Ltd. Common Stock ("Wheelock Common")
	Decreases in Existing Positions
$135,000	Forest City Enterprises, Inc. 7.375% Senior Notes due 2034 ("Forest City Notes")
80,569 shares	One Liberty Properties, Inc. Common Stock ("One Liberty Common")
1,595,000 shares	Sapporo Holdings, Ltd. Common Stock ("Sapporo Common")
177,918 shares	Unite Group plc Common Stock ("Unite Common")
	Positions Eliminated
2,235,800 shares	Quadra Realty Trust, Inc. Common Stock ("Quadra Common")
25 shares	Wharf Holdings, Ltd. Common Stock ("Wharf Common")

DISCUSSION OF QUARTERLY ACTIVITY

The Fund initiated no new positions during the quarter, but did utilize some of its limited cash to increase its holdings in British Land Common, Quintain Common and Wheelock Common, as market prices declined to bargain levels. The Fund reduced its holdings in One Liberty Common, Sapporo Common and Unite Common, in order to recycle cash into holdings with

* 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 April 30, 2008: Forest City Enterprises, Inc., 10.68%; Brookfield Asset Management, 9.91%; The St. Joe Company, 7.16%; Vornado Realty Trust, 4.98%; ProLogis, 4.74%; Wheelock & Co., Ltd., 4.30%; Hang Lung Properties Ltd., 3.81%; Mitsubishi Estate Co., Ltd., 3.33%; Derwent London PLC, 3.10%; and British Land Company, 3.10%.

greater future appreciation potential. Shareholder redemptions versus subscriptions during the quarter were relatively flat, compared to the previous two quarters where the Fund experienced significant net redemptions.

The Fund eliminated its position in Quadra Common as the result of the company being taken private. Quadra Realty Trust is a U.S. mortgage REIT that completed its initial public offering in February 2007. Quadra was formed by Hypo Real Estate Capital, a New York-based full service, fully-integrated commercial real estate finance company specializing in construction financing for large commercial and condominium projects, mezzanine loans and bridge loans. Unfortunately, even though Quadra's loan portfolio experienced minimal credit issues, its business model was dramatically impacted by the near-shutdown of the market for securitized loans. As a result, Hypo (which owned 30% of Quadra Common) offered to take Quadra private. The Fund initially opposed the transaction based on the takeover price representing a substantial discount from book value. However, as the credit markets deteriorated further during the period between the takeover announcement and the shareholder vote, the Fund ultimately voted in favor of the transaction. Quadra shareholders received $11.00 per share in the merger, which represented a 38% premium to the pre-merger-announcement trading price, but a 21% discount to the Fund's $14.00 cost basis.

INVESTMENTS IN LAND COMPANIES

Approximately 9% of the Fund's assets are invested in the common stocks of companies that own substantial land holdings in high-growth-potential markets. The St. Joe Company owns 638,000 acres in Northwest Florida; Tejon Ranch Company owns 270,000 acres in Southern California; and Consolidated-Tomoka Land Company owns 11,000 acres in Daytona Beach, Florida. Each company has owned its land for longer than most Wall Street analysts have been alive, including our 83-year old chairman, Martin Whitman. St. Joe acquired most of its land in the 1930s. For over fifty years, the company operated primarily as a paper company. Tejon Ranch was established in 1843 through a Mexican land grant (prior to the Mexican American War in 1846 and California being admitted as the 31st state in 1850). Ranching operations have been conducted at Tejon Ranch since the late 1800s. Consolidated-Tomoka was established in 1902 as a timber-based company with more than a million acres of Florida forest lands. The company initially specialized in harvesting gum converted into turpentine pitch and rosin for the maintenance of wooden ships. It subsequently expanded into Florida cattle ranching and citrus production.

"Each company has owned its land for longer than most Wall Street analysts have been alive, including our 83-year old chairman, Martin Whitman."

Over the past ten years, each company has transformed from its historical agriculture-based operations into land entitlement and development operations designed to take advantage of their low-cost land assets located in prime development areas. St. Joe and Tejon Ranch have recently achieved historic milestones that will likely be significant catalysts for ultimate realization of value. Each company has made great progress towards transforming its legacy land assets to higher and better use. However, time risk can still have a major impact on returns. The recent milestones will certainly help mitigate time risk.

THE ST. JOE COMPANY

In August 2000, the FAA approved a feasibility study that recommended moving the Panama City-Bay County Airport to land owned by St. Joe. St. Joe committed to donate up to 4,000 acres for the new airport located in the center of the West Bay Sector Plan that consists of approximately 78,000 acres owned by St. Joe. The Plan establishes significant wetland preservation areas, as well

as entitlements for developments expected to include national and international intermodal, industrial, office, retail and residential. After more than seven years of environmental studies, coordination with dozens of local, state and federal agencies, and litigation with various environmental groups, the new airport is finally under construction and is expected to open in mid-2010. The new airport will replace the existing out-dated airport and, initially, will have an 8,400-foot runway that can be extended to 12,000 feet. There is also significant room for expansion of additional runways. It is expected that the new airport will bring new airline service to Northwest Florida that will lead to economic development and expansion for the entire region that was previously underserved.

In February 2008, St. Joe completed a public equity offering that raised nearly $600 million. The proceeds from the offering were used to pay off the company's outstanding debts, leaving St. Joe virtually debt free. St. Joe's strong balance sheet should enable the company to easily withstand the current real estate slowdown in Florida and be positioned to aggressively take advantage of opportunities as the market recovers. The combination of a strong financial position and the expected economic stimulus from the new airport should enable St. Joe to create substantial future value for shareholders for several decades to come.

TEJON RANCH COMPANY

For over ten years, Tejon Ranch (the "Ranch") has been planning three large-scale projects on portions of the 270,000-acre ranch. Tejon Industrial Complex ("TIC") is a 1,500-acre commercial/industrial development situated on both sides of Interstate 5, near the intersection with California Highway 99. Tejon Mountain Village ("TMV") is resort-based community located in the heart of the Ranch's high-country (but easily accessible from Interstate 5). The project encompasses 28,000 acres, of which 23,000 will remain as undisturbed open space. The objective is to obtain entitlements for up to 3,450 dwelling units along with complementary lodging, recreational and commercial facilities and other resort amenities. Centennial is a 12,000-acre master planned community located in Los Angeles County, adjacent to Highway 138 in the Antelope Valley. The objective is to obtain entitlements for a multi-phase project with 23,000 housing units and complementary commercial facilities and community amenities. It is expected that once development entitlements are obtained, each project will have approximately a 20-year life. Future projects are anticipated, but no specific plans have been developed beyond these three projects. Therefore, due to the size and scope of the three initial projects, and the likelihood that additional projects would not commence for 20-30 years, the vast majority of the value of Tejon Ranch consists of anticipated cash flows to be generated over the next 20 years from TIC, TMV and Centennial.

Notwithstanding current market conditions for residential real estate, any valuation of the projects is heavily impacted by timing of future cash flows. Delays in future cash flows caused by the entitlement process and litigation will directly impact the net present value of the projects – and Tejon Ranch common stock. Both Centennial and TMV are large-scale, high-profile development projects located some distance from established cities and towns. Tejon Ranch is the largest contiguous open space under single ownership in California, making development of the ranch quite controversial for most of the prominent, influential and well-funded national environmental advocacy groups ("EGs"), such as the Sierra Club and the Natural Resources Defense Counsel. The EGs generally advocate preservation, rather than development, of large undeveloped tracts of land. For many years, several of the EGs have vowed to oppose the Ranch's development plans.

TIC received its final approvals in 2007 after several years of litigation with various environmental advocacy groups. Despite the project being located in the least environmentally sensitive area of the Ranch, litigation delayed obtaining development entitlements for several years. Tejon Ranch management has always expected that

development entitlements for TMV and Centennial will be more controversial than the TIC.

The process for gaining development entitlements in California is complex, time-consuming, and expensive. Additionally, with the threat of litigation from EGs or other third parties, the process is fraught with uncertainties. Arguably, the process in California is more difficult than in any other state. Successful development of Centennial and TMV requires completion of several public agency environmental review and approval processes.

- **Local approvals.** Entitlement approvals require completion of an Environmental Impact Report ("EIR"), along with several County entitlement approvals including General Plan Amendments, new zoning and creation of public service districts (water, sewer, etc.). The EIR and County discretionary approvals are subject to judicial challenge by project opponents under various laws, including the California Environmental Quality Act ("CEQA").
- **Regional, State and Federal approvals.** Both projects require additional discretionary permits or approvals from regional, state and/or federal agencies including federal and state agencies with jurisdiction over the natural resource issues, such as protected species and water quality. Most of the permits or authorizations issued by these agencies are also subject to public comment processes and third-party administrative appeal and/or litigation risks.

Tejon Ranch has been processing TIC and Centennial approvals for several years, including preparation of the respective EIRs. Company management understood that opposition from an EG would be a formidable obstacle to development; and opposition by a coalition of EGs would certainly result in multiple lawsuits and extended political campaigns aimed at blocking the required agency approvals – resulting in long-term delays in the initiation of project development. In this regard, approximately two years ago, company management began negotiating with a group of the most prominent EGs to devise a Ranch-wide solution to gaining development entitlements and providing assurances that a large portion of the Ranch would never be developed. The result of those negotiations recently resulted in Tejon Ranch entering into an historic conservation and land use agreement with the EGs that has overwhelming support from California Governor Arnold Schwarzenegger, other elected officials and the key regulatory agencies.

The agreement provides that the EGs will refrain from opposing the entitlement and permit applications and approvals on TMV and Centennial. Tejon Ranch will permanently protect 178,000 acres through a combination of dedicated conservation easements and designated project open spaces. The conservation easements will be dedicated in phases as Tejon Ranch receives development approvals. Tejon Ranch's existing activities including farming, sand and gravel mining and oil and gas extraction will be permitted within existing areas and defined expansion areas. Cattle grazing, game management and filming will continue to be permitted uses on all conservation lands. The EGs will have options to purchase development rights for five separate future development areas totaling 62,000 acres. The price for each parcel will be determined by an appraisal process conducted by the State of California. If the EGs fail to exercise their purchase options, Tejon Ranch will retain the parcels for future development (though future developments would be subject to the normal entitlement process and the EGs would not barred from opposing development). An independent Conservancy will be established to preserve, enhance and restore the conservation lands. Funding for the Conservancy will initially be advanced by Tejon Ranch until sales are generated from TMV and Centennial. Perpetual funding for the Conservancy and reimbursement of advances by the company will come from fees equal to 0.25% of the sales price of all residential sales and resales.

The obvious question being asked is: did Tejon Ranch give away too much to the EGs to secure their non-opposition to TMV and Centennial? An analysis of

future cash flows from TMV and Centennial made it pretty clear that if the development entitlements were delayed for five years, the net present value would be reduced by an amount exceeding any reasonable expectation of price for the future development areas. Not only do delays result in substantially reduced net present values, but protracted litigation can result in far less certainty regarding the ultimate development configuration (number of units, densities, etc.). In other words, it is likely that Tejon Ranch would ultimately obtain entitlements for "some" development, but probably not the same as what is currently planned.

The EGs' option to purchase the development rights on the remaining 62,000 acres of "developable" land at "appraised value" leaves some uncertainty about what Tejon Ranch is giving up. The appraisal process will be conducted in accordance with state regulations and presumably will be fair. However, as noted above, the value enhancement of TMV and Centennial by avoiding years of litigation, far outweighs the value of the 62,000 acres of future development land. The director of one of the EGs stated that if the agreement had not come together, he envisioned at least 50 years of litigation regarding planned development on the Ranch. Such protracted litigation would obviously have a devastating impact on the value of Tejon Ranch common stock.

The three aforementioned companies all have significant land holdings in prime growth areas. While these companies, with their focus on long-term value creation, may not be very exciting for investors focused on quarterly earnings, they suit the Fund's investment objective of long-term capital appreciation very well. Well-located land with development entitlements is a valuable and scarce commodity, especially in high-growth areas of California and Florida. It is even rarer to find common stocks of publicly-traded companies that own such land and have the financial strength and management teams to carry out their business plans over several decades.

DISTRESSED LAND OPPORTUNITIES

The Fund is currently evaluating several investments in senior debt instruments that are secured by large land holdings in prime growth areas. The underlying assets appear to be very attractive, but the ownership is poorly capitalized, especially considering the lack of demand for residential lots in the current market. The Fund will attempt to acquire senior secured debt at distressed prices that represent large discounts from appraised value. While filing Chapter 11 Bankruptcy is a distinct possibility for these entities, it appears that the senior secured debt should ultimately be reinstated or the holders will receive equity in a restructuring. In the past, the Fund has made several investments in distressed debt and Fund management is experienced in bankruptcies and restructures. It appears that there may once again be opportunities to participate in this market. A substantial number of distress funds have recently been formed, so it is possible that prices will get bid up to unreasonable levels. The Fund will only participate if it can get very attractive pricing.

I look forward to writing to you again when we publish our quarterly report for the period ending July 31, 2008.

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 April 30, 2008, the unaudited net asset value attributable to the 104,285,459 shares outstanding of the Third Avenue International Value Fund (the "Fund") was $19.23 per share, compared with the Fund's unaudited net asset value at January 31, 2008 of $18.21 per share, and an unaudited net asset value of $19.15 per share at April 30, 2007, both adjusted for a subsequent distribution to shareholders. At June 12, 2008, the unaudited net asset value was $18.51 per share.

QUARTERLY ACTIVITY:

In the most recent quarter, the Fund established new positions in the common stock of five companies, added to positions in the common stocks of five companies, eliminated its holdings in six companies and reduced its holdings in 15 companies.

Number of Shares	New Positions Acquired
47,248 shares	Allianz SE Common Stock ("Allianz Common")
131,600 shares	L. E. Lundbergforetagen AB Common Stock ("Lundbergs Common")
812,000 shares	Mitsui Fudosan Co., Ltd. Common Stock ("Mitsui Fudosan Common")
86,155 shares	Münchener Rückversicherungs-Gesellschaft AG Common Stock ("Munich Re Common")
125,000 shares	Sanofi-Aventis S.A. Common Stock ("Sanofi Common")
	Increases in Existing Positions
31,190,852 shares	Catalyst Paper Corp. Common Stock ("Catalyst Common")
117,907 shares	CSR Limited Common Stock ("CSR Common")
20,000 shares	Imerys S.A. Common Stock ("Imerys Common")
150,000 shares	Montpelier Re Holdings Ltd. ("Montpelier Re Common")
1,105,000 shares	The Straits Trading Company Ltd. Common Stock ("Straits Trading Common")

Number of Shares	Decreases in Existing Positions
315,874 shares	ABB Grain Limited Common Stock ("ABB Common")
221,380 shares	Antarchile S.A. Common Stock ("Antarchile Common")
1,272,500 shares	Canfor Corp. Common Stock ("Canfor 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 April 30, 2008: Viterra, 5.24%; ABB Grain, Ltd., 4.62%; Yuanta Financial Holding Co., Ltd., 4.28%; WBL Corp., Ltd., 3.69%; Catalyst Paper Corp., 3.46%; Compagnie Nationale a Portefeuille, 3.01%; Nippon Sheet Glass Co., Ltd., 3.00%; LG Corp., 2.82%; GuoccoLeisure Ltd., 2.70%; and Guocco Group, Ltd., 2.57%.

Number of Shares	Decreases in Existing Positions (continued)
3,193,000 shares	Capital Securities Corp. Common Stock (“Capital Securities Common”)
640,400 shares	Chudenko Corp. Common Stock (“Chudenko Common”)
31,019 shares	Compagnie Nationale a Portefeuille Common Stock (“CNP Common”)
203,400 shares	Futaba Corp. Common Stock (“Futaba Common”)
5,000,000 shares	Gigabyte Technology Co. Ltd. Common Stock (“Gigabyte Common”)
95,000 shares	Guoco Group Ltd. Common Stock (“Guoco Group Common”)
7,005,000 shares	GuocoLeisure Limited Common Stock (“GuocoLeisure Common”)
705,100 shares	Nichicon Corp. Common Stock (“Nichicon Common”)
3,694,000 shares	President Securities Corp. Common Stock (“President Common”)
45,200 shares	United International Enterprises Ltd. Common Stock (“UIE Common”)
4,894,000 shares	Vitasoy International Holdings Ltd. Common Stock (“Vitasoy Common”)
1,000,000 shares	Yuanta Financial Holding Co., Ltd. Common Stock (“Yuanta Common”)

Number of Shares or Units	Positions Eliminated
24,754 units	Canfor Pulp Income Fund Units (“Canfor Pulp Units”)
56,550 shares	Farstad Shipping ASA Common Stock (“Farstad Common”)
647,300 units	Fording Canadian Coal Trust Units (“Fording Units”)
221,300 shares	Golar LNG Ltd. Common Stock (“Golar Common”)
3,911,000 shares	The Straits Trading Company Ltd. Common Stock (“Straits Trading Common”)
179,000 shares	Tokyo Energy and Systems, Inc. Common Stock (“Tokyo Energy Common”)

REVIEW OF QUARTERLY ACTIVITY

The Fund eliminated or reduced a number of positions in the portfolio as it needed to raise cash to fund new purchases, both of existing securities (especially the recent rights issue of Catalyst Paper) and of new holdings. We also realized some capital losses, in order to reduce capital gains taxes on the sales.

The Fund purchased shares of two German financial services companies during the quarter, Allianz SE (“Allianz”) and Münchener Rückversicherungs-Gesellschaft AG (“Munich Re”). Allianz is the largest financial company in Germany, with global businesses in life and non-life insurance, asset management, and banking. It enjoys a strong number one position in the profitable German insurance market, as well as leading market positions in a number of other continental European countries. The insurance business in Europe is difficult to penetrate. Access to distribution channels for insurance products presents a significant obstacle to new entrants; as a result, incumbents, such as Allianz, enjoy high and persistent profits. Allianz’s market position would be very difficult to replicate or attack. Its asset management business ranks in the top five worldwide by assets (among other brands, it owns the majority of PIMCO in the U.S.). However, unlike some of the other top asset managers, who are passive indexers, Allianz provides active asset management services and receives higher fees. PIMCO’s decision to avoid subprime mortgages, CDOs, and other dodgy fixed-income investments in recent periods has enhanced its reputation as one of the better fixed-income investors.

While Allianz’s insurance and asset management businesses withstood the credit market turmoil well, the banking business, Dresdner Bank, had a trading book of subprime mortgage investments and credit enhancements that lost significant value and had to be substantially written off. In response, Allianz has taken steps to restructure the banking operations, splitting retail from investment banking with the view of selling either one or both. Despite the losses in banking, Allianz earned record

profits in 2007 thanks to the solid performance of its insurance and asset management businesses.

In the recent quarter, the common stock of Allianz sold down to levels well below our estimates of net asset value and presented us with an attractive investment opportunity. We believe that in purchasing the stock at these levels, there is no value attributed to the future prospects of its world class insurance and asset management businesses. Furthermore, the company continues to enjoy a strong financial position, with significant excess capital.

Munich Re is the world's largest reinsurer and the second largest primary insurer in Germany, after Allianz. Its reinsurance business is widely diversified, such that an event the size of Hurricane Katrina would by itself cost less than one year of earnings; and, thus, not impair the capital base at all. Unlike many of the new reinsurance startups, Munich Re has developed decades of relationships with European primary insurers and has access to profitable business from them that is not available to less established players; it benefits not only from reasonable pricing on these lines but also from the diversification that they offer from the volatile U.S. windstorm business. Munich Re's primary insurance business, like that of Allianz, has a lock on its distribution channel and enjoys a highly defensible position.

Munich Re has navigated the credit crisis rather well thus far and has managed to avoid any losses. The stock has sold off, nevertheless, on fears that the reinsurance cycle may be turning down. Indeed, rates are now declining from the high levels of the past two years. However, the stock is currently trading at a discount to our estimate of liquidation value – an extraordinary state of affairs, considering the quality of Munich Re's franchise. The company's excess capital position and diversified business portfolio provide us with an unusual degree of safety for a reinsurer.

L.E. Lundbergforetagen AB ("Lundbergs") is a Swedish holding company which owns assets that can be broken down into two groups – its unlisted real estate subsidiary and its stake in publicly-listed holdings. Fastighets AB L.E. Lundberg ("Fastighets") is Lundbergs' unlisted, wholly-owned real estate subsidiary. Fastighets is a large private real estate owner in Sweden, with a property portfolio consisting of centrally located residential, office, and retail premises, with a particular focus on major metropolitan areas and university cities. Lundbergs also holds stakes in a portfolio of listed, Swedish companies engaged in a variety of businesses, including real estate, forest products, construction, financial services, and capital goods. Included among Lundbergs' holdings are: Hufvudstaden AB, one of Sweden's leading real estate companies, which owns a Class-A portfolio of office and retail properties located in the Central Business Districts of Stockholm and Güteborg, the two largest cities in Sweden; Holmen AB, which produces printing paper, paperboard used for packaging, and timber, and owns over 1 million hectares of productive forestland in Sweden; and Svenska Handelsbanken AB, one of the leading integrated banks in the Nordic region.

The company's management team, led by Fredrik Lundberg, appears to value a conservative investment approach – its objective is to generate satisfactory absolute returns over the long term by investing in understandable businesses with strong market positions, solid cash flow generation, and limited financial risk. Lundbergs' long-term investment track record has been impressive. During the ten years ended December 31, 2007, Lundbergs grew its Net Asset Value ("NAV") per share by an average annual rate of over 12%, and its average annual total shareholder return[1] was over 15%. During that same period, Lundbergs generated a total return of over 20% in all but three calendar years – 1998, 2001, and 2007 – and in one of those years (2001), total return generated was over 15%. Market concerns surrounding Nordic industrial stocks and the macroeconomic environment in general enabled the Fund to purchase shares of Lundbergs at a meaningful discount to its NAV, which in turn consists of some holdings which we believe may be trading at discounts to their respective NAVs.

[1] Assuming dividend reinvestment (Source: company documents, Bloomberg).

During the quarter, the Fund initiated a position in Mitsui Fudosan Co. Ltd. ("Mitsui Fudosan"), owner of one of Japan's blue-chip property portfolios. The company was Japan's first real estate company to be publicly-listed and is today the second largest of such companies in Japan, owning a portfolio of approximately 22 million square feet of income-producing property. In addition to its directly-owned property portfolio, Mitsui Fudosan manages several publicly-listed REITs, as well as private real estate funds. The company also owns a portfolio of Japanese hotel properties, a Japanese residential real estate brokerage business and an office building in midtown Manhattan.

Mitsui Fudosan's core property portfolio is primarily comprised of central Tokyo Class-A office and retail properties, a market which is considerably supply-constrained and offers meaningful barriers to entry. Owing to its legacy land holdings, the company has been able to build an admirable track record of creating shareholder wealth through long-term development and redevelopment projects within its core property portfolio, but additionally through sales of non-core properties to affiliated REITs and funds, from which the company collects recurring management fees. It is also noteworthy that, as a conservatively capitalized company with significant financing wherewithal, the company is capable of self-financing its sizable project portfolio. Finally, embedded within the current property portfolio, is a significant portion of below-market leases, which will be gradually adjusted upward towards market rates.

The decline in the price of the Mitsui Fudosan stock provided an opportunity to purchase one of the highest quality Japanese property portfolios at a sizeable discount to its present liquidation value, while attributing no value to future wealth accretion likely to be derived from the company's development portfolio and future increases in rental rates.

Sanofi-Aventis S.A. ("Sanofi"), based in Paris, France, is one of the largest pharmaceutical companies in the world, and the largest in Europe[2]. Sanofi is a global leader in the manufacturing of vaccines. In recent years, investors appear to have become quite pessimistic regarding the prospects of branded drug companies due to a variety of reasons, both industry wide and company specific. Some of the industry concerns held by the community of investors include, but are not limited to: a potentially stricter Food and Drug Administration in the U.S., fueled by safety concerns which have been heightened by headline news in recent years regarding potentially dangerous side effects of certain drugs (Vioxx is one example); uncertainty regarding the U.S. Presidential Election in November, and the effect that a new, possibly less supportive administration, may have on the industry; and generic competition, particularly in the context of governments' desire to reduce health care costs and tighten budgets. Sanofi stock has also been under pressure due to company-specific issues, most notably patent litigation regarding its top two drugs, Plavix and Lovenox; the sale of shares by the company's two largest shareholders, Total S.A. and L'Oreal S.A.; and uncertainty and pessimism regarding the prospects of the company's pipeline.

While the pharmaceutical industry is subject to a number of inherent uncertainties, it nonetheless continues to be a highly profitable, cash generative industry which benefits from solid long-term fundamentals and stable demand. Aside from the aforementioned positives, Sanofi boasts a number of attractive, company-specific attributes. The company possesses a strong balance sheet, which should provide staying power during difficult times and enable it to opportunistically enhance its pipeline and/or Research and Development capabilities through acquisitions or licensing agreements. Additionally, Sanofi is relatively well-diversified, both geographically and on a product portfolio basis. The company is present in today's largest

[2] Based on 2007 sales.

markets – including the U.S., Europe, and Japan – and also has a smaller, but significant, growing presence in emerging markets — such as Brazil, Russia, India, China, and Mexico — which seem likely to offer meaningful growth opportunities over the long term. Further, no single drug accounted for greater than 10% of Sanofi's reported 2007 sales; this provides the company with a reasonable degree of product diversification, given the industry context of patent expirations and generic challenges to existing patents. Sanofi has been able to reduce operating costs in recent years, and it seems likely that there is additional value to be created, should the company continue down that path. Shares were purchased at modest multiples of earnings and cash flow, even in a "reasonable worst-case" scenario which does not attribute much value to Sanofi's current pipeline of potential drugs which have some probability of future success.

AGRICULTURAL HOLDINGS IN THE FUND'S PORTFOLIO

The Fund's investments in agricultural enterprises represent the largest industry weighting in the portfolio. A casual reader of the Fund's letters might hypothesize that this interest is a byproduct of the current buoyancy in the prices of primary agricultural commodities. Rather than merely making a recent foray into agricultural investments, the Fund, over much of its history, has invested in a variety of agriculture-related businesses — ranging from a Canadian fertilizer producer, to an Argentine farmland owning company (both now sold), and a Malaysian palm oil producer. The two investments which currently dominate the Fund's agricultural holdings are ABB Grain Limited ("ABB") and Viterra, Inc. ("Viterra"). Both of these companies are focused on agricultural infrastructure, the former in Australia and the latter in Canada. The companies' operating results are influenced only indirectly, at best, by price movements in the commodities in which they traffic.

Both companies are agribusinesses with multi-faceted operations and an international focus. ABB accumulates grain mostly from South Australia, while Viterra's source of grain is primarily the Western Canadian provinces. While each company's history is steeped in grain accumulation, the present reflects much more diversified operations, stretching across the entire supply chain. In the case of ABB, this includes a significant network of silos and export shipping terminals in South Australia, Victoria and New South Wales, incorporating joint ownership of Australian Bulk Alliance with Japanese trading company Sumitomo. Similarly, Viterra has a network of modern, highly efficient grain elevators across the Canadian Prairies connected via railroad to its export shipping terminals in Vancouver and Prince Rupert on the Pacific and Thunder Bay on the Great Lakes. These grain elevator networks and port terminals are the capital intensive portion of a supply chain which comprises operations in storage, handling and logistics, as well as providing a number of value-adding services. Such hard to replicate assets are key to providing these companies with defensible competitive positions in their respective markets, and represent a meaningful obstacle that a newcomer would have to surmount in establishing itself in the industry.

The other characteristic shared by these two businesses is the sensitivity of their operating earnings to the volumes of grain passing through the network of grain elevators. Accordingly, periods of drought in their respective regions corresponded to reduced grain throughput, poorer profitability and reduced equity market valuations, which provided the Fund opportunities to purchase these shares at attractive long-term valuations.

The above-noted similarities obscure many of the differences between the two companies, stemming from their respective histories, regulatory environments and industry structures. All of these factors are likely to play a significant role in determining the profitability of these companies going forward. What follows is a thumbnail sketch of each company, highlighting some of their respective attributes.

ABB was born as the Australian Barley Board, whose intended role was to coordinate the acquisition and marketing of barley sourced across Australia. In late 2004, ABB Grain was formed by the merger of three South Australia-based grain companies, ABB Grain, AusBulk and United Grower Holdings, expanding its activities to other grains beyond barley. In addition, Ausbulk was the parent of JoeWhite Maltings, which is Australia's largest malting company, with malting plants located in all six Australian states, positioned close to international ports and transport links or to Australia's premium barley growing areas.

"Both companies are well positioned financially, and in their respective market positions. Moreover, both companies are likely to benefit from unusually attractive opportunities as structural changes take place, be it via deregulation, consolidation or resource conversion."

ABB's range of rural services includes the supply of fertilizer and agricultural chemicals, financial services and insurance, and wool and livestock activities. ABB Grain also has significant operations in New Zealand focused on the trading and distribution of grains and proteins.

A change on the horizon in the Australian grain market, which should represent a significant potential opportunity, is the elimination of the Australian Wheat Board's export monopoly on wheat later this calendar year. The elimination of the Australian Wheat Board, which is the sole exporter of feed grain wheat, will allow companies like ABB, which have the existing infrastructure, logistical and marketing expertise, to fulfill that role. A second, more conjectural, opportunity might be looming, namely that of consolidation among the various owners of agricultural infrastructure within Australia or even on a cross-border basis. The attractions of the former would include the ability to exploit economies of scale across the combined entity, enhancing the performance of ABB's network of assets. Cross-border transactions (such as a combination of companies operating in different geographies) might potentially provide weather diversification, and reduce the riskiness of the business in the aggregate.

Viterra, on the other hand, was born as a farmers' cooperative, which was subsequently listed on the Toronto Stock Exchange under the name of Saskatchewan Wheat Pool (the "Pool"). These shares were acquired by the Fund during a period of poor results for the Pool and post a financial restructuring and a drought. During 2006, the Pool launched a tender offer for its major rival, Agricore United, which ultimately succeeded during 2007. The combined entity, renamed Viterra, has moved rapidly to realize the economies of the consolidation, eliminating overlapping functions and operations. Estimates of the Prairie grain Viterra currently handles are on the order of about 40% of the volume grown and transported. However, the allocation of railcars for feed grade wheat and barley is overseen by the Canadian Wheat Board ("CWB") which, unlike its Australian counterpart, continues to regulate the transportation and marketing of these grains. Were CWB's role in rail car allocation to be eliminated, the percentage of Prairie grain handled by Viterra would rise materially, given its disproportionate ownership of the industry's most efficient grain elevators. Given the sensitivity of operating performance to grain throughput, were such deregulation to occur, it would have a meaningful, positive impact on the company.

Grain buyers have historically dealt with a highly fragmented grain supply industry. Recently, the industry has changed significantly in Canada; and similar changes appear to be starting to play out in Australia. These changes will likely bring a shift of power within the

supply chain, with potential benefits to both ABB and Viterra. Both companies are an integral part of the agricultural infrastructure and play a crucial role in the numerous steps involved in getting grain from producer to consumer. Both companies are well positioned financially, and in their respective market positions. Moreover, both companies are likely to benefit from unusually attractive opportunities as structural changes take place, be it via deregulation, consolidation or resource conversion. As agricultural companies, they continue to be beholden to weather conditions in their respective growing regions. That said, the Fund's ownership of companies in two geographies, distant from each other, serves to mitigate that risk, somewhat.

GEOGRAPHICAL DISTRIBUTION OF INVESTMENTS

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

	%
Japan	12.36
Canada	11.80
Taiwan	10.50
Singapore	6.91
Hong Kong	6.69
Australia	6.46
Belgium	3.01
South Korea	2.82
Poland	2.45
Chile	2.28
United Kingdom	2.18
Norway	1.97
United States	1.88
Bermuda	1.61
Denmark	1.61
France	1.51
New Zealand	1.49
Germany	1.31
Thailand	0.76
Sweden	0.39
Securities-total	79.99
Cash & Other	20.01
Total	100.00

Portfolio holdings are subject to change without notice.

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

I look forward to writing to you again when we publish our next quarterly report for the period ended July 31, 2008.

Sincerely,

Amit Wadhwaney
Portfolio Manager,
Third Avenue International Value Fund

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