



THIRD AVENUE FOCUSED CREDIT FUND

# Third Avenue Focused Credit Fund

LETTER TO SHAREHOLDERS

AS OF MARCH 31, 2017

FIRST QUARTER REPORT

AS OF JANUARY 31, 2017

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TO STAY INFORMED ON INFORMATION AND  
UPDATES, PLEASE VISIT THE WEBSITE FOR THE  
THIRD AVENUE FOCUSED CREDIT FUND



[www.focusedcreditfund.com](http://www.focusedcreditfund.com)

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This booklet consists of two separate documents

# Third Avenue Focused Credit Fund

LETTER TO SHAREHOLDERS AS OF MARCH 31, 2017

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Third Avenue Focused Credit Fund

Page 1

# Third Avenue Focused Credit Fund

FIRST QUARTER REPORT AS OF JANUARY 31, 2017

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Portfolio of Investments

Page 1

Notes to Portfolio of Investments

Page 6



March 31, 2017

Dear Fellow Shareholders,

Today, we are pleased to announce that we have entered into an agreement to sell investments from the Focused Credit Fund (the "Fund" or "FCF") representing approximately one third of the Fund's remaining value and approximately half of the value of its remaining securities investments (ex cash). The Purchaser of these assets is an investment vehicle managed by ICG Strategic Secondaries Advisors LLC ("ICG"). Including the value of this transaction, the Fund has now liquidated approximately \$575 million of investments, representing 75% of the NAV of the Fund measured as of the approval of the Plan of Liquidation (December 9, 2015). In addition, by adding the Fund's previous liquidating distributions to today's NAV of \$3.95, the total realized and present value per share of \$6.52 compares favorably to the Fund's NAV of \$6.46 as of the adoption of the Plan of Liquidation.

Management believes that this transaction is beneficial to shareholders for a number of reasons, including:

1. selling securities in a block transaction at a reasonable price provides significant liquidity which can be distributed to shareholders in the near term;
2. several of the portfolio companies sold may require additional capital in the near future, which the Fund is not in a position to provide. This would likely result in the dilution of the value of the Fund's investments in such portfolio companies; and
3. the transaction will help the Fund in its efforts to extend its status as a tax pass-through vehicle (thereby avoiding taxation at the fund level) by helping the Fund to meet the Subchapter M asset diversification

requirements of the Internal Revenue Code. While this transaction will help the Fund in its efforts to continue to meet these Subchapter M requirements, as the Fund continues to liquidate and make cash distributions to shareholders, the remaining portfolio will be significantly more concentrated, and the Fund may be unable to comply with those diversification requirements in the future. Accordingly, the timing and size of future cash distributions may be affected by our efforts to reduce shareholder tax expenses by maintaining the Fund's Subchapter M status.

In any event, however, we anticipate making the next liquidating distribution to shareholders in the second quarter of 2017. The details of this distribution will be available soon, and we have scheduled a shareholder information call for 4:00 P.M. on April 19, 2017, when we will have more information about the plans for future distributions and our continuing efforts to liquidate the remaining positions in the Fund. A transcript of this call will be posted on our dedicated website shortly after the call: [www.focusedcreditfund.com](http://www.focusedcreditfund.com)

In addition, we are also pleased to inform our shareholders that there is an agreement in principle to resolve all civil litigation matters involving the Fund. As you may recall, following the suspension of redemptions in FCF, several class action and derivative lawsuits were commenced against the Fund's Adviser, the Fund itself, the Trustees of the Fund and various individual officers of the Adviser. All of the Defendants in those actions have reached agreements with various Plaintiffs' representatives that would

resolve all civil litigation matters and the claims presented therein, subject to Court approval of the terms. These terms have now been presented to the relevant Courts and we look forward to their consideration for approval.

Additional information concerning FCF and its liquidating distributions (including IRS Forms 8937 – Report of Organizational Actions Affecting Basis of Securities) can also be found on FCF's website. We urge you to consult your tax advisor regarding the proper tax treatment of these distributions. In addition you may contact your client service representative at 212-906-1160.

We appreciate your continued support and will continue to provide updates on the liquidation process.

Sincerely,

Third Avenue Management LLC



**THIRD AVENUE FOCUSED CREDIT FUND**

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# **Third Avenue Focused Credit Fund**

FIRST QUARTER REPORT  
JANUARY 31, 2017

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## **THIRD AVENUE FUNDS**

### **Privacy Policy**

Third Avenue Focused Credit Fund (the “Fund”) respects your right to privacy. We also know that you expect us to conduct and process your business in an accurate and efficient manner. To do so, we must collect and maintain certain personal information about you. This is the information we collect from you on applications or other forms and from the transactions you make with us, our affiliates, or third parties. We do not disclose any information about you or any of our former customers to anyone, except to our affiliates (which may include the Fund’s affiliated money management entities) and service providers, or as otherwise permitted by law. To protect your personal information, we permit access only by authorized employees. Be assured that we maintain physical, electronic and procedural safeguards that comply with federal standards to guard your personal information.

### **Proxy Voting Policies and Procedures**

The Fund has delegated the voting of proxies relating to its voting securities to the Fund’s investment adviser pursuant to the adviser’s proxy voting guidelines. A description of these proxy voting guidelines and procedures, as well as information relating to how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available by August 31 each year (i) without charge, upon request, by calling (800) 443-1021, (ii) at the website of the Securities and Exchange Commission (the “SEC”) at <http://www.sec.gov>, and (iii) on the Fund’s website [www.focusedcreditfund.com](http://www.focusedcreditfund.com).

### **Schedule of Portfolio Holdings—Form N-Q**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Form N-Q is available on the SEC’s website at <http://www.sec.gov>, and may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

## Third Avenue Trust

### Third Avenue Focused Credit Fund

#### Portfolio of Investments

at January 31, 2017 (Unaudited)

Principal Amount‡	Security†	Value (Note 1)
<b>Corporate Bonds &amp; Notes - 38.51%</b>		
<b>Chemicals - 0.00%</b>		
17,478,774	Reichhold Industries, Inc., due 5/8/17 (a)(b)(c) .....	\$ —
<b>Consumer Products - 17.46%</b>		
Ideal Standard International S.A. (Luxembourg):		
35,030,971 EUR	Series B, 11.750% Cash or 15.750% Payment-in-kind Interest, due 5/1/18 (a)(b)(d)(e) .....	37,816,129
42,821,940 EUR	Series C, 11.750% Cash or 17.750% Payment-in-kind Interest, due 5/1/18 (a)(b)(d)(e)(f).....	46,226,523
		<u>84,042,652</u>
<b>Manufacturing - 9.89%</b>		
54,492,575	Liberty Tire Recycling LLC, 2nd Lien, 11.000% Payment-in-kind Interest, due 3/31/21 (a)(b)(d)(e).....	47,610,163
<b>Media/Cable - 0.00%</b>		
25,043,351	iHeartCommunications, Inc., Escrow, due 2/1/21 (b) .....	—
<b>Services - 8.33%</b>		
40,096,536	Corporate Risk Holdings LLC, 11.500% Cash or 13.500% Payment-in-kind Interest, due 1/2/20 (a)(b)(d)(e).....	40,096,536
<b>Transportation Services - 2.25%</b>		
16,000,000	CEVA Group PLC, 9.000%, due 9/1/21 (United Kingdom) (a) .....	10,800,000
<b>Utilities - 0.58%</b>		
2,790,037	Longview Intermediate Holdings C, LLC, 12.000%, due 10/12/21 (b)(d) .....	2,790,037
<b>Total Corporate Bonds &amp; Notes</b>		
	(Cost \$218,002,869).....	<u>185,339,388</u>
<b>Term Loans - 9.65%</b>		
<b>Chemicals - 1.99%</b>		
4,763,454	Reichhold Holdings International B.V., Term Loan (Netherlands): 12.000% Cash or 14.000% Payment-in-kind Interest, due 3/31/18 (b)(e).....	4,763,454
2,909,748	15.000% Cash or Payment-in-kind Interest, due 3/31/18 (b)(e) ...	2,909,748
1,900,212	Reichhold LLC II, Term Loan, 12.000% Cash or 14.000% Payment-in-kind Interest, due 3/31/18 (b)(e) .....	1,900,212
		<u>9,573,414</u>
<b>Energy - 0.17%</b>		
905,606	Geokinetics Holdings USA, Inc., Term Loan, 2nd Lien, 5.000% Cash and 8.000% Payment-in-kind Interest, due 8/10/18 (b)(d)(e).....	805,989

See accompanying notes to the Portfolio of Investments.



## Third Avenue Trust

### Third Avenue Focused Credit Fund Portfolio of Investments (continued)

at January 31, 2017 (Unaudited)

Principal Amount‡	Security†	Value (Note 1)
<b>Term Loans (continued)</b>		
<b>Financials - 0.01%</b>		
Concrete Investment I, Term Loan (Luxembourg):		
17,952 EUR	Tranche A2, 2.000% Cash or Payment-in-kind Interest, due 10/31/17 (b)(e)(g).....	\$ 19,379
12,699 EUR	Tranche A3, 2.000% Cash or Payment-in-kind Interest, due 10/31/17 (b)(e)(g).....	13,709
Concrete Investment II, Term Loan (Luxembourg):		
22,886 EUR	Tranche A2, 2.000% Cash or Payment-in-kind Interest, due 10/31/17 (b)(e)(g).....	24,705
3,175 EUR	Tranche A3, 2.000% Cash or Payment-in-kind Interest, due 10/31/17 (b)(e)(g).....	3,427
		61,220
<b>Gaming &amp; Entertainment - 2.88%</b>		
14,197,002	Majestic Star Casino LLC, Term Loan, 1st Lien, 12.500% Cash or 14.500% Payment-in-kind Interest, due 6/1/20 (b)(e) .....	13,842,077
<b>Manufacturing - 4.51%</b>		
21,916,250	Liberty Tire Recycling Holdco, LLC, Term Loan B, 9.000%, due 7/7/20 (d)(g) .....	21,697,088
<b>Utilities - 0.09%</b>		
500,000	Longview Power, LLC, Revolver, 6.780%, due 4/13/20 (b)(d)(g) .....	452,500
<b>Total Term Loans</b>		
(Cost \$45,710,366) .....		46,432,288
<b>Shares</b>		
<b>Common Stocks &amp; Warrants - 27.61%</b>		
<b>Energy - 2.15%</b>		
124,461	Geokinetics, Inc. (b)(d)(f)(h).....	4,717,072
45,252	Geokinetics, Inc., Warrants, expire 9/1/26 (b)(d)(h) .....	1,714,598
50,000	Platinum Energy Holdings, Inc. (b)(d)(f)(h).....	92,500
10,874	Platinum Energy Holdings, Inc., Warrants, expire 10/4/18 (b)(d)(f)(h).....	—
531,048	Prairie Provident Resources, Inc. (Canada) (h) .....	318,323
53	Thunderbird Resources Equity, Inc. (b)(h) .....	3,498,357
		10,340,850
<b>Manufacturing - 0.00%</b>		
3,430,293	LTR Holdings, Inc. (b)(d)(h) .....	—
<b>Media/Cable - 1.12%</b>		
1,585,389	Radio One, Inc., Class D (h) .....	4,756,167

See accompanying notes to the Portfolio of Investments.

## Third Avenue Trust

### Third Avenue Focused Credit Fund Portfolio of Investments (continued)

at January 31, 2017 (Unaudited)

Shares	Security†	Value (Note 1)
<b>Common Stocks &amp; Warrants (continued)</b>		
<b>Media/Cable (continued)</b>		
622,852	Spanish Broadcasting System, Inc., Class A (d)(h) .....	\$ 672,680
		<u>5,428,847</u>
<b>Services - 21.62%</b>		
462,266	Affinion Group Holdings, Inc., Warrants, expire 11/9/20 (b)(d)(h) .....	4,271,338
1,751,734	Affinion Group Holdings, Inc., Class A (d)(h) .....	16,203,540
522	Affinion Group Holdings, Inc., Class C (b)(d)(h) .....	—
549	Affinion Group Holdings, Inc., Class D (b)(d)(h) .....	—
31,594	Corporate Risk Holdings Corp. (b)(d)(h) .....	—
6,248,652	Corporate Risk Holdings I, Inc. (d)(h) .....	83,575,720
		<u>104,050,598</u>
<b>Transportation Services - 0.14%</b>		
4,710	CEVA Holdings LLC (Marshall Islands) (f)(h) .....	671,162
<b>Utilities - 2.58%</b>		
4,550,000	Longview Intermediate Holdings C, LLC (d)(h) .....	11,375,000
415,194	Longview Intermediate Holdings C, LLC, Warrants, expire 12/19/21 (b)(d)(h) .....	1,033,833
		<u>12,408,833</u>
<b>Total Common Stocks &amp; Warrants</b>		
	(Cost \$215,384,187) .....	<u>132,900,290</u>
<b>Convertible Preferred Stocks - 0.80%</b>		
<b>Transportation Services - 0.80%</b>		
4,435	CEVA Holdings LLC, Series A-1 (Marshall Islands) (f)(h) .....	1,446,991
10,196	CEVA Holdings LLC, Series A-2 (Marshall Islands) (f)(h) .....	2,408,727
		<u>3,855,718</u>
<b>Total Convertible Preferred Stocks</b>		
	(Cost \$17,733,657) .....	<u>3,855,718</u>
<b>Preferred Stocks - 0.14%</b>		
<b>Financials - 0.14%</b>		
54,069	Federal Home Loan Mortgage Corp., Series S (h) .....	670,456
		<u>670,456</u>
<b>Total Preferred Stocks</b>		
	(Cost \$978,108) .....	<u>670,456</u>
<b>Private Equities - 2.99%</b>		
<b>Chemicals - 1.07%</b>		
10,555	Reichhold Cayman L.P. & G.P. (Cayman Islands) (b)(h) .....	5,158,228
		<u>5,158,228</u>

See accompanying notes to the Portfolio of Investments.

## Third Avenue Trust

### Third Avenue Focused Credit Fund Portfolio of Investments (continued)

at January 31, 2017 (Unaudited)

Shares	Security†	Value (Note 1)
<b>Private Equities (continued)</b>		
<b>Consumer Products - 1.92%</b>		
1,451,633,736,282	Ideal Standard International Equity S.A. Alpecs (Luxembourg) (b)(d)(f)(h).....	\$ 9,245,576
	<b>Total Private Equities</b> (Cost \$13,535,864).....	<u>14,403,804</u>
<b>Principal Amount(\$)</b>		
<b>Short-Term Investments - 10.39%</b>		
<b>U.S. Government Obligations - 10.39%</b>		
50,000,000	U.S. Treasury Bill, 0.470%, due 2/23/17 (i).....	49,985,639
	<b>Total Short-Term Investments</b> (Cost \$49,985,639).....	<u>49,985,639</u>
	<b>Total Investment Portfolio - 90.09%</b> (Cost \$561,330,690).....	433,587,583
	<b>Other Assets less Liabilities - 9.91% (j)(k) .....</b>	<u>47,691,274</u>
	<b>NET ASSETS - 100.00%.....</b>	<u>\$ 481,278,857</u>
	<b>Institutional Class:</b>	
	Net assets applicable to 117,815,945 shares outstanding.....	\$ 481,278,857
	Net asset value, offering and redemption price per share.....	<u>\$ 4.09</u>

Notes:

- (a) Security is exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- (b) Fair-valued security.
- (c) Issue in default.
- (d) Affiliated issuers - as defined in the Investment Company Act of 1940 (ownership by the Fund of 5% or more of the outstanding voting securities of these issuers).
- (e) Payment-in-kind ("PIK") security. Income may be paid as additional securities or cash at the discretion of the issuer.

See accompanying notes to the Portfolio of Investments.

## Third Avenue Trust

### Third Avenue Focused Credit Fund Portfolio of Investments (continued)

at January 31, 2017 (Unaudited)

(f) Security subject to restrictions on resale.

Shares/ Principal Amount <sup>1</sup>	Issuer	Acquisition Date	Cost	Market Value Per Unit
4,710	CEVA Holdings LLC	5/29/13	\$ 5,355,643	\$142.50
4,435	CEVA Holdings LLC, Series A-1, Convertible Preferred	5/29/13	4,435,223	326.27
10,196	CEVA Holdings LLC, Series A-2, Convertible Preferred	5/29/13	13,298,434	236.24
124,461	Geokinetics, Inc.	5/22/13 - 5/14/14	13,060,780	37.90
1,451,633,736,282	Ideal Standard International Equity S.A. Alpecs	10/31/14	9,915,530	0.00 <sup>2</sup>
42,821,940 <sup>3</sup>	Ideal Standard International S.A., Series C, 11.750% Cash or 17.750% Payment-in-kind Interest, due 5/1/18	10/31/14 - 11/9/16	51,301,220	107.95
50,000	Platinum Energy Holdings, Inc.	10/4/13	695,746	1.85
10,874	Platinum Energy Holdings, Inc., Warrants, expire 10/4/18	10/4/13	9,743	0.00

EUR: Euro.

<sup>1)</sup> Denominated in U.S. Dollars unless otherwise noted.

<sup>2)</sup> Amount less than \$0.01.

At January 31, 2017, these restricted securities had a total market value of \$64,808,551 or 13.47% of net assets.

(g) Variable rate security. The rate disclosed is in effect as of January 31, 2017.

(h) Non-income producing security.

(i) Annualized yield at date of purchase.

(j) Includes restricted cash pledged to counterparty as collateral management for forward foreign currency contracts.

(k) A portion is segregated for future fund commitments.

‡ Denominated in U.S. Dollars unless otherwise noted.

† U.S. issuer unless otherwise noted.

EUR: Euro.

#### Country Concentration

	% of Net Assets
United States*	64.77%
Luxembourg	19.40
United Kingdom	2.25
Netherlands	1.59
Cayman Islands	1.07
Marshall Islands	0.94
Canada	0.07
Total	90.09%

\* Includes cash equivalents,  
classified as Short-Term  
Investments on the Portfolio  
of Investments.

#### Schedule of Forward Foreign Currency Contracts

Contracts to Sell	Counterparty	Settlement Date	Settlement Value	Value at 1/31/17	Unrealized Depreciation
86,474,000 <sup>EUR</sup>	JPMorgan Chase Bank, N.A.	2/24/17	\$92,502,933	\$93,431,295	\$(928,362)

See accompanying notes to the Portfolio of Investments.

## Third Avenue Trust

### Third Avenue Focused Credit Fund

#### Notes to Portfolio of Investments

January 31, 2017 (Unaudited)

#### 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

##### Organization:

Third Avenue Focused Credit Fund (the "Fund") is a separate non-diversified (within the meaning of Section 5(b)(2) of the Investment Company Act of 1940) investment series of Third Avenue Trust (the "Trust"). The Trust, a Delaware business trust, is registered under the Investment Company Act of 1940 as an open-end management investment company. Third Avenue Management LLC (the "Adviser") provides investment advisory services to the Fund.

On December 9, 2015, the Trust's Board of Trustees (the "Board") adopted a plan of liquidation (the "Plan of Liquidation") for the Fund. Pursuant to the Plan of Liquidation, a cash distribution of \$69 million (the "First Liquidating Distribution") was paid to shareholders and the remaining assets of the Fund were contributed to a liquidating trust, FCF Liquidation Trust (the "Liquidating Trust"). Sales of Fund shares were terminated. Interests in the Liquidating Trust would then be distributed in-kind to Fund shareholders. Subsequent to the Board's adoption of the Plan of Liquidation, the Plan of Liquidation was modified (the "Modified Plan of Liquidation"). Pursuant to the Modified Plan of Liquidation, the First Liquidating Distribution was paid to Fund shareholders; however, the remaining assets which had been contributed to the Liquidating Trust were returned to the Fund which was to serve as the vehicle to liquidate the Fund's remaining assets. Pursuant to an exemptive order issued by the SEC on December 16, 2015, all redemptions in the Fund are suspended and subscriptions to the Fund are not accepted, retroactive to December 10, 2015. Effective December 10, 2015, the Adviser has waived its investment advisory and administration fees from the Fund. The Fund is currently in liquidation.

Below is a summary of all liquidating distributions, made after the adoption of the Modified Plan of Liquidation:

<u>Record Date</u>	<u>Pay Date</u>	<u>Institutional Class Distribution Rate Per Share</u>	<u>Investor Class Distribution Rate Per Share</u>	<u>Approximate Cash Amount</u>
12/9/15	12/16/15	\$0.58613	\$0.58613	\$ 69 million
6/14/16	6/15/16	0.54362	0.54362	64 million
11/7/16	11/8/16	0.25463	N/A*	30 million
11/28/16	11/29/16	1.18829	N/A*	140 million

\* On August 26, 2016, the Fund combined share classes so that all shares of the Investor share class were converted into shares of the Institutional share class.

##### Accounting policies:

The policies described below are followed consistently by the Fund and are in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Fund is an investment company and, accordingly, follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board Accounting Standards

## Third Avenue Trust

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### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

Codification (“FASB ASC”) Topic 946-Investment Companies, which is part of U.S. GAAP.

#### **Security valuation:**

Generally, the Fund’s investments are valued at market value. Securities traded on a principal stock exchange, including The NASDAQ Stock Market, Inc. (“NASDAQ”), are valued at the last quoted sales price, the NASDAQ official closing price, or, in the absence of closing sales prices on that day, securities are valued at the mean between the closing bid and asked price. In accordance with procedures approved by the Board, debt instruments with maturities greater than 60 days, including floating rate loan securities, are valued on the basis of prices obtained from a pricing service approved by the Board or otherwise pursuant to policies and procedures approved by the Board. Forward foreign currency contracts are marked-to-market daily on the basis of prices obtained from a pricing service approved by the Board or otherwise pursuant to policies and procedures approved by the Board. Short-term cash investments are valued at cost, plus accrued interest, which approximates market value. Short-term debt securities with 60 days or less to maturity may be valued at amortized cost.

The Adviser has established a Valuation Committee (the “Committee”) which is responsible for overseeing the pricing and valuation of all securities held in the Fund. The Committee operates under pricing and valuation policies and procedures established by the Adviser and approved by the Board, including pricing policies which set forth the mechanisms and processes to be employed on a daily basis to implement these policies and procedures. In particular, the pricing policies describe how to determine market quotations for securities and other instruments. The Committee’s responsibilities include: 1) fair value determinations (and oversight of third parties used in the valuation process determinations), and 2) regular monitoring of the Adviser’s pricing and valuation policies and procedures and modification or enhancement of these policies and procedures (or recommendation of the modification of these policies and procedures) as the Committee believes appropriate.

Securities for which market quotations are not readily available are valued at “fair value,” as determined in good faith by the Committee as authorized by the Board, under procedures established by the Board. At January 31, 2017, such securities had a total fair value of \$229,006,090, or 47.58% of the Fund’s net assets. Among the factors that may be considered by the Committee in determining fair value are: prior trades in the security in question, trades in similar securities of the same or other issuers, the type of security, trading in marketable securities of the same issuer, the financial condition of the issuer, comparable multiples of similar issuers, the operating results of the issuer and liquidation value of the issuer. See Fair Value Measurements below for additional detail on fair value measurements for financial reporting purposes. The fair values determined in accordance with these procedures may differ

## Third Avenue Trust

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### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

significantly from the amounts which would be realized upon disposition of the securities. Instability in the high yield and distressed credit markets, which varies over time, makes it more difficult to obtain market quotations on certain securities owned by the Fund.

#### **Fair value measurements:**

In accordance with FASB ASC 820-10, Fair Value Measurements and Disclosures, the Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. Fair value is defined as the price that the Fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment under current market conditions. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3 – Significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input both individually and in aggregate that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Fund. The Fund considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

## Third Avenue Trust

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### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

The following are certain inputs and techniques that the Fund generally uses to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with U.S. GAAP.

Equity Securities (Common Stocks, Preferred Stocks, and Warrants)—Equity securities traded in inactive markets and certain foreign equity securities are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services or brokers that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

U.S. Government Obligations—U.S. Government obligations are valued by independent pricing services based on pricing models that evaluate the mean between the most recently quoted bid and ask price. The models also take into consideration data received from active market makers and broker-dealers, yield curves, and the spread over comparable U.S. Government issues. The spreads change daily in response to market conditions and are generally obtained from the new issue market and broker-dealer sources. To the extent that these inputs are observable, the values of U.S. Government obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Corporate Bonds & Notes—Corporate bonds and notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services or brokers using various inputs and techniques, which include broker-dealer quotations, live trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services or brokers based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector specific trends. To the extent that these inputs are observable, the values of corporate bonds and notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Forward Foreign Currency Contracts—Forward foreign currency contracts are valued by independent pricing services using various inputs and techniques, which include broker-dealer



## Third Avenue Trust

### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

quotations, actual trading information and foreign currency exchange rates gathered from leading market makers and foreign currency exchange trading centers throughout the world. To the extent that these inputs are observable, the values of forward foreign currency contracts are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Term Loans**—Term loans are valued by independent pricing services based on the average of evaluated quoted prices received from multiple dealers or valued relative to other benchmark securities when broker-dealer quotes are unavailable. Inputs may include quoted prices for similar investments in active markets, interest rates, coupon rates, yield curves, option adjusted spreads, default rates, credit spreads and other unique security features in order to estimate the relevant cash flows which is then discounted to calculate fair values. To the extent that these inputs are observable, the values of term loans are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

The following is a Summary by Level of Inputs used to value the Fund's investments as of January 31, 2017:

#### Level 1: Quoted Prices†

##### Investments in Securities:

###### Common Stocks:

Energy	\$ 318,323
Media/Cable	5,428,847

###### Preferred Stocks:

Financials	670,456
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**Total for Level 1 Securities** 6,417,626

#### Level 2: Other Significant Observable Inputs†

##### Investments in Securities:

**Corporate Bonds & Notes** 10,800,000

###### Short-Term Investments:

U.S. Government Obligations	49,985,639
-----------------------------	------------

**Total for Level 2 Securities** 60,785,639

#### Level 3: Significant Unobservable Inputs

##### Investments in Securities:

###### Common Stocks & Warrants:

Energy	10,022,527*
Manufacturing	—*
Services	104,050,598*
Transportation Services	671,162
Utilities	12,408,833

###### Convertible Preferred Stocks:

Transportation Services	3,855,718
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**Corporate Bonds & Notes** 174,539,388\*

**Term Loans** 46,432,288

## Third Avenue Trust

### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

#### Summary by Level of Inputs (continued)

<b>Private Equities:</b>	
Chemicals	\$ 5,158,228
Consumer Products	9,245,576
<b>Total for Level 3 Securities</b>	<b><u>366,384,318</u></b>
<b>Total Value of Investments</b>	<b><u>\$433,587,583</u></b>

#### Investments in Other Financial Instruments:

##### Level 2: Other Significant Observable Inputs

<b>Forward Foreign Currency Contracts - Liabilities</b>	<b>\$ (928,362)</b>
<b>Total Value or Appreciation/(Depreciation) of Other Financial Instruments</b>	<b><u>\$ (928,362)</u></b>

† The value of securities that were transferred from Level 2 to Level 1 was \$813,450. The transfer was due to the availability of quoted prices in active market at period end.

\* Includes investments fair valued at zero.

Transfers from Level 1 to Level 2, or from Level 2 to Level 1, are recorded utilizing values as of the beginning of the period.

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	<b>Corporate Bonds &amp; Notes</b>	<b>Term Loans</b>	<b>Common Stocks &amp; Warrants</b>	<b>Convertible Preferred Stocks and Private Equities</b>	<b>Total</b>
Balance as of 10/31/16 (fair value)					
Chemicals	\$ —*	\$ 9,452,973	\$ —	\$ 5,158,228(a)	\$ 14,611,201
Consumer Products	78,824,258	—	—	2,358,437(a)	81,182,695
Energy	—	13,222,458	10,022,527*	—	23,244,985
Financials	—	61,938	—	—	61,938
Gaming & Entertainment	—	14,168,006	—	—	14,168,006
Manufacturing	46,078,921	21,312,719	—*	—	67,391,640
Metals & Mining	1,882,345	—	—	—	1,882,345
Services	37,561,158	—	80,268,345*	33,136(b)	117,862,639
Transportation Services	—	—	1,454,185	5,282,296(b)	6,736,481
Utilities	—	437,500	13,081,250	—	13,518,750
Purchases					
Energy	—	145,646	—	—	145,646
Media/Cable	—†	—	—	—	—
Utilities	2,691,979	—	—†	—	2,691,979
Sales					
Energy	—	(13,337,365)	—	—	(13,337,365)
Gaming & Entertainment	—	(334,287)	—	—	(334,287)

## Third Avenue Trust

### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

#### Reconciliation of Level 3 investments (continued)

	Corporate Bonds & Notes	Term Loans	Common Stocks & Warrants	Convertible Preferred Stocks and Private Equities	Total
Manufacturing	\$ —	\$ (55,625)	\$ —	\$ —	\$ (55,625)
Metals & Mining	(1,904,264)	—	—	—	(1,904,264)
Services	—	—	(1)	—(b),‡	(1)
Bond discount/(premium)					
Chemicals	—	51,708	—	—	51,708
Consumer Products	528,568	—	—	—	528,568
Energy	—	19,128	—	—	19,128
Gaming & Entertainment	—	31,665	—	—	31,665
Manufacturing	15,113	48,963	—	—	64,076
Metals & Mining	151,374	—	—	—	151,374
Payment-in-kind					
Chemicals	—	120,441	—	—	120,441
Consumer Products	6,662,135	—	—	—	6,662,135
Energy	—	16,247	—	—	16,247
Financials	—	306	—	—	306
Metals & Mining	3,727,341	—	—	—	3,727,341
Services	2,535,378	—	—	—	2,535,378
Utilities	14,801	—	—	—	14,801
Net change in unrealized gain/(loss)					
Chemicals	—	(51,708)	—	—	(51,708)
Consumer Products	(1,972,309)	—	—	6,887,139(a)	4,914,830
Energy	—	(1,881,489)	—	—	(1,881,489)
Financials	—	(1,024)	—	—	(1,024)
Gaming & Entertainment	—	(36,116)	—	—	(36,116)
Manufacturing	1,516,129	388,917	—	—	1,905,046
Metals & Mining	57,060,258	—	—	—	57,060,258
Services	—	—	48,012,417	8,233,960(b)	56,246,377
Transportation Services	—	—	(783,023)	(1,426,578)(b)	(2,209,601)
Utilities	83,257	15,000	(672,417)	—	(574,160)
Net realized gain/(loss)					
Energy	—	2,621,364	—	—	2,621,364
Gaming & Entertainment	—	12,809	—	—	12,809
Manufacturing	—	2,114	—	—	2,114
Metals & Mining	(60,917,054)	—	—	—	(60,917,054)
Services	—	—	(24,230,163)	(8,267,096)(b)	(32,497,259)
Balance as of 1/31/17 (fair value)					
Chemicals	—*	9,573,414	—	5,158,228(a)	14,731,642
Consumer Products	84,042,652	—	—	9,245,576(a)	93,288,228
Energy	—	805,989	10,022,527*	—	10,828,516
Financials	—	61,220	—	—	61,220
Gaming & Entertainment	—	13,842,077	—	—	13,842,077
Manufacturing	47,610,163	21,697,088	—*	—	69,307,251

## Third Avenue Trust

### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

#### Reconciliation of Level 3 investments (continued)

	Corporate Bonds & Notes	Term Loans	Common Stocks & Warrants	Convertible Preferred Stocks and Private Equities	Total
Media/Cable	\$ —*	\$ —	\$ —	\$ —	\$ —
Metals & Mining	—	—	—	—	—
Services	40,096,536	—	104,050,598*	—(b)	144,147,134
Transportation Services	—	—	671,162	3,855,718(b)	4,526,880
Utilities	2,790,037	452,500	12,408,833	—	15,651,370
Total	<u>\$174,539,388</u>	<u>\$ 46,432,288</u>	<u>\$127,153,120</u>	<u>\$18,259,522</u>	<u>\$366,384,318</u>
Net change in unrealized gain/(loss) related to securities still held as of January 31, 2017:	<u>\$ (372,923)</u>	<u>\$ 287,806</u>	<u>\$ 22,401,261</u>	<u>\$ 5,460,561</u>	<u>\$ 27,776,705</u>

\* Includes investments fair valued at zero.

† Investments acquired through corporate actions with zero cost.

‡ Includes disposal of investments with \$0 proceeds due to corporate actions.

(a) Private Equities

(b) Convertible Preferred Stocks

## Third Avenue Trust

### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

#### Quantitative Information about Level 3 Fair Value Measurements (amounts in thousands)

	Fair Value at 1/31/17	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Corporate Bonds	\$174,539	Book Value	Restructuring value	\$87.37-\$107.95
Common Stocks	111,825	Broker Quote	#	\$2.50-\$142.50
Term Loans	23,929	Book Value	Restructuring value	\$90.50-\$107.95
Term Loans	21,697	Broker Quote	#	\$99.00
Private Equities	14,404	Book Value	Restructuring value	\$0.00*-\$488.70
Warrants	5,305	Book Value	Restructuring value	\$2.49-\$9.24
		Market Comparable		
Common Stocks	4,717	Companies	Revenue multiple	0.71x
Convertible Preferred Stocks	3,856	Broker Quote	#	\$236.24-\$326.27
Common Stocks	3,591	Book Value	Restructuring value	\$1.85-\$66,006.74
		Market Comparable		
Warrants	1,715	Companies	Revenue multiple	0.71x
Other (a)	806			
	\$366,384			

# Valuation techniques and significant unobservable inputs used by third-party pricing vendors or brokers, such as those described in Note 1, were not provided to the Adviser. The appropriateness of fair values for these securities is based on results of back testing, vendor and broker due diligence, unchanged price review and consideration of macro or security specific events.

(a) Includes securities less than 0.50% of net assets of the Fund.

\* Amount less than \$0.01.

The significant unobservable inputs used in the fair value measurement of the Fund's investments are listed above. Generally, a change in the assumptions used in any input in isolation may be accompanied by a change in another input. Significant changes in any of the unobservable inputs may significantly impact the fair value measurement. The impact is based on the relationship between each unobservable input and the fair value measurement. Significant increases (decreases) in enterprise multiples may increase (decrease) the fair value measurement. Significant increases (decreases) in the discount for marketability may decrease (increase) the fair value measurement.

#### Security transactions and investment income:

Security transactions are accounted for on a trade date basis.

#### Foreign currency translation and foreign investments:

The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars as follows:

- Investments and assets and liabilities denominated in foreign currencies: At the prevailing rates of exchange on the valuation date.

## Third Avenue Trust

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### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

- Investment transactions: At the prevailing rates of exchange on the date of such transactions.

#### **Payment-in-kind securities:**

PIKs may make a payment at each interest payment date in additional debt securities. Those additional debt securities usually have the same terms, including maturity dates and interest rates, and associated risks as the original bonds. The daily market quotations of the original bonds may include the accrued interest (referred to as a “dirty” price) and require a pro-rata adjustment from the unrealized appreciation or depreciation on investments to interest receivable.

#### **Term loans:**

The Fund’s investments in loans typically are structured and administered by a third party entity (the “Agent”) that acts on behalf of a group of lenders that make or hold interests in the loan. These securities generally pay interest at rates which are periodically pre-determined by reference to a base lending rate plus a premium. These base lending rates are generally either the lending rate offered by one or more major European banks, such as the London Interbank Offered Rate (“LIBOR”) or the prime rate offered by one or more major United States banks, or the certificate of deposit rate.

These securities are ordinarily contractually obligated to receive approval from the Agent bank and/or borrower prior to disposition. Remaining maturities of term loans may be less than the stated maturities shown as a result of contractual or optional payments by the borrower. Such prepayments cannot be predicted with certainty. The interest rate disclosed reflects the rate in effect on January 31, 2017.

#### **Forward foreign currency contracts:**

The Fund may be exposed to foreign currency risks associated with portfolio investments and therefore may use forward foreign currency contracts to hedge or manage these exposures. The change in market value is included in unrealized appreciation/(depreciation) on investments and foreign currency translations. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign currency contracts does not eliminate fluctuations in the underlying prices of the Fund’s portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign currency contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts.

## Third Avenue Trust

### Third Avenue Focused Credit Fund Notes to Portfolio of Investments (continued)

January 31, 2017 (Unaudited)

During the period ended January 31, 2017, the Fund used forward foreign currency contracts for hedging foreign currency risks.

#### 2. INVESTMENTS

##### Unrealized appreciation/(depreciation):

The following information is based upon the book basis of investment securities as of January 31, 2017:

Gross unrealized appreciation	\$ 6,736,889
Gross unrealized depreciation	(134,479,996)
Net unrealized appreciation/ (depreciation)	<u>\$(127,743,107)</u>
Book cost	<u>\$ 561,330,690</u>

#### 3. COMMITMENTS AND CONTINGENCIES

At January 31, 2017, the Fund had the following commitments and contingencies.

<u>Issuer</u>	<u>Type</u>	<u>Amount of Commitment</u>	<u>Funded Commitment</u>	<u>Value of Segregated Cash</u>
Longview Power, LLC	Revolver	\$1,250,000	\$500,000	\$750,000

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred.

In 2016, the Fund became party to various derivative, securities class action and books and records lawsuits.

In 2016, the Adviser became party to various derivative and securities class action lawsuits.

For additional information regarding the accounting policies of the Fund, refer to the most recent financial statements in the N-CSR filing at [www.sec.gov](http://www.sec.gov).

## BOARD OF TRUSTEES

William E. Chapman, II  
Lucinda Franks  
Edward J. Kaier  
Eric Rakowski  
Patrick Reinkemeyer  
Charles C. Walden — Chairman

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Martin Shubik — Advisory Trustee  
Martin J. Whitman — Chairman Emeritus

## OFFICERS

Vincent J. Dugan — Chief Financial Officer, Treasurer  
Michael A. Buono — Controller  
W. James Hall — President, General Counsel, Secretary  
Joseph J. Reardon — Chief Compliance Officer

## TRANSFER AGENT

BNY Mellon Investment Servicing (U.S.) Inc.  
P.O. Box 9802  
Providence, RI 02940-8002  
610-239-4600  
800-443-1021 (toll-free)

## INVESTMENT ADVISER

Third Avenue Management LLC  
622 Third Avenue  
New York, NY 10017

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP  
300 Madison Avenue  
New York, NY 10017

## CUSTODIAN



JPMorgan Chase Bank, N.A.  
383 Madison Avenue, 4th Floor  
New York, NY 10179



**THIRD AVENUE FOCUSED CREDIT FUND**

The information in this booklet is intended for shareholders of the Third Avenue Focused Credit Fund which has been operating pursuant to a plan of liquidation since December 16, 2015. For more information, please visit our website or contact your Relationship Manager at:

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