

THIRD AVENUE FUNDS

Focused Credit Fund

December 16, 2015

Dear Fellow Shareholders,

We are pleased to inform you about positive developments regarding the Plan of Liquidation for the Third Avenue Focused Credit Fund (“FCF”) first announced on December 10, 2015.¹ We believe these developments increase our ability to provide transparency during the process and, more importantly, continue to protect your capital.

First, the Securities and Exchange Commission (“SEC”) granted Third Avenue an exemptive relief order suspending redemptions in FCF on December 16, 2015. This exemptive order allows Third Avenue to conduct an orderly liquidation without having to resort to forced selling of securities at reduced or disadvantageous prices.

Second, the exemptive order enables the Board of Trustees of the Third Avenue Trust (the “Board”) to modify the FCF Plan of Liquidation in order to continue to protect our shareholders’ capital. The original plan called for FCF to transfer its non-cash assets and a portion of its cash to a Liquidating Trust on December 9, 2015. Under the modified plan, the Liquidating Trust will transfer the assets back to FCF which, in effect, undoes the Liquidating Trust structure. As a result of this modification, shareholders will now be able to see their positions in the Fund on their statements with updated daily net asset values and the total value of their investment. Going forward, Third Avenue will: (i) strike a daily NAV, (ii) distribute all regular quarterly shareholder reports with full portfolio transparency (iii) report periodically on progress of the liquidation to shareholders and the SEC, (iv) make periodic distributions of excess cash, (v) maintain an FCF web site and a toll-free number for shareholder communications and (vi) conduct a final audit upon completion of the liquidation.

Third, this exemptive order provides Third Avenue with additional time to evaluate alternative structures for the liquidation of FCF. Time was of the essence when the Board defined the original Plan of Liquidation. The Board utilized a legal structure that would protect all shareholders in the required time frame. We continue to work with the SEC as we revise our original plan to benefit our shareholders. As with the initial Plan of Liquidation, Third Avenue’s credit team, led by Tom Lapointe, remains committed to maximizing the value that we believe is embedded in the portfolio. Third Avenue will not charge management fees and will support Tom and his team to the best of our ability. We will provide further details as soon as we have them available.

As discussed in our previous letter, all shareholders will receive an initial cash distribution today, December 16, 2015. This cash distribution is \$0.58613 per share, representing slightly over 9% of the capital in FCF. The record date of the distribution is December 9, 2015. Reinvestment of this distribution will not be permitted.

For U.S. federal income tax purposes, the distribution will be the first in a series of liquidating distributions. While we cannot provide tax advice, we believe that the distribution would generally be applied first to reduce your cost basis in your FCF shares; once your basis is reduced to zero, you would generally then recognize gain. To the extent the total amount distributed in the liquidation is less than your basis in your FCF shares, you generally would then recognize a loss equal to the amount of the remaining basis. We recommend that you consult your tax advisor on this matter.

As stewards of your capital, Third Avenue is committed to taking the necessary actions to generate the most value for our shareholders. We will continue to manage the portfolio in order to obtain an orderly liquidation at prices most advantageous to our shareholders, and offer timely information as we define further details of the Plan of Liquidation.

We thank you again for your patience during the process. If you have additional questions, please contact your client service representative or call 212.906.1160.

Sincerely,

Third Avenue Management LLC

¹ Please see the letter (now superceded) announcing this decision at www.focusedcreditfund.com