Third Avenue Focused Credit Fund Transcript

November 17, 2016 | Edited for Clarity

BETTY LIN BLABEY: Good afternoon. My name is Betty Lin Blabey, Director of Marketing & Communications at Third Avenue and I'd like to welcome you to the portfolio update call for the Third Avenue Focused Credit Fund. We appreciate you taking the time to listen.

We're joined today by Lead Portfolio Manager, Tom Lapointe, who will provide an update on the Fund and its current positioning.

The information disclosed on this call is intended for Focused Credit Fund shareholders and their advisors and is not for attribution or for distribution to third parties. If there are members of the press on the call, please exit at this time.

A transcript of this call will be available shortly on our website focusedcreditfund.com. If you have any questions, you can email creditupdates@thirdave.com or call our client services desk at 212.906.1160.

Before we turn the call over to Tom Lapointe, we would like to address some important tax information regarding the Fund.

Beginning with the December 16, 2015 distribution, we expect that any distributions made by the Fund will be treated as liquidating distributions. For U.S. federal income tax purposes, shareholders would generally reduce the basis of each Focused Credit Fund share by the amount of each liquidating distribution. Any amounts received in excess of basis would generally result in capital gains. Capital losses generally cannot be claimed until the final liquidating distribution is received. Distributions made during 2016 will be reported as liquidating distributions on Form 1099-DIV, which should be issued in early 2017. Additional information concerning each liquidating distribution is included in the appropriate Form 8937 which is posted on our website – www.focusedcredit fund.com

Thank you for your attention. And I'm happy to turn the call over to Portfolio Manager Tom Lapointe.

TOM LAPOINTE: Thank you for taking the time to listen in on the call today. The agenda is as follows. We'll discuss:

- Recent and upcoming distributions
- The status of the wind down process
- Key developments in the Fund's largest holdings
- Portfolio level statistics
- And, lastly, the Team

First, on the Distribution.

We made a distribution on November 8 of $30 million which was about 25.5 cents per share. This was the third in a series of liquidating distributions.

622 THIRD AVENUE NEW YORK, NY 10017
212.906.1160 | WWW.FOCUSEDCREDITFUND.COM

Total liquidating distributions to date have been about $1.38 per share.

The Fund met its Subchapter M asset diversification requirements at October 31.

We anticipate making a significant distribution of approximately $140 million on November 29th. We believe that this distribution should comprise the vast majority of cash presently in the portfolio.

After this distribution, we will have distributed approximately $300 million, leaving roughly $420 million in the Portfolio.

The second item I will discuss is the status of our process to wind down the Fund.

As we had previously discussed, Third Avenue had engaged Houlihan Lokey in order to explore the potential of transitioning the Focused Credit Fund into a different regulated structure, such as a closed-end fund.

At this point, while we considered several proposals, it does not look like converting into a closed-end fund will be an option for us, as we have been unable to resolve certain legal and regulatory issues.

We will, however, continue to evaluate alternative options alongside our ongoing effort to wind down the Fund.

Next, I will provide an update and key developments in the Fund's biggest holdings

First, Corporate Risk Holdings (previously known as Altegrity). In October, the Company sold one of its three main businesses – OnTrack (e-discovery) – for $410 mm to LDiscovery. We understand that the cash from the sale of OnTrack will mainly be used to pay down debt and de-leverage the Company. We believe the sale was attractively priced and reflects the quality of the business and brands at Corporate Risk; the remaining two businesses are Hireright (a technology based background check business) and Kroll Advisory, which focuses on investigations, cyber security, identity theft and compliance.

Ideal Standard is another large holding. The Company's financial results continue to improve. We have Board representation here and continue to work with the Company to realize value.

Regarding Liberty Tire, its business remains on track and we are the largest equity holder in the company. The Company continues to operate well and we believe it has many options to maximize value.

On iHeart, prices have continued to recover and we have been selling opportunistically as part of the liquidation. For over the past 12 months, iHeart has been selling down assets and negotiating intercompany transactions which appear to be setting the table for a more holistic solution to rationalizing the Company's capital structure. This year, bonds have rallied on these developments as well as the announcement of a bond buyback of a different tranche than the one we own. These events have also created liquidity in our bonds and have allowed us to reduce exposure at more attractive levels.

622 THIRD AVENUE NEW YORK, NY 10017
212.906.1160 | WWW.FOCUSEDCREDITFUND.COM

As for Affinion, which is a longer-term equity position, the Company's most recent quarter was in line with our expectations and we believe the outlook is improving as old business runs off and new business starts to outpace the run off.

On Fannie Mae and Freddie Mac (the Government Sponsored Enterprises) – this is a position we have previously discussed as needing a political solution. Donald Trump's election seems to have encouraged the sentiment that the new administration will seek a negotiated solution for these two profitable companies—although in politics, nothing is certain. We have been trimming this position as the stock price continues to rise.

Lastly, regarding Longview Power, the Company has operated very well notwithstanding a challenging price environment for electricity and great competition from cheap natural gas. After undergoing a massive fix in 2015, the plant has operated with great efficiency and productivity. However, the pricing environment has created disappointing financial results and has restrained the likelihood of any traditional strategic bidders expressing interest this year.

Now, on to Portfolio level statistics.

As of October 31, 2016—

- Cash levels were approximately 32%;
- The Top 10 Positions were 61% of the Portfolio;
- The Top 3 Positions were Corporate Risk Holdings at 17%, Ideal Standard at 14%, and Liberty Tire at 11% of the Portfolio.

Once we make the fourth cash distribution, which is planned for November 29th, the allocations in the Portfolio on a pro forma basis are expected to be the following:

- The Top 10 Positions would account for approximately 85% of the Portfolio;
- The Top 3 Positions would be Corporate Risk Holdings, Ideal Standard, and Liberty Tire, and collectively, the Top 3 would account for approximately 60% of the Portfolio

To reiterate, the pro forma figures we just mentioned are based on the planned distribution of $140 million on November 29th.

Also, as we continue to make further distributions, the Fund will become more concentrated. Therefore, we expect to see more volatility within the portfolio.

Lastly, staffing levels.

Currently, the team is comprised of myself, Portfolio Manager, Joe Zalewski and Rob Sherman, our credit trader. Nate Kirk, a Portfolio Manager left last month to pursue other opportunities and we wish him well. We believe the current staffing levels are appropriate given the size of the Portfolio. As I've said in the past, I am also a fellow shareholder in the Fund, and I am committed to the goal in maximizing the value of the remaining portfolio, while balancing the timing in returning cash.

Again, I appreciate the time and trust you have placed with me and my team.

BETTY LIN BLABEY: Great, thank you. That concludes our quarterly update for the Third Avenue Focused Credit Fund. A transcript and replay of this call will be available shortly on our website focusedcreditfund.com If you have any questions, you can email creditupdates@thirdave.com or call our client services desk at 212.906.1160. We thank you for joining and your continued support in Third Avenue Management.