



# THIRD AVENUE VARIABLE SERIES TRUST

THIRD AVENUE VALUE PORTFOLIO

Third Avenue Variable Annuity Class

## **PROSPECTUS**

APRIL 30, 2010

The Securities and Exchange Commission has not approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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# SUMMARY

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## Investment Objective

Third Avenue Value Portfolio seeks long-term capital appreciation.

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## Fees and Expenses

This table describes the fees and expenses that you pay if you buy and hold shares of the Portfolio through a variable contract. The insurance company contract through which you invest may have other additional fees and expenses.

### Annual Portfolio Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management (Advisory) Fee	0.90%
Other Expenses	0.43%
Total Annual Portfolio Operating Expenses	1.33%
Expense Limitation Adjustment <sup>1</sup>	0.03%
Annual Portfolio Expenses after Expense Limitation <sup>1</sup>	1.30%

<sup>1</sup> The Adviser has contractually agreed, for a period of one year from the date of this Prospectus, to defer receipt of advisory fees and/or reimburse Portfolio expenses in order to limit Annual Portfolio Expenses after Expense Limitation (exclusive of taxes, interest, and brokerage commissions) to 1.30% of average daily net assets subject to later reimbursement in certain circumstances (the "Expense Limitation Agreement"). For up to 36 months after any deferral or reimbursement under the Expense Limitation Agreement, the Adviser may recover from the Portfolio fees deferred and expenses reimbursed to the extent that such payment would not cause the Annual Portfolio Expenses after Expense Limitation to exceed 1.30%. The Expense Limitation Agreement can only be amended by agreement of the Adviser and the Independent Trustees to lower Annual Portfolio Expenses and will terminate automatically in the event of termination of the Investment Management Agreement by one of the parties, effective upon the effectiveness of such termination.

## Example

The following example is intended to help you compare the cost of investing in Third Avenue Value Portfolio with the cost of investing in other mutual funds. This example does not reflect separate account charges. If these charges were included, overall expenses would be higher. The example assumes that you invest \$10,000 for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The example should not be considered a representation of past or future expenses, as actual expenses may be greater or lower than those shown. Based on these assumptions your costs would be:

<u>Year 1</u>	<u>Year 3</u>	<u>Year 5</u>	<u>Year 10</u>
\$132	\$411	\$712	\$1,568

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## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover may

indicate higher transaction costs. These costs, which are not reflected in Annual Portfolio Operating Expenses or in the Example, affect the Portfolio’s

performance. During the most recent fiscal year, the Portfolio’s portfolio turnover rate was 8% of the average value of its portfolio.

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## Principal Investment Strategies

Third Avenue Value Portfolio (the “Portfolio”) seeks to achieve its objective mainly by acquiring common stocks of well-financed companies (meaning companies with high quality assets and a relative absence of liabilities) at a discount to what the Adviser believes is their intrinsic value (meaning the value of the company’s net assets or the Adviser’s estimate of what the issuer would be worth as a takeover or merger candidate). The Portfolio also seeks to acquire senior securities, such as debt instruments (including high yield “junk” bonds and distressed securities that may be in default and may have any or no credit rating from a credit rating agency) where the Adviser determines that these securities can be purchased at less than the value of the assets securing the debt or the amount that would be realized in a restructuring.

The Adviser searches for companies and securities that meet these criteria all over the world and makes investment decisions based primarily on the attributes of each individual company and security rather than any estimates of macro-economic or sector performance. Accordingly, the Portfolio may invest in foreign securities, some of which may be denominated in or tied to currencies of the countries in which they are primarily traded. The Portfolio may invest in companies of any market capitalization. The Portfolio may also invest up to 35% of its assets in debt securities around the world and in companies of various market capitalizations. Again, the Adviser does not seek to make predictions as to the relative performance of various markets but rather on the Adviser’s estimate of each security’s ability to deliver

long-term capital appreciation.

The Portfolio acquires debt securities when the Adviser believes that those securities will be worth significantly more upon eventual sale, redemption, maturity or conversion into another form through a company restructuring. These securities may be defaulted or may be paying a current yield, but the Portfolio does not generally seek interest income as a primary strategy. The Adviser, on behalf of the Portfolio, may also participate on committees formed by the creditors to negotiate with debtors with respect to restructuring issues.

The Portfolio is non-diversified. This means that the Portfolio may have investments in fewer issuers than a diversified portfolio of comparable size.

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## Principal Investment Risks

*Market Risk.* Prices of securities (and stocks in particular) have historically fluctuated. The value of the Portfolio will similarly fluctuate and you could lose money.

*Foreign Securities Risk.* Foreign securities from a particular country or region may be subject to currency fluctuations and controls or adverse political, social, economic or other

developments that are unique to that particular country or region. Therefore, the prices of foreign securities in particular countries or regions may, at times, move in a different direction than those of U.S. securities.

*Non-Diversification Risk.* A non-diversified portfolio can be more volatile than a diversified portfolio, and

volatility may be expected to increase when the Portfolio makes significant investments in a single issuer (more than 10% of the Portfolio’s net assets or 10% of the issuer’s shares outstanding) or issuers within a particular industry (over 20% of the Portfolio’s net assets) or geographic region (over 30% of the Portfolio’s net assets in any single country).

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*Small- and Mid-Cap Risk.*

Securities of smaller and midsize companies tend to be more volatile and less liquid than securities of larger companies.

*Style Risk.* The Portfolio frequently identifies opportunities in industries that appear to be temporarily depressed. The prices of securities in these industries may tend to go down more than those of companies in other industries. Since the Portfolio is not limited to investing in stocks, the Portfolio may own non-equity instruments in a rising stock market, thereby producing smaller gains than a Portfolio invested solely in stocks. Because of the Portfolio's disciplined and deliberate investing approach, there may be times when the Portfolio will have a significant (over 10%) cash position. A substantial cash position can adversely impact Portfolio performance in certain market conditions, and may make it more difficult for the Portfolio to achieve its investment objective.

*High-Yield and Distressed Risk.* The Portfolio's investments in high-yield securities (commonly known as

"junk bonds") may expose the Portfolio to greater risks than if the Portfolio only owned higher-grade securities. The value of high-yield, lower quality securities is affected by the creditworthiness of the issuers of the securities and by general economic and specific industry conditions. Issuers of high-yield securities are not as strong financially as those with higher credit ratings, so the securities are usually considered speculative investments.

*Credit and Interest Rate Risk.* The market value of debt securities is affected by changes in prevailing interest rates and the perceived credit quality of the issuer. When prevailing interest rates fall or perceived credit quality improves, the market value of the affected debt securities generally rises. Conversely, when interest rates rise or perceived credit quality weakens, the market value of the affected debt securities generally declines.

*Currency Risk.* Because the Portfolio may determine not to hedge its foreign currency exposure, the U.S. Dollar value of the Portfolio's investments may be harmed by declines in

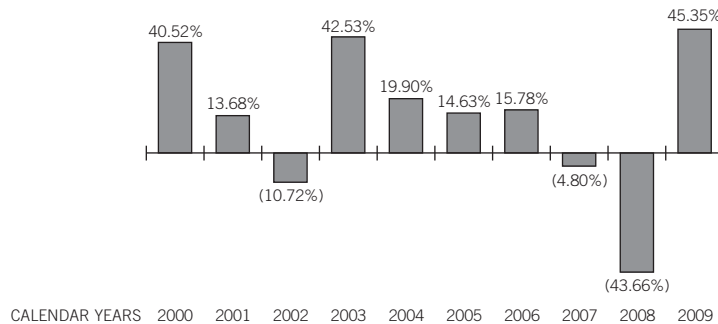
the value of foreign currencies in relation to the U.S. Dollar.

*Insolvency and Bankruptcy Risk.* The Portfolio's investments in obligations of stressed, distressed and bankrupt issuers, including debt obligations that are in default, generally trade significantly below par (less than 50 cents on the dollar) and are considered speculative.

There is even a potential risk of loss by the Portfolio of its entire investment in such securities. There are a number of significant risks inherent in the bankruptcy process. A bankruptcy filing by an issuer may adversely and permanently affect the market position and operations of the issuer. The Adviser, on behalf of the Portfolio, may also participate on committees formed by creditors to negotiate with debtors with respect to restructuring issues. There can be no assurance that the Adviser's participation would yield favorable results for the Portfolio, and such participation may subject the Portfolio to additional duties, liabilities and trading restrictions in a particular investment.

## Performance

The following bar chart and table provide an indication of the risks of investing in Third Avenue Value Portfolio by showing how performance has changed from year to year and by comparing the Portfolio's average annual returns to relevant broad measures of market performance. These figures do not reflect charges assessed at the contract or separate account level. If any such charges were included, returns would be lower. The Portfolio's past performance is not necessarily an indication of how the Portfolio will perform in the future. The S&P 500 is included as a secondary index as it is a widely recognized benchmark of U.S. stock performance that is dominated by the stocks of large U.S. companies.



During the period shown in the above bar chart, the highest return for a quarter was 31.02% (quarter ending 6/30/09) and the lowest return for a quarter was -22.91% (quarter ending 12/31/08).

<b>Average Annual Total Returns for the periods ending 12/31/09</b>	<b>Past One Year</b>	<b>Past Five Years</b>	<b>Since Inception (9/21/1999)</b>
<b>Third Avenue Value Portfolio</b>	<b>45.35%</b>	<b>0.68%</b>	<b>10.28%</b>
<b>MSCI World Index (reflects no deductions for fees, expenses or taxes)</b>	<b>30.79%</b>	<b>2.57%</b>	<b>1.67%</b>
<b>Standard &amp; Poor's 500 Index (S&amp;P 500) (reflects no deductions for fees, expenses or taxes)</b>	<b>26.46%</b>	<b>0.42%</b>	<b>0.24%</b>

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## **Portfolio Management**

### **Investment Adviser**

Third Avenue Management LLC

### **Portfolio Managers**

Curtis Jensen, co-Portfolio Manager since April 30, 2001.

Ian Lapey, co-Portfolio Manager since May 1, 2008.

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## **Tax Information**

You should consult the separate account prospectus for specific information regarding the federal tax consequences of buying and holding a variable contract and of investing in the Portfolio through a separate account. The Statement of Additional Information for

the Portfolio provides more specific information regarding the tax treatment of the Portfolio and of an insurance company with respect to its ownership of shares of the Portfolio.

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## **Financial Intermediary Compensation**

### *Payments to Broker-Dealers and Other Financial Intermediaries.*

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services.

These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's Web site for more information.

# ABOUT THIRD AVENUE VALUE PORTFOLIO

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## Investment Philosophy of Third Avenue Value Portfolio

The Portfolio adheres to a strict value discipline in selecting securities and other instruments. This means seeking investments whose market prices are low in relation to what the Portfolio's Adviser, Third Avenue Management LLC (the "Adviser"), believes is their intrinsic value and/or whose total return potential is considered by the Adviser to be high. The Portfolio's Adviser believes this both lowers investment risk and increases capital appreciation and total return potential. The Portfolio may identify investment opportunities through intensive research of individual companies and generally does not focus solely on stock market conditions and other macro factors. For these reasons, the Portfolio may seek investments in the securities, debt and/or other instruments of companies in industries that are believed to be temporarily depressed. The Portfolio may also invest in high-yield or distressed securities.

The Portfolio follows a strategy of long-term investing. The Portfolio will generally sell an investment when there has been a fundamental change in the business or capital structure of the company which materially affects the investment's inherent value or when the Adviser believes that the market value of an investment is overpriced relative to its intrinsic value.

When the Portfolio's Adviser believes that a temporary defensive posture is appropriate, or there appears to be a lack of suitable opportunities that meet the Portfolio's investment criteria, the Portfolio may hold all or a portion of its assets in short-term or other sovereign instruments, cash or cash equivalents. This does not constitute a change in the Portfolio's investment objective, but could prevent or delay the Portfolio from achieving its objective. A temporary defensive position may be appropriate when attempting to respond to adverse market, economic, political, or other conditions.

## Who May Want to Invest

The Portfolio may be appropriate for investors seeking long-term capital appreciation. The Portfolio is not

appropriate for short-term investors or those primarily seeking current income or for those investors who cannot withstand the risk of loss. The Portfolio's investment objective may be changed without shareholder approval on 60 days' written notice to shareholders.

## Investment Strategy

The Portfolio seeks to achieve its objective mainly by acquiring common stocks of well-financed companies (meaning companies with high quality assets and a relative absence of liabilities) at a discount to what the Adviser believes is their intrinsic value (meaning the value of the company's net assets or the Adviser's estimate of what the issuer would be worth as a takeover or merger candidate). The Portfolio also seeks to acquire senior securities, such as debt instruments (including high-yield "junk" bonds and distressed securities that may be in default and may have any or no credit rating from a credit rating agency) where the Adviser determines that these securities can be purchased at less than the value of the assets securing the debt or the amount that would be realized in a restructuring.

The Adviser searches for companies and securities that meet these criteria all over the world and makes investment decisions based primarily on the attributes of each individual company and security rather than any estimates of macro-economic or sector performance. Accordingly, the Portfolio may invest in foreign securities, some of which may be denominated in or tied to currencies of the countries in which they are primarily traded. The Portfolio may invest in companies of any market capitalization, including companies that are considered ranging from small-cap to large-cap by relevant rating and tracking agencies such as S&P. The Portfolio may also invest up to 35% of its assets in debt securities around the world and in companies of various market capitalizations. Again, the Adviser does not seek to make predictions as to the relative performance of various markets but rather on the Adviser's estimate of each security's ability to deliver long-term capital appreciation.

The Portfolio acquires debt securities when the Adviser believes that those securities will be worth significantly more upon eventual sale, redemption,

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maturity or conversion into another form through a company restructuring. These securities may be defaulted or may be paying a current yield, but the Portfolio does not generally seek interest income as a primary strategy. The Adviser, on behalf of the Portfolio, may also participate on committees formed

by the creditors to negotiate with debtors with respect to restructuring issues.

The Portfolio is non-diversified. This means that the Portfolio may have investments in fewer issuers than a diversified portfolio of comparable size.

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## Investment Risks

*Credit and Interest Rate Risk.* The market value of debt securities is affected by changes in prevailing interest rates and the perceived credit quality of the issuer. When prevailing interest rates fall or perceived credit quality improves, the market value of the affected debt securities generally rises. Conversely, when interest rates rise or perceived credit quality weakens, the market value of the affected debt securities generally declines. The magnitude of these fluctuations will be greater when the maturity of the debt securities is longer.

*Currency Risk.* The Portfolio's investments are denominated in or tied to the currencies of the countries in which they are primarily traded. Because the Portfolio may determine not to hedge its foreign currency exposure, the U.S. Dollar value of the Portfolio investments may be harmed by declines in the value of foreign currencies in relation to the U.S. Dollar. This may occur even if the value of the investment in the currency's home country has not declined.

*Foreign Securities Risk.* Foreign securities from a particular country or region may be subject to currency fluctuations and controls or adverse political, social, economic or other developments that are unique to that particular country or region. Therefore, the prices of foreign securities in particular countries or regions may, at times, move in a different direction from those of U.S. securities. From time to time, foreign capital markets may exhibit more volatility than those in the U.S., and the securities markets of emerging market countries can be extremely volatile. Emerging market countries can generally have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries.

*High-Yield and Distressed Risk.* The Portfolio's investments in high-yield and distressed securities may

expose the Portfolio to greater risks than if the Portfolio only owned higher-grade securities. The value of high-yield, lower quality securities is affected by the creditworthiness of the issuers of the securities and by general economic and specific industry conditions. Issuers of high-yield securities are not as strong financially as those with higher credit ratings, so the securities are usually considered speculative investments. These issuers are more vulnerable to financial setbacks and recession than are more creditworthy issuers, which may impair their ability to make interest and principal payments.

*Market Risk.* Prices of securities have historically fluctuated. The value of the Portfolio will similarly fluctuate and their investors could lose money.

*Focus and Non-Diversification Risk.* A non-diversified fund can be more volatile than a diversified fund, and volatility may be expected to increase when a Portfolio makes significant investments in a single issuer or issuers within a particular industry or geographic region because the Portfolio is more susceptible to adverse effects from such issuer or issuers.

*Small-Cap and Mid-Cap Risk.* The Portfolio may invest from time to time in smaller and midsize companies and the securities of such issuers tend to be more volatile and less liquid than those of larger companies. The markets for these securities are also less liquid than those for larger companies. This can adversely affect the prices at which the Portfolio can purchase and sell these securities, and thus the value of the Portfolio's shares.

*Style Risk.* The Portfolio frequently identifies opportunities in industries that appear to be temporarily depressed. The prices of securities in these industries

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may tend to go down more than those of companies in other industries. Because of the Portfolio's disciplined and deliberate investing approach, there may be times when the Portfolio will have a significant cash position. A substantial cash position can adversely impact the Portfolio's performance in certain market conditions, and may make it more difficult for the Portfolio to achieve its investment objective.

*Insolvency and Bankruptcy Risk.* The Portfolio's investments in obligations of stressed, distressed and bankrupt issuers, including debt obligations that are in default, generally trade significantly below par and are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result in only partial recovery of cash payments or an exchange of the defaulted obligation for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative. There is even a potential risk of loss by

the Portfolio of their entire investment in such securities. There are a number of significant risks inherent in the bankruptcy process. A bankruptcy filing by an issuer may adversely and permanently affect the market position and operations of the issuer. Many factors of the bankruptcy process, including court decisions, the size and priority of other claims, and the duration and costs of the bankruptcy process, are beyond the control of the Portfolio and can adversely affect the Portfolio's return on investment. For example, a court could invalidate or subordinate a debt obligation of, or reclaim amounts paid by a debtor to, the Portfolio. To the extent that any such payments are recaptured from the Portfolio the resulting loss will be borne by the Portfolio and their investors. The Adviser, on behalf of the Portfolio, may also participate on committees formed by creditors to negotiate with debtors with respect to restructuring issues. There can be no assurance that the Adviser's participation would yield favorable results for the Portfolio, and such participation may subject the Portfolio to additional duties, liabilities and trading restrictions in a particular investment.

# MANAGEMENT

## The Investment Adviser

Third Avenue Management LLC, 622 Third Avenue, New York, NY 10017, is the investment adviser for the Portfolio. The Adviser manages the Portfolio's investments, provides various administrative services and supervises the Portfolio's daily business affairs, subject to the authority of the Board of Trustees of Third Avenue Variable Series Trust (the "Trust"). The Adviser provides investment advisory or sub-advisory services to 11 other open-end U.S. mutual funds with assets in excess of \$12 billion as of January 31, 2010. The Adviser or its predecessor has been an investment adviser for mutual funds since its organization in 1986. The Portfolio has historically placed a substantial majority of its equity securities transactions through the Adviser's affiliated broker-dealer, M.J. Whitman LLC, which also serves as distributor of the Portfolio. The Portfolio and the Adviser have adopted policies and procedures designed to enable these trades to be executed in conformance with relevant regulatory requirements and with the Adviser's duty to seek best execution. Commissions generated from these transactions are not intended to compensate M.J. Whitman LLC for any services or other arrangements other than execution. Affiliated Managers Group, Inc. owns an indirect majority equity interest in the Adviser and M.J. Whitman LLC.

## Advisory Fees

The Portfolio paid the Adviser a fee equal to 0.87% (net of advisory fee waiver) of its average daily net assets for the fiscal year ended December 31, 2009. The Portfolio's Annual Report to Shareholders for the period ended December 31, 2009 contains a discussion of the basis of the Board of Trustees' determination to continue the investment advisory arrangements.

## Portfolio Managers

The Statement of Additional Information ("SAI") provides additional information about the portfolio managers' compensation, additional accounts that they manage, and ownership of shares in the Portfolio.

### Curtis Jensen

Curtis Jensen has served as co-portfolio manager since April 30, 2001. He is also the portfolio manager of

Third Avenue Small-Cap Value Fund. Additionally, Mr. Jensen manages the Third Avenue Small-Cap Value Fund (UCITS) and several of Third Avenue Management LLC's sub-advised portfolios. He has also served as Co-Chief Investment Officer of the Adviser since February 2003. He has been employed by the Adviser (and its predecessor entity) since 1995. Prior to joining the Adviser, Mr. Jensen was a graduate business student at the Yale School of Management from 1993 to 1995, where he studied under Martin J. Whitman, Chairman of the Trust. Prior to that, Mr. Jensen was a director of and managed the operations of, a specialty food manufacturer, and was an investment banker with Manufacturers Hanover Trust Company and Enright & Company. He currently serves on the Nomination Committee of Investor AB, an industrial holding company based in Sweden.

Mr. Jensen received his M.B.A. from the Yale School of Management and his B.A. in Economics from Williams College.

### Ian Lapey

Ian Lapey has served as co-portfolio manager since May 1, 2008. He is also the co-portfolio manager of Third Avenue Value Fund and has been the designated successor to Martin Whitman, as the portfolio manager of Third Avenue Value Fund, since December 2006. He is a portfolio manager for Third Avenue Management LLC's value and small-cap value sub-advised portfolios. Additionally, Mr. Lapey is Co-Manager of the Third Avenue Value Fund (UCITS). He joined Third Avenue Management in 2001. Prior to joining Third Avenue, Mr. Lapey was an equity research analyst with Credit Suisse First Boston, covering the housing and furniture industries. Previously, he held various research positions with Salomon Brothers, Hampshire Securities and Lord Abbett & Co. Earlier in his career, Mr. Lapey was a financial analyst for Revlon and a staff accountant for Ernst & Young.

Mr. Lapey received an M.B.A. from New York University Stern School of Business, an M.S. in Accounting from Northeastern University Graduate School of Professional Accounting, and a B.A. in Economics from Williams College. He was previously a Certified Public Accountant (currently inactive and unregistered).

# SHAREHOLDER GUIDE

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## Purchase of Shares

The Portfolio is open for business each day the New York Stock Exchange (“NYSE”) is open for trading. The Portfolio offers its shares only to separate accounts (the “Accounts”) of insurance companies (“Participating Insurance Companies”) taxed as domestic insurance companies for U.S. federal income tax purposes to fund the benefits of variable annuity or variable life insurance policies (the “Contracts”). The Participating Insurance Company is responsible for properly transmitting purchase orders and funding such purchases. Contract owners should consult the prospectus of the relevant Account for more information about buying Portfolio shares. The Portfolio reserves the right to reject any order for the purchase of shares.

The Adviser utilizes a portion of its assets to pay certain Participating Insurance Companies that make the Portfolio available as an investment option in its insurance products for shareholder servicing and administrative services. Subject to tax limitations and approval by the Board of Trustees, the Portfolio pays a portion of these charges representing savings of expenses the Portfolio would otherwise incur in maintaining fully separate shareholder accounts for those who invest in the Portfolio through these programs.

## Price of Shares

The price your contract will pay for a share of the Portfolio is the Portfolio’s net asset value per share (“NAV”). NAV is calculated as of the close of regular trading on the NYSE, normally 4:00 p.m., Eastern time. The NAV of the Portfolio is determined by dividing the value of all portfolio securities, cash, and other assets, including accrued interest and dividends, owned by the Portfolio, less all liabilities, including accrued expenses of the Portfolio, by the total number of outstanding shares of the Portfolio. Your order will be priced at the next NAV calculated following receipt of your transaction in good order by your Participating Insurance Company.

The Portfolio will generally value securities using the most readily available market price. The Portfolio’s

investments are generally valued at market value. Certain short-term securities with 60 days or less until maturity are valued based on amortized cost. Illiquid securities and other securities and assets for which market quotations are not readily available or are deemed unreliable are valued at “fair value,” as determined in good faith by or in accordance with procedures adopted by the Board of Trustees. These types of assets can include high yield bonds, defaulted securities and private investments that do not trade publicly, among other things. If the principal market for a security has closed before the time as of which the NAV is being calculated, the Portfolio, pursuant to procedures approved by the Board of Trustees, may consider information regarding more recent trades on other markets along with other factors. The Trust has retained a third party provider that, under certain circumstances selected by the Portfolio, applies a statistical model to provide fair value pricing for foreign securities whose principal markets that are no longer open when the Portfolio calculates its NAV if certain events have occurred after the principal markets have closed but prior to the time as of which the Portfolio computes its net asset values. This means that the Portfolio’s NAV may be based, at least in part, on prices other than those determined as of the close of the principal markets in which such assets trade. Foreign securities held by the Portfolio generally trade on foreign markets which may be open on days when the NYSE is closed, so that the value of the Portfolio securities can change on a day that you cannot purchase or redeem shares.

## Redemption of Shares

Shares of the Portfolio may be redeemed on any day during which the NYSE is open or unless the SEC declares an emergency. Redemption requests that contain a restriction as to the time, date or share price at which the redemption is to be effective will not be honored. The Portfolio will usually make payment for redemptions of Portfolio shares within one business day, but reserves the right to make payment up to seven calendar days after receipt of a redemption request.

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## Frequent Trading

The Portfolio is intended for long-term investors and not for those who wish to trade frequently in its shares. The Portfolio discourages frequent purchases and redemptions of Portfolio shares and will not knowingly accommodate frequent trading in Portfolio shares. The Board of Trustees of the Trust has adopted policies and procedures designed to prevent frequent trading in Portfolio shares, commonly referred to as “market timing,” because such activities are disruptive to the management of the Portfolio, and may increase Portfolio expenses and negatively affect the Portfolio’s performance. The Portfolio believes that excessive short-term trading of Portfolio shares creates risks for the Portfolio and its long-term investors, including interference with efficient portfolio management, increased administrative and brokerage costs, and dilution in the value of its shares from traders seeking short-term profits from market momentum, time-zone arbitrage and other timing strategies.

The Adviser monitors the trading activities of the Accounts on a regular basis. If the Adviser determines, in its sole discretion, that an Account shows a pattern of excessive trading and/or excessive exchanging in the Portfolio, it will then consult with the relevant Participating Insurance Company and will seek to have future purchases of Portfolio shares by the relevant Contract owners restricted. The Adviser will keep the Board of Trustees informed periodically regarding the implementation of these frequent trading policies and procedures. The Portfolio reserves the right to refuse a purchase order for any reason if the Portfolio’s Adviser believes, in its sole discretion, that an Account is engaging in short-term trading activities that may be harmful to the Portfolio and its investors.

Transactions accepted by a Participating Insurance Company from an investor who has previously been

barred from future purchases are not deemed accepted by the Portfolio and may be cancelled or revoked within two days of detection by the Portfolio. In the event that any purchase order is refused or revoked, the purchase price will be refunded as soon as practicable, which may be as little as one day or as long as 15 days, depending on the type and status of payment at the time of detection.

If the Portfolio determines that a Participating Insurance Company may not be acting properly to prevent short-term trading, the Portfolio has the right to access information about beneficial shareholder transactions in Accounts of Participating Insurance Companies held through omnibus accounts, benefit plans or other intermediaries and intends to do so. Utilizing these information rights will assist the Portfolio in preventing short-term trading, although there is always some risk that a Contract owner acting through an Account might be able to engage in short-term trading to the detriment of the Portfolio.

## Certain Expenses

Contract owners will bear various distribution-related and insurance-related costs at the Account level and should refer to the accompanying Account prospectus for a summary of such fees and expenses.

## General

The Portfolio expects to pay dividends from its investment company taxable income (which includes short-term capital gain) and to distribute any realized net capital gain to the Accounts, in each case at least annually. All dividends and capital gain distributions from the Portfolio are automatically reinvested by the Accounts in additional shares of such Portfolio. Net capital gain represents the excess of net long-term capital gain over net short-term capital loss.

# DIVIDENDS, CAPITAL GAIN DISTRIBUTIONS AND TAXES

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The Portfolio has elected to be treated, has qualified and intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). As long as the Portfolio so qualifies and distributes each year to its shareholders at least 90% of its investment company taxable income, the Portfolio will not be required to pay federal income taxes on any income it distributes to shareholders. The Portfolio expects to distribute substantially all of its net investment income and net capital gains at least annually.

The insurance company that issued the variable contract (and not the holder of the variable contract) will generally be treated as the owner of the Portfolio shares for U.S. federal income tax purposes, as long as there is compliance with certain rules, described below. This permits the holder of the variable contract to defer recognition of any income or gain distributed by the Portfolio or of any gain from the sale of appreciated Portfolio shares credited to the value of the variable contract until the holder takes a distribution from the variable contract. For this purpose, the Code requires that certain diversification and investor control requirements be satisfied. The diversification rules generally provide that if by the end of a calendar quarter (or within 30 days thereafter) no more than 55% of the total assets of the Portfolio are represented by any one investment, no more than 70% by any two investments, no more than 80% by any three investments, and no more than 90% by any four investments, the Portfolio will be treated as adequately diversified. Under these rules, all securities of the same issuer are considered a single investment, but in the

case of Government securities, each Government agency or instrumentality is considered to be a separate issuer. An alternative asset diversification test may be satisfied under certain circumstances. In addition, to satisfy the investor control rules, the Code requires that all Portfolio shares be owned exclusively by insurance companies in support of variable contracts (certain other permitted investors, such as qualified pension funds, may also own Portfolio shares) and that the Portfolio maintains its tax status as a regulated investment company. The Portfolio intends to satisfy the diversification and investor control requirements of the Code and to maintain its status as a regulated investment company.

You should consult the separate account prospectus for specific information regarding the U.S. federal income tax consequences of buying and holding a variable contract and of investing in the Portfolio through a separate account. The Statement of Additional Information for the Portfolio contains a more detailed summary of the U.S. federal income tax rules that apply to the Portfolio and its insurance company shareholders. The preceding discussion is meant to provide only a general summary of the potential U.S. federal income tax consequences of an investment in the Portfolio through the purchase of a variable contract. Legislative, judicial or administrative action may change the tax rules that apply to the Portfolio, its insurance company shareholders and/or the variable contract holders. Any such change may be retroactive. You should consult your tax advisor concerning the tax consequences of the purchase of a variable contract and an investment in the Portfolio.

# FINANCIAL HIGHLIGHTS

The following Financial Highlights table is intended to help you understand the Portfolio's financial performance for the last five fiscal years. Certain information reflects financial results for a single Portfolio share. The total returns in the table represent the rate that an investor would have earned or lost on an investment in the Portfolio (assuming reinvestment of all dividends and distributions). The Financial Highlights for the fiscal years included herein have been audited by PricewaterhouseCoopers, an independent registered public accounting firm, whose unqualified report on the December 31, 2009 financial statements and accompanying notes appear in the Portfolio's 2009 Annual Report to Shareholders. These figures do not reflect charges assessed at the Contract or Account level. If any such charges were included, returns would be lower.

Selected data (for a share outstanding throughout each year) and ratios are as follows:

	Years Ended December 31,				
	2009	2008	2007	2006	2005
Net asset value, beginning of year	\$12.01	\$25.92	\$29.84	\$27.41	\$24.73
Income (loss) from investment operations:					
Net investment income	0.26 <sup>1</sup>	0.26 <sup>1</sup>	0.15	0.29	0.02
Net gain (loss) on investment transactions (both realized and unrealized)	4.69	(10.37)	(1.45)	3.88	3.55
Total from investment operations	4.95	(10.11)	(1.30)	4.17	3.57
Less distributions:					
Dividends from net investment income	—	(0.18)	(0.67)	(0.40)	(0.34)
Distributions from realized gains	(3.43)	(3.62)	(1.95)	(1.34)	(0.55)
Total distributions	(3.43)	(3.80)	(2.62)	(1.74)	(0.89)
Net asset value, end of year	\$13.53	\$12.01	\$25.92	\$29.84	\$27.41
Total return <sup>2</sup>	45.35%	(43.66)%	(4.80)%	15.78%	14.63%
Ratios/Supplemental Data:					
Net assets, end of year (in thousands)	\$237,637	\$196,912	\$462,937	\$540,706	\$481,252
Ratio of expenses to average net assets					
Before fee waivers	1.33%	1.24%	1.17%	1.17%	1.19%
After fee waivers <sup>3</sup>	1.30% <sup>4</sup>	1.24%	1.17%	1.17%	1.19%
Ratio of net investment income to average net assets	2.01%	1.30%	0.42%	0.74%	0.04%
Portfolio turnover rate	8%	77%	20%	9%	12%

<sup>1</sup> Calculated based on the average number of shares outstanding during the year.

<sup>2</sup> Performance figures may reflect fee waivers. Past performance is no guarantee of future results. In the absence of fee waivers, the total returns would have been lower. Total return does not reflect charges pursuant to the terms of insurance contracts funded by separated accounts that invest in the Portfolio's shares.

<sup>3</sup> As a result of an expense limitation, the ratio of expenses to average net assets will not exceed 1.30%.

<sup>4</sup> The investment adviser waived a portion of its fees.

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### **FOR MORE INFORMATION**

More information on the Portfolio is available free upon request, including the following:

- Shareholder reports — Additional information about the Portfolio's investments is available in the Portfolio's Annual and Semi-Annual Reports to Shareholders. The Portfolio's Annual Report to Shareholders contains a discussion of the market conditions and investment strategies that significantly affected the Portfolio's performance during the last fiscal year.
- Statement of Additional Information (SAI) — The SAI provides more detailed information about the Portfolio, is on file with the Securities and Exchange Commission (the "SEC"), and is incorporated by reference (is legally considered part of this Prospectus).

You can obtain the Portfolio's SAI and Reports to Shareholders without charge, upon request, and otherwise make inquiries to the Portfolio by writing or calling the Portfolio at 622 Third Avenue, New York, NY 10017, (800) 443-1021 or (212) 888-5222.

Although the Portfolio's Prospectus, SAI, Shareholder Reports and other additional information are not available on the Portfolio's website (because the Portfolio ordinarily is not a direct source of information for Contract owners investing in the Portfolio through Accounts), they are available free of charge at the SEC's Internet Web site (<http://www.sec.gov>).

Information about the Portfolio, including the SAI, can be reviewed at the SEC's Public Reference Room in Washington D.C. (phone 202-551-8090 for information). Copies of this information may be obtained, upon payment of a duplicating fee, by electronic request at the e-mail address [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Branch, 100 F Street NE, Room 1580, Washington, D.C. 20549-1520. Reports and other information about the Portfolio are also available on the SEC's Internet Web site (<http://www.sec.gov>).

The Trust's SEC file number is 811-9395.