



# Third Avenue Variable Series Trust

*Third Avenue Value Portfolio*

APRIL 30, 2018

Prospectus

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.

## Fees and Expenses

This table describes the fees and expenses that you pay if you buy and hold shares of the Third Avenue Value Portfolio (the "Portfolio") through a separate account ("Account") of an insurance company ("Participating Insurance Company") that issues variable annuity contracts or variable life insurance policies ("Contracts"). The insurance company contract through which you invest may have other additional fees and expenses. If such fees and expenses were reflected, the figures in the table would be higher.

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

Management (Advisory) Fee	0.90%
Other Expenses	0.52%
Total Annual Portfolio Operating Expenses (as a percentage of net assets) <sup>1</sup>	1.42%
Fee Deferred/Expenses Reimbursed <sup>1</sup>	(0.12%)
Net Annual Portfolio Operating Expenses <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 Net Annual Portfolio Operating Expenses (exclusive of taxes, interest, brokerage commissions, acquired fund fees and expenses, and extraordinary items) to 1.30% of the average daily net assets of the Portfolio, subject to later reimbursement by the Portfolio in certain circumstances (the "Expense Limitation Agreement"). In general, for a period of up to 36 months from the time of any deferral, reimbursement, or payment pursuant to the above-described contractual expense limitations, the Adviser may recover from the Portfolio fees deferred and expenses paid to the extent that such repayment would not cause the Net Annual Portfolio Operating Expenses to exceed the contractual expense limitation amounts set forth above, but any repayment will not include interest. The Adviser's recovery is limited to the lesser of the expense limitation at the time of the waiver and the time of recapture. The Expense Limitation Agreement can only be amended by agreement of the Portfolio's investment adviser and Independent board members to lower Net Annual Portfolio Operating 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

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The following example is intended to help you compare the cost of investing in the 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 giving effect to the Expense Limitation Agreement in year one only. Although your actual costs may be higher or lower, 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	\$437	\$765	\$1,693

The Example should not be considered a representation of past or future expenses, as actual expenses may be greater or lower than those shown.

## Portfolio Turnover

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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 turnover rate was 28% of the average value of its portfolio.

## Principal Investment Strategies

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The Portfolio seeks to achieve its objective mainly by acquiring common stocks of well-financed companies (meaning companies with high quality assets and conservative levels of liabilities) at a discount to what Third Avenue Management LLC (the "Adviser" or "Third Avenue") believes is their intrinsic value. The Portfolio may invest in companies of any market capitalization and across all industries. The Portfolio may also acquire senior securities, such as convertible securities, preferred stocks and debt instruments (including high yield and distressed securities, often referred to as "junk", that may be in default and may have any or no credit rating) that Third Avenue believes are undervalued. The Portfolio also invests in both domestic and foreign securities.

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## Principal Investment Risks

*Commodities Risk.* Prices of commodities such as timber and oil have historically been very volatile. Reductions in commodity prices will likely cause the prices of the securities of companies associated with the production of those commodities to decline.

*Currency Hedging Risk.* The Adviser may seek to hedge all or a portion of the Portfolio's foreign currency risk. However, the Adviser cannot guarantee that it will be practical to hedge these risks in certain markets or conditions or that any efforts to do so will be successful.

*Currency Risk.* The Portfolio's investments are usually 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 risk, 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.

*Debt Securities Risk.* The market value of a debt security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The debt securities market can be susceptible to increases in volatility and decreases in liquidity. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates). Prices of bonds and other debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect debt securities and, accordingly, will cause the value of the Portfolio's investments in these securities to decline. When interest rates fall, the values of already-issued securities generally rise, although investments in new securities may be at lower yields. The prices of high-yield debt securities ("junk bonds"), unlike investment grade debt securities, may fluctuate unpredictably and not necessarily inversely with changes in interest rates. Economic and other developments can adversely affect debt securities markets.

*Focused Investing Risk.* Although the Portfolio is a diversified investment company under the Investment Company Act of 1940, the Portfolio's investments will normally be more focused than its peers and may emphasize investments in some issuers, industries, sectors or geographic regions more than others. To the extent that the Portfolio increases the relative emphasis of its investments in a particular issuer, industry, sector or geographic region, its share values may fluctuate in response to events affecting such issuer, industry, sector or geographic region.

*Foreign Securities and Emerging Market 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. 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, and, as a result, the securities markets of emerging markets countries can be more volatile than more developed markets may be.

*High-Yield Risk.* The Portfolio's investments in high-yield debt 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 issuers of securities with higher credit ratings, so the securities are usually considered speculative investments.

*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. 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.

*Liquidity Risk.* Liquidity risk exists when particular investments are difficult to sell. The Portfolio may not be able to sell these investments at the best prices or at the value the Portfolio places on them. In such a market, the value of such investments and the Portfolio's share price may fall dramatically, even during periods of declining interest rates. Investments that are illiquid or that trade in lower volumes may be more difficult to value. The market for high-yield debt securities ("junk bonds") may be less liquid and therefore these securities may be harder to value or sell at an acceptable price, especially during times of market volatility or decline. Investments in foreign securities tend to have greater exposure to liquidity risk than U.S. securities.

Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. An unexpected increase in Portfolio redemption requests, including requests from participating Insurance companies who may own a significant percentage of the Portfolio's shares, could cause the Portfolio to sell its holdings at a loss or at undesirable prices and adversely affect the Portfolio's share price and increase the Portfolio's liquidity risk and/or Portfolio expenses.

*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.

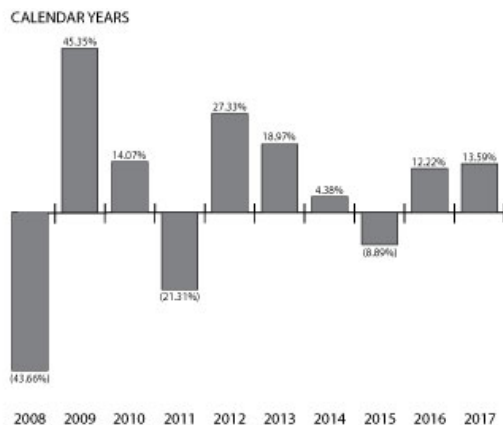
**Small and Mid-Cap Risk.** The Portfolio may invest from time to time in smaller and mid-size companies whose securities tend to be more volatile and less liquid than securities of larger companies. This can adversely affect the prices at which the Portfolio can purchase and sell these securities and,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

**Style Risk.** Value securities involve the risk that they may never reach their expected full market value either because the market fails to recognize the securities' intrinsic value or the expected value was misgauged. The Adviser may identify 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 significant 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 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.

## Performance

The following bar chart and table provide an indication of the risks of investing in the Portfolio. The bar chart shows changes in the Portfolio's performance from year to year for the past 10 years. The table compares the Portfolio's average annual total returns to broad measure 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.

During the period shown in the above bar chart, the highest return for a quarter was 31.02% (quarter ended 6/30/09) and the lowest return for a quarter was (24.15%) (quarter ended 9/30/11).

### Average Annual Total Returns for the periods ending 12/31/17

	One Year	Five Years	Ten Years	Since Inception (9/21/1999)
Third Avenue Value Portfolio	13.59%	7.60%	3.05%	8.58%
MSCI World Index (reflects no deductions for fees, expenses or taxes) <sup>1</sup>	23.07%	12.26%	5.63%	5.43%

<sup>1</sup> An index is a hypothetical measure of performance based on the ups and downs in the values of securities representative of a particular market. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of 23 developed market country indices.

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**Portfolio Management  
Investment Adviser**

Third Avenue Management LLC

**Portfolio Managers**

Matthew Fine, CFA, Portfolio Manager since September 2017.

Michael Fineman, CFA, CFP®, Portfolio Manager since September 2017.

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**Tax Information**

You should consult the Account prospectus for specific information regarding the federal tax consequences of buying and holding a Contract and of investing in the Portfolio through an Account. The Statement of Additional Information for the Portfolio provides more specific information regarding the tax treatment of the Portfolio and of a Participating Insurance Company with respect to its ownership of shares of the Portfolio.

**Potential Conflicts of Interest - Financial Intermediary Compensation**

*Payments to Participating Insurance Companies and Financial Intermediaries.*

The Portfolio and the Adviser and its affiliates may pay Participating Insurance Companies, or their affiliates, for services related to investments in Portfolio shares.

Participating Insurance Companies, or their affiliates, may similarly pay broker-dealers or other financial intermediaries that sell Contracts. When received by a Participating Insurance Company, such payments may be a factor that the Participating Insurance Company considers in including the Portfolio as an investment option in its Contract. The prospectus or other disclosure document for the Contracts may contain additional information about these payments. When received by a financial intermediary, such payments may create a conflict of interest by influencing the financial intermediary and salesperson to recommend the Portfolio over other mutual funds available as investment options under a Contract. Ask the salesperson or visit the financial intermediary's website 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, 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 identifies 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 equity 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 significantly 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. There is no guarantee the Portfolio will meet its investment objective.

The Adviser's Risk Committee (the "Committee") recommends certain position limitation guidelines for the Portfolio. The guidelines supplement limits imposed by regulatory agencies and the Prospectus. The guidelines are not meant to impose rigid limitations and from time to time the Committee fully expects exceptions to occur. However, exceptions may only occur with prior approval from the Committee. These guidelines serve to provide enhanced oversight of more concentrated positions.

## **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.

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## 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 conservative levels of liabilities) at a discount to what the Adviser believes is their intrinsic value. The Portfolio may invest in companies of any market capitalization, and across all industries. The Portfolio may also acquire senior securities, such as convertible securities, preferred stocks and debt instruments (including high-yield and distressed securities, often referred to as "junk", that may be in default and may have any or no credit rating), that the Adviser believes are undervalued. Acquisitions of these senior securities and debt instruments will generally be limited to those providing: (1) protection against the issuer taking certain actions which could reduce the value of the security, and (2) above-average current yields, yields to events (e.g., acquisitions and recapitalizations), or yields to maturity. The mix of the Portfolio's investments at any time will depend on the industries and types of securities the Adviser believes hold the most value within the Portfolio's investment strategy. The Portfolio may invest in certain derivative instruments primarily to hedge against foreign currency risk and, at certain times, market, industry or geographic risk. The Portfolio also invests in both domestic and foreign securities.

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 rated BBB or below 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's investment objective may be changed without shareholder approval on 60 days' written notice to shareholders.



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## Investment Risks

*Commodities Risk.* Prices of commodities, such as timber and oil, have historically been very volatile. Reductions in commodity prices will likely cause the prices of the securities of companies associated with the production of those commodities or holding real estate affected by those industries to decline.

*Currency Hedging Risk.* The Adviser may seek to hedge all or a portion of the Portfolio's foreign currency risk. However, the Adviser cannot guarantee that it will be practical to hedge these risks in certain markets or conditions or that any effort to do so will be successful.

*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 risk, 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. This may occur even if the value of the investment in the currency's home country has not declined.

*Debt Securities Risk.* The market value of a debt security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The debt securities market can be susceptible to increases in volatility and decreases in liquidity. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates), which are at or near historic lows in the United States and in other countries. Other market developments can adversely affect debt securities markets. Regulations and business practices, for example, have led some financial intermediaries to curtail their capacity to engage in trading (i.e. "market making") activities for certain debt securities, which could have the potential to decrease liquidity and increase volatility in the debt securities markets. During periods of reduced market liquidity, the Portfolio may not be able to readily sell debt securities at prices at or near their perceived value. If the Portfolio needed to sell large blocks of debt securities to meet shareholder redemption requests or to raise cash, those sales could further reduce the prices of such securities.

Prices of bonds and other debt securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect debt securities and, accordingly, will cause the value of the Portfolio's investments in these securities to decline. As interest rates are at or near historic lows in the United States and other countries, this risk may be heightened. When interest rates fall, the values of already-issued securities

generally rise, although investments in new securities may be at lower yields. Longer-term securities may be more sensitive to interest rate changes. The prices of high-yield debt securities ("junk bonds"), unlike investment grade securities, may fluctuate unpredictably and not necessarily inversely with changes in interest rates. The rates on floating debt instruments adjust periodically with changes in market interest rates. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate loans and other floating rate securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates. Economic and other developments can adversely affect debt securities markets.

*Focused Investing Risk.* Although the Portfolio is a diversified investment company under the Investment Company Act of 1940, the Portfolio's investments will normally be more focused than its peers and may emphasize investments in some issuers, industries, sectors or geographic regions more than others. To the extent that the Portfolio increases the relative emphasis of its investments in a particular issuer, industry, sector or geographic region, its share values may fluctuate in response to events affecting such issuer, industry, sector or geographic region.

*Foreign Securities and Emerging Markets 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 and as a result, the securities markets of emerging market countries can be more volatile than more developed markets may be.

*High-Yield and Distressed Risk.* The Portfolio's investments in high-yield debt securities (commonly known as "junk bonds") 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. The prices of high yield securities can fall in response to negative news about the issuer or its industry, or the economy in general to a greater extent than those of higher rated securities.

Issuers of high-yield securities are not as strong financially as those with higher credit ratings, so the securities are usually

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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. The Portfolio may also invest in distressed securities, which the Adviser considers to be issued by companies that are, or might be, involved in reorganizations or financial restructurings, either out of court or in bankruptcy. The Portfolio's investments in distressed securities typically may involve the purchase of high-yield bonds, bank debt or other indebtedness of such companies.

*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 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. 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 its 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.

*Liquidity Risk.* Liquidity risk exists when particular investments are difficult to sell. The Portfolio may not be able to sell these investments at the best prices or at the value the Portfolio places on them. In such a market, the value of such investments and the Portfolio's share price may fall dramatically, even during periods of declining interest rates. Investments that are illiquid or that trade in lower volumes may be more difficult to value. The market for high-yield debt securities ("junk bonds") may be less liquid and therefore these securities may be harder to value or sell at an acceptable price, especially during times of market volatility or decline. Investments in foreign securities tend to have greater exposure to liquidity risk than U.S. securities.

Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Investments in private debt instruments, restricted securities, and securities having substantial market and/or credit risk may involve greater liquidity risk. An unexpected increase in Portfolio redemption requests, including requests from participating insurance companies who may own a significant percentage of the Portfolio's shares, which may be triggered by, among other things, market turmoil or an increase in interest rates, could cause the Portfolio to sell its holdings at a loss or at undesirable prices and adversely affect the Portfolio's share price and increase the Portfolio's liquidity risk and/or Portfolio expenses.

*Market Risk.* Prices of securities have historically fluctuated. The market value of a security may decline due to general market conditions that are not related to the particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. A security's market value also may decline because of factors that affect the particular company, such as management performance, financial leverage, and reduced demand for the company's products or services, or factors that affect the company's industry, such as labor shortages or increased production costs and competitive conditions within an industry. The value of the Portfolio will similarly fluctuate and you could lose money.

*Real Estate Risk.* In addition to general market conditions, the value of the Portfolio will be affected by the strength of the real estate markets.

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Factors that could affect the value of the Portfolios' holdings include the following:

- overbuilding and increased competition;
- increases in property taxes and operating expenses;
- declines in the value of real estate;
- lack of availability of equity and debt financing to refinance maturing debt;
- vacancies due to economic conditions and tenant bankruptcies;
- losses due to costs resulting from environmental contamination and its related clean-up;
- changes in interest rates impacting property values borrowing costs, and real estate security prices;
- changes in zoning laws;
- casualty or condemnation losses;
- variations in rental income;
- changes in neighborhood values; and
- functional obsolescence and appeal of properties to tenants.

*Small and Mid-Cap Risk.* The Portfolio may invest from time to time in smaller and mid-size companies whose securities tend to be more volatile and less liquid than those of 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.* Value securities involve the risk that they may never reach their expected full market value, either because the market fails to recognize the securities' intrinsic value or the expected value was misgauged. The Adviser may identify 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 significant 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 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.

# MANAGEMENT

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## The Investment Adviser and Distributor

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 oversight of the Board of Trustees of Third Avenue Variable Series Trust (the "Trust"). The Adviser provides investment advisory services to 4 other open-end U.S. mutual funds with assets of approximately \$3.4 billion as of March 31, 2018. One of these open-end U.S. mutual funds is currently in liquidation and has assets of approximately \$29 million as of March 31, 2018. The Adviser or its predecessor has been an investment adviser for mutual funds since its organization in 1986. Foreside Fund Services, LLC (the "Distributor"), serves as the distributor of the Portfolio. The Distributor is not affiliated with the Adviser or Affiliated Managers Group Inc., which owns an equity interest in the Adviser. The Distributor receives no compensation from the Portfolio, although the Adviser pays the Distributor a fee for certain distribution-related services.

## Advisory Fees

The Portfolio paid the Adviser a fee equal to 0.90% of its average daily net assets (effective rate of 0.78% after fee deferral) for the fiscal year ended December 31, 2017. The Portfolio's Semi-Annual Report to Shareholders for the period ended June 30, 2017 contains a discussion of the basis of the Board of Trustees' determination to continue the investment advisory arrangement.

The Adviser has contractually agreed, in the Expense Limitation Agreement, 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 Net Annual Portfolio Operating Expenses (exclusive of taxes, interest, brokerage commissions, acquired fund fees and expenses, and extraordinary items) to 1.30% of average daily net assets subject to later reimbursement in certain circumstances. In general, for a period of up to 36 months from the time of any deferral, reimbursement, or payment pursuant to the above-described contractual expense limitations, the Adviser may recover from the Portfolio fees deferred and expenses paid to the extent that such repayment would not cause the Net Annual Portfolio Operating Expenses to exceed the contractual expense limitation amounts set forth above, but any repayment will not include interest. The Adviser's recovery is limited to the lesser of the expense limitation at the time of the waiver and the time of recapture. The Expense Limitation Agreement can only be amended by agreement of the Adviser and the Independent Trustees to lower Net Annual Portfolio Operating 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.

## 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. The Portfolio is managed co-portfolio managers. The portfolio managers work collaboratively in developing investment strategies and selecting securities. The portfolio managers are supported by Third Avenue's full complement of securities analysts.

### Matthew Fine, CFA

Mr. Fine is a Co-Portfolio Manager of the Third Avenue Value Fund. Mr. Fine also serves as a member of Third Avenue's Management Committee.

Mr. Fine joined Third Avenue in 2000 and began working with Third Avenue's international team in an effort to identify investment opportunities in the wake of the Argentine crisis of 2001. Mr. Fine has extensive global investment experience across developed and developing markets throughout North America, Latin America, Europe and Asia.

Mr. Fine joined Third Avenue's research and portfolio management team as a research associate, the first position typically held by Third Avenue's internally developed talent. He became a senior research analyst in 2008, a principal of the firm in 2009 and lead portfolio manager of the Third Avenue International Value Fund in 2014.

Mr. Fine holds a B.A. in Economics from Hamilton College. He is a CFA Charterholder, a member of the New York Society of Security Analysts and a member of the Board of Trustees of Suffield Academy.

### Michael Fineman, CFA, Certified Financial Planner®

Mr. Fineman is a Portfolio Manager of the Third Avenue Value Fund. Prior to rejoining Third Avenue in 2017, Mr. Fineman spent eight years with Third Avenue as an analyst and Portfolio Manager of the Third Avenue Special Situations Fund, L.P. until his departure March 2014. The Special Situations Fund was a private fund focused on equity and credit investment opportunities across the globe.

Mr. Fineman has approximately 29 years of experience investing in equity and debt securities both public and private. Prior to his return to Third Avenue, he was a founding partner of Warren Hall Capital, a private equity and direct lending platform. Prior to initially joining Third Avenue in 2006, Mr. Fineman was a distressed equity and credit analyst for Sanno Point Capital Management. He had previously worked in the Investment Banking and Restructuring Advisory Services division of Ernst & Young (since acquired by Macquarie Group) where he led corporate restructurings and reorganizations for debtors and creditors. He has ten years' experience as a sell side research analyst for Goldman Sachs, Alex Brown and Raymond James.

Mr. Fineman has participated on many ad-hoc creditors' committees, including LandSource Communities, U.S. Shipping, Grant Forest Products, Building Materials Holding Corporation, Home Products International, and Collins and Aikman.

Mr. Fineman has an M.B.A. from Columbia Business School and a B.S. in Business Administration with honors from the University of Delaware. He is a CFA Charterholder, a Certified Financial Planner professional, a member of the New York Society of Security Analysts and holds a certification in Distressed Business Valuation.

#### LEGAL PROCEEDINGS

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The Adviser, the Third Avenue Trust (an open-end management investment company advised by the Adviser) and various officers and Trustees of the Trust and the Adviser were named defendants in certain lawsuits brought in the United States District Court for the Southern District of New York and the Court of Chancery of the State of Delaware. Each of these actions involved allegations of damages to shareholders of the Third Avenue Focused Credit Fund relating to the suspension of redemptions in that fund. These litigations have now been fully and finally settled with releases for all the defendants. However, the Third Avenue Trust and the Adviser are subject to regulatory investigations concerning the Focused Credit Fund initiated by the Securities and Exchange Commission (the "SEC") and the Massachusetts Secretary of the Commonwealth, Securities Division. As of the date of this prospectus, the outcome or consequences of these pending investigations cannot be estimated.

# 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 Accounts of Participating Insurance Companies taxed as domestic insurance companies for U.S. federal income tax purposes to fund the benefits of 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 ("NAV") per share. The NAV is calculated on each day that the New York Stock Exchange ("NYSE") is scheduled to be open, as of the scheduled close of regular trading, normally 4:00 p.m., Eastern Time. The Portfolio will not treat any intraday unscheduled disruption in NYSE trading as a closure of the NYSE and will price its shares as of 4:00 p.m. 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. For a transaction to be considered in "good order", all required information must be provided, required authorized signatures must be included and payment must be in a form acceptable as per the prospectus of the relevant Account. Your order will be deemed to be received before the close of trading if the order was received before that time by the Participating Insurance Company.

The Portfolio's investments are generally valued at market value, using market prices if available. Certain short-term securities with maturities of 60 days or less may be 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 and 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. The Portfolio's procedures call for the Board's Fair Value Committee to make a determination of fair value based on their judgement of relevant information and analysis of the asset(s) within the methodology approved by the Board of Trustees or between Board meetings, by designated independent Trustees. Details of fair valuation methodologies and determinations for all fair valued positions are provided under the approved methodology of the Adviser and are reviewed by the Trustees of the Trust on a quarterly basis.

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 service provider that, under certain circumstances selected by the Portfolio, applies a statistical model to provide fair value pricing for equity securities whose principal markets 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 NAV. 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.

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## Redemption of Shares

Shares of the Portfolio generally may be redeemed by the Accounts of the Participating Insurance Companies on any day during which the NYSE is open. Individuals may not place sell orders directly with the Portfolio. Portfolio shares will be redeemed at the NAV next calculated after the redemption order, in proper form, is received in good order by the Participating Insurance Companies. The Participating Insurance Company is responsible for properly transmitting redemption orders. Contract owners should consult the prospectus of the relevant Account of the Participating Insurance Company for more information about selling Portfolio shares.

## Payment of Redemption Proceeds

The Portfolio will usually make payment for redemptions of shares to the Accounts of the participating insurance companies within one business day, but not later than seven calendar days, after receipt of a redemption request.

Under normal circumstances, the Portfolio expects to meet redemption requests by using cash it holds in its portfolio or selling portfolio securities to generate cash. The Portfolio also reserves the right to pay redemption proceeds in securities rather than cash (i.e., "redeem in kind"), to the extent the composition of the Portfolio's investment portfolio enables it to do so, if the amount redeemed is large enough to affect Portfolio operations (for example, if it exceeds 1% of the Portfolio's assets) or the redemption request is during stressed market conditions. Securities distributed in connection with any such redemption in-kind are expected to generally represent your pro rata portion of assets held by the Portfolio immediately prior to the redemption, with adjustments as may be necessary in connection with, for example, certain derivatives, restricted securities, odd lots or fractional shares. Any securities distributed in-kind will remain exposed to market risk until sold, and you may incur transaction costs and taxable gain when selling the securities.

## 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 procedures of the Portfolio require that the Adviser monitor 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 quarterly 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 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 gains) and to distribute any realized net capital gains 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 gains represent the excess of net long-term capital gains over net short-term capital losses.

# 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 investment company taxable income and net capital gains at least annually.

The Participating Insurance Company that issued the Contract (and not the holder of the 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 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 Contract until the holder takes a distribution from the 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 Participating Insurance Companies in support of Contracts (certain other permitted investors, such as qualified pension funds, may also own Portfolio shares) and that the Portfolio maintain 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 Account prospectus for specific information regarding the U.S. federal income tax consequences of buying and holding a Contract and of investing in the Portfolio through an 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 Participating 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 Contract. Legislative, judicial or administrative action may change the tax rules that apply to the Portfolio, its Participating Insurance Company shareholders and/or the Contract holders. Any such change may be retroactive. You should consult your tax advisor concerning the tax consequences of the purchase of a 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 LLP, an independent registered public accounting firm, whose unqualified report on the December 31, 2017 financial statements appear in the Portfolio's 2017 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,				
	2017	2016	2015	2014	2013
Net asset value, beginning of year	\$ 16.41	\$ 14.74	\$ 16.80	\$ 16.56	\$ 14.41
Income/(loss) from investment operations:					
Net investment income <sup>@</sup>	0.07*	0.15*	0.08	0.41 <sup>+</sup>	0.11
Net gain/(loss) on investment transactions (both realized and unrealized)	2.15	1.65	(1.58)	0.34	2.58
Total from investment operations	2.22	1.80	(1.50)	0.75	2.69
Less dividends and distributions to shareholders:					
Dividends from net investment income	(0.15)	(0.13)	(0.56)	(0.51)	(0.54)
Total dividends and distributions	(0.15)	(0.13)	(0.56)	(0.51)	(0.54)
Net asset value, end of year	\$ 18.48	\$ 16.41	\$ 14.74	\$ 16.80	\$ 16.56
Total return <sup>1</sup>	13.59%	12.22%	(8.89%)	4.38%	18.97%
Ratios/Supplemental Data:					
Net assets, end of year (in thousands)	\$ 87,029	\$ 88,670	\$ 95,309	\$ 138,432	\$ 147,003
Ratio of expenses to average net assets					
Before fee waivers/expense offset arrangement/recovery	1.42%	1.41%	1.23%	1.19%	1.20%
After fee waivers/expense offset arrangement/recovery <sup>2</sup>	1.30% <sup>#</sup>	1.30% <sup>#</sup>	1.22%	1.18%	1.19%
Ratio of net investment income to average net assets	0.38%*	0.99% <sup>+</sup>	0.49%	2.45% <sup>+</sup>	0.69%*
Portfolio turnover rate	28%	24%	22%	39%	23%

<sup>1</sup> Performance figures may reflect fee waivers, expense offset arrangement and/or recovery of previously waived fees. Past performance is no guarantee of future results. Total return would have been lower in certain periods if the Adviser had not waived certain fees. Conversely, total return would have been higher in certain periods if the Adviser had not recovered previously waived fees. Total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period and redemption on the last day of the period and is not annualized. Total return does not reflect charges pursuant to the terms of insurance contracts funded by separate accounts that invest in the Portfolio's shares.

<sup>2</sup> As a result of an expense limitation, the ratio of expenses (exclusive of taxes, interest, brokerage commissions, acquired fund fees and expenses, and extraordinary items) to average net assets will not exceed 1.30%.

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

\* Investment income per share reflects a special dividend received during the period which amounted to \$0.04 per share. Excluding the special dividend, the ratio of net investment income to average net assets would have been 0.12%.

<sup>+</sup> Investment income per share reflects a special dividend received during the period which amounted to \$0.06 per share. Excluding the special dividend, the ratio of net investment income to average net assets would have been 0.58%.

<sup>±</sup> Investment income per share reflects special dividends received during the period which amounted to \$0.11 per share. Excluding the special dividends, the ratio of net investment income to average net assets would have been 1.79%.

<sup>#</sup> The Adviser waived a portion of its fees.

**Third Avenue Funds**

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**Investment Adviser**

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

**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 SEC, and is incorporated by reference (is legally considered part of this Prospectus).

You can obtain the Portfolio's SAI and Shareholder Reports 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.

The Portfolio's Prospectus and SAI are available on the Portfolio's website at [www.thirdave.com](http://www.thirdave.com). Although the Portfolio's Annual and Semi-Annual Reports 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 also 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 [public-info@sec.gov](mailto:public-info@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 811-09395.