AEGIS Value Fund

Portfolio Manager's Letter
Second Half Ended December 31, 2018

January 15, 2019

Table 1: Performance of the Aegis Value Fund as of December 31, 2018

		Annualized					
	Six Month	One Year	Three Year	Five Year	Ten Year	Since I Share Inception*	Since A Share Inception*
Aegis Value Fund Cl. I	-20.81%	-16.98%	18.49%	-1.29%	14.20%	8.82%	NA
Aegis Value Fund Cl. A at NAV	-20.88%	-17.20%	18.24%	NA	NA	NA	-1.55%
Aegis Value Fund Cl. A-W/Load	-23.86%	-20.30%	16.73%	NA	NA	NA	-2.33%
Russell 2000 Value Index	-17.36%	-12.86%	7.37%	3.61%	10.40%	7.25%	3.77%

* *Aegis Value Fund Class I (AVALX) and A (AVFAX) Inception were 5/15/98 and 2/26/14, respectively.*

Performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. The investment return and principal value will fluctuate so that upon redemption, an investor's shares may be worth more or less than their original cost. For performance data current to the most recent month end, please call us at 800-528-3780 or visit our website at www.aegisfunds.com. Performance data for the Class A shares with load reflects the maximum sales charge of 3.75%. Additionally, performance for the Class A Shares without load is shown at NAV, and does not reflect the maximum sales charge. If reflected, total return would be reduced. The Fund's Class I (AVALX) and Class A (AVFAX) shares have an annualized gross expense ratios of 1.49% and 1.49%, respectively. The Fund's Class I and Class A net annualized expense ratio, after fee waiver and/or expense reimbursement and management fee recoupment, is 1.50%, and 1.75%, respectively. Under the waiver, the Advisor has contractually agreed to limit certain fees and/or reimburse certain of the Fund's expenses through 4/30/2019.

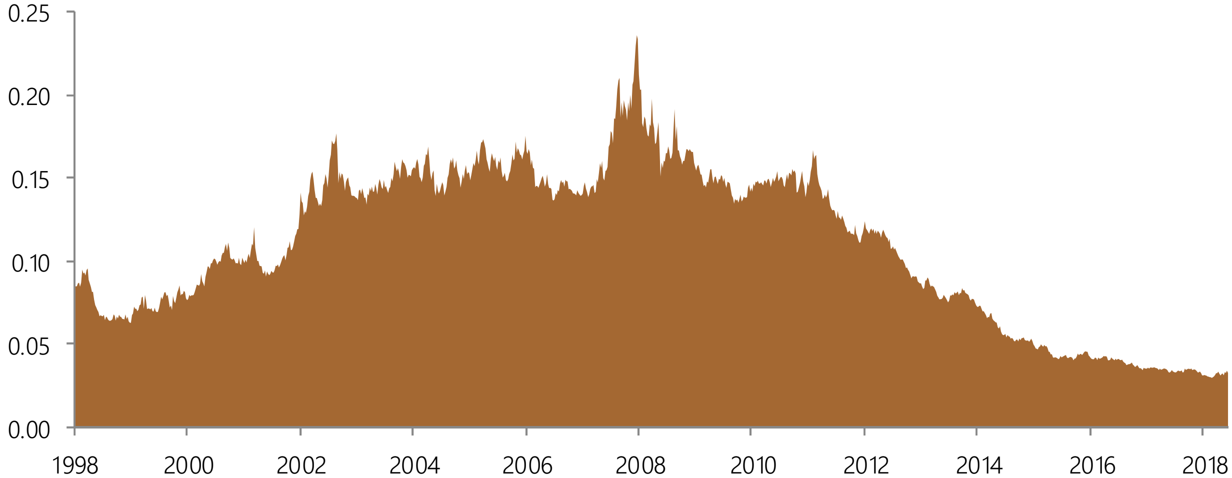
The Aegis Value Fund dropped by 20.81 percent over the turbulent second half of 2018 to close the year with a decline of 16.98 percent. As seen in Table 1, the Fund underperformed its primary benchmark, the Russell 2000 Value Index, which dropped by 12.86 percent in 2018. Fortunately, the Fund has experienced a significant recovery in the opening days of the new year, cutting 2018 losses by about half.

Overall, large-cap stocks outperformed in 2018, with the S&P 500 delivering a relatively modest decline of 4.4 percent after a sudden year-end reversal took the index down nearly 20 percent from its highs. Small-cap stocks were also battered, particularly toward year-end, with the Russell 2000 plunging 20.2 percent in the fourth quarter, leaving the index down 11.0 percent for the year.

The Federal Reserve capped off a tumultuous final quarter of 2018 with another interest rate hike despite plunging share prices, tightening credit markets, and increasing investor apprehension over the economy. As the Fed hiked rates and continued drawing down reserves through quantitative tightening, market participants increasingly worried about potential damage to the economy from Fed policy over-tightening. These concerns only compounded a market already beset with anxieties over antagonistic political discourse and rising global trade tensions. Following the latest Fed rate hike a week before Christmas just as trading liquidity was drying up and traders were headed home for the holidays, markets lost their footing and prices plunged The drop resulted in the worst December for equities since 1931, even despite subsequent Fed efforts at year-end to signal a more dovish stance.

2018 was a difficult year for just about all asset classes. Active, fundamentally-driven value investors focused on small-caps fared particularly poorly. Within the small-cap value mutual fund universe, underperformance of the Russell 2000 Value Index was pervasive, with small-cap value funds tracked by Morningstar underperforming the Russell 2000 Value Index by an unusually high average of 2.6 percent. Small-caps ended the year in a bear market with many equities, particularly those in the heavily-hit materials sector, increasingly priced for the onset of a serious recession. There is little doubt that the economic data has been showing a few signs of a slowdown, with clear weakness in interest rate sensitive areas like home construction and new auto purchases. Yet consumer sentiment remains near 50-year highs and unemployment is at the lowest on record since 1969, resulting in an economic picture that is somewhat difficult to discern at this point. Despite the hazy outlook, it is clear that the economy is not presently in the deep recession many stocks appear to already discount. And while equity markets have corrected materially lower, it bears remembering that historically, stock declines, even large ones, are an unreliable predictor of future recessions. In a recent study by Ben Carlson at Ritholtz Wealth Management of the 47 S&P 500 market declines with a magnitude of greater than 10 percent since 1929, in 31 cases, nearly two-thirds of the time, the declines neither preceded nor occurred concurrently with a recession.

Figure 2: Bloomberg Commodity Index (Total Return) / S&P 500 Index (Total Return)



Source: Bloomberg (Data from 07/17/1998 to 12/28/2018)

Commodity markets in particular have been signaling recession, with many commodities recently registering 20-40 percent price declines. While systemic declines of this magnitude support the case that economic fundamentals in China and elsewhere in the world could be rapidly deteriorating, it is also possible that other more technical factors may be at play. Goldman Sachs recently suggested that the heightened volatility seen in commodities could instead be attributable to changing commodity investor dynamics wherein many fundamental commodity investors have closed shop in recent years, resulting in the increased potential for outsized short-term market impacts by the remaining non-fundamental quantitative and momentum-focused investors. In particular, Goldman concluded recent commodities price declines were at risk of having significantly overshot economic fundamentals. Our conclusion is that a material rebound in commodities is quite a strong possibility. As seen in Figure 2, the Bloomberg Commodity Index is today at multi-decade lows when compared against the S&P 500. Should today's recessionary fears prove unfounded and commodities revert higher, the impact on commodities-driven equities could be significant. Given the unusual valuation disparities to the broad market, the Fund ended the year heavily positioned in commodities-related equities, including oil & gas, precious metals, industrial metals, and lumber.

During the first three quarters of 2018, high market valuations limited the Fund's universe of worthy prospects, particularly outside of the precious and industrial metals and mining market segments where we had already allocated significant capital. As a result, our purchase levels did not meet the unusually high levels of position sales we were executing, and cash levels climbed to multi-year highs at the Fund as a result. On average, during the first nine months of the year, the Fund held approximately 22 percent of its assets in cash and Treasuries.

These cash levels grew materially in October as the Fund exited a significant majority of its position in Pyxus International (PYX – formerly Alliance One International). Shares in the highly levered tobacco/agriculture company soared in late September as the market embraced the company's recent repositioning efforts into cannabis amid an intense surge of investor excitement over Canada's pending legalization of the plant for recreational use. With the price of Pyxus shares nearly doubling in October alone, the company looked fully priced. Furthermore, we became concerned over the potential impact on Pyxus from Florence, a severe hurricane that had recently entered the Carolinas and devastated a portion of the US tobacco crop. Given the potential damage to the crop, and the company's full valuation, we thought it prudent to reduce the Fund's 11 percent exposure to Pyxus. Our fears soon proved correct and shares plunged following the early November revelation that the company would face $25 million of earnings impact from the hurricane. Our timely October sales of Pyxus stock made the position by far the largest positive contributor to Fund returns in 2018, with a sizable impact of 11.2 percentage points. Despite the dramatic rise to an intraday high above $50 in early October, Pyxus stock sold-off sharply in the fourth quarter and closed the year at just $11.86, down 10.5 percent on the year. We used the weakness as an opportunity to once again re-enter the stock, mildly building on the small position that remained after the October sales. As of year-end, the Fund held a 2.0 percent position in Pyxus.

Following the sale of Pyxus, the Fund's largest sale in 2018, cash and short-term Treasury investments in the Fund had climbed to a relatively hefty 27 percent of Fund assets. Fortunately, we didn't have to wait long for opportunities to invest cash as equity markets began to correct shortly thereafter with bouts of indiscriminate selling impacting many securities, particularly small-caps. The energy sector was especially ravaged in the fourth quarter of 2018 as NYMEX Light Sweet Crude Oil took a painful 38 percent nose dive as oversupply worries were reignited in tandem with fears of a recession-driven demand decline. As the price of oil plunged, bids for energy sector stocks dried up amid surging redemptions and panicked selling as the end of the year approached. By the conclusion of 2018, the Russell 2000 Value

Index Energy Sector had tallied up a massive 37.3 percent annual drop. Canada's oil sector was particularly devastated, as a lack of pipeline capacity, driven by an overly restrictive federal pipeline construction policy, raised oil transportation costs dramatically, compounding the impacts of low energy prices. The S&P/TSX Capped Energy Total Return Index of Canadian energy companies lost 28 percent in the fourth quarter alone amid capital flight described by former Chairman of Canadian Energy boutique investment bank GMP FirstEnergy, Jim Davidson, as the "worst that I've ever seen."

After starting the year with an 8.5 percent exposure to the energy sector, the Fund took the opportunity to sell its primary energy exploration and production ("E&P") holding, Permian Basin-focused WPX Energy (WPX), amid strong oil prices in mid-year, recognizing a significant gain. Following the sale, the Fund gradually reallocated capital into several new energy positions believed to offer enhanced risk/reward prospects. Specifically the Fund bought a position in Canadian oilfield frac-sand provider Source Energy (SHLE.TO), and added materially to this position towards year-end as shares plunged amid market worries about frac-sand demand prospects in Canada and forced margin selling by a large shareholder. The Fund also purchased Canadian oil service equipment provider Strad Energy (SDY.TO), a rapidly growing provider of rental mats used for environmental ground preservation in pipe and power-line construction and maintenance as well as oil drilling applications.

In the fourth quarter, the Fund also built positions in Colorado-based E&P company Highpoint Resources (HPR), and Eagle Ford, Texas-focused Sundance Energy (SNDE). Together, these four new energy-related equities represented four of our top five purchases in 2018. In each case, at the time of purchase, the stocks were trading at levels we judged cheap relative to the company's intrinsic value following our analysis of the company's book value and projected cash flow estimates. Furthermore, these companies had established a variety of long-term contracts that were in place that partially insulated them from near-term margin pressure on account of oil's decline. Despite the low valuations that existed at the time of initial purchase, as the year drew to a close and oil prices plunged, each of these companies had difficulty attracting bids in the market amid increasing energy investor panic. In the fallout, share prices fell to levels well in excess of those we considered to be fundamentally justified. The Fund took advantage of what we concluded was quite an attractive deep value investment opportunity in the energy space, even after making allowance for lower oil prices, adding meaningfully to our existing positions. In some cases, company managements appeared to agree with us as Source and Strad repurchased stock and insider buying accelerated at Highpoint and Sundance as the rout deepened.

While prospects for significant appreciation on these energy investments appear to be strong, Fund performance in 2018 suffered from unrecognized losses on several tranches of earlier purchases made prior to the year-end sell-off. Declines on these four positions negatively impacted 2018 returns by an estimated six percentage points. While getting through periods of market volatility and illiquidity is never fun, we are pleased to have opportunistically accumulated a solid energy allocation comprising 17.7 percent of Fund assets at year-end. The Fund's concentration in this beaten-up area is more than three times the energy weight of the Russell 2000 Value Index, positioning the Fund nicely for potentially strong relative future returns. These returns could be particularly strong given that stocks appeared priced at year-end for much lower oil prices. Should oil prices stabilize or even experience a recovery to levels set earlier in the year, a strong possibility, it would be icing on the cake. While oil prices are always difficult to project, we remain constructive on the prospect for oil price recovery, as long-term secular demand growth trends are likely to continue amid renewed OPEC supply restraint and slowing non-OPEC conventional long-lead supply additions.

The Fund also made investment in lumber and housing in recent months. We have been watching housing and observing developments in the North American lumber business for some time while monitoring our holdings in Resolute Forest Products (RFP), an integrated lumber, pulp and paper producer. The underlying dynamics of the housing and lumber businesses look quite interesting to us, as the supply of new homes delivered in the US has been well below historical trend since the housing downturn in 2008. While supply appears tight, the outlook for growing housing demand is also promising as the demographic bubble of echo-boomer millennials begins to get married and start families. In fact, Raymond James recently highlighted that 2018 has been tracking to deliver 1.5 million new households, the highest rate of new household formation in the last 14 years. Increasing home demand should be supportive to North American lumber prices, particularly as the pine beetle has significantly damaged the logging forests in western Canada, which has traditionally supplied a material portion of North America's lumber.

Unfortunately, we mistimed our first 2018 foray into the lumber sector. In particular, we took a 3.0 percent position in Conifex Timber (CFF.TO) in June of 2018 just as the company was expanding its presence in the Southeast, buying two lumber mills from private equity firm Blue Wolf Partners in a $200 million cash and equity deal. The acquisition expanded Conifex further into the Southeast US, a lumber region close to strong homebuilding markets where sawmills enjoy excellent long-term, low-cost log supply dynamics. While we were mindful of the leverage burden incurred by the company to make the acquisition, we were impressed with Ken Shields, Conifex's CEO, who we surmised was a hands-on, detail oriented executive who would successfully integrate the acquisition and realize additional synergies by debottlenecking and improving utilization at the new sawmills. At the time of purchase, lumber prices had climbed from roughly $300 per thousand board-feet at the beginning of 2017 to $550 as North American new home-starts surged amid Canadian supply disruptions caused by transportation-related logistical difficulties. While we understood lumber prices were highly likely to drop back to lower levels, we underwrote our investment with the assumption that lumber would remain around $450, driving strong free cash-flow yields to the equity, and enabling the company to rapidly pay down debt. Given that lumber producers in western Canada typically have cash breakeven levels estimated to be in the high $300s, we thought these assumptions were reasonable.

Unfortunately, lumber prices began to break down almost immediately after our purchase, as Canadian logistical supply bottlenecks were resolved just as the U.S. housing construction demand hit a soft patch. We attributed the slowdown to bad weather in the Southeast, a region which comprises almost half of all new single-family housing starts, and perhaps more importantly to rising mortgage rates spurred on by Fed tightening. Lumber's price decline quickly turned into a rout as lumber yards stopped ordering new supply and instead focused on lowering supply chain inventories of rapidly depreciating lumber. By year-end, lumber prices in western Canada had plummeted to $326/thousand board feet, well beneath the cash production cost of local sawmills. As expected, lumber stocks declined with Conifex falling particularly sharply, a victim of its material debt load. Nevertheless, after visiting Conifex facilities in October, and believing our long term thesis remained intact, we took advantage of the significant drop in Conifex shares to add to our position. While mindful of the risks related to the debt Conifex carried, we concluded that debt levels were sustainable and that Conifex was operationally levered to any bounce-back in lumber pricing – a likely prospect given the consolidated nature of the lumber industry today and the willingness of large players to rationalize supply to balance the market. So far, an estimated two billion board feet of production has been curtailed in the fourth quarter, roughly three percent of total North American capacity.

Given the current depressed lumber market, we took advantage of distress in lumber stocks to acquire new stakes in Interfor (IFP) and Western Forest Products (WFP), two additional North American lumber businesses with valuable assets and low debt levels. Both companies were also trading at a deep discount to our assessment of intrinsic value. We judged each as certain to be survivors in the sawmill business with the current downturn potentially offering an opportunity to grow via acquisition at an attractive entry point. Interfor management in particular has built a stellar reputation of making acquisitions at optimal times in the cycle with its 2013-2015 entry into the Southeast. We also bought a stake in Taylor Morrison (TMHC), a US homebuilder with a strong presence in the Southeast. We bought the well-managed company at a low earnings multiple and a discount to book value as homebuilders were being thrown out of portfolios amid recession-related housing demand concerns. As has been the case with several of our energy holdings, these companies have also been taking advantage of the heavily discounted trading prices to execute material stock repurchase programs.

The Fund continues to maintain a significant allocation to precious metals mining companies, which impacted performance early in the year before gold stocks rallied significantly at year-end in tandem with gold prices as the Fed appeared to shift away from its previously hawkish stance. When all was said and done, metallic gold closed the year with a loss of just 1.56 percent, meaningfully outperforming broad markets. Unfortunately, the MVIS Global Junior Gold Miners Index significantly underperformed gold, falling 11.25 percent. At the onset of 2018, the Fund held 18 precious metals mining companies aggregating to approximately 22.8 percent of Fund assets. By year-end, the Fund held 12 precious metals mining companies, which comprised 23.22 percent of the Fund. Our holdings in this segment did have some bright spots, with Brio Gold, Aurico Metals, and Rye Patch Gold each being acquired during the year. Unfortunately, losses on Alio Gold (ALO.TO), Leagold (LEA.TO), Guyana Goldfields (GUY.TO) and Lydian International (LYD.TO) overwhelmed any Fund gains generated and as a result, the precious metals mining stocks, on aggregate, negatively impacted Fund performance by a disappointing 7.15 percentage points. While we believe Alio, Leagold and Guyana remain significantly undervalued and expect substantial recovery in these names, Lydian was sold at a loss after the government of Armenia appeared to engage itself in a process to disenfranchise the foreign owners of Lydian of their interest in the flagship Amulsar mine just prior to completion of construction. Losses on Lydian cost the Fund approximately 0.8 percentage points in 2018.

The Fund is currently well situated given its current positions in precious metals, several of which have appreciated nicely in the last few weeks as sentiment for gold improved. The Fund's precious metals mining positions were originally selected for purchase based primarily on their potential for attractive shareholder return given projected cash flows that typically presumed static gold pricing. However, should today's more dovish-sounding Fed fail to respond adequately to further dollar weakness or escalating inflationary pressure, a scenario that is far from remote, gold could move considerably higher and returns on the Fund's precious metals mining positions could be substantial.

Overall, 2018 proved to be quite a difficult year to be invested in small-cap stocks, particularly in the fourth quarter, when the Russell 2000 experienced one of the worst quarterly declines in its 40-year history. Within the Index, declines were also historically broad, with 89 percent of companies in the Index losing value over the quarter, exceeding even the disastrous 87 percent downside breadth shown in the fourth quarter of 2008. The average stock in the Russell 2000 Index was reportedly off of its 52 week high by an amazing 37.2 percent at year-end. As can be seen in Figure 3, the bear market in small-caps has resulted in an enhanced opportunity set of prospective watchlist candidates, with 342 issues with market caps greater than $70 million trading below book value at year-end, up significantly from the end of September.

It is important to remain mindful of the litany of risks that do exist today. Worldwide debt-to-GDP levels remain near all-time highs, potentially rendering the world economy fragile to systemic shocks and increasing the likelihood of destabilizing levels of inflation. Worrisome geopolitical risks also remain prevalent with increasing levels of authoritarianism, anti

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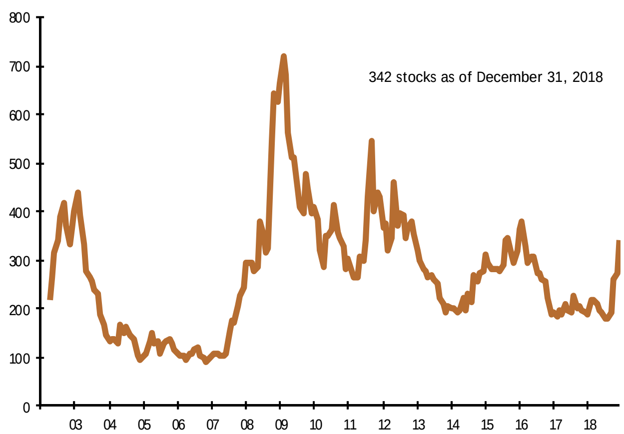
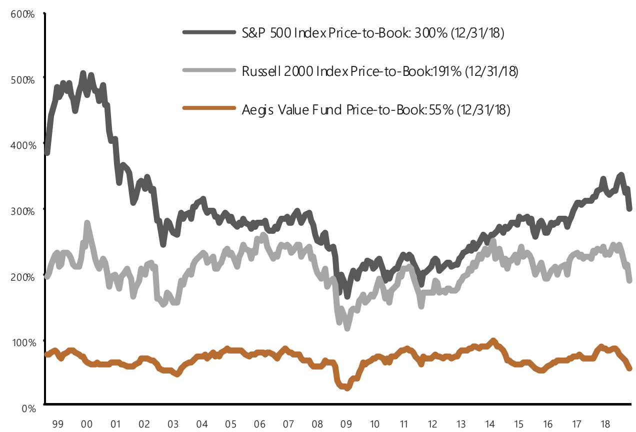
Figure 3: Number of Stocks Selling Below Tangible Book Value (Market Cap. Greater Than $70 Mil)



Source: U.S. public equity market statistics from Stock Investor Pro (Data from 4/30/2002 to 12/31/2018)

Figure 4: Aegis Value Fund, S&P 500 and Russell 2000 Index Historical Price-to-Book Ratio



Source: Aegis Financial Corp and Bloomberg (Data from 9/30/1998 to 12/31/2018)

-market populism and a variety of simmering trade conflicts threatening global economies. Additionally, the rapid growth of bank lending in China in recent years has heightened concerns of substantial mal-investment with increased apprehension that a future of destabilizing Chinese debt write-downs and currency depreciation may be in the cards. In Europe, worries over the potential impact from a Brexit impasse simmer while the European banking system remains fragile and the long-term fate of its multi-decade currency union appears far from certain.

However, following 2018's market declines, many small-cap stocks now trade at significantly more attractive valuations that we believe already discount a high degree of risk. According to Royal Bank of Canada (RBC), the Russell 2000 Index ended 2018 trading at a weighted median of just 15.4 times forward earnings, a substantial drop from 20.7 times in October of 2017. From these valuations, on average, double-digit market gains were historically seen over the next 12 months. As can be seen in Figure 4, the Aegis Value Fund portfolio, in particular, ended 2018 trading at just 55 percent of book value, a discount of more than two thirds on price-to-book when compared against the Russell 2000 and more than 80 percent against the S&P 500. While there are never guarantees, in the past when the Fund has traded this inexpensively relative to book, future returns have been quite robust. So far, in the first sixteen days of 2019, the Fund has gained approximately 11 percent, outperforming the broader market indices.

Overall, employees and their families continue to hold in excess of $26 million in the Fund. While it is not possible to predict short-term market performance with certainty, we believe the Fund holds a diligently-researched portfolio of beaten-down equities that are priced at levels that today represent great value. While there are clearly a variety of global risks that could impact our portfolio going forward, we are optimistic that many stocks are now priced for more difficult times given the significant market decline in the latter weeks of 2018. We believe it is quite a strong possibility that we experience excellent returns over the next several quarters should economic fears subside. We certainly continue to watch carefully over the portfolio for emerging risks. If you have any questions, our shareholder representatives are always available at (800) 528-3780. You are also welcome to call me personally at any time at (571) 250-0051.

Sincerely,

Scott L. Barbee

Scott L. Barbee
Portfolio Manager
Aegis Value Fund

Please see the following page for important information.

The Aegis Value Fund is offered by prospectus only. Investors should carefully consider the investment objectives, risks, charges and expenses of the fund. The Statutory and Summary Prospectuses contain this and other information about the Fund and should be read carefully before investing. To obtain a copy of the Fund's Prospectus please call 1- 800-528 -3780 or visit our website www.aegisfunds.com, where an on-line version is available.

Mutual fund investing involves risk. Principal loss is possible. Investments in foreign securities involve greater volatility and political, economic and currency risks and differences in accounting methods. Investments in smaller and mid-cap companies involve additional risks such as limited liquidity and greater volatility. Investment concentration in a particular sector involves risk of greater volatility and principal loss. Value stocks may fall out of favor with investors and underperform growth stocks during given periods.

The Fund's top ten holdings are Amerigo Resources Ltd., Fly Leasing Ltd., Dundee Precious Metals Inc., Delta Apparel Inc., Strad Energy Services Ltd., Leagold Mining Corp., Geodrill Ltd., Sundance Energy Services Ltd., Alaska Communications Systems Group Inc., and Mercer International Inc.. As of December 31, 2018, the stocks represent 7.3%, 5.6%, 5.5%, 4.7%, 4.5%, 4.2%, 4.1%, 4.0%, 3.9%, and 3.8%, of total Fund assets respectively. Fund holdings are subject to change and should not be considered a recommendation to buy or sell a security. Current and future portfolio holdings are subject to risk.

Price to Book: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. Book Value: A company's common stock equity as it appears on a balance sheet. S&P 500 Index: An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. Russell 2000 Value Index: measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. Russell 2000 Index: measures the performance of the small-cap segment of the U.S. equity universe and is constructed to provide a comprehensive and unbiased small-cap barometer. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Cash Flow: A revenue or expense stream that changes a cash account over a given period. Tangible Book Value: The net asset value of a company, calculated by total assets minus intangible assets (patents, goodwill) and liabilities. Free cash flow yield: an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. MVIS Global Junior Gold Miners Index: The modified market cap-weighted index tracks the performance of the most liquid junior companies in the global gold and silver mining industry. Basis Point (bps): One 100th of one percent. Market capitalization: The total dollar market value of a company's outstanding shares. Debt-to-GDP ratio: the ratio between a country's government debt and its gross domestic product (GDP). The S&P/TSX Capped Energy Total Return Index: An index imposing capped weights on the index constituents included in the S&P/TSX Composite that are classified in the GICS® energy sector. OPEC: The Organization of the Petroleum Exporting Countries. Bloomberg Commodity Total Return Index: is a broadly diversified commodity price index distributed by Bloomberg Indexes.

Diversification does not guarantee a profit or protect from loss in a declining market.

An investment cannot be made directly in an index.

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