AEGIS Value Fund

Portfolio Manager's Letter
First Half Ended June 30, 2021

July 29, 2021

Table 1: Performance of the Aegis Value Fund as of June 30, 2021

	Six Month	One Year (Annualized)	Three Year (Annualized)	Five Year (Annualized)	Ten Year (Annualized)	Since Inception 5/15/98 (Annualized)
Aegis Value Fund (AVALX)	34.73%	77.27%	16.76%	17.99%	11.07%	11.14%
S&P Sm. Cap 600 Pure Value Index ^	43.45%	103.52%	8.58%	12.19%	10.50%	N/A
S&P 500 Index	15.25%	40.79%	18.67%	17.65%	14.84%	8.05%
Morningstar Percentile Ranking *		30	5	6	22	
Funds in Small Value Category		413	401	398	364	

** Morningstar Percentile Ranking is based on total return. ^Available performance data for the S&P SmallCap 600 Pure Value Index prior to the December 16, 2005 inception date of this Index cannot be shown as display of pre-inception Index performance data is not permitted. 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. The Fund has an annualized gross expense ratio of 1.55% and a net annualized expense ratio, after fee waiver and/or expense reimbursement and management fee recoupment, of 1.50%. Under the waiver, the Advisor has contractually agreed to limit certain fees and/or reimburse certain of the Fund's expenses through 4/30/2022.*

Dear Aegis Investors:

We are pleased to report that the Aegis Value Fund delivered a 34.73 percent return in the first six months of 2021, continuing a solid trend of results that has seen the Fund generate returns of 77.27 percent over the past year. While first-half Fund results trailed the blistering 43.45 percent return of the Fund's primary benchmark, the S&P 600 Deep Value Index, the Fund significantly outperformed the broad-based S&P 500 Index, which gained 15.25 percent over the period. Over the last five years, the Fund has delivered annualized returns of 17.99 percent, significantly outperforming the 12.19 percent annualized returns of the S&P Small Cap 600 Pure Value Index. The Fund also beat out the broad-market, large-cap S&P 500 Index, which returned an annualized 17.65 percent. We are pleased to report that the Fund's five-year returns were strong enough to place the Fund in the top 6th percentile among Morningstar's universe of 398 small-cap value Funds.

Equities surged in the first half of 2021 as Covid vaccine campaigns gained traction world-wide, setting the stage for a surge in the economy as lockdowns lifted and businesses reopened. Supply conditions across multiple segments of the economy struggled to adjust to the supercharged consumer as extraordinary levels of government supplied fiscal and monetary stimulus continued to fuel demand, resulting in a significant surge in prices. Used car and truck prices rose 10.5 percent in the month of June alone, ending the last 12 months with used vehicle prices up a massive 45.2 percent. NYMEX Crude Oil prices climbed by 45 percent in the first 6 months of the year as levels of global travel began to recover and the OPEC global oil cartel continued to hold supply off the market. Home prices also soared, with the S&P Corelogic Case-Shiller US National Home Price Index turning-in a year-over-year 14.6 percent gain in April, purportedly its highest reading in more than 30 years. Overall, the Consumer Price Index registered a rise of 0.9 percent for the month and an unusual 5.4 percent year-over-year increase, reportedly its biggest year-over-year gain in 13 years.

Given the rapidly elevating inflationary pressures, precious metals prices remained uncharacteristically and surprisingly subdued in the first half, with gold prices actually dropping 6.8 percent. Precious metals mining equities significantly underperformed the metals, with the MVIS Junior Gold Miner's Index tumbling a painful 13.85 percent in the first half. However, despite the challenging headwinds, the Fund's precious metals mining positions performed reasonably well, significantly outpacing the MVIS Junior Gold Miner's Index. By mid-year, the Fund's precious metals mining company positions, comprising 33.2 percent of Fund assets at the start of the year, had negatively impacted Fund year-to-date returns by just 0.56 percentage points, as strong investment gains by West African mining concerns Orezone (ORE.TO) and Roxgold (ROXG.TO) helped to offset losses in the Fund's other precious metals mining positions.

Most negatively impacting Fund performance overall in the first half of 2021 was the decline in Fund holdings of Equinox Gold (EQX.TO), a mid-tier America's-based gold producer. Shares plunged 38 percent in the first six months of the year, detracting 1.83 percentage points from first half Fund returns as investors grew concerned over a continuing spate of labor issues at its flagship Los Filos mine. Located in the far-from-tranquil state of Guerrero in Mexico, the Los Filos mine has experienced two production halts over the last year as the company struggled to come to terms with various labor constituencies who are in likely violation of their contractual obligations to the company. Given the labor and community issues with Los Filos, where the company's aggressive expansion plans have been thrown into disarray, investors have also begun to question the ability of Equinox to successfully execute on a myriad of other aggressive expansion plans which are concurrently occurring at a number of their other properties, whether it be worries over problematic carbonaceous ore processing at their under construction Santa Luz mine in Brazil, concerns over permitting issues at their Castle Mountain expansion project in California, or anxieties over execution on their recently acquired, capital intense Greenstone mega-project in Canada.

While we were pleased that we liquidated some of our shares over the last year and fortunately lowered the Fund's exposure to the company, which at one point last year was one of the largest holdings in the Fund, we believe at this point the shares trade at a sufficiently large discount to our estimate of the net asset value to fully reflect the investment risks. Furthermore, Equinox trades cheaply relative to its mid-tier peers. We take solace in the fact that Equinox Chairman Ross Beatty, who leads the company, has built an extraordinarily strong historic track record in the mining business over the years and has been focusing the next chapter of his impressive career on growing Equinox. He and other members of management have been investing heavily in Equinox and these insiders have now built a sizable position in the company. At mid-year, Equinox shares represented 2.5 percent of Fund assets. We currently intend to hold our remaining shares pending recovery and were relieved when the most recent blockade of Los Filos was recently lifted without the company being forced to incur significant additional labor concessions.

Despite the poor performance of precious metals mining equities in the first half of the year, we currently maintain just under 25 percent of our holdings in a variety of precious metals mining investments and remain optimistic that these holdings are well-priced for strong future returns. While the investment case for each of our holdings typically rests on company specific attributes that we believe are sufficient to drive strong returns in the context of the current gold price, we believe the outlook for the gold price itself is in fact getting brighter.

The improved outlook for gold pricing hinges on the Federal Reserve, which despite the rapidly recovering economy, still continues to inject nearly $120 billion a month into the economy through purchases of Treasuries and mortgage-backed securities pending "substantial further progress" in the labor market. While it is true that there are approximately 9.5 million unemployed adults in the U.S. and that economic progress is needed on this score, the Fed appears to be ignoring the 9.2 million job openings that currently remain unfilled in the U.S. at the end of May. Astoundingly, despite the massive worker shortage in the economy, the Federal Reserve continues to stoke demand by monetizing Treasury debt with the purported goal of reducing unemployment, seemingly oblivious to the fact that the Federal Government is working in the opposite direction, issuing new debt to finance massive stimulus programs that provide benefits, often under the label of "Covid assistance," that discourage work and incentivize high levels unemployment.

While both equity and bond markets today trade at levels implying immense faith in both the Federal Reserve's narrative that "inflation is transitory" and the Fed's capability and inclination to act to keep inflation subdued, we suspect those who are now betting hard-earned capital for miniscule returns based on these presuppositions are likely to be disappointed. With more than $5 trillion in COVID-related Federal stimulus spending already authorized and in motion since 2020, and with President Biden pushing for congressional passage of another nearly $4 trillion of new spending through his "Build Back Better Plan" and his "American Families Plan," the Federal Government's fiscal condition has deteriorated markedly. The Federal debt has already ballooned to nearly $28 trillion and appears certain to continue to explode higher, particularly if interest rates start to increase, which would then require higher interest payments to service government debt. While some degree of tax increases now appears probable, we view it as highly unlikely that it will result in any increase in tax receipts that can even begin to make a dent in the nation's debt load. The fiscal math simply looks untenable. As the probability of substantial cuts in future government spending currently looks remote, substantial inflation through further debt monetization and dollar debasement appears to be by far the most likely future path. Yet the flexibility to engage in future monetary mischief without escalating inflationary consequence is clearly becoming more limited. In just the last 18 months from the start of 2020, the Federal Reserve, through its massive asset purchases, has already grown its balance sheet from 19.3 percent of Gross Domestic Product (GDP) to an outsized 36.6 percent of GDP, a high level from which historic global research has shown a rapid acceleration of inflation is far more probable. With the Fed continuing to pile up the monetary kindling for an inflationary flare-up, today several additional potential accelerants now appear to be emerging, including lack of labor availability, trade de-globalization, over-regulation and COVID supply constraints. While the timing of any inflationary flare-up is always uncertain and to some extent driven by emotion and economic sentiment, we believe that any significant bout of inflation could see gold prices surge, potentially sending our Fund's mining positions substantially higher.

While the Fund's precious metals holdings delivered a subdued performance in the first half, the Fund's paper and forest products investments, five companies comprising just under 20 percent of assets at the start of the year, together contributed an estimated 13.57 percentage points to Fund performance in the first half.

Most positively impacting Fund in the first half was Resolute Forest Products (RFP), a Canadian lumber and paper-products company. The Fund's Resolute position alone added 8.4 percentage points to first-half Fund performance. Entering 2021 as the Fund's third largest holding, at 7.2 percent of assets, Resolute shares soared 87 percent over the first six months to close at $12.20, at one point reaching a multi-year high above $17 in May.

Lumber companies like Resolute experienced an extraordinary first half of the year as lumber markets tightened significantly amid panic buying as homebuilders raced to ramp-up production to meet a surge of pent-up housing demand. Demand for new homes was spurred-on by low interest rates, while existing homeowners drained home-center channel inventories to execute home improvement products, adding decks, fences and other upgrades at a surprising clip. After climbing strongly in late 2020, lumber prices skyrocketed to all-time highs in the first half of 2021, with prices more than doubling during the first half of the year to levels more than four times the lows of 2020 before settling back later in the second quarter. Surprisingly, lumber finished the six months with prices down 18 percent. Yet, during the surge, North American sawmills generated extraordinarily strong cash flows, with Resolute recently announcing an unbelievable $3.34 per share in net earnings in just the second quarter of 2021 alone. While we took advantage of some of the froth in the market to lower our exposure to Resolute, we continue to be optimistic about the company and our other investments in the space. While lumber prices have come back down to earth as lumber consumers, hit with sticker shock, delayed projects, lumber prices have continued to remain well elevated from historic levels. With Resolute and other lumber producers now trading well off their highs of the year despite the cash that has poured onto their balance sheets, we think investors continue to undervalue these companies as well as underestimate the potential for lumber prices to be sustained at levels well-above those experienced historically. Low, government-suppressed mortgage rates and age demographics both remain highly favorable to housing construction, and are likely to continue to spur demand, while new lumber supply over the next few years appears quite constricted, particularly in Western Canada where the pine-beetle has damaged the log basket available for harvest.

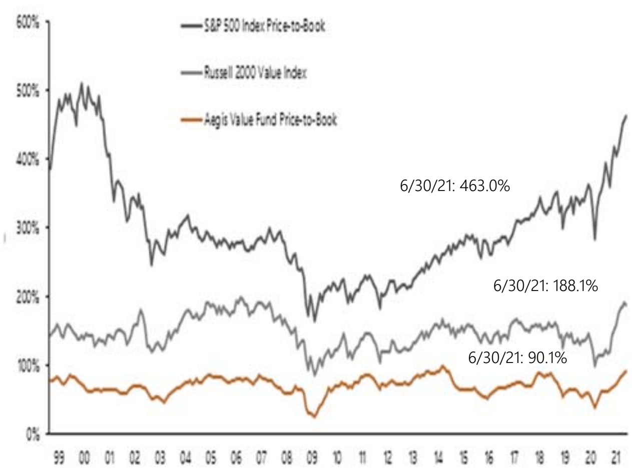
While Resolute shares comprised approximately 5.8 percent of Fund assets at mid-year, within the sector we took advantage of the recent weakness in the North American wood products space to also establish a new position in West Fraser Timber Company (WFG) and to increase our holdings in Interfor (IFP-TO). At the end of June, we continued to hold slightly above 20 percent of our Fund in paper & forest products sector investments, and we remain constructive on the investment opportunities these companies offer today.

Fund performance was also bolstered by strong gains from two of its top holdings. Kenmare Resources (KMR.L), a producer of ilmenite used as a feedstock for titanium dioxide (used in paints and in titanium metal), which saw its shares climb as investors digested the company's successful equipment move last year. Operations at Kenmare resumed effectively, providing adequate ilmenite supply to sell from the new Pilivili pit amid soaring ilmenite prices. The Fund's 6.84 percent investment in Kenmare shares at the start of the year positively impacted Fund performance by an estimated 3.15 percentage points. The Fund also benefited from its holding in Chilean copper producer Amerigo Resources (ARG.TO). Amerigo, bolstered by copper prices that remained consistently above $4.00, shrugged off concerns over political instability in Chile and also delivered strong Fund gains. The Amerigo position, which started the year as the Fund's largest, comprising 8.4 percent of Fund assets, positively impacted performance by an estimated 5.26 percentage points as Amerigo's shares climbed 51 percent in the first half. We believe both Kenmare and Amerigo offer excellent current cash flow yields tied to commodities with strong future macro outlooks. Additionally, in both cases, we think the cash flow generated should continue to substantially improve the balance sheets, accreting significant value to shareholders. In the case of Amerigo, where a year ago investors were concerned over the possibility that the company would miss payment of a crucial debt installment, high copper prices and strong operational performance have not only allowed the company to pay the installment, but also generated a large enough pile of cash to more than comfortably retire the debt entirely. Dividends and share repurchases are now currently under consideration.

Market conditions overall generally appear fully valued today, with a complete economic recovery from Covid more than discounted given the high market valuation multiples. According to Credit Suisse, for example, the S&P 500 currently trades at 21.2 times estimates of forward earnings, with these forward earnings projected to grow by an extraordinary 23.8 percent over the previous year. Signs of froth have clearly appeared, with increasing market speculation and Robinhood-like gamification of the markets as witnessed in recent months in activity around stocks like Tesla, Gamestop and AMC Theaters as well as in crypto currencies more broadly.

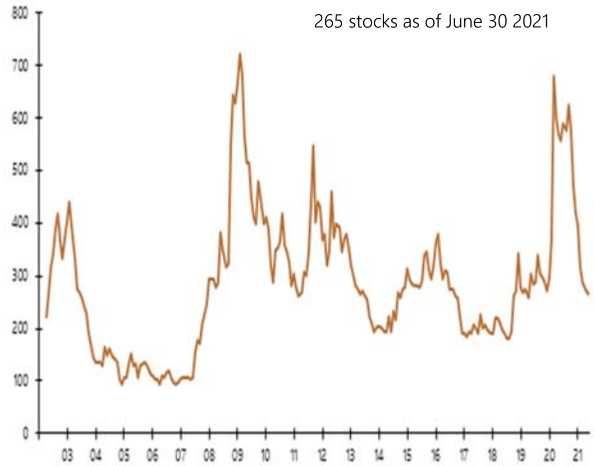
While valuations within our Fund portfolio have also increased, we have acted to position the Fund far from the market's speculative excesses, working to avoid holding companies that trade at high valuation multiples. Although this can leave our Fund appearing quite out of favor at times, we do sleep better knowing that we are likely to be much less exposed to the disastrous and often permanent stock declines that do occur when popular stocks trading at nosebleed valuation levels fail to live up to lofty expectations and sentiment changes. As can be seen in Figure 1, while the price of stocks in

Figure 1: Aegis Value Fund, Russell 2000 Value and S&P 500 Index Historical Price-to-Book Ratio



Source: Aegis Financial Corp and Bloomberg (Data from 9/30/1998 to 06/30/2021)

Figure 2: 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 06/30/2021)

the Fund have increased somewhat relative to book value, climbing to 90.1 percent of book value at mid-year from 69.0 percent of book value at the start of 2021, these Fund holdings still trade at significant discounts on price-to-book value relative to the broader market indices.

With the market fully valued today, the universe of stocks representing good candidates for investment has certainly shrunk. As can be seen in Figure 2, the number of investment candidates on our watchlist with market caps above $70 million trading under book value has dropped off substantially in the last six months. Despite the fully valued broad market, however, we continue to find situations where we believe stock valuations remain attractive. For example, we have bought into offshore oil service supply boat owner Tidewater (TDW) and offshore deepwater oil drilling provider Valaris (VAL) following their recent emergence from Chapter 11. In both cases, we have purchased these companies at significant discounts to the replacement value of the equipment, and while neither is yet currently generating attractive cash-flow yields, the fact that these companies have eliminated nearly all of the debt on the balance sheet and are generating cash has provided new equity investors with substantial latitude to await a recovery in offshore oil and gas drilling activity as well as extraordinary leverage to benefit financially if a recovery occurs, an outcome that appears increasingly likely as oil prices continue to grind higher.

Overall, precious metals mining, paper & forest products, industrial metals mining, and energy have been sectors where we have recently found the most attractive stocks. We remain focused on investing the Fund in a well-researched, diversified portfolio of stocks we judge to offer the best risk/reward opportunities available in today's market. We also continue to work diligently to monitor and mitigate emerging portfolio risks. Employees and our families currently own more than $43 million in Fund shares. We continue to work diligently to monitor the markets and our portfolio for emerging risks. Should you have any questions, our shareholder representatives are available at (800) 528-3780. You are also welcome to call me personally any time at (571) 250-0051.

Sincerely,

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., Resolute Forest Products Inc., Interfor Corp., Kenmare Resources, West Fraser Timber Co. Ltd., Minera Alamos Inc., Geodrill Ltd., Iamgold Corp., Argonaut Gold Inc., and Akita Drilling Ltd.-Cl. A. As of June 30, 2021, the stocks represent 6.2%, 5.8%, 5.4%, 5.0%, 4.3%, 3.7%, 3.3%, 2.7%, 2.6%, and 2.5%, 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.

Morningstar Rankings represent a fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest percentile rank is 1 and the lowest is 100. It is based on Morningstar total return, which includes both income and capital gains or losses and is not adjusted for sales charges or redemption fees.

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. Cash Flow: A revenue or expense stream that changes a cash account over a given period. 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. WTI: West Texas Intermediate is a grade of crude oil used as a benchmark in oil pricing. The S&P SmallCap 600 Pure Value Index: An index maintained and selected by the S&P Index Committee. It contains companies with market caps in the range of US$ 300 million up to US$1.4 billion and with public floats of at least 50% and with strong value characteristics. Price-to-Sales: a valuation ratio that compares a company's stock price to its revenues. It is an indicator of the value placed on each dollar of a company's sales or revenues. Forward price to earnings (forward P/E): a measure of the price-to-earnings (P/E) ratio using forecasted earnings for the P/E calculation. OPEC: The Organization of Petroleum Exporting Countries is a group consisting of 12 of the world's major oil-exporting nations. S&P CoreLogic Case-Shiller National Home Price Index: measures the changes in the sale prices of single-family homes across the U.S. It does this by tracking the purchase prices and resale prices of homes that have undergone a minimum of two arm's– length transactions. New York Mercantile Exchange (NYMEX): is the world's largest physical commodity futures exchange. Consumer Price Index: A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living. Gross domestic product (GDP): the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.

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

An investment cannot be made directly in an index.

Earnings growth is not representative of the Fund's future performance.

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice.

References to other investment products should not be interpreted as an offer of these securities.

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