AEGIS Value Fund

AEGIS FUNDS

Portfolio Manager's Letter
Second Half Ended December 31, 2021

January 20, 2022

Table 1: Performance of the Aegis Value Fund as of December 31, 2021

		Annualized				
	Six Month	One Year	Three Year	Five Year	Ten Year	Since Inception 5/15/98
Aegis Value Fund (AVALX)	2.19%	37.67%	27.11%	14.88%	12.53%	10.99%
S&P Sm. Cap 600 Pure Value Index ^	2.14%	46.50%	20.01%	7.16%	11.74%	N/A
S&P 500 Index	11.67%	28.71%	26.07%	18.47%	16.55%	8.38%
Morningstar Percentile Ranking *		17	4	3	27	
Funds in Small Value Category		426	412	406	380	

** 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 37.67 percent return in calendar year 2021. The Fund's performance trailed its primary benchmark, the S&P Small Cap 600 Pure Value Index, which gained a blistering 46.50 percent in 2021. Over the last three years, however, the Fund's annualized 27.11 percent return remains well in excess of the S&P Small Cap 600 Pure Value, which delivered an annualized return over the period of only 20.01 percent. In 2021 the Fund outperformed the broad-based S&P 500 by 8.96 percentage points, allowing the Fund to edge-out the S&P 500's blistering three-year annualized return of 26.07 percent. We are pleased to report that the Fund's three-year returns were strong enough to place the Fund in the top 4th percentile among Morningstar's universe of 412 small-cap value funds.

The world economy recovered in 2021 and the economic influences of Covid-related shutdowns waned as approximately 9 billion doses of vaccine were administered worldwide. The government continued to pour oil on the economy, with Congress first passing a $1.9 trillion stimulus bill delivering $1,400/individual in direct payments, and then later passing another $1.2 special "infrastructure" package, bringing the amount of "emergency" stimulus spending since the start of Covid to a monstrous 25 percent of GDP. All this funded, of course, by additional government borrowing. The Fed dutifully vacuumed up U.S. Treasuries, purchasing at a hefty clip with newly minted electronic dollars. By the time the year was over, the Fed balance sheet stood at an extraordinary $9 trillion, up dramatically from a pre-pandemic $4.4 trillion. With Fed-supplied base money surging higher, the broader "M2" money supply, a reflection of how the base money has been multiplied through the fractional reserve banking system, is now also on the rise, jumping a massive 40 percent in just two years. With Covid-related economic pressures receding and so much monetary and fiscal stimulus impacting the economy, corporate earnings surged, with Factset calculating a 45.1 percent earnings increase in 2021 for the S&P 500, the strongest percentage gains since Factset began tracking the data in 2008, and well above the 10-year average earnings growth rate calculated at just five percent.

Not surprisingly, amid all the fiscal and monetary stimulus, by year end, consumer prices had caught fire, with December's year-over-year rate of inflation clocking-in at hefty 7.0 percent, the fastest clip in 40 years. Commodities soared, with WTI crude up 55 percent and copper up 26.7 percent. Wherever you looked, demand appeared to be overwhelming supply. Used car prices were reportedly up by massive 25 percent. Home prices also continued ripping higher, with the Case Shiller Home Price Index reporting nearly 20 percent year-over-year gains near year-end, with strong new-home demand driving extraordinarily robust markets for lumber and home materials.

The Fund's forest products holdings drove Aegis performance in 2021

Fortunately, the Fund was well positioned for the extraordinary surge in lumber prices. At the start of the year, we held a 13.9 percent position in three North American lumber companies: Resolute Forest Products (RFP), Interfor (IFP), and Conifex (CFX). Gains on these three positions alone were responsible for 16.2 percentage points of Fund returns in 2021. Resolute Forest Products, the position most positively impacting Fund returns, began the year as the Fund's third largest position, at 7.16 percent of Fund assets. At the start of 2021, Resolute had a market cap of just $536 million and held $448 million in net debt. While the full-year financials have yet to come out, the company looks poised to have delivered an incredible $850 million in 2021 EBITDA. Shares soared by 133 percent over the year as cash flow poured in after lumber prices surged higher in the second quarter, nearly quadrupling from the previous year. Lumber has been climbing on the back of massive demand for new homes and skyrocketing home prices, spurred along by constructive demographics and low mortgage rates following nearly a decade of new home undersupply. Given the significant run-up in this initially oversized position, we took the opportunity to cut back the holding during the year. While Resolute also ended up being the Fund's largest net liquidation over the year, we still ended the year with a 5.12 percent position.

While lumber prices moderated significantly following mid-year after repair and home service center lumber demand slowed materially, prices once again surged late into 2021 and at the moment these lumber companies look poised to continue to deliver yet another year of immense cash flows in 2022. Interestingly, despite 2021's robust gains, lumber's excellent fundamentals still do not appear to be properly priced into these forest products equities, many of which used 2020 as an opportunity to improve balance sheet liquidity and further consolidate the industry. As a result, we continue to be constructive on the sector. At year-end we held approximately 18 percent of Fund assets in five lumber and lumber-related businesses.

The Fund's Precious Metals Mining positions were disappointing laggards in 2021

Despite the economy's rapidly emerging inflationary pressures, the precious metals were uncharacteristically soft in 2021, with gold prices dropping by 3.5 percent and silver declining by 11.6 percent. Precious metals miners underperformed gold's performance with the MVIS Global Junior Gold Miners Index falling by 20.99 percent over the year. The Fund's positions in precious metals mining equities, comprising 33.2 percent of Fund assets at the start of the year, experienced an unusual number of difficulties, particularly in the second half of the year, and as a result ended up cutting Fund returns by an estimated 5.58 percentage points. Most impactful among these was the declines in Equinox Gold (EQX), a mid-tier America's based gold producer. Shares dropped by approximately 35 percent over the year, resulting in the position costing the Fund an estimated 2.02 percentage points as investors grew concerned over a spate of labor issues causing multiple production halts at its flagship Los Filos mine in the volatile state of Guerrero in Mexico. While the latest of these stoppages appears to have been resolved in late July, the company's aggressive capital investment plans at the mine have been thrown into disarray, leaving investors concerned over the project's future prospects. Furthermore, investors have been apprehensive over the company's recently acquired and capital intense "Hard Rock" megaproject. While we share all these concerns to some degree, we also believe that the shares are likely to experience a recovery in 2022 as the company successfully brings on its Santa Luz project in Brazil and production metrics at a few of the other mines begin to improve following the completion of pit-wall pushbacks and other optimization work that weighed on 2021 results.

The Fund was negatively impacted by cost-overruns on newbuild projects at IAM Gold and Argonaut Gold

Investors are likely apprehensive about Equinox's Hard Rock project following recent significant cost over-runs at a couple of capital-intensive, high-volume, lower grade precious metals projects currently under construction in Canada. Unfortunately, the Fund was hit by cost over-runs of this nature in the latter half of 2021 at two projects, IAM Gold's (IAG) Cote project and Argonaut Gold's (AR.TO) Magino project. In July, IAM Gold announced that its share of the projected cost to completion for its 65 percent-owned Cote Gold project had increased from an original Can. $875-$925 million to a much larger Can. $1.1-$1.2 billion, a result of both previous cost engineering oversights as well as general cost inflation. In the case of Argonaut, the original cost to completion estimates of Can. $500 million for its Magino project were at first increased by "up to 15 percent in May and then "likely" above 15 percent in August before a further shocking substantial increase to Can. $800 million in December. Argonaut's December announcement was an unexpected disappointment to the market, as investors had been previously assured that major portions of the project were on a fixed-price bid with Ausenco, a well-respected mine construction contractor, and that cost escalation risk was limited. Apparently, however, the scope changed dramatically as Argonaut's early geotechnical work appeared to have been insufficient to detect the need to cement fill bedrock to the extent required. Additionally, eleven unforeseen water dams required construction, and the project was also found to require LNG electricity generation facilities after a grid-power solution was determined to be unviable late in the game. Argonaut CEO Pete Dougherty appears to have lost his job over the fiasco, with the company now looking like it will be required to raise a manageably limited amount of additional capital in order to complete the project. In both the cases of IAM Gold and Argonaut, we believe that the vast majority of the project cost has now been nailed down, and we don't foresee further cost escalation of this magnitude. Furthermore, in both cases, the market capitalization of the stock collapsed well in excess of the additional capital estimated to complete these projects. We continue to patiently hold both positions, perceiving them as undervalued, and continue to monitor the projects closely. Declines in Argonaut Gold and IAM Gold together detracted an estimated 1.35 percentage points from Fund performance in 2021

Our largest holding, Amerigo Resources, delivered great returns in 2021 and appears poised for further gains

Entering the year, our largest holding, at 8.67 percent of Fund assets, was Amerigo Resources, a Chilean-based copper producer. Shares climbed by an impressive 107 percent in US dollar terms over the year on the back of a solid year of operations amid a 26.7 percent increase in the price of copper. Amerigo's gains positively impacted 2021 Fund returns by an estimated 7.71 percentage points. The Fund increased its stake in Amerigo in 2020 as the company was facing a substantial degree of liquidity pressure, a function of low copper prices as well as a 50-year draught which had impacted operations. Compounding the pressures was the significant amount of corporate debt recently incurred to fund completion of a major plant expansion. Fortunately, weather conditions reverted to a more normal state and copper prices rebounded, allowing the company to meet its worrisome late 2020 debt installment payment. With copper pricing also having climbed significantly, Amerigo has since generated free cash flow sufficient to repay its entire debt obligation, and the company has more recently turned its focus to repurchasing highly accretive shares, buying-in almost five percent of its shares at what we believe are highly discounted valuations. The purchases are helping to take care of the share overhang from a few large sellers that had been impacting trading price levels. Furthermore, the company recently instituted a 5 percent dividend. While we continue to keep an eye on the deteriorating political situation in Chile, where a young communist has recently won the presidency, we continue to believe the company could nonetheless be an excellent investment. The company is net debt free and despite the gains, shares trade today with a market capitalization of approximately 3 times our estimate of forward pretax operating cash flow. At year-end, approximately 11.5 percent of Fund assets were invested in Amerigo.

Conventional investors, intoxicated on recent returns, have been ignoring increasingly precarious financial conditions

With the extraordinary amount of fiscal and monetary stimulus impacting the economy and bolstering stocks, investor sentiment today looks exuberant. For those who haven't already succumbed to fears of missing out as the S&P500 has soared higher, deeply negative inflation-adjusted interest rates have worked to further pressure investors off the sidelines and into equities. With investor complacency now holding sway, few have yet realized that the performance of so many of these index funds, ETFs and other financial products is being increasingly driven by little more than a few tech stocks perched at the top of the S&P 500. While pundits laud these mostly mega-cap technology investments as the new safe havens, given the nose-bleedingly high valuations to which these stocks have ascended, we suspect that owning these stocks has become a massively overcrowded trade. A recent analysis by JP Morgan Asset Management in November showed that the price-to-earnings valuation ratios of the S&P 500s top 10 constituents, which comprise almost 30 percent of the index, were a lofty 68 percent above their 25-year average, an average which importantly included the frothy years of the tech bubble. With Apple's market cap alone rapidly approaching that of the entirety of the small-cap Russell 2000 Index, given such girth it is difficult to imagine that Apple shares or those of other similarly positioned tech mega-caps can perform as well over the next decade as they have over the last.

Bonds and the technology megacaps that have driven recent investor returns may be highly vulnerable to a tumble

With so many investors complacently crowding into the big-tech driven funds and with still others heavily invested in long-dated Treasuries and other fixed-income assets susceptible to big losses should interest rates rise, we believe it is likely to be a challenging road for investors with these allocations. With a doubling of the money supply since the beginning of the pandemic, much of which was used to fund Federal deficit spending, monetary conditions may now be deteriorating. Inflation, as measured by the CPI, is now running at seven percent year-over-year, and as a result the Fed is coming under increasing pressure to tighten monetary conditions to stave off the rapidly building inflationary surge. So far, the Fed has been somewhat sanguine and highly incremental in its approach, chalking the situation up to temporary supply-chain constraints and promising to raise rates in the near future, yet day-to-day they have continued to engage in the quantitative easing money-printing operation, although they are now doing so at a pace that is "tapering." The Fed may need to be far more aggressive in its tightening, a scenario that has the potential to shock markets.

The credit markets are so far showing little concern over accelerating inflation, having dutifully priced in almost four quarter-point rate hikes in 2022 and a few more in 2023. We wonder whether this piddly amount of tightening relative to the amounts historically necessary to tame inflation may prove insufficient. Furthermore, it remains an open question whether and when long-dated credit might eventually buckle under the weight of money printing, federal deficit spending, and the increasingly inflationary psychology. We suspect too few remember that the last time the CPI registered at seven percent was in 1982 and the 30-year Treasury sported a 13 percent yield at the time, significantly higher than the sub-inflationary 2.1 percent yields investors require to invest in the 30-year today. It's certainly a reasonable probability that credit markets have been far too optimistic about the ability of a few Fed rate hikes to painlessly dispose

Figure 1: S&P 500 Growth Total Return/ S&P 500 Value Total Return

Source: Bloomberg (Data from 12/31/1994 to 12/31/2021)

Figure 2: MSCI World Value's best price-forward earnings ratio/Growth's

Source: Bloomberg (Data from 3/31/1998 to 12/31/2021)

of any inflationary threat.

Stocks may also be overly sanguine over the prospect of increasing future interest rates. Should the Fed choose to accelerate the tightening of monetary conditions, we figure investor psychology could certainly shift into reverse at any time, pulling equities lower. Whether the Fed has the political capacity and mettle to raise rates to the level potentially needed to suppress possibly surging inflation remains an open question, as rate increases certainly work to hike the federal government's interest bill and pressure its fiscal balances. In any case, overvalued tech stocks and long-dated credit sure don't appear to be the right asset classes to hitch the investment wagon to today given the current environment and potentially rocky road ahead. While these asset classes have sprinted hard over the last several years, with growth stocks significantly outpacing their value brethren (See Figure 1), today they are looking a bit old and more than a little tired.

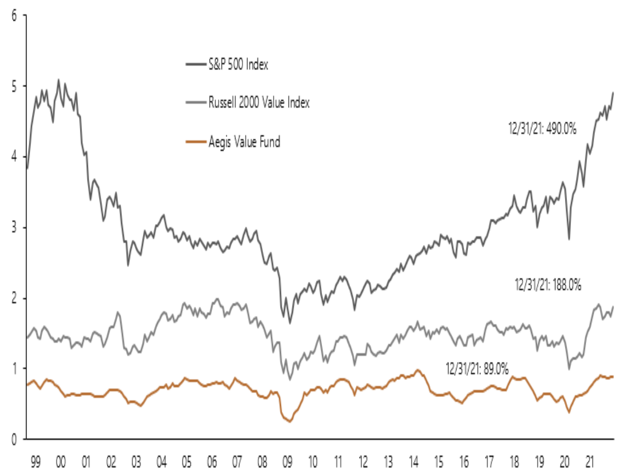
While the future looks challenging, the Fund is well positioned in precious metals, energy and materials equities

Fortunately, not all asset classes are in the same predicament. As can be seen in Figure 2, value stocks globally are currently trading at a 51 percent discount to growth stocks on a price-to-earnings basis. In December 2021 this discount of value to growth was the widest since the telecom/media/technology bubble in 2000 and well above its historical average of just 25 percent. The extraordinary bifurcation in the market can also be seen on other valuation metrics. On price-to-book basis, as seen in Figure 3, smaller value stocks, and indeed the Aegis Value Fund are currently trading at historically wide discounts to the S&P 500.

At the Aegis Value Fund, we have worked to hitch our own wagon to equities that we believe are among the most undervalued in the market today, particularly given the inflationary pressures building in the economy. We currently hold investments with good prospects for appreciation among precious metals mining, lumber and forest products, industrial materials, and energy companies. Among our portfolio holdings, many are generating cash flow at current commodity pricing sufficient to drive excellent returns at current equity valuations. As a result, a large number of our holdings are using newly generated cash to make what will likely prove highly accretive share repurchases, including Amerigo Resources, Kenmare, Conifex, West Fraser, Interfor, Resolute Forest Products, International Petroleum, Dundee Precious Metals, ARC Resources and Capital Limited. Furthermore, with many companies in the portfolio also reducing debt at a meaningful clip, leverage at a large portion of our portfolio companies has either been fully repaid or become highly manageable, improving corporate resilience should the economic road become rocky in the future.

Energy, in particular, has been an area where our Fund has made significant investment in 2021, as investors appear to have been slow to recognize the ramifications of the extraordinary improvement in energy fundamentals. Our Fund's biggest purchase in the year was MEG Energy (MEG), a thermal oil company based in western Canada that extracts heavy oil using in-situ steam recovery methods. We started purchasing shares early in the year at a significant discount to book value and at a low price-to-cash flow multiple as the company was struggling to reduce-debt, having

Figure 3: 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 12/31/2021)

Figure 4: 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 12/31/2021)

come under significant financial pressure in recent years – a result of high debt loads from the building of its steam-generating facilities, regional pipeline constraints that limited the ability of the company to extricate its oil cost-effectively, and Covid-suppressed oil prices. While we, too, were concerned about the debt load, the debt appeared inexpensive and sufficiently well-termed to give equity investors ample breathing space to await a recovery. Furthermore, the regional bottlenecks that were impacting efficient regional oil export were rapidly improving as significant new pipeline capacity has been under construction. Additionally, the company's 60-year reserve life, its massive tax-loss carryforwards, and its modest maintenance capital needs, particularly relative to many North American shale producers, looked quite attractive. Should current energy prices hold, we believe the company will even be able to generate sufficient cashflow to entirely repay its debt within a couple of years. At year-end, our MEG Energy position was approximately 5.1 percent of Fund assets.

We continue to work diligently to identify and purchase good investments across a variety of industries in what appears to us to be a very fully valued market. As can be seen in Figure 4, while the number of stocks on our watchlist is down relative to the height of the Covid pandemic, the number still remains above average, a function of the significant valuation dispersion evident in the market today. Despite the market's full valuation, we continue to believe our portfolio offers a risk/reward profile among the most optimal in the market today. Employees and our families currently own in excess of $45 million of Fund shares. We continue to monitor our portfolio and markets carefully for emerging risks and opportunities. Should you have any questions, our shareholder services reps are available at (800) 528-3780. You are also welcome to call me personally any time at (571) 250-0051. We wish you and your families all the best in 2022.

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., Interfor Corp., Kenmare Resources, MEG Energy Corp., Resolute Forest Products Inc., International Petroleum Corp., Minera Alamos Inc., Geodrill Ltd., Orezone Gold Corp. Equinox Gold Corp. As of December 31, 2021, the stocks represent 11.0%, 8.2%, 7.5%, 5.1%, 5.1%, 4.9%, 4.5%, 3.7%, 3.3%, and 2.8%, 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.

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. 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. 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. 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. M2: is a broader classification of money than M1. Economists use M2 when looking to quantify the amount of money in circulation and trying to explain different economic monetary conditions. EBITDA: Earnings before interest, taxes, depreciation and amortization expenses. The 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. Quantitative Easing (QE): is a form of unconventional monetary policy in which a central bank purchases longer-term securities from the open market in order to increase the money supply and encourage lending and investment. Price-to-cash flow (P/CF): is a stock valuation indicator or multiple that measures the value of a stock's price relative to its operating cash flow per share. S&P 500 Growth Index: is a stock index administered by Standard & Poor's-Dow Jones Indices. As its name suggests, the purpose of the index is to serve as a proxy for growth companies included in the S&P 500. S&P 500 Value Index: refers to a score-weighted index developed by Standard and Poor's (S&P), uses what it calls a "style-attractiveness-weighting scheme" and only consists of stocks within the S&P 500 Index that exhibit strong value characteristics.

MSCI World Growth Index: captures large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries. MSCI World Value Index: captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets (DM) countries. 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.

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.

Quasar Distributors, LLC is the distributor for the Aegis Value Fund.