AEGIS Value Fund

Portfolio Manager's Letter
2nd Half Ended December 31, 2023

February 11, 2024

Table 1: Performance of the Aegis Value Fund as of December 31, 2023

		Annualized				
	Six Month	One Year	Three Year	Five Year	Ten Year	Since Inception 5/15/98
Aegis Value Fund (AVALX)	7.04%	13.13%	19.84%	20.75%	9.18%	11.05%
S&P Sm. Cap 600 Pure Value Index ^	15.63%	23.33%	19.15%	14.82%	7.07%	N/A
S&P 500 Index	8.04%	26.29%	10.00%	15.69%	12.03%	7.84%
Morningstar Percentile Ranking *		76	3	1	8	
Funds in Small Value Category		455	438	423	386	

** 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 1.45% 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 4/30/2024.*

Dear Aegis Investors:

The Aegis Value Fund delivered a 13.13 percent return in 2023, underperforming the 23.33 percent gain in its primary benchmark small-cap deep value index, the S&P SmallCap 600 Pure Value Index. The SmallCap 600 Pure Value benchmark performance was driven by sharp recoveries among the heavily discounted consumer discretionary and industrial stocks which together comprised nearly 50 percent of the Index.

The broader universe of small-cap value stocks within the Russell 2000 Value Index returned 14.65 percent in 2023. However, it was the large-cap stocks of the S&P 500 Index that were the stand-out performers in the year, climbing 26.29 percent. Market breadth was extremely narrow, with S&P 500 gains driven almost entirely by the extraordinary surge in just seven mega-cap tech stocks perched at the top of the Index. Absent the returns of these "Magnificent Seven" stocks: Alphabet (GOOG), Amazon (AMZN), Apple (AAPL), Meta (META), Microsoft (MSFT), Nvidia (NVDA), and Tesla (TSLA), which appreciated by an average of 111 percent last year, the index would have reportedly risen by just 9.9 percent. The equally weighted index of the S&P 500 reportedly returned 13.87 percent in 2023 with a multi-decade high 72 percent of stocks in the index reportedly underperforming the S&P 500 for the year.

The "Magnificent Seven" Powered S&P 500 Returns In 2023

Powered on by the Magnificent Seven, the S&P 500's Technology and Communications Sectors turned in stunning returns of 56.40 percent and 54.36 percent respectively. Technology stocks skyrocketed early in the year as advances in artificial intelligence language models dazzled investors and fueled investor sentiment towards technology. As the year progressed, technology investors also appeared to be growing increasingly confident the Federal Reserve had prevailed in the battle against inflation and had not only finished with its hawkish hiking campaign but was now contemplating a series of rate cuts over the near-term with the prospect of boosting technology growth stocks into overdrive. Conversely, with near-term inflationary pressures reportedly moderating, investor sentiment towards materials sector stocks was substantially tempered. This sector, which comprised slightly above 50 percent of Fund assets during 2023, underperformed the broad markets, with Materials Sector stocks within the S&P 500 delivering comparatively modest annual gains of just 10.23 percent.

The Fund's Precious Metals Stocks Delivered Respectable Returns

Over the last several years, precious metals mining stocks have represented a large proportion of the Fund's materials sector investments. The Fund began 2023 with 22.4 percent of its overall assets invested in 21 different precious metals mining companies. While the price of gold climbed 13.1 percent in 2023, performance of the MVIS Junior Gold Miners Index lagged both gold and the broad market, increasing by only 8.59 percent. Over the year, our Fund's precious metals mining positions were respectable contributors to overall Fund performance, adding 1.84 percentage points in aggregate returns. This group of holdings was anchored by positions in four large precious metals producers: Minera Alamos (MAI-V), Orezone Gold (ORE-TO), Centerra Gold (CG-TO) and Equinox (EQX). Together, these four holdings comprised 13.7 percent of Fund assets at the start of 2023.

Equinox shares were up 48.5 percent over the year, adding 1.53 percentage points to Fund returns as construction on the company's Greenstone project progressed almost to the point of full completion. Fortunately for Equinox, mine construction has proceeded both on-schedule and on-budget, relieving investors previously concerned over potentially costly project overruns and delays. Centerra Gold shares were also up, climbing 15.3 percent over the year, adding 0.68 percentage points to Fund returns as the company received regulatory approvals from the Turkish government to allow its Oksut mine to resume gold processing operations. The Turkish mine had suffered a costly shutdown and a difficult re-permitting process after arsenic was found leaking in the gold-room, requiring a refurbishment of the processing equipment. With the resumed Turkish operations in 2023, company cash flows and market sentiment towards Centerra markedly improved.

Minera Alamos shares declined 25.7 percent, costing the Fund 0.90 percentage points. Shares in the Mexican mining concern, which has one small heap leach project in operation and another highly economic project at the permitting stage, came under selling pressure amid a difficult seasonal draught as well as a number of government permit processing delays, which impacted gold production volumes and resulted in production ramp-up delays. While the draught has reportedly now ended, allowing its operating mine to re-start, the required regulatory permits necessary to effectively further build-out each mine remain unissued. While we are concerned with the growing difficulties and delays mining companies are facing doing business under the increasingly bureaucratic Mexican administration, we currently intend to maintain our position in Minera Alamos as the well-experienced, Mexico-focused management team is hoping and expecting to see permits approved within the short-term. Minera Alamos' President also appears to be backing his expectations with his pocketbook, purchasing Minera shares in the open market.

Declines in Orezone Gold Hurt Fund Returns in 2023

Orezone Gold most negatively impacted the Fund's performance in 2023, with the position costing the Fund 1.30 percentage points. Shares of the Canadian mining company, with a single producing mine in central Burkina Faso, dropped 31.1 percent in 2023 as investor sentiment towards the West African country rapidly soured. Burkina's geopolitical environment has been deteriorating following a series of coup d'etas that initially overthrew the country's President and later resulted in the expulsion of French military units from the country amid widespread anger and frustration over the inability of Burkina's armed forces to deal effectively with ISIS related terrorist groups that have wreaked havoc across large swaths of the Country's northern and eastern provinces.

While the civil unrest in the country is disconcerting, Orezone's Bombore mine lies in close proximity to the country's capital city and appears to be located well within a zone comfortably controlled by the country's military. Indeed, the company appears to enjoy strong governmental backing and is contemplating a high-return, $170 million brownfields expansion of its operations, which has the potential to grow production by more than 50 percent and generate at current gold prices close to $200 million per year in operating cash flow starting in 2026. Considering Orezone trades at a $215 million market cap and envisions the expansion to be largely self-funded, we consider the risk/reward prospects quite appealing. Management is heavily invested in the company and has a strong historic record of shareholder value creation. Furthermore, the company's land concession appears to hold strong near-mine prospects for reserve growth that could be substantially additive to mine economics. We currently intend to ride-out the difficult political conditions in Burkina and maintain our position in Orezone, which represented 2.74 percent of Fund assets at year-end.

We Believe Precious Metals Stocks Remain Undervalued and Well Positioned for Strong Returns

While precious metals mining stocks certainly lagged the large cap, tech-driven S&P 500 in 2023, we believe the precious metals sector in general remains materially undervalued, particularly when compared to the broad markets. We believe our own precious metals mining producers generally offer excellent cash flow yields and the potential for strong shareholder returns in the context of today's gold prices. Additionally, several of these companies are in the process of growing production through expansions and new projects that have economic returns which management projects to be excellent at today's gold prices, with positive implications for future cash flow growth.

Given the US fiscal situation, with growing concerns over the nearly $10 trillion of new debt that must be issued to both refinance maturing Treasuries as well as accommodate an estimated $1.84 trillion of 2024 deficit spending, it appears the Fed may soon find itself forced to pivot towards lower rates and more quantitative easing to support the government debt markets despite the risk of stoking inflation. Should the Fed turn dovish, gold prices have the potential to rapidly accelerate higher, particularly if inflationary fears are reignited. Under such scenarios, we suspect the precious metals miners could significantly outperform the broader markets, and plan to continue to hold a substantial position in the sector.

Steel Company Holdings Helped Drive the Fund's 2023 Performance

Outside of precious metals, Aegis materials sector investments have also included a number of holdings across forest products, steel manufacturing, mineral sands and base metals mining. Among these, our investments in steel manufacturers were among the most positively impactful to performance in 2023. Two Canadian blast-furnace hot-rolled coil producers, Stelco (STLC-CA) and Algoma Steel (ASTL-CA), bolstered 2023 Fund performance in 2023 by 0.79 and 1.65 percentage points, respectively. Both companies have emerged from financial restructurings in recent years, and have successfully cleaned-up their balance sheets, an act made much easier with strong steel market conditions in 2021 and 2022 that enabled the generation of significant operating cash flow.

While steel market conditions have now descended off peak levels, hot rolled coil prices generally exhibited stable pricing dynamics in 2023, despite the demand hiccup caused by the big-three automaker strike. Stelco and Algoma are still managing to generate strong operating cash flows relative to their market capitalizations, although Algoma is engaged in a significant capital project to expand capacity and convert its steel-making process over to electric arc furnace smelting, which is requiring heavy capital investment in 2024. Both companies continue to trade at inexpensive valuations that remain well beneath the replacement cost of the assets.

Outside of Stelco and Algoma, the Fund also held a position in domestic specialty steel manufacturer Universal Stainless & Alloy Products (USAP) which performed well through 2023. Universal Stainless shares climbed as aviation-related specialty steel demand increased, enabling the company to better utilize its specialty steel manufacturing capacity, improving both sales and margins. Investment gains at Universal Stainless added 1.77 percentage points to Fund performance.

Bank Of Cyprus Was the Strongest Contributor to Fund Returns in 2023

Most positively impacting Fund performance was the Fund's position in Bank of Cyprus Holdings (BOCH-L), the largest bank on the Island of Cyprus. In 2023, investment gains on the Fund's position bolstered Fund returns by 2.15 percentage points as shares nearly doubled in price. Having spent several years cleaning up its balance sheet and successfully reducing non-performing asset exposures, the company was well positioned entering 2023 with significant levels of short-duration assets.

When interest rates soared higher in the Eurozone, the bank's net interest margin nearly tripled from 1.32 percent in the fourth quarter of 2022 to 3.63 percent in the most recent quarter. The soaring banking margins pushed return on equity well into the mid-20 percent range. Even following the strong 2023 gains, Bank of Cyprus still trades at a 25 percent discount to tangible book value, which we still consider undervalued given the bank's earnings profile and strong deposit franchise on the Island. Not surprisingly, we continue to hold our position in Bank of Cyprus, which represented 3.27 percent of Fund assets at year-end.

Energy Stocks Overall Underperformed in 2023

In 2023, stocks in the energy sector overall underperformed the broad market by an even greater margin than materials stocks, with the S&P 500 Energy Sector turning in a 4.80 percent loss on the year. From an energy investor standpoint, 2023 was a frustrating year, starting with a disappointingly warm winter which was later determined by the NOAA to be the fifth warmest for the Northern Hemisphere in 174-years of records. The record warm temperatures resulted in substantially lower heating demand and materially lower coal and natural gas prices. The mild weather dampened bullish energy investor sentiment that previously had been fueled by concerns over the adequacy of European energy supply following Russia's invasion of Ukraine. Furthermore, China's economic recovery and rebound from the Covid lockdowns of 2022 appeared to be much slower and weaker than previously anticipated, resulting in lower-than-expected Chinese energy consumption growth.

Later in the year, as sentiment was finally beginning to recover, spot WTI Crude experienced yet another deep plunge that sent crude down 21.1 percent in the fourth quarter as oil traders fretted over prospects for a global economic slowdown amid sluggish global oil demand growth and increasing levels of non-OPEC supply. The declines left crude down 10.7 percent on the year. As the year closed out, oil markets were awash with concern over the possibility of an erosion of OPEC discipline that could see up to 2 million barrels per day of crude currently curtailed return to the markets should supply quotas for OPEC production fail to hold.

Throughout this difficult period, the Aegis Value Fund held a number of significant positions in the energy sector. The Fund began 2023 with approximately 37.6 percent of Fund assets invested among 14 energy-sector companies. These investments include companies engaged in oil & gas exploration and production, oil service, coal, and energy transport

Table 2: EV/EBITDA Multiple by Sector (500 Largest Cap Public U.S. Companies)

Sector	12/31/2023	6/30/2023	12/31/2022	6/30/2022	12/31/2021
Communications	12.41	12.39	8.57	9.27	12.96
Consumer Discretionary	17.03	18.09	14.44	14.98	21.88
Consumer Staples	15.14	17.67	16.42	14.92	17.53
Energy	5.73	4.49	5.37	6.98	8.97
Health Care	17.63	16.54	16.24	14.93	18.18
Industrials	15.34	14.11	15.06	13.89	17.62
Information Technology	24.40	23.95	15.96	15.91	23.45
Materials	12.52	11.30	9.14	9.05	11.91
Real Estate	20.15	18.32	16.61	17.83	24.48

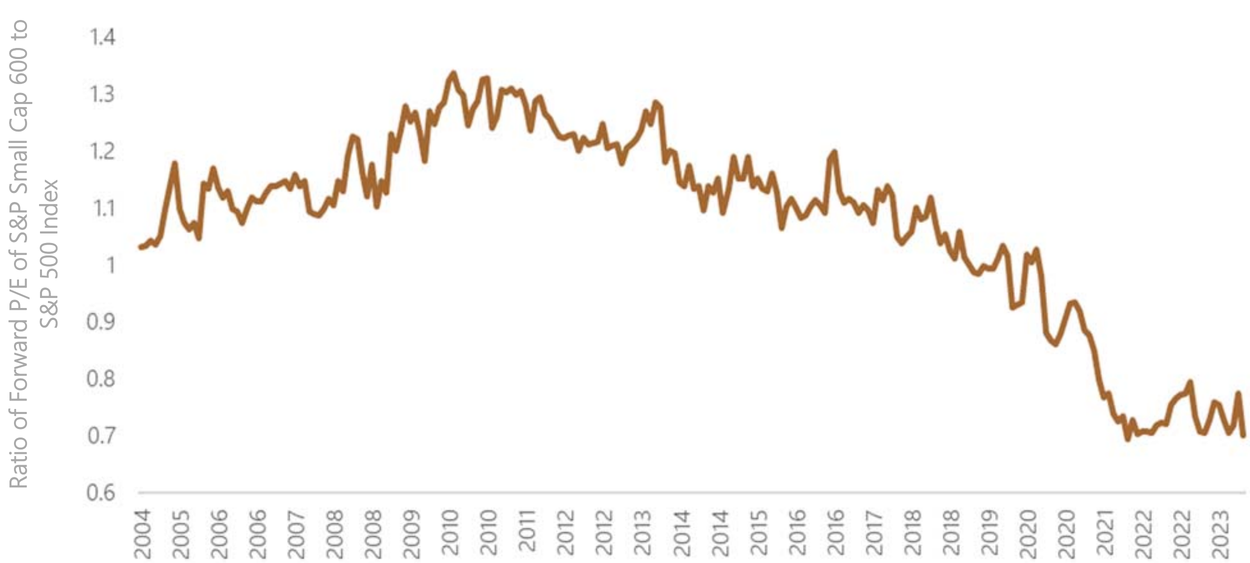
Source: Siblis Research

and logistics. A number of these companies have been trading at highly attractive multiples of cash flow that are significantly lower than those seen in the broad equities market. Often, these companies have excellent, low-cost, long-lived energy reserves. In many cases, these companies also hold assets that trade at substantial discounts to replacement cost. Furthermore, many of our energy holdings have been paying down corporate debt in recent years and several have also been engaged in share repurchases, at times buying back significant amounts of stock.

Given the Environment for Energy in 2023, the Fund's Energy Holdings Performed Well

Despite the headwinds in the S&P 500 Energy Sector broadly, the Fund generated nicely positive returns among its energy stock investments in 2023, with the group, in aggregate, responsible for an estimated 3.87 percentage points of 2023 Fund returns. Most positively impacting Fund performance among these holdings was Natural Gas Services (NGS), our biggest Fund purchase during the year. Natural Gas Services was highlighted in our 2023 First Half Manager's Letter. We bought our position in the Texas-focused oil & gas logistics company that fabricates, rents and maintains gas compression equipment while shares were trading at discounts of up to 45 percent of tangible book value, reportedly due to a large shareholder exiting its position. While rising debt loads, executive turnover and declining natural gas prices were negatively impacting sentiment toward the small company, we believed investors were misreading the fundamentals.

Figure 2: Small Caps At Lower P/E Multiples: S&P Small Cap 600 Index P/E Divided By S&P 500 Index P/E



Source: Bloomberg (Data from 12.31.04 to 01.31.24), Valuations of Forward P/E Multiples

We concluded that the company was in experienced hands, and realized that debt was being incurred to support significantly increased levels of profitably contracted compression business, which would soon begin to impact the income statement as the newly fabricated compression equipment was placed into service. Shares increased by approximately 55 percent in the second half of the year as investor sentiment brightened amid substantial improvements in reported financial results. Despite the recent gains, we believe shares remain undervalued, and currently intend to maintain our holdings. At year-end, NGS shares represented 3.65 percent of Fund assets.

The Fund Reduced its Position in a Few of its Energy Holdings but Remains Heavily Allocated to Energy Overall

While the Fund's selling activity was subdued in 2023, we did take some profits and moderately reduced holdings in two of our energy sector investments: offshore supply boat operator Tidewater Inc. (TDW), and domestic coal and power plant operator Hallador (HNRG). These sales were the Fund's top two dispositions in 2023. In both cases we partially reduced holdings at levels that turned out to be near the highs for the year. We also had our small position in oil service coiled-tubing operator Essential Energy Services (ESN-CA) bought out by Element Technical Services during 2023 at an approximately 40 percent premium to our average purchase price. At year-end, we continued to hold approximately a third of fund assets in energy sector investments.

Broad Market Returns Were Driven by Multiple Expansion in 2023 and the S&P 500 Looks Expensive Today

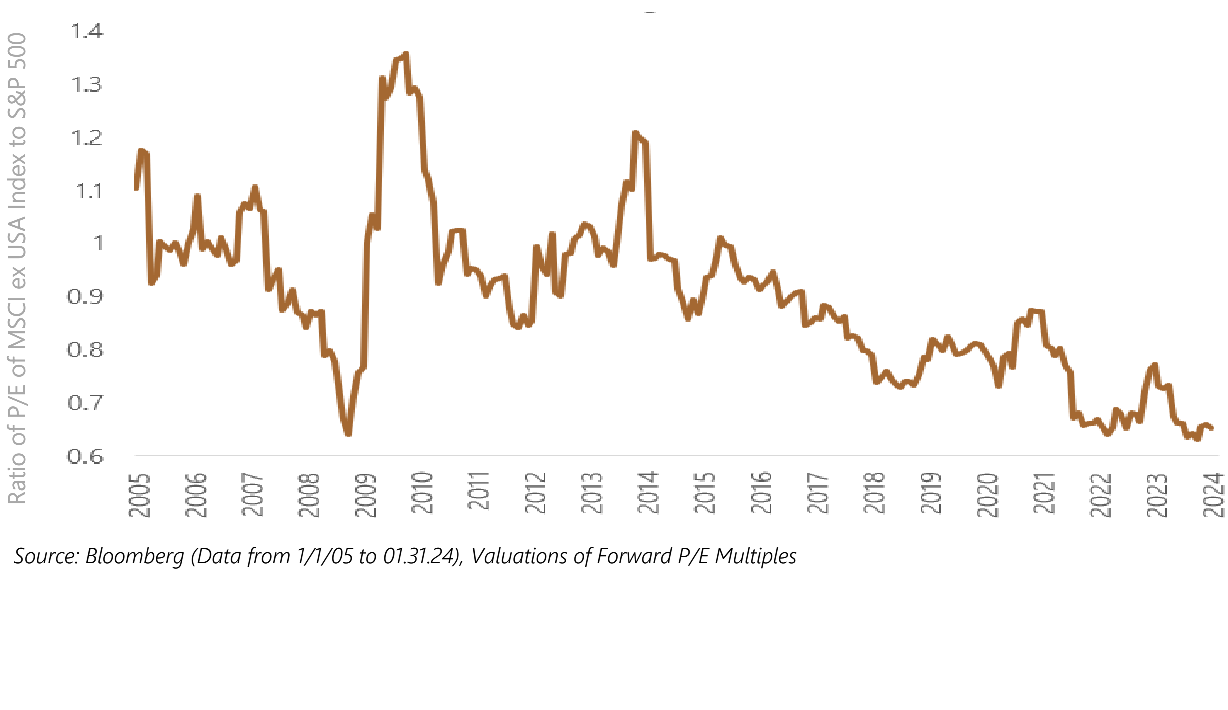
As the S&P 500 finished out 2023, it traded at approximately 23 times trailing earnings, up significantly from 18 times trailing earnings at the beginning of the year. The nearly five points of P/E multiple expansion implies that a large portion of the S&P 500's 2023 returns were a result of investors pricing in speculation on a future surge in S&P 500 earnings. These valuation level is not particularly attractive relative to history. Today the magnificent seven stocks, which represent almost a third of the value of the entire S&P 500, trade at even higher valuations. With the big tech stocks now priced to discount significant earnings growth well into the future, the S&P 500 appears priced for perfection. Should earnings growth fail to materialize as currently expected, the S&P 500 could come under substantial pressure.

We have been surprised at the magnitude of the advances in the tech-driven S&P 500 over the last year, particularly as the extraordinary gains occurred despite global interest rates that have climbed to levels among the highest of the last 25 years. It is often said that interest rates are like a gravitational force, acting to pull valuations back to earth- the higher the rates, the stronger the pull. With the earnings yield on short-term Treasuries now higher than the earnings yield on stocks in the S&P 500, we believe there is a substantially elevated level of risk that valuations in the index today could certainly descend back to earth, particularly if interest rates remain pegged at elevated levels.

While US Broad Market Valuations are Not Cheap, the Fund Is Focused on the Undervalued Corners of the Market

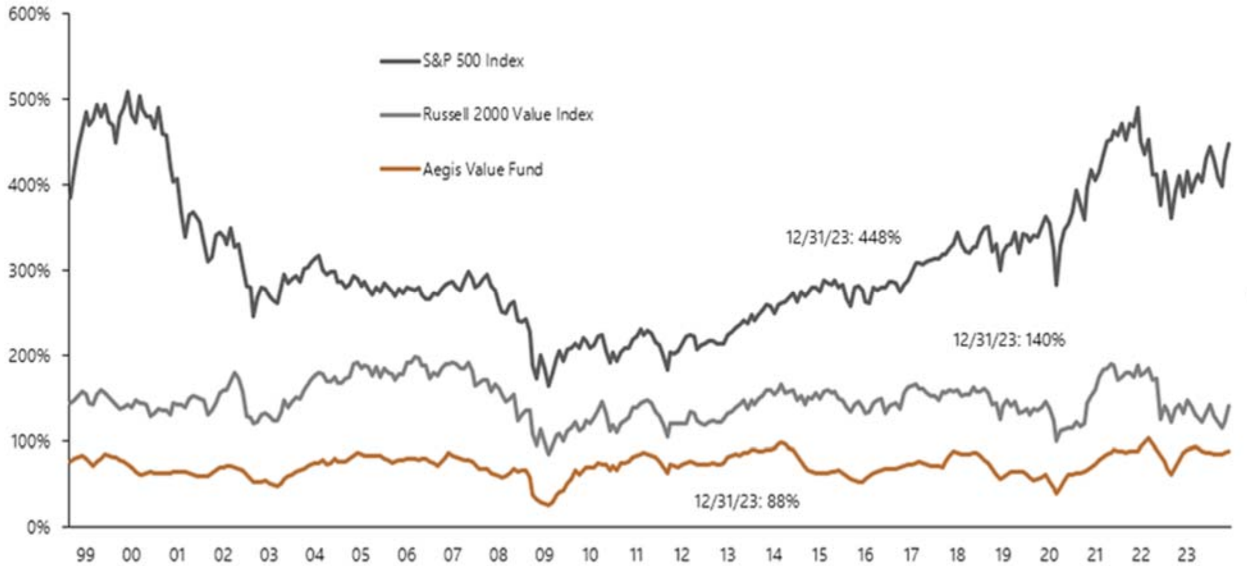
Fortunately, the level of market bifurcation with respect to valuation remains quite high. Today, the entirety of the S&P 500 Energy Sector has an aggregate market cap of approximately $1.6 trillion, roughly half of the market cap of Microsoft alone, despite having annual free cash flow of $134 billion or approximately twice the cash flow of Microsoft. Clearly, certain portions of the market are trading at valuation levels significantly less stretched than those of the tech-focused S&P 500. As can be seen in Table 2, stocks in the large-cap Energy and Materials Sectors are trading at multiples of Enterprise Value-to-EBITDA lower than the stocks in most other sectors, with energy stocks in particular trading at far lower

Figure 3: International Stocks at Lower P/E Multiples - MSCI World ex USA Index P/E Divided By S&P 500 Index P/E



Source: Bloomberg (Data from 1/1/05 to 01.31.24), Valuations of Forward P/E Multiples

Figure 4: 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 12/31/2023)

levels. And while there has been some degree of multiple expansion in energy and precious metals as well in 2023, the extent of the multiple expansion was far less than the massive expansion seen in the Information Technology Sector, which witnessed 8 points of multiple expansion from 15.96 times EBITDA at the start of the year to 24.40 times at year-end. Small-cap securities, which have been the bread and butter of the Aegis Value Fund, continue to remain significantly undervalued relative to large-caps.

As can be seen in Figure 2, for the last couple of years, small caps have traded at valuation discounts to the S&P 500 that are among the largest in decades. Non-US stocks also appear to have missed-out on much of the massive appreciation seen in the US markets as shown in Figure 3 and foreign stocks are also today typically available at substantially cheaper valuations. Given the valuation discounts available today within the energy and materials sectors, among small-cap stocks, and among global equities, we are optimistic that our Fund's current positioning with a focus on deeply undervalued small cap securities in the materials and energy sector, with many trading outside the United States (we have several investment holdings today that are domiciled and trading in Canada, England, and Australia), will eventually prove well placed. At the moment, however, we believe many of these smaller, off-the-run stocks are being liquidated for non-fundamental reasons as surging large-cap technology stocks suck-in additional investment dollars and the valuation-insensitive large-cap passive index investors tag along for the ride, inattentive to the longer-term capital risks being incurred.

As can be seen in Figure 4, stocks in the Fund at year-end trade at less than a quarter of the valuation on a price-to-book basis compared to the broader market. Today, we believe there is strong opportunity for appreciation in the portfolio, and believe the Fund is well positioned to outperform the broader equity markets over time. At year-end, employees and their families held in excess of $40 million in Fund shares. We continue to monitor the portfolio and the investment environment closely and are on the careful lookout 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

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 International Petroleum Corp., MEG Energy Corp., Amerigo Resources Ltd., Kenmare Resources, Interfor Corp., Hallador Energy Company, Algoma Steel Group Inc., Natural Gas Services Group, Inc. Bank of Cyprus Holdings, and Peabody Energy Corp. As of December 31, 2023, the stocks represent 5.9%, 5.3%, 5.1%, 4.8%, 4.7%, 4.7%, 4.2%, 3.7%, 3.3%, and 3.2%, 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. Price-to-Earnings The P/E ratio is the measure of the share price relative to the annualized net income earned by the firm per share. 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. 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. 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. Tangible Book Value: The net asset value of a company, calculated by total assets minus intangible assets (patents, goodwill) and liabilities. OPEC: The Organization of Petroleum Exporting Countries is a group consisting of 12 of the world's major oil-exporting nations. WTI: West Texas Intermediate is a grade of crude oil used as a benchmark in oil pricing. National Oceanic and Atmospheric Administration (NOAA): Its mission is to better understand our natural world and help protect its precious resources extends beyond national borders to monitor global weather and climate, and work with partners around the world. S&P 500 Energy Sector comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector. Enterprise Value to EBITDA is a valuation measure calculated as enterprise value divided by earnings before interest, taxes, depreciation, and amortization. EV (Enterprise Value): Company market capitalization plus debt, less cash. EBITDA: Earnings before interest, taxes, depreciation, and amortization expenses. S&P 500 Communication Services & Information Technology Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Communication Services and Information Technology sectors.

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. Dividends are not guaranteed and may fluctuate.

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.