AEGIS **Value Fund**

AEGIS FUNDS

Portfolio Manager's Letter
Quarter Ended March 31, 2016

May 2, 2016

Dear Aegis Investors:

Table 1: Performance of the Aegis Value Fund as of March 31, 2016

			Annualized					
	Three Month	Year-to-Date	One Year	Three Year	Five Year	Ten Year	Since I Share Inception*	Since A Share Inception*
Aegis Value Fund Cl. I	24.00%	24.00%	-0.60%	-6.84%	0.65%	3.42%	8.45%	NA
Aegis Value Fund Cl. A at NAV	23.99%	23.99%	-0.81%	NA	NA	NA	NA	-15.96%
Aegis Value Fund Cl. A-W/Load	19.30%	19.30%	-4.50%	NA	NA	NA	NA	-17.48%
Russell 2000 Value Index	1.70%	1.70%	-7.72%	5.73%	6.67%	4.42%	7.23%	-0.83%

** 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 ratio of 1.53% and 1.78%, respectively. The Fund Class I and Class A 's net annualized expense ratio, after fee waiver, 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 4/30/2017.

The first quarter marked a welcome reversal in performance for the Aegis Value Fund as several macroeconomic trends that were creating headwinds for Fund performance in recent quarters turned substantially more favorable. As can be seen in the table above, the Fund outperformed the broader Russell 2000 Value Index in the first quarter by more than 22 percentage points.

The Fund began the year with a volatile 13.9 percent decline over the first 20 days of January as the broad market S&P 500 Index logged its worst opening week on record. Investor fears over the potential global fallout from a Chinese hard landing peaked in January as Chinese markets plunged, setting off newly instituted, market halting circuit breakers on multiple consecutive days. With heightened investor concerns over a Yuan devaluation and amid massive volatility, the outlook for many commodities deteriorated early in the year as markets began to factor in the potential for slowing Chinese demand growth. Oil prices started the year on a particularly sour note, taking a dramatic leg down to under $30 a barrel. The dollar strengthened in January as the European Central Bank announced new stimulus and the Bank of Japan introduced negative interest rates, continuing the trend of divergence from the U.S. Federal Reserve, which had been indicating that it was planning as many as four additional quarter-point hikes in 2016.

By quarter-end, conditions had significantly changed. With worries over declining stock prices and softening global economic conditions looming over the market, the Fed once again appeared to change course, dramatically slowing the forecasted future pace of rate hikes. Unsupported by the prospect of multiple Fed rate hikes in 2016, the soaring dollar dropped, closing the quarter down 4.6 percent against the Euro and 6.6 percent against the Yen. The dollar even dropped 0.6 percent against the Yuan. Amid the dollar decline, crude oil rebounded from large losses earlier in the quarter to gain 3.5 percent by quarter-end. Broad domestic equity indices also recovered losses experienced in the first five weeks of the quarter, with the S&P 500 Index closing the quarter up 1.35 percent after being down by as much as 10.3 percent in early February.

Fed Chairman Janet Yellen recently disclosed that the Fed had been studying the feasibility of implementing negative rates in the United States. The Federal Government, with its $19 trillion of borrowings and continued deficit spending, would clearly be a primary beneficiary from negative rates. However, the scheme may not be implementable, as savings confiscation through negative rates with the aim of further subsidizing borrowers is of dubious constitutionality. Many foreign governments, though, have clearly been following this track, vacuuming up the savings of their depositors and lenders through this policy. Nearly $9 trillion of global government bonds trade today at negative yields, including nearly 40 percent of Euroland's bond market.

The extent to which worldwide monetary authorities can engage in negative interest rate policy, however, is currently limited by a concern that savers will be increasingly incentivized to pull deposits and store cash outside of the banking system, which may lead to banking instability. Increasingly, investors suspect this concern to be driving what appears to be a current political push to delegitimize large holdings of cash held outside the banking system as the purview of terrorists and drug dealers. Already for some time now, many police departments around the country have been engaging in cash seizures under constitutionally challenged asset forfeiture regimes that have been pervasive enough to evoke Canada to issue U.S. travel warnings to its citizens. In recent months, investors have also witnessed the emergence of a growing effort by members of the inteligentsia, including former Treasury Secretary Larry Summers, European Central Bank Chairman Mario Draghi, and Financial Times columnist Gillian Tett, to advocate for the elimination of large denomination currency bills from circulation. With domestic credit up by 58 times since 1970 to levels close to $58 trillion, an increase well in excess of Gross Domestic Product (GDP) growth over this period, heightened levels of political advocacy for coercive monetary policies such as negative interest rates which are supportive of debtors is to be expected. Given these global monetary geopolitical trends, it was not surprising to see massive inflows into gold ETFs and a strong 16.4 percent rise in the price of gold during the quarter, its best quarterly performance in 30 years. Silver also gained 11.5 percent.

In previous quarters, Fed-driven anticipation of higher interest rates had driven the dollar higher and depressed the price of gold, oil, and other commodities. During that period we patiently positioned the Fund into heavily beaten-down energy and materials stocks while generally avoiding banking-related issues, which had climbed on speculation of better margins on account of higher interest rates. We have steadfastly held to our approach despite painful losses over the last several quarters. As a result, the Fund was well positioned as the market concluded that the Fed was not particularly keen on raising rates aggressively in 2016. Our avoidance of bank equities worked particularly well for the Fund in the quarter. The KBW Bank Index dropped a significant 12.1 percent during the quarter as increased prospects of negative interest rates worldwide, a flattening yield curve, and commensurately lower net interest margins pressured bank stocks.

In contrast, precious metals and mining stocks shined. Lipper recently reported precious metals equity focused sector funds were the top performing of Lipper's various sector fund categories in the first quarter, delivering an average quarterly return of 42.21 percent. It was said to be the best quarter for precious metals equity sector funds since the first quarter of 1987. Fortunately, we were well positioned in this respect. At the start of the year, the Aegis Value Fund held a strong allocation amounting to 16.3 percent of Fund assets in precious metals miners, including **Lake Shore Gold (LSG)**, **Dalradian Resources (DNA.TO)**, **Guyana Goldfields (GUY.TO)**, **Avino Silver and Gold (ASM)**, **Alamos Gold (AGI)**, **Coeur Mining (CDE)**, **Endeavor Mining (EDV.TO)**, **Continental Gold (CNL.TO)**, and **TMAC Resources (TMAC.TO)**. The robust stock performance of our precious metals miners delivered an estimated 11.3 percentage points to first quarter Fund returns. Lake Shore Gold alone delivered an estimated 2.8 percentage points to Fund performance as **Tahoe Resources (TAHO)** announced in February that it had agreed to acquire Lake Shore at a material premium. Underlying gold and silver prices continued to rally into April, and we have been taking the opportunity recently to trim down a few of our positions in these companies as they have become a larger portion of the portfolio. At quarter-end, our precious metals mining positions represented 22.1 percent of Fund assets.

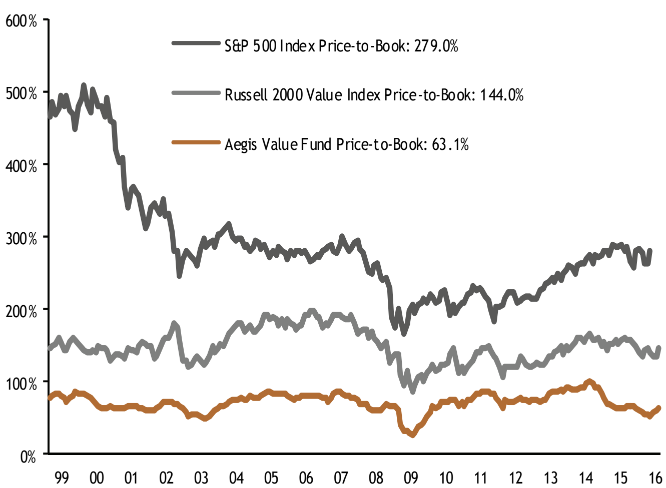
The biggest contributor to Fund performance, however, was **Alliance One International (AOI)**, which positively impacted returns by 5.0 percentage points. Shares in the tobacco leaf processor, the Fund's largest holding, climbed by 53.1 percent in the quarter. As was described in previous letters, Alliance One had been under a significant amount of selling pressure since last November when financial irregularities which were likely theft-related surfaced at a non-core operation in Kenya that had been slated for closure. The discovery forced the company to delay the filing of its financials pending the results of an investigation, resulting in anxious shareholders dumping the stock with little regard to price or intrinsic value. We were convinced that the damage to the company's earnings power would be limited, and determined to hold our position through the sell-off. While the company has yet to file financials, which are expected shortly, they have now reported that the forensic consultants have completed an extensive review of the company's books, and they have found no additional irregularities. We remain convinced that the company will soon become current on its financials, allowing investors to refocus on the strong cash generation capability and improving fundamentals at the company. Even after the first quarter run-up, we believe the company trades at a low-to-mid single digit multiple to projected earnings two-to-three years out. At quarter-end, Alliance One shares represented 12.3 percent of Fund assets.

Resolute Forest Products (RFP) was the largest detractor from performance in the quarter, cutting returns by an estimated 1.77 percentage points. Investors sold Resolute as the company reported anemic quarterly earnings, as weak pricing from the company's sales of newsprint, pulp and lumber depressed EBITDA by 50 percent sequentially and 63 percent year-over-year. In short, we believe sellers are missing out on a potential turn in the business. With several newsprint producers exiting the market and operating rates for the remaining players in the 90 percent range, newsprint prices have turned higher. Pulp and lumber prices are also now on the rise. Should these price hikes be successfully implemented without significant losses in volume, we project annual EBITDA improvement of as much as $200 million. The company has also spent $105 million on the installation of a digester at the Calhoun plant, which has just recently become operational and should lead to a material benefit to the company's cost structure. EBITDA should also improve by an estimated additional $75 million once the company's $300 million tissue plant investment comes on-stream in late 2017. Overall, we see Resolute as a company with the potential to generate in excess of $400 million in annualized EBITDA in 2018. This level of EBITDA compares to a current enterprise value of approximately $1.3 billion, which includes $800 million of debt (which we adjusted to include $200 million additional debt taken on at the company to complete projects) and $500 million of equity market cap. Trading at 0.3 times tangible book value, and approximately 3 times expected 2018 EBITDA, we believe Resolute shares are an attractive investment. Resolute was one of the Fund's top purchases in the quarter, and at quarter end comprised 4.79 percent of Fund assets.

The Aegis Value Fund's strong performance in the first quarter drove valuation levels higher. As can be seen in **Figure 1**, stocks in the Fund closed the quarter at a weighted average of 63.1 percent of book value. While up from 52.1 percent of book at the beginning of 2016, the Fund still trades at a sizeable discount to the broad market S&P 500 Index, which closed the quarter trading at 279 percent of book value. Despite the increase in the valuation of several of the Fund's holdings, we believe a sufficient number of highly discounted companies in our discount-to-book investment universe exist to enable us to achieve competitive future results. The elevated number of watchlist candidates at quarter-end can be seen in **Figure 2**.

Figure 1:

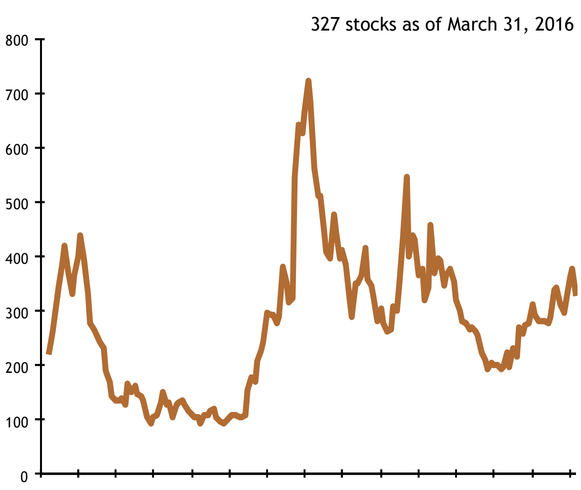
Aegis Value Fund, S&P 500 Index, and Russell 2000 Value Index Historical Price-to-Book Ratio



Source: Aegis Financial Corp and Bloomberg (Data from 9/30/1998 to 03/31/2016

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 03/31/2016)

The Aegis Value Fund turned in another nice month in April, gaining 23.32 percent (I-share return) and dramatically outperformed the Russell 2000 Value Benchmark, which increased by just 2.12 percent. We believe that despite the strong recovery in deep value stocks this year, our portfolio continues to have ample room to outperform the broad market. Recent research released by Lazard Asset Management in March entitled "Is the Market Setting Up for Value's Comeback?" showed that value has underperformed growth during nearly the entirety of the last 10 years, which has been a "stunningly" long duration of underperformance. While there exists a strong body of research (Fama, French, Lakonishok, et al.) showing that low price-to-book stocks have delivered strong market outperformance over long historic periods of time, Lazard's work found that low price-to-book value stocks have performed particularly poorly during the last 5 years. While we, too, have struggled through the last few years, we believe our deep value stocks are increasingly likely to have their time in the sun, and have patiently positioned the Fund for their possible resurgence.

We continue to work diligently to mitigate risk in the portfolio while enhancing the opportunity for strong returns by keeping the Fund invested in stocks that we believe are among the most undervalued in the market today. Employees and our families have over $20 million invested in Fund shares. We continue to carefully monitor the investments for emerging risks. Should you have any questions, our shareholder services reps are available via (800) 528-3780. Should you have any questions at all regarding our Fund's investment approach, you are also welcome to call me personally at (571) 250-0051.

Sincerely,

Scott L. Barbee

Scott L. Barbee
Portfolio Manager
Aegis Value Fund

Please see the following 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 prospectus 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. Value stocks may fall out of favor with investors and underperform growth stocks during given periods.

The Fund's top ten holdings are Alliance One International Inc., Delta Apparel Inc., WPX Energy Inc., Resolute Forest Products Inc., Alaska Communications Systems Group Inc., Olympic Steel Inc., McDermott International Inc., Coeur Mining Inc., Nevsun Resources Ltd., and Mercer International Inc. As of March 31, 2016, the stocks represent 12.3%, 6.9%, 6.3%, 4.8%, 4.2%, 3.8%, 3.8%, 3.2%, 3.2%, and 3.1%, 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. **EBITDA:** Earnings before interest, taxes, depreciation, and amortization expense. **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. **Tangible Book Value:** The net asset value of a company, calculated by total assets minus intangible assets (patents, goodwill) and liabilities. **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. **Cash Flow:** A revenue or expense stream that changes a cash account over a given period. **Discount to Book Value:** A company's stock trades at a discount to book value when its market capitalization is less than the book value. **Price-to-Earnings:** A valuation ratio of a company's current share price compared to its per-share earnings. **Basis Point:** One 100th of one percent. **Enterprise Value:** The market capitalization plus debt, less cash. **KBW Bank Index:** consisting of the stocks of 24 banking companies. This index serves as a benchmark of the banking sector.

An investment cannot be made directly in an index.

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