AEGIS Value Fund

Portfolio Manager's Letter
Quarter Ended March 31, 2017

April 17, 2017

Table 1: Performance of the Aegis Value Fund as of March 31, 2017

	Three Month	Year-to-Date	Annualized: One Year	Three Year	Five Year	Ten Year	Since I Share Inception*	Since A Share Inception*
Aegis Value Fund Cl. I	0.00%	0.00%	37.67%	-0.81%	8.08%	4.88%	9.83%	NA
Aegis Value Fund Cl. A at NAV	0.00%	0.00%	37.44%	-1.01%	NA	NA	NA	-1.46%
Aegis Value Fund Cl. A-W/Load	-3.75%	-3.75%	32.28%	-2.26%	NA	NA	NA	-2.67%
Russell 2000 Value Index	-0.13%	-0.13%	29.37%	7.62%	12.54%	6.09%	8.30%	8.07%

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

Performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. The investment return and principal value will fluctuate so that upon redemption, an investor's shares may be worth more or less than their original cost. For performance data current to the most recent month end, please call us at 800-528-3780 or visit our website at www.aegisfunds.com. Performance data for the Class A shares with load reflects the maximum sales charge of 3.75%. Additionally, performance for the Class A Shares without load is shown at NAV, and does not reflect the maximum sales charge. If reflected, total return would be reduced. The Fund's Class I (AVALX) and Class A (AVFAX) shares have an annualized gross expense ratios of 1.53% and 1.78%, respectively. The Fund's Class I and Class A 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 4/30/2018.

The Aegis Value Fund closed the first quarter of 2017 unchanged, slightly outperforming the Russell 2000 Value benchmark, which declined a tiny 0.13 percent. Large-cap stocks, buoyed by robust levels of passive index and exchange traded fund (ETF) inflows, were standout performers in the quarter, with the S&P 500 Index surging 6.07 percent.

The Aegis Value Fund's flat quarterly performance overall belied the existence of a couple of performance-impacting crosscurrents. On the positive side, gains in the Fund's materials sector holdings improved Fund returns by approximately five percentage points. Most positively among these positions was Amerigo Resources (ARG.TO). Shares of the Chilean copper producer surged 89.5 percent over the quarter, adding 1.5 percentage points to Fund returns amid a 5.9 percent copper price surge. Over the last two quarters, cumulative copper price gains have totaled 20 percent. Conditions in the copper market have tightened amid strike-related supply disruptions at BHP Billiton's large Escondida mine in northern Chile and a smelter-strike and permit related output reduction at Freeport's massive Grasberg mine in Indonesia. Together, the two mines produce approximately eight percent of the world's copper supply and their production shortfall drew copper inventories down, improving copper prices as the demand outlook continued to strengthen.

In the quarter, Amerigo reached a financing agreement in principle with BBVA Chile to borrow $30 million to fund the construction of Phase II of the company's Cauquenes expansion, which when completed over the next 18 months should enable the company to produce 87 million pounds of copper annually. Post expansion, presuming the current copper price of $2.60, we estimate Amerigo should be able to generate EBITDA of $60 million, allowing the company to rapidly repay the expected $80 million of estimated debt projected to be outstanding as construction is finished. Despite the large equity run-up, Amerigo shares currently trade at market cap of only $94 million, just 2.2 times post-expansion projected EBITDA. With a long resource life assured by Amerigo's nearly 1.46 billion pounds of copper resources, and with cash costs (before variable royalties) projected to drop into the $1.40/lb range, we believe there is substantial upside in the company's share price, even in a stagnant copper pricing environment.

Within the materials sector, gains in the Fund's precious metals mining companies were also nice additions to quarterly returns. After dropping 12.8 percent in 2016's fourth quarter, gold reversed course, climbing 8.86 percent in the first quarter as the dollar weakened against several major global currencies. Gold has been showing particularly strong resilience in the wake of the Fed's second interest rate hike since the election in November and the significant increase in investor expectations for higher interest rates, leading us to believe that inflationary expectations may also now be heating up.

The Fund's precious metals investments, consisting of 15 holdings aggregating to 17.7 percent of Fund assets at the start of the year, improved Fund returns by an aggregate 2.61 percentage points. The best performer of the group, Dundee Precious Metals (DPM), was fortunately the largest Fund purchase last quarter. Dundee shares climbed 26 percent to deliver 0.84 percentage points to the Fund's quarterly returns. Given the company's substantially improving gold production profile over the next two years, we believe more gains lie ahead for Dundee.

While gold prices rebounded from the previous quarter's drop, reclaiming two-thirds of recent declines, gold mining equity recoveries were inexplicably muted, with the MVIS Junior Gold Miners Index gaining only 12.94 percent, approximately half the 24.12 percent losses of the previous quarter. We continued to closely monitor the industry, conducting in-person meetings with over 30 mining management teams over the last three months, and believe we have assembled a well-balanced portfolio that includes several of the most undervalued equities in the overlooked mining industry today. We think these stocks will continue to perform well, particularly if the market holds on to recent metals price gains.

Today, many short-term oriented, volatility-adverse, conventional investors avoid precious metals and mining stocks, given the implicit volatility these companies have historically experienced related to their exposure to fluctuating gold and silver prices. We have a contrarian viewpoint on the precious metals mining industry, which we believe offers extraordinarily good valuations as a result of investor apathy to these names. To be clear, we do not believe the investments we have made in the group require higher metals prices to drive very competitive investment performance. Our mining-related holdings typically have been purchased at levels cheap enough in our view to be able to deliver strong investor returns based on differentiated, company specific factors, even in a stagnant metals environment. Many of our holdings have new projects or revenue streams projected to come on over the next one-to-three years that are likely to substantially improve cash flows.

Importantly, however, we also believe these investments have the potential to provide the Fund with outsized gains should certain low probability scenarios materialize whereby increasing inflation and monetary instability drives precious metals prices materially higher. We understand that since 2009, according to Bank of America, central banks around the world have cut rates 679 times and bought a massive $14.2 trillion of financial assets, primarily with money conjured out of the digital ether. In our view, central bank exit from this highly unconventional monetary policy employed world-wide since 2009 is not likely to be either easy or smooth, and in the end is unlikely accomplished without an increasing amount of inflationary pressure. With Bank of America suggesting the ratio of the price of real assets (real estate, commodities and collectibles) to financial assets (stocks and bonds) to be currently at its lowest level since 1926, the economic backdrop should strongly support precious metals pricing over the intermediate term. At the close of the quarter, the Fund held 17 precious metals mining equities comprising 20.8 percent of Fund assets.

On the opposite side of the Fund's performance ledger, Alliance One International (AOI), the Fund's largest holding, dropped by 33.1 percent over the quarter, impacting Fund returns by 3.5 percentage points. Most fundamental investors had already thrown in the towel on the global tobacco leaf dealer by year-end 2016 following a series of issues which included the uncovering of probable fraudulent activity in the company's Kenyan subsidiary, which required a delay and restatement of financial filings. Furthermore, poor weather in the company's key Brazilian growing area last crop season wreaked havoc on the company's financial results this past year, leaving investors in the levered company disappointed and frustrated. Fortunately, company fundamentals today appear to be on a significant upswing. The financial restatements have been made, and the Brazil crop size this season is up nearly 50 percent from last year to more normalized levels, which we believe will materially improve the company's future financial results. Overall, including the likely impact of the improving Brazilian crop, we have identified discreet items that should improve operating earnings at the company over next year by in excess of $40 million, or more than $4 per share, a significant positive earnings impact for a stock that today trades in the $12-$13 range.

Passive index investors, however, seem unconcerned with Alliance One's future prospects for earnings improvement, or even its fundamentals at all for that matter. We believe these passive funds are now driving the stock. With the company's recent difficulties, the market cap presently appears to have dropped under the minimum cut-off for inclusion in the Russell 2000 Index, with the likely result being a second quarter purge from the index. With the prospect of the pending sale of index fund shares and a lack of immediate substantial buy interest from a declining pool of somewhat frustrated fundamental investors, the stock price has dropped. We intend to hold on to our position. Should our earnings improvement thesis play out over the next 18 months, we believe Alliance One has the potential to deliver very strong equity returns from these levels. At the end of the quarter, shares in Alliance One comprised 7.61 percent of Fund assets.

Delta Apparel (DLA) shares also dropped significantly, declining 15 percent and costing the Fund a further 0.66 percentage points in the quarter. The apparel manufacturer is now also a strong candidate for discard from the Russell 2000 Index, as it too has seen its market capitalization decline to levels beneath the estimated cut-off for index inclusion. As in the case of Alliance One, here too we believe fundamentals in the company are on a strong upswing. Delta recently sold its marginally profitable Junkfood apparel business for an attractive $28 million, meaningfully reducing net debt and increasing tangible book value by nearly $3 per share. Given the low valuation, the company has suggested it intends to use a portion of the sales proceeds to continue its share repurchases. We currently intend to hold on to our position, as Delta Apparel is likely to experience strong earnings improvement this coming year as the company continues to grow its popular Salt Life brand and cost savings from the closure of a high-cost domestic plant flow into earnings.

In the financial environment today, we believe the Fund is well positioned. We own a number of stocks that we believe are trading at very low valuations with great risk/reward profiles and significant opportunity for strong future returns. We hold these securities within a broad market environment that looks to be increasingly stretched.

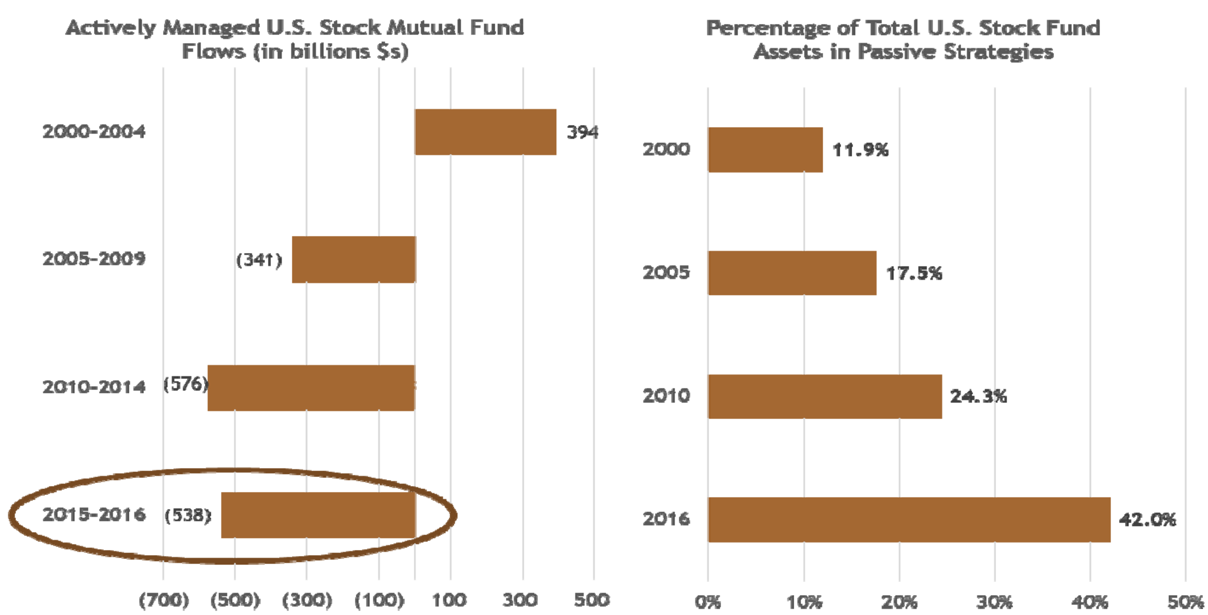
Perhaps most poignantly, in what strikes us as an echo of the market conditions of the late 1990s, passive index investing is once again in vogue amid heavy criticism of recently underperforming active managers in the financial press. Spurred on by the siren call of Jack Bogle and other investing celebrities, investors have been increasingly abandoning their active managers and reallocating en-masse to passive index solutions. As can be seen in Figure 1, in 2015 and 2016, according to the Investment Company Institute (ICI), outflows from active funds were a total of $538 billion. Passive funds attracted the lion's share of these assets. At year end, active managers had reportedly suffered outflows for 33 consecutive months and passive stock Funds had grown to comprise a massive 42 percent of all U.S. stock fund assets. The move to passive investing accelerated in early 2017 with ETFs alone, which are almost entirely passive, reporting a record $131 billion of inflow in just the first two months of the year, vs. $390 billion over the entire year of 2016. Vanguard, known for its passive investing, just announced $121 billion of first quarter inflows, an all-time record.

While passive investing, which we've previously described as a parasitic investment strategy, can function well when employed by a small fraction of practitioners, we believe as assets passively managed get larger the strategy breaks down, destroying price discovery in the markets. Already we are seeing signs of increasing unhealthiness in this respect. Almost weekly now, we see stories such as Blackrock's recent restructuring wherein the company let go dozens of its portfolio managers and analysts engaged in active fundamental-driven management, reportedly placing greater emphasis on using computer models to pick stocks. On the sell-side, Bank of America recently reported that the number of fundamental analysts covering each $1 billion of aggregate market capitalization has shrunk from 14 in 1986 to under one today. On the buy-side, Bloomberg recently reported that almost half of actively managed U.S. funds have closed between 2007 and 2016.

With ever fewer investors and analysts engaged in the active management of portfolios based on deep-dive, long-term fundamental analysis, we believe unusual dislocations have begun to occur as markets become increasingly unhinged from fundamentals. Our conclusion is that this unhinging makes it a particularly perilous time for conventional investors now so enamored with indexing, and better times lie ahead for the fundamental analysts and managers who have survived — particularly those managers who are investing in companies outside the index.

In particular, because many popular passive Indexes tend to be weighted by market-capitalization, indexing tends to herd capital to the largest companies, pushing valuations higher. With the five largest stocks by market-cap, Apple ($740 billion), Alphabet/Google ($570 billion), Microsoft ($500 billion) Amazon ($430 billion), and Facebook ($400 billion) now representing over $2.6 trillion, or ten percent of the entire valuation of all U.S. stocks, many index funds are today heavily concentrated in these five stocks, several of which trade at valuation multiples materially above the market. Am-

Figure 1: Actively Managed Stock Funds Are Ceding Share to Passive Strategies

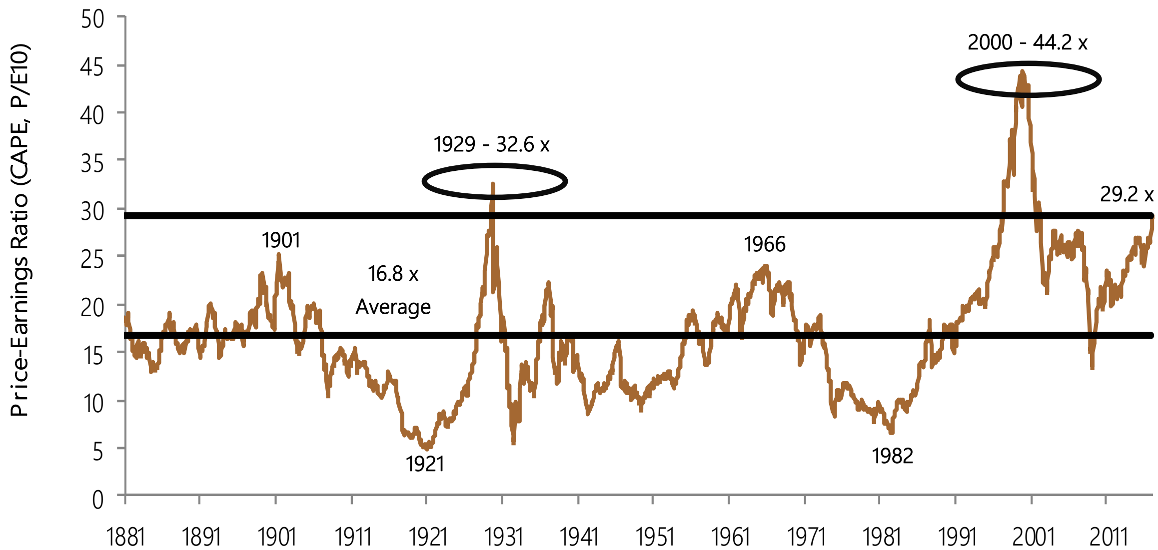


** Source: Investment Company Institute* azon, at the extreme, trades at a valuation of more than 180 times its trailing earnings. Often, these valuations are being pushed higher despite worrisome fundamental developments. Former Barrons Roundtable participant and long-time technology analyst Fred Hickey recently wrote of this impact:

Apple's revenues declined eight percent year-over-year in its most recent fiscal year and operating income fell 16 percent… From what we know now, the main new features in the upcoming Apple i-Phone are already offered by Samsung and some other competitors. It is likely that the bounce that Apple will receive from the new model later this year will be short lived. But none of this matters as long as the cash flows into the S&P 500 ETFs and then proportionally into the largest valued names (Apple being the largest). Likewise, it doesn't matter that Amazon missed revenue forecasts by a billion dollars last quarter, that Alphabet/Google missed analysts' earnings forecasts by 31 cents per share in Q4 (its second big miss of 2016), that Microsoft is slow/no growing or that Facebook's management warned in early February that the company's advertising revenue growth will slow this year… None of this matters, as all five of these tech/internet stocks hit record highs.

Large technology stocks have not been the only beneficiaries of index-related fund flow. Large consumer products companies are also benefitting. Investment advisor Horizon Kinetics recently reported "The money flows of mass market indexation have created structurally automatic bids for the major index companies. These, particularly the branded consumer products businesses like Coca-Cola and Proctor & Gamble, are mature and have stagnant or even declining revenues." Overall, as can be seen in Figure 2, valuations of the broad market-based S&P 500 Index is exceptionally high today, with the cyclically adjusted Shiller P/E ratio, which compares the S&P 500 Index price to its trailing 10-year average earnings, recently hitting 30 times. This multiple has only been exceeded two times in U.S. stock market history, during the stock mania of the late 1990s and just prior to the 1929 crash.

Figure 2: Shiller Cyclically Adjusted P/E ("CAPE", "P/E10")

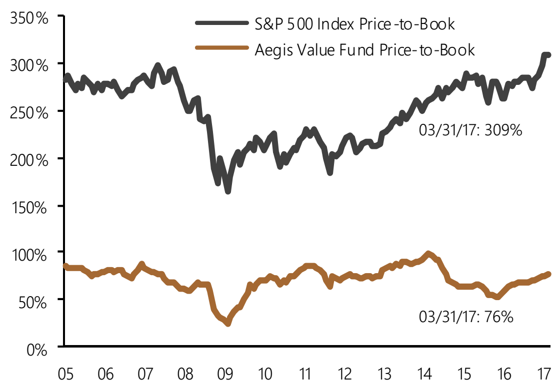


** Source: Robert Shiller Online Data, www.econ.yale.edu/~shiller/data.htm*

The last time investors were enamored with passive indexing during the late 1990's, investors had also been fawning over the mega market-cap telecom, media, and technology stocks. When that bubble burst in 2000, investors were destroyed. Intel, the second highest valued public stock in the world at that time, at $509 billion, lost more than 80 percent of its market value by October of 2002. Cisco's market-cap dropped from $574 billion to $69 billion, an 88 percent drop. Microsoft dropped by more than 66 percent and Nortel lost nearly all its capitalization, dropping from $250 billion to a market value of just $2 billion. The indices were decimated, while value stocks dramatically outperformed. For a while, the world stopped hearing so much about passive investing, as the lessons of investing in an overvalued index were laid out for all to witness. Unfortunately, today those lessons seem to have been forgotten.

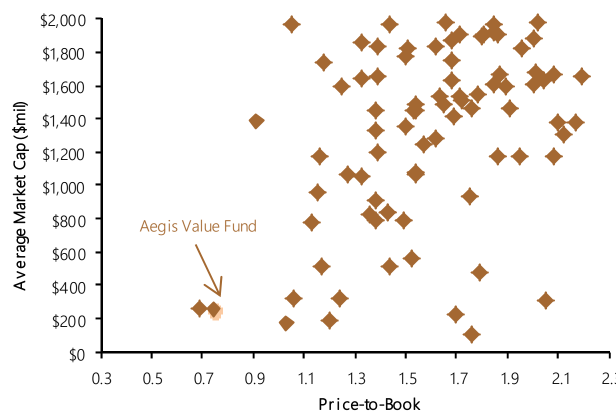
Despite the ever-higher valuations today, the markets are currently quite calm, with the Chicago Board of Options Exchange (CBOE) VIX measure of volatility closing the quarter with the lowest average volatility since 2006 – most likely a function of the extraordinarily accommodative monetary policy currently employed by the world's central banks. Given the lack of volatility, we are increasingly concerned that conventional investors have been lulled into complacency. With Vanguard's Jack Bogle suggesting that ETF trading now comprises nearly 50 percent of all stock trading, we are con-

Figure 3: Aegis Value Fund and S&P 500 Index Historical Price-to-Book Ratio



Source: Aegis Financial Corp. and Bloomberg

Figure 4: Average Market Cap and Price-to-Book Ratios of Domestic Small Cap Value Fund *



**Morningstar Fund Screen for the domestic, small cap value fund category as of 03/31/2017. Excludes funds with greater than $2 Billion average market cap. Only one share class used per fund.*

Source: Morningstar

cerned of what may transpire in the markets should the current infatuation with ETF's suddenly morph into fear. Market liquidity could certainly dry up faster than expected. For a possible preview of the future, consider the events of August 24, 2015, when more than a fifth of US ETFs were forced to stop trading when markets plunged at the open. Many investors today don't realize that liquidity in the ETF markets may not be there when desired. They may be in for quite a shock. We would recommend investors try to take a seat before the music stops. Avoiding investments that are today being pumped ever higher by the relentless purchasing of passive indexers will likely eventually prove to be a very prudent move.

While the market currently gushes over the passive index and ETF darlings, we, on the contrary, have worked to avoid exposure to this area of risk, gravitating instead to the stressed, volatile, unloved securities that are today typically being discarded by conventional investors. It is not a random coincidence that two of our five largest current holdings are under significant sell pressure on account of now being Russell 2000 discard candidates.

Overall, despite the low volatility and recent easy price gains, the broad markets continue to be exposed to substantial macro risks. The level of global debt-to-GDP has grown materially since the financial crisis, and continues to climb to all-time highs. Interest rates worldwide, despite having increased a little since the U.S. elections last November, continue to remain near the lowest levels observed in 5,000 years of recorded history. With global central bank balance sheets now bloated with assets and with many continuing to conjure up digital currency, it is difficult to predict how the world economy may evolve in the future. Historical experience suggests more inflation is likely on the horizon, and perhaps significantly more inflation. Under these scenarios, cash holdings may not be as protective in maintaining purchasing power as has been the case historically. Longer dated high-grade bonds and low-volatility dividend paying REITs and utility stocks, the darlings of today's financial planning community, may well become a disaster zone.

We have chosen to approach this environment in a less conventional, contrarian manner: by investing our capital in a portfolio of well-researched securities that we believe are as out of favor and deeply undervalued as any in the market today. Fortunately, our relatively small asset size allows us a high degree of flexibility, giving us a more expansive investment opportunity set amid a broader market that does not look particularly cheap. As can be seen in Figure 3, the Fund continues to trade at a significant discount to the broader market on price-to-book basis. The scatterplot in Figure 4 shows just how unusual our Fund is in terms of size and valuation when compared to Morningstar's universe of small-cap value funds generally. Aegis employees own in excess of $24 million in Fund shares. We remain highly focused on risk management. Should you ever have any questions, our shareholder reps are available at (800) 528-3780. You are also welcome to call me personally 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 Alliance One International Inc., Resolute Forest Products Inc., Alaska Communications Systems Group Inc., Fly Leasing Ltd., Delta Apparel Inc., WPX Energy Inc., Universal Stainless & Alloy., Geodrill Ltd., Amerigo Resources Ltd., and Conifer Holdings Inc. As of March 31, 2017, the stocks represent 7.6%, 6.1%, 5.3%, 4.4%, 4.3%, 4.3%, 4.0%, 3.8%, 3.5%, and 3.5%, 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.

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. 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. Debt-to-GDP ratio: the ratio between a country's government debt and its gross domestic product (GDP). 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. Return on equity: The amount of net income returned as a percentage of shareholders equity. ETF (Exchange-Traded Fund): A security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. VIX: the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. Tangible Book Value: The net asset value of a company, calculated by total assets minus intangible assets (patents, goodwill) and liabilities. Shiller Cyclically- Adjusted P/E (CAPE): Price earnings ratio based on average inflation-adjusted earnings from the previous 10 years.

Active investing has higher management fees because of the manager's increased level of involvement while passive investing has lower management and operating fees. Investing in both actively and passively managed mutual funds involves risk and principal loss is possible. Both actively and passively managed mutual funds generally have daily liquidity. There are no guarantees regarding the performance of actively and passively managed mutual funds. Actively managed mutual funds may have higher portfolio turnover than passively managed funds. Excessive turnover can limit returns and can incur capital gains.

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

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.

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