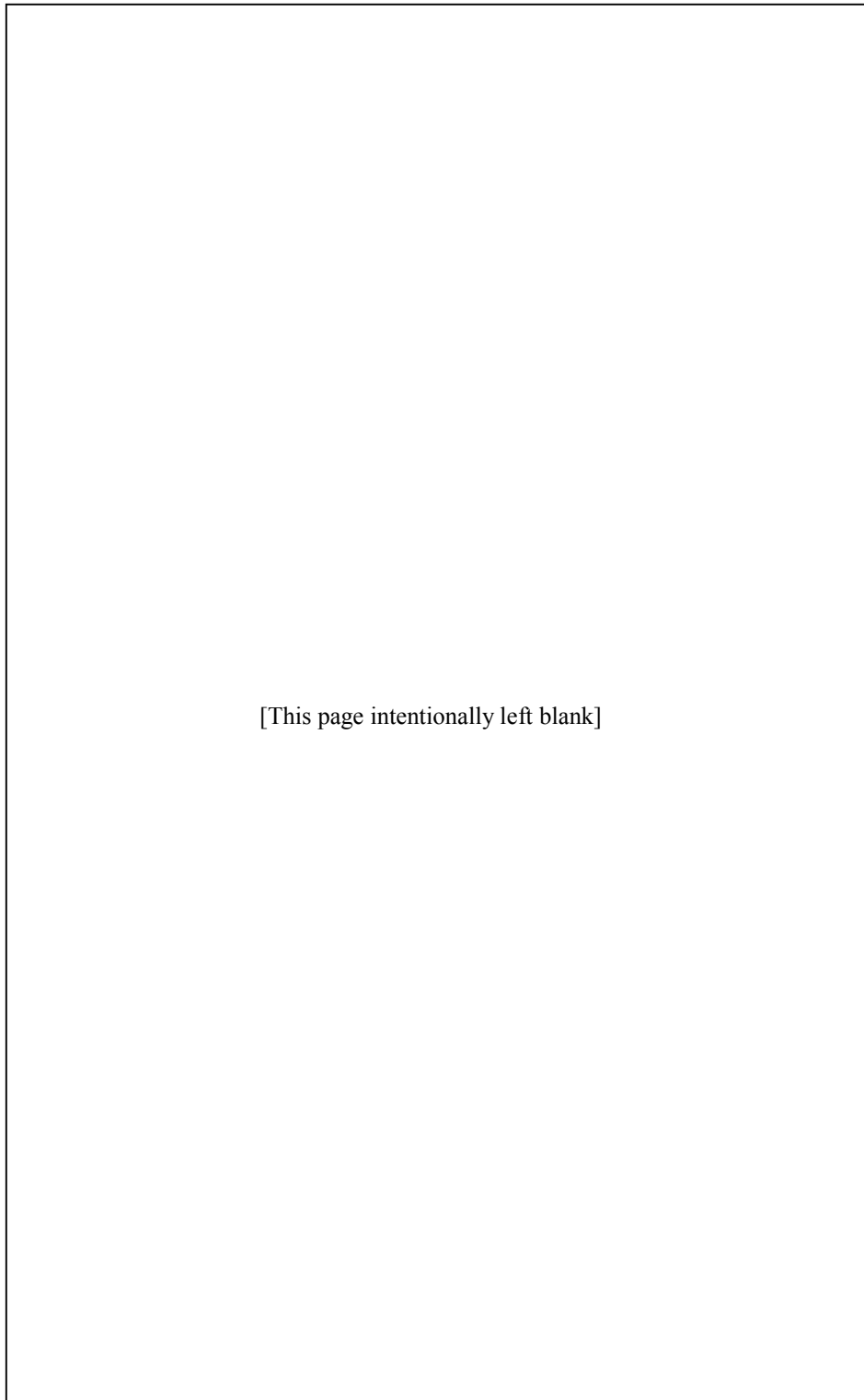


Aegis High Yield Fund

Semi-Annual Report

June 30, 2006



[This page intentionally left blank]



Shareholder Letter

August 9, 2006

To the Shareholders of the Aegis High Yield Fund:

We are pleased to present the Aegis High Yield Fund Semi-Annual Report for the six-months ended June 30, 2006.

We want to take this opportunity to welcome all of our new shareholders to the Fund. At any time, if you would like further information about the Fund, please go to our website at www.aegishighyieldfund.com for a more detailed look at the high-yield bond market and the Fund's investment approach. For your benefit, we will review the objectives and strategy of the Aegis High Yield Fund:

The Aegis High Yield Fund seeks to earn consistent total returns in the market that exceed our benchmark over periods of three to five years, while striving for below-average risk compared to our peers. Our long-term investment strategy is based on our total return objective. We use in-depth fundamental analysis of issuers to identify bonds and build a portfolio with the potential for capital appreciation due to improved company performance, ratings upgrades, or better industry conditions. We seek situations where Wall Street's appraisal of a security's value is more negative than we have determined based upon an independent study of the facts. The bonds we purchase are not necessarily the highest yielding issues in the market. Our goal is to maximize risk-adjusted long-term total return.

The Fund commenced investment operations as of January 1, 2004. For the six-months ended June 30, 2006, the Aegis High Yield Fund posted a total return of 6.07 percent, compared to a total return of 3.14 percent for its benchmark, the Lehman U.S. Corporate High Yield Index. The Fund's annualized total return since inception is 6.52% versus 6.77% for the Lehman Index.

The Fund's closing net asset value at the end of the period was \$10.44 per share, an increase from \$10.17 at the beginning of the year, and the Fund paid investment income distributions of \$0.34 per share during the six months. At June 30, 2006, the Fund's SEC-calculated 30-day portfolio yield was 7.16%.

The Fund's portfolio remained in a somewhat cautious position at June 30, 2006, with a weighted average portfolio maturity of less than four years and approximately 87% of its portfolio invested in securities with maturities of less than six years. The Fund's cash position was approximately 7% of its portfolio value.

Our view of the economic outlook has changed little in the past six months. We continue to be concerned about a period of slower growth, rising defaults, and pressures on corporate profits resulting from higher commodity costs. We believe that the yields on corporate bonds will continue to widen over Treasury

yields as investors become more cautious and therefore quality-conscious. Fortunately, some of these economic risks are already being reflected in the yields we are seeing in the market, as the Lehman Index yield has increased from 8.25% to 8.58% during the past six months.

The portfolio gains in the first half of 2006 were driven by strong market appreciation from a portion of our portfolio, combined with a fortuitous lack of exposure to some of the problem areas of the market, such as homebuilders and paper producers. The Fund also paid an average current yield of approximately 6.6% throughout the period. The net result of these factors was an overall portfolio return that substantially outdistanced the benchmark Lehman Index.

We continue to look for a few selected situations that have strong potential for capital gains as part of our strategy to emphasize total return as well as current income in the Fund portfolio. At the same time, we maintain our ongoing focus on capital preservation in 2006. The bulk of the portfolio is in shorter-term maturities whose primary purpose is to provide a competitive income stream. We maintain our belief that better opportunities will be presented at some point in the 2007-2008 timeframe. Until we see much more attractive yields available, we do not intend to be more aggressive with the Fund's portfolio.

A more in-depth review of the Fund's performance and outlook can be found in the Advisor's Report that is posted on the Fund website. Our decision to use this particular format is a result of the Sarbanes-Oxley Act of 2002. Under the Act, mutual fund officers are required to certify the entirety of each Annual and Semi-Annual report. After some deliberation, we reached the conclusion that we are not in a position to certify background data provided by outside parties, nor will we certify any analysis and subjective conclusions drawn from such data.

Nonetheless, we strongly feel that a thoughtful and detailed discussion of current market conditions is important to our shareholders. Therefore, please continue to anticipate reading this more editorial type of commentary and analysis in the Advisor's Report in the future. If you do not have Internet access, please call the Fund at 800-528-3780 for a copy.

We are pleased to have you as an investor in the Fund, and thank you for your support.

Aegis Financial Corporation
William S. Berno, CFA
Managing Director, Portfolio Manager

Note: All historical performance returns shown in this shareholder letter for the Aegis High Yield Fund are pre-tax returns. Returns include reinvestment of income and capital gains. Past performance is no guarantee of future results. Share prices will fluctuate, so that shares may be worth more or less than their original cost when redeemed.

About Your Fund's Expenses (Unaudited)

Important Note:

As a shareholder of the Fund, you incur ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire semi-annual period, January 1, 2006 - June 30, 2006.

Actual expenses

The table below provides information about actual account values and actual expenses.

Fund	<u>Actual</u>			<u>Hypothetical</u> (5% annual return before expenses)	
	Beginning Account Value (01/01/2006)	Ending Account Value (06/30/2006) ¹	Expenses Paid Dur- ing Period ²	Ending Account Value (06/30/2006)	Expenses Paid During Period ²
Aegis High Yield Fund	\$1,000.00	\$1,060.70	\$6.13	\$1,019.05	\$6.01

¹The actual ending account value is based on the actual total return of the Fund for the period January 1, 2006 to June 30, 2006 after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's actual expense ratio and a hypothetical annual return of 5% before expenses. The actual cumulative returns at net asset value for the period January 1, 2006 to June 30, 2006 were 6.07%.

²Expenses are equal to the Fund's annualized expense ratio (1.20%) multiplied by the average account value over the period, multiplied by 181/365 (to reflect the period between 01/01/2006 and 6/30/2006).

You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

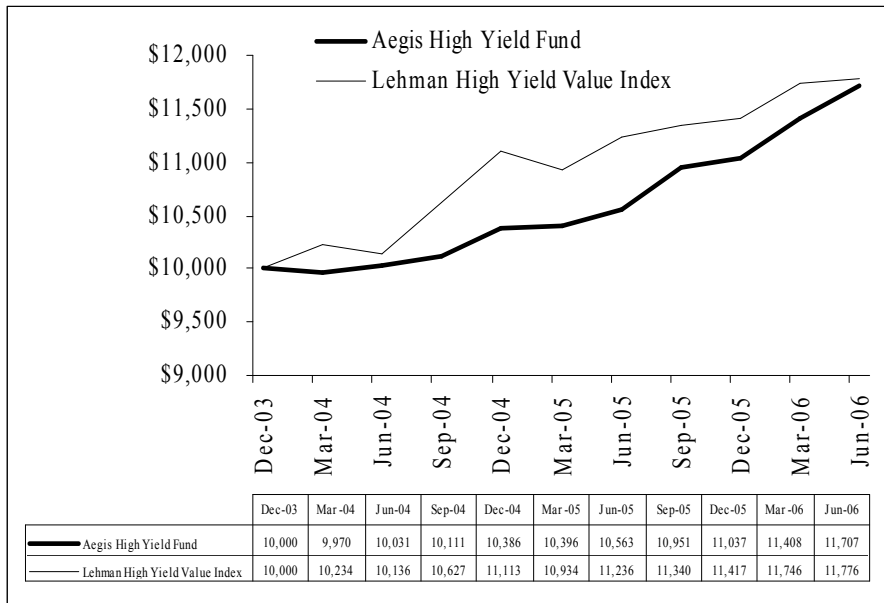
The table above also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypo-

thetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only. The Fund is a pure no-load fund and does not charge any sales charges (loads), distribution or service fees, or redemption fees.

Key Statistics

Results of a \$10,000 Investment



Average Annual Total Returns (As of June 30, 2006)

	<u>Aegis High Yield</u>	<u>Lehman HY Index</u>
Trailing 1 Year	10.83%	4.80%
Since inception (January 1, 2004)	6.52%	6.77%

Returns on both Aegis High Yield Fund and Lehman Index assume reinvestment of all dividends and distributions. Fund returns are after all expenses. Past performance is not predictive of future results. The returns shown do not reflect the deduction of taxes a shareholder would pay on the redemption of Fund shares or Fund distributions.

Portfolio Characteristics (Unaudited)

Industry Breakdown

Corporate Bonds	91.1%
Consumer Products	5.1%
Consumer Services	8.3%
Cosmetics & Toiletries	5.3%
Energy & Natural Resources	4.2%
Financial Services	11.5%
Food & Beverage Products	4.0%
Health Care	4.2%
Independent Power Producers	7.2%
Industrial Services	11.9%
Retail and Wholesale	13.3%
Technology and Communications	12.3%
Transportation	3.8%

Short-Term Investments	0.2%
-------------------------------	------

Other Assets and Liabilities	<u>8.7%</u>
-------------------------------------	-------------

Total Net Assets	<u>100.0%</u>
-------------------------	---------------

Credit Quality - % of Corporate Bonds

BB	24.0%
B	44.0%
CCC or other	<u>32.0%</u>
Total	<u>100.0%</u>

Maturity (Or Most Likely Call) - % of Corporate Bonds

Less than 1 year	9.8%
1-3 years	38.0%
4-6 years	39.6%
7-10 years	<u>12.6%</u>
Total	<u>100.0%</u>

Aegis High Yield Fund
Schedule of Portfolio Investments
June 30, 2006
(Unaudited)

	Principal Amount	Market Value
<u>Corporate Bonds - 91.1%</u>		
<u>Consumer Products - 5.1%</u>		
North Atl. Trading, Inc. Sr. Notes, 9.25%, 3/1/12	\$150,000	\$121,500
<u>Consumer Services - 8.3%</u>		
Mohegan Tribal Gaming Authority Sr. Subord. Notes, 6.375%, 7/15/09	100,000	97,875
Service Corp. Intl. Sr. Unsec. Notes, 6.50%, 3/15/08	100,000	<u>99,750</u>
		197,625
<u>Cosmetics & Toiletries - 5.3%</u>		
Del Laboratories, Inc., 8.00%, 2/01/12	153,000	127,946
<u>Energy & Natural Resources - 4.2%</u>		
El Paso Corp. Debentures, 144A, 6.50%, 6/1/08 (1)	100,000	99,750
<u>Financial Services - 11.5%</u>		
Ford Motor Credit Notes, 6.50%, 1/25/07	100,000	99,841
GMAC Sr. Unsec. Notes, 5.85%, 1/14/09	100,000	95,915
PMA Capital Sr. Notes, 8.50%, 6/15/18	80,000	<u>80,400</u>
		276,156
<u>Food & Beverage Products - 4.0%</u>		
Dole Foods Co., 8.625%, 5/1/09	100,000	96,000
<u>Health Care - 4.2%</u>		
Biovail Corp. Sr. Subord. Notes, 7.875%, 4/1/10	100,000	101,750
<u>Independent Power Producers - 7.2%</u>		
Calpine Corp, 7.75%, 6/1/15, *	200,000	72,000
Reliant Energy, Inc., 9.50%, 7/15/13	100,000	<u>101,000</u>
		173,000
<u>Industrial Services - 11.9%</u>		
Alliance One Intl. Inc., 11.00%, 5/15/12	100,000	95,500
Allied Waste N.A. Sr. Notes, 6.50%, 11/15/10	100,000	97,000
Great Lakes Dredge & Dock Corp. Sr. Subord. Notes, 7.75%, 12/15/13	100,000	<u>92,625</u>
		285,125
<u>Retail and Wholesale - 13.3%</u>		
Finlay Fine Jewelry Corp. Sr. Notes, 8.375%, 6/1/12	100,000	87,500
Ingles Markets, Inc. Sr. Subord. Notes, 8.875%, 12/1/11	100,000	105,125
Marsh Supermarkets, Inc. Sr. Subord. Notes, 8.875%, 8/1/07	125,000	<u>124,843</u>
		317,468

Aegis High Yield Fund
Schedule of Portfolio Investments
June 30, 2006
(Unaudited)

	Principal	Market
	<u>Amount</u>	<u>Value</u>
<u>Technology and Communications - 12.3%</u>		
GTE Hawaiian Telephone Debentures, 7.375%, 9/1/06	100,000	\$100,500
Intelsat Ltd. Sr. Notes, 5.25%, 11/1/08	100,000	94,500
Unisys Corp. Sr. Notes, 7.875%, 4/1/08	100,000	<u>100,500</u>
		295,500
<u>Transportation - 3.8%</u>		
Sea Containers Ltd. Sr. Notes, 7.875%, 2/15/08	100,000	<u>90,500</u>
Total Corporate Bonds – (Cost \$2,220,811)		<u>2,182,320</u>
<u>Investment Companies - 0.2%</u>		
Federated Prime Obligations Fund	5,305	<u>5,305</u>
Total Investment Companies – (Cost \$5,305)		<u>5,305</u>
Total Investments - 91.3% - (Cost \$2,226,116)		<u>2,187,625</u>
Other Assets and Liabilities - 8.7%		<u>207,630</u>
Net Assets 100.0%		<u>\$2,395,255</u>

* Non-income producing security due to default or bankruptcy.

(1) 144A – Represents a security sold under Rule 144A which is exempt from registration and may be resold to qualified institutional buyers under provisions of Rule 144A of the Securities

See accompanying Notes to the Financial Statements.

Aegis High Yield Fund
Statement of Assets and Liabilities
June 30, 2006
(Unaudited)

<i>Assets</i>	
Investment securities at value (cost \$2,226,116)	\$2,187,625
Cash	161,178
Interest and dividends receivable	<u>46,993</u>
 Total assets	 <u>2,395,796</u>
 <i>Liabilities</i>	
Accrued expenses	<u>541</u>
 Total liabilities	 <u>541</u>
 <i>Net Assets</i>	 <u>\$2,395,255</u>
 <i>Net assets consist of:</i>	
Paid-in capital	\$2,312,764
Undistributed net investment income	14,653
Accumulated net realized gain	106,329
Net unrealized depreciation	<u>(38,491)</u>
 <i>Net Assets</i>	 <u>\$2,395,255</u>
 <i>Capital Shares</i>	
 Authorized	 Unlimited
 Outstanding	 229,397
 <i>Net Asset value per share</i>	 <u>\$10.44</u>

See accompanying Notes to the Financial Statements.

Aegis High Yield Fund
Statement of Operations
For the Six Months Ended June 30, 2006
(Unaudited)

<i>Investment Income</i>	
Interest income	<u>\$97,495</u>
Total investment income	<u>97,495</u>
<i>Expenses</i>	
Investment advisory fees	10,276
Transfer agency and administration fees	10,160
Registration fees	6,126
Custody fees	2,817
Printing and postage fees	1,622
Legal fees	3,740
Audit fees	16,240
Trustee fees	9,320
Insurance fees	1,254
Miscellaneous fees	<u>945</u>
Total expenses before waiver	<u>62,500</u>
Waiver of fees	<u>(48,799)</u>
Net expenses	<u>13,701</u>
<i>Net investment income</i>	<u>83,794</u>
<i>Realized and unrealized gain/(loss) on investments</i>	
Net realized gain/(loss) on investments	106,329
Change in unrealized appreciation/(depreciation) of investments for the period	<u>(53,398)</u>
<i>Net realized and unrealized gains/(losses) on investments</i>	<u>52,931</u>
<i>Net increase/(decrease) in net assets resulting from operations</i>	<u>\$136,725</u>

See accompanying Notes to the Financial Statements.

Aegis High Yield Fund
Statement of Changes in Net Assets
For the Six Months Ended June 30, 2006
(Unaudited)

	Six Months June 30, 2006 <u>(Unaudited)</u>	Year Ended December 31, <u>2005</u>
<i>Increase/(decrease) in net assets from operations</i>		
Net investment income/(loss)	\$83,794	\$164,313
Net realized gain/(loss) from investment	106,329	13,921
Change in unrealized appreciation/(depreciation)	<u>(53,398)</u>	<u>(27,627)</u>
<i>Net increase/(decrease) in net assets resulting from operations</i>	<u>136,725</u>	<u>150,607</u>
<i>Distributions</i>		
Net investment income	(75,481)	(160,007)
Net realized gain/(loss) from investments	<u>0</u>	<u>(13,921)</u>
<i>Total distributions to shareholders</i>	<u>(75,481)</u>	<u>(173,928)</u>
<i>Capital share transactions*</i>		
Subscriptions	687,911	2,422,128
Distributions reinvested	70,337	164,109
Redemptions	<u>(1,132,517)</u>	<u>(2,888,622)</u>
<i>Total capital share transactions</i>	<u>(374,269)</u>	<u>(302,385)</u>
Net increase/(decrease) in net assets	<u>(313,025)</u>	<u>(325,706)</u>
<i>Net assets at beginning of period</i>	<u>2,708,280</u>	<u>3,033,986</u>
<i>Net assets at end of period</i>	<u>\$2,395,255</u>	<u>\$2,708,280</u>
 <i>*Share information</i>		
Subscriptions	66,237	239,535
Distributions reinvested	6,791	16,151
Redemptions	<u>(109,862)</u>	<u>(288,739)</u>
<i>Net increase/(decrease) in shares</i>	<u>(36,834)</u>	<u>(33,053)</u>

See accompanying Notes to the Financial Statements.

Aegis High Yield Fund
Financial Highlights
(Unaudited)

The table below sets forth financial data for a share outstanding of the Fund throughout the period:

	(Unaudited) For six months Ended June 30, 2006	For period ended December 31, 2005 2004	
<i>Per share data:</i>			
Net asset value, beginning of period	<u>\$10.17</u>	<u>\$10.14</u>	<u>\$10.00</u> *
Income from investment operations:			
Net investment income	0.38	0.56	0.24
Net realized and unrealized gains/ (losses) on investments	<u>0.23</u>	<u>0.06</u> ^(a)	<u>0.14</u>
Total from investment operations	<u>0.61</u>	<u>0.62</u>	<u>0.38</u>
Less distributions declared to shareholders			
Net investment income	(0.34)	(0.54)	(0.24)
Net realized capital gain/(loss)	<u>0.00</u>	<u>(0.05)</u>	<u>0.00</u>
Total distributions	<u>(0.34)</u>	<u>(0.59)</u>	<u>(0.24)</u>
Net asset value - end of period	<u>\$10.44</u>	<u>\$10.17</u>	<u>\$10.14</u>
Total investment return	6.07% **	6.26%	3.86%
Ratios (to average net assets)/ supplemental data:			
Expenses after reimbursement	1.20% #	1.20%	1.20%
Expenses before reimbursement	5.47% #	3.91%	3.82%
Net investment income	7.34% #	5.06%	2.69%
Portfolio turnover	28% **	31%	21%
Net assets at end of period (000's)	\$2,395	\$2,708	\$3,034

* Fund commenced operations January 1, 2004.

** Not annualized.

Annualized

^(a) The amount shown for the year ended December 31, 2005 for a share outstanding throughout the year does not accord with the aggregate net losses on investments for that period because of the sales and repurchase of Fund shares in relation to fluctuating market value of the investments of the Fund.

See accompanying Notes to the Financial Statements

Aegis High Yield Fund
Notes to Financial Statements
June 30, 2006
(Unaudited)

1. The Organization

Aegis High Yield Fund (the "Fund") is registered under the Investment Company Act of 1940 (the "1940 Act") as a diversified open-end management company. The Fund is a series of The Aegis Funds, a Delaware statutory trust established July 11, 2003. The Fund commenced operations January 1, 2004. Through December 31, 2003, the Fund had no operations other than those matters related to organization and registration as an investment company, the registration of shares for sale under the Securities Act of 1933, and the sale of 10,000 shares of the Fund at \$10.00 per share on September 29, 2003 to William S. Berno. The sale was settled in the ordinary course of business on September 29, 2003 with the transfer of \$100,000.

The Fund's principal investment goal is to seek maximum total return with an emphasis on high current income by investing primarily in a portfolio of corporate bonds rated less than investment grade.

2. Summary of Significant Accounting Policies

Security valuation. Investments in securities are valued based on market quotations or on data furnished by an independent pricing service. Short-term notes are stated at amortized cost, which is equivalent to value. Restricted securities and other securities for which market quotations are not readily available are valued at fair value as determined by the Board of Trustees. In determining fair value, the Board procedures consider all relevant qualitative and quantitative factors available. These factors are subject to change over time and are reviewed periodically. The values assigned to fair value investments are based on available information and do not necessarily represent amounts that might ultimately be realized, since such amounts depend on future developments inherent in long-term investments. Further, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. At June 30, 2006, none of the Fund's assets were fair valued. Where a security is traded in more than one market, which may include foreign markets, the securities are generally valued on the market considered by the Fund's advisor to be the primary market. The Fund will value its foreign securities in U.S. dollars on the basis of the then-prevailing currency exchange rates.

Cash. Cash includes deposits held at the Fund's custodian in a variable rate account at the applicable interest rate.

Aegis High Yield Fund
Notes to Financial Statements
June 30, 2006
(Unaudited)

Federal Income and Excise Taxes. The Fund's policy is to comply with the requirements of Subchapter M of the Internal Revenue Code that are applicable to regulated investment companies and to distribute substantially all investment company taxable income and net capital gain to shareholders in a manner which results in no tax cost to the Fund. Therefore, no federal income tax provision is required.

Distributions to shareholders. Distributions to Fund shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. Distributions of net investment income, if any, are made monthly. Net realized gains from investment transactions, if any, will be distributed to shareholders at least annually.

The character of distributions made during the year from net investment income or net realized gain may differ from the characterization for federal income tax purposes due to differences in the recognition of income, expense and gain/(loss) items for financial statement and tax purposes. Where appropriate, reclassifications between net asset accounts are made for such differences that are permanent in nature.

Use of estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other. The Fund records security transactions based on the trade date. Interest income is recognized on the accrual basis and includes accretion of discounts and amortization of premiums.

In the normal course of business, the Fund enters into contracts that contain a variety of representations, which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

Aegis High Yield Fund
Notes to Financial Statements
June 30, 2006
(Unaudited)

3. Advisory Fees and Other Transactions with Affiliates

The Fund entered into an investment management and advisory services agreement (the "Agreement") with Aegis Financial Corporation (the "Advisor") that provides for fees to be computed at an annual rate of 0.90% of the Fund's average daily net assets. The Agreement shall remain in force through March 31, 2007 and may be renewed for additional one-year periods thereafter if approved annually by a majority of the independent members of the Board. The Agreement may be terminated at any time, without penalty, by the Fund on sixty (60) days written notice or by the Advisor on ninety (90) days written notice. The Fund and the Advisor have also entered into an expense limitation agreement that provides for an expense reimbursement from the Advisor if the Fund's expenses, exclusive of taxes, interest, fees incurred in acquiring or disposing of portfolio securities, and extraordinary expenses, exceed 1.20% of the Fund's average daily net assets. During the six month period ended June 30, 2006, the Advisor reimbursed the Fund \$48,799.

The Fund has agreed to repay the Advisor for amounts waived or reimbursed by the Advisor pursuant to the expense limitation agreement provided that such repayment does not cause the Fund's expenses, exclusive of taxes, interest, fees incurred in acquiring or disposing of portfolio securities and extraordinary expenses, to exceed 1.20% and the repayment is made within three years after the year in which the Advisor incurred the expense. As of June 30, 2006, there was \$194,539 of fees available to be recovered no later than December 31, 2009, of which \$57,648, \$88,092, and \$48,799 are recoverable through December 31, 2007, 2008 and 2009, respectively.

The Fund entered into an agreement with BGB Fund Services, Inc., effective January 1, 2004 to provide fund accounting, administration, transfer agency and shareholder services to the Fund at an annual rate of 0.25% of the Fund's average daily net assets. Effective August 14, 2006, UMB Fund Services, Inc. succeeded BGB Fund Services as fund administrator, providing services to the Fund at an annual rate of 0.10% of the Fund's average daily net assets subject to a minimum annual fee of \$40,000.

Certain officers and trustees of the Fund are also officers and directors of the Advisor and BGB Fund Services, Inc. The Fund pays each trustee not affiliated with the Advisor fees in cash or Fund shares of \$1,000 for each attended board meeting and \$500 for each attended committee meeting.

Aegis High Yield Fund
Notes to Financial Statements
June 30, 2006
(Unaudited)

4. Investment Transactions

Purchases and sales of long term investment securities, excluding short term investments, were \$488,980 and \$950,302 respectively, for the six month period ended June 30, 2006. The specific identification method is used to determine tax cost basis when calculating realized gains and losses.

5. Distributions to Shareholders and Tax Components of Net Assets

At June 30, 2006, gross unrealized appreciation and depreciation of investments, based on cost for federal income tax purposes were as follows:

Cost of Investments	<u>\$2,226,116</u>
Gross Unrealized Appreciation	\$15,707
Gross Unrealized Depreciation	<u>(54,198)</u>
Net Unrealized Appreciation (Depreciation)	<u>(\$38,491)</u>

As of December 31, 2005, the components of accumulated earnings on a tax basis were as follows:

Undistributed ordinary income	\$6,340
Undistributed long-term gains	<u>0</u>
Tax accumulated earnings	\$6,340
Accumulated capital and other losses	0
Unrealized appreciation (depreciation) on investments	<u>\$14,907</u>
Total accumulated earnings (deficit)	<u>\$21,247</u>

Aegis High Yield Fund
Notes to Financial Statements
June 30, 2006
(Unaudited)

The tax components of dividends paid during the years ended December 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Distributions paid from ordinary income	\$160,007	\$60,057
Distributions paid from long-term capital gains	<u>13,921</u>	<u>0</u>
Total Distributions	<u>\$173,928</u>	<u>\$60,057</u>

On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. At this time, management is evaluating the implications of FIN 48 and its impact in the financial statements has not yet been determined.

Aegis High Yield Fund
Other Information (Unaudited)
June 30, 2006

Board Consideration of Investment Advisory Agreement

The Investment Advisory Agreement between the Fund and the Advisor was most recently renewed at a meeting of the Board held on March 10, 2006. Unless terminated as specified in the Investment Advisory Agreement, the Investment Advisory Agreement continues in effect for successive periods of twelve months, provided such continuance is specifically approved at least annually (a) by the vote of a majority of the Independent Directors, cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Board of Directors or by vote of a majority of the outstanding voting securities of the Fund. In connection with its consideration of the adoption of the Investment Advisory Agreement, the Board of Directors requested, and the Advisor provided, information and data relevant to the Board's consideration. The Board reviewed information on expense ratios and management fees for certain comparable funds. The Board discussed the proposed advisory fee of 0.90% of the Fund's average daily net assets and the Expense Limitation Agreement between the Fund and the Advisor, pursuant to which the Advisor has agreed through December 31, 2006 to limit its fee and/or reimburse other expenses of the Fund to the extent necessary to limit the total operating expenses of the Fund to an annual rate of 1.20% (as a percentage of the average daily net assets of the Fund). The Board agreed that the proposed fee structure is reasonable and fair to shareholders. They reviewed the past performance of the Fund and the Advisor, and noted the range of investment advisory and administrative services to be provided by the Advisor to the Fund. The Board took note of the fact that the Advisor has also served as investment advisor to another mutual fund affiliated with the Fund and they noted the level and quality of service provided by the Advisor to that fund. They also took note of the fact that the Fund is not subject to sales charges or Rule 12b-1 fees. Based upon their review and consideration of these factors and other matters deemed relevant by the Board in reaching an informed business judgment, a majority of the Board of Directors, including a majority of the Independent Directors, concluded that the terms of the Investment Advisory Agreement are fair and reasonable and the Board voted to approve the agreement.

Aegis High Yield Fund
Other Information (Unaudited)
June 30, 2006

Fund Trustees and Officers

<u>Name, Age and Address</u>	<u>Position</u>	<u>Business Experience and Trusteeships During the Past 5 Years</u>
William S. Berno* (52) 1100 North Glebe Road Suite 1040 Arlington, Virginia 22201	President, Trustee	President and Managing Director of Aegis Financial Corporation since 1994; President and Director of The Aegis Value Fund, Inc. since 1997; President and Trustee of the Fund since 2003.
Scott L. Barbee* (35) 1100 North Glebe Road Suite 1040 Arlington, Virginia 22201	Treasurer, Trustee	Treasurer and Managing Director of Aegis Financial Corporation since 1997; Treasurer and Director of The Aegis Value Fund, Inc. since 1997; Treasurer and Trustee of the Fund since 2003.
Edward P. Faberman (60) Wiley Rein & Fielding 1776 K Street N.W. Washington, D.C. 20006	Trustee	Attorney with the firm of Wiley Rein & Fielding since 2005; Attorney with the firm of Ungaretti & Harris, 1996-2005; Director of the Aegis Value Fund, Inc. since 1997; Trustee of the Fund since 2003.
Eskander Matta (36) Wells Fargo & Co. 550 California Street 2nd Floor San Francisco, California 94111	Trustee	Senior VP of Enterprise Internet Services, Wells Fargo & Co. since 2002; Director of Strategic Consulting with Cordiant Communications, 2001-2002; Director of the Aegis Value Fund Inc. since 1997; Trustee of the Fund since 2003.
Albert P. Lindemann III (44) 201 N. Tryon St. Suite 2680 Charlotte, North Carolina 28202	Trustee	President and founder of Redan Capital Partners (real estate investments) since 2006. Real estate analyst with Faison Enterprises, 2000-2006; Director of the Aegis Value Fund, Inc. since 2000; Trustee of the Fund since 2003.
David A. Giannini (53) 30 Rockefeller Plaza Suite 4250 New York, NY 10112	Trustee	Institutional equity sales and research with Scarsdale Equities since 2006; Institutional equity sales and research with Sanders Morris Harris, 1997-2006. Director of the Aegis Value Fund since 2006; Trustee of the Fund since 2006.

Aegis High Yield Fund
Other Information (Unaudited)
June 30, 2006

Fund Trustees and Officers (Continued)

<u>Name, Age and Address</u>	<u>Position</u>	<u>Business Experience and Trusteeships During the Past 5 Years</u>
Paul Gambal* (47) 1100 North Glebe Road Suite 1040 Arlington, VA 22201	Secretary	Chairman, Secretary and Managing Director of Aegis Financial Corporation since 1994; Secretary of the Aegis Value Fund, Inc. since 1997; Secretary of the Fund since 2003.
Skyler S. Showell* (32) 1100 North Glebe Road Suite 1040 Arlington, VA 22201	Chief Compliance Officer	Chief Compliance Officer of Aegis Financial Corporation since 2003; Compliance Consultant, 2002-2003; Law student, 2001; Chief Compliance Officer of the Fund since 2004.

* indicates persons who are affiliated with Aegis Financial Corporation, the Advisor, and are therefore considered "interested persons" under the Investment Company Act of 1940.

The Fund's Statement of Additional Information includes additional information about the Trustees and is available, without charge, by calling the Fund's toll-free phone number, (800)528-3780.

Aegis High Yield Fund
Other Information (Unaudited)
June 30, 2006

Proxy Voting

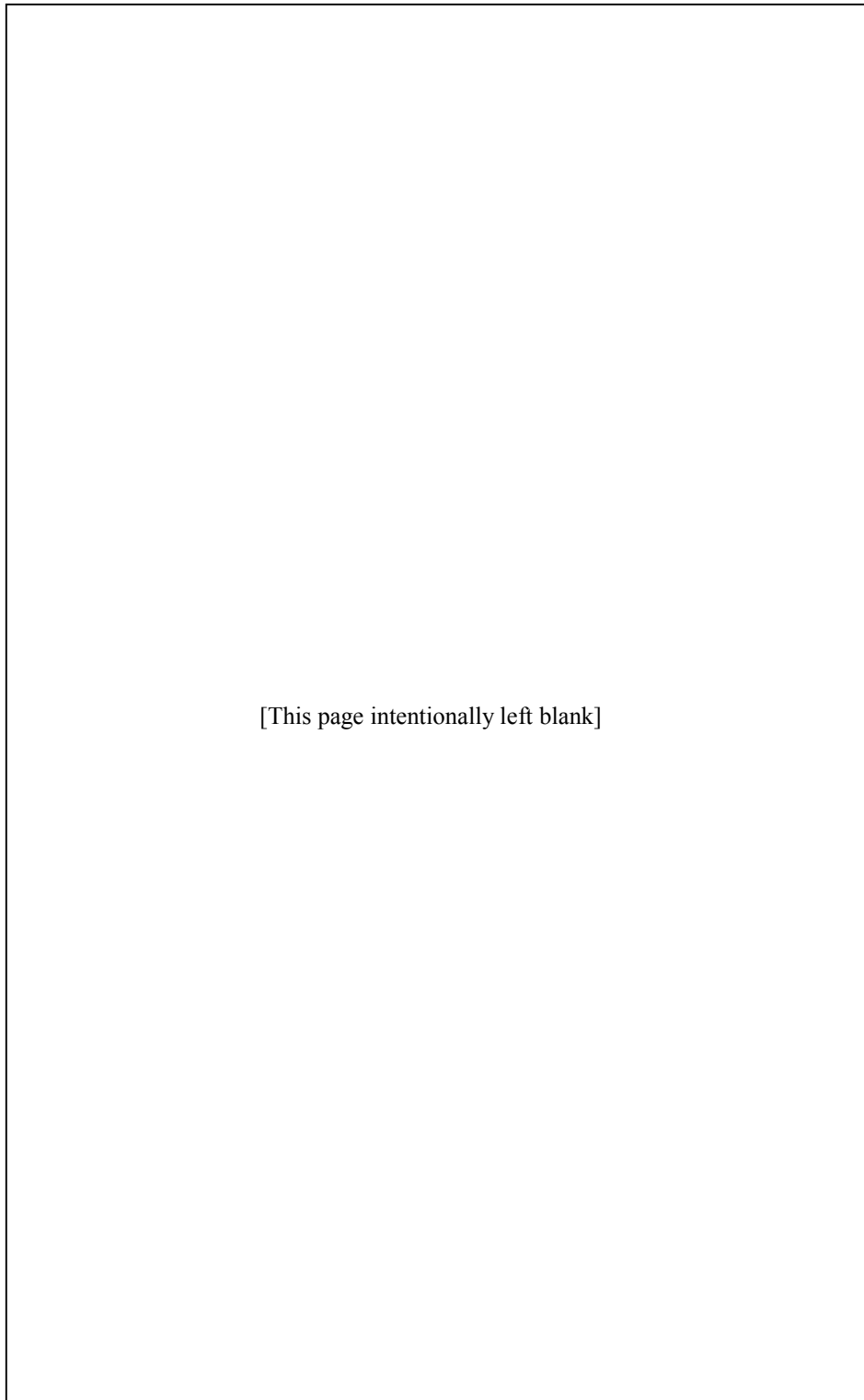
A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available by request, without charge, by calling the Fund's toll-free telephone number, 800-528-3780. Information regarding how the Fund voted proxies, if any, relating to portfolio securities during the most recent 12-month period ended June 30, 2006 is available upon request, without charge, by calling 800-528-3780. The Fund's proxy voting policies and procedures and voting record are also available on the U.S. Securities and Exchange Commission (SEC) website at <http://www.sec.gov>.

Code of Ethics

The Fund has adopted a code of ethics applicable to its principal executive officer and principal financial officer. A copy of this code is available, without charge, by calling the Fund toll-free phone number, (800)528-3780.

Fund Holdings:

The complete schedules of Fund holdings for the second and fourth quarters of each fiscal year are contained in the Fund's semi-annual and annual shareholder reports, respectively. The Fund files complete schedules of Fund holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q within 60 days after the end of the period. Copies of the Fund's Form N-Q are available without charge, upon request, by contacting the Fund at 1-800-528-3780 and on the SEC's website at <http://www.sec.gov>. You may also review and copy Form N-Q at the SEC's Public Reference Room in Washington, D.C. For more information about the operation of the Public Reference Room, please call the SEC at 1-800-SEC-0330.



[This page intentionally left blank]



Aegis High Yield Fund
1100 North Glebe Road, Suite 1040
Arlington, Virginia 22201
Phone: (800) 528-3780
Internet: www.aegisfunds.com

Board of Trustees

Scott L. Barbee
William S. Berno
Edward P. Faberman
Albert P. Lindemann III
Eskander Matta
David A. Giannini

Officers

William S. Berno, President
Scott L. Barbee, Treasurer
Paul Gambal, Secretary
Skyler S. Showell, Chief Compliance Officer

Investment Advisor

Aegis Financial Corporation
1100 North Glebe Road, Suite 1040
Arlington, Virginia 22201

Custodian

UMB Bank, n.a.
928 Grand Boulevard
Kansas City, Missouri 64106

**Independent Registered
Public Accounting Firm**

Briggs Bunting & Dougherty, LLP
Two Penn Center Plaza, Suite 820
Philadelphia, Pennsylvania 19102

Counsel

Seward & Kissel LLP
1200 G Street, N.W.
Washington, D.C. 20005