



AEGIS / VALUE FUND

SEMI-ANNUAL REPORT
FEBRUARY 28, 2007



Letter to Our Shareholders

April 19, 2007

To the Shareholders of the Aegis Value Fund:

We are pleased to present the Aegis Value Fund's semi-annual report for the six-month period ended February 28, 2007.

We take this opportunity to provide a brief overview of the objectives and strategy of the Fund.

The Aegis Value Fund seeks to achieve long-term, above market returns while minimizing risk of capital loss. Our strategy is to invest in well-researched, small-cap equities trading at a fraction of their intrinsic worth. We believe the equity markets are often inefficient, and we are contrarian, bottom-up stock selectors. We generally buy stocks trading at low price-to-book and price-to-earnings ratios, a segment of the market where academic research shows historical returns to be significantly higher than the overall market. We look for indications of strong corporate governance and ethical stewardship as evidenced by high insider ownership, proper use of corporate profits including bargain-priced share repurchases, and appropriate executive salary and options levels. We tend to purchase companies when they are misunderstood, out of favor, or neglected, and hold these companies until share prices reach our estimates of intrinsic value.

Since inception of the Aegis Value Fund on May 15, 1998, performance has been strong relative to benchmark indices. The Fund has posted a cumulative gain of 264.4 percent through March 31, 2007, compared to cumulative gains of 149.4 percent in our primary small-cap benchmark, the Russell 2000 Value Index. During this period, the Russell 2000 Index of small-cap stocks posted cumulative gains of 89.6 percent, and the S&P 500 posted cumulative gains of 47.4 percent.*

For the six month period ended February 28, 2007, the Aegis Value Fund posted a gain of 21.9 percent, versus a gain of 10.4 percent for the Russell 2000 Value Index. The Russell 2000 Index returned 10.8 percent, while the S&P 500 Index returned 8.9 percent.

* — Aegis Value Fund's one-year, three-year, five-year, and since inception (5/15/1998) average annual returns for the period ending March 31, 2007 are 19.7%, 12.3%, 14.6%, and 15.7% respectively. Returns include reinvestment of dividends and capital gains. Russell 2000 Value Index one-year, three-year, five-year, and since inception (AVALX-5/15/1998) average annual returns for the period ending March 31, 2007 are 10.4%, 14.5%, 13.6%, and 10.8%. All historical performance returns shown in this shareholders' letter for the Aegis Value Fund Inc. are pre-tax returns. This report does not constitute an offer or solicitation of any transaction in any securities. The Aegis Value Fund is offered by prospectus only.

Letter to Our Shareholders – (continued)

Our relative performance versus the Russell 2000 Value Index was favorably impacted by strong equity performance during the period, somewhat offset by modest absolute returns achieved on the Fund's defensive position in cash and Treasury bills. Our Semi-Annual Advisor's Report provides more extensive manager commentary. However, please be aware that the Advisor's Report is not a part of the SEC mandated Semi-Annual Report contained in this booklet.

We look forward to serving as your investment partner in the coming year.

Aegis Financial Corporation

Scott L. Barbee, CFA

Managing Director, Portfolio Manager

Investors are advised to consider the fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the Aegis Value Fund. For a prospectus and more complete information, including charges and expenses, please call 800-528-3780 or visit our website at www.aegisvaluefund.com, where an online prospectus is provided. The prospectus should be read carefully before investing.

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please call 800-528-3780 to obtain performance data current to the most recent month-end.

**Disclosure of Fund Expenses
February 28, 2007**

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 and held for the entire semi-annual period, September 1, 2006 – February 28, 2007.

Actual expenses

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

Fund	Beginning Account Value (09/01/2006)	Ending Account Value (02/28/2007) ⁽¹⁾	Actual	Hypothetical (5% annual return before expenses)	
			Expenses Paid During Period ⁽²⁾	Ending Account Value (02/28/2007)	Expenses Paid During Period ⁽²⁾
Aegis Value Fund. . .	\$1,000.00	\$1,219.00	\$7.54	\$1,018.21	\$6.86

⁽¹⁾ The actual ending account value is based on the actual total return of the Fund for the period September 1, 2006 to February 28, 2007 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 return at net asset value for the period September 1, 2006 to February 28, 2007 was 21.90%.

⁽²⁾ Expenses are equal to the Fund's annualized expense ratio (1.37%) multiplied by the average account value over the period, multiplied by 181/365 (to reflect the period between 9/1/2006 and 2/28/2007).

Please see performance data disclosure on pages 2 – 3.

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.

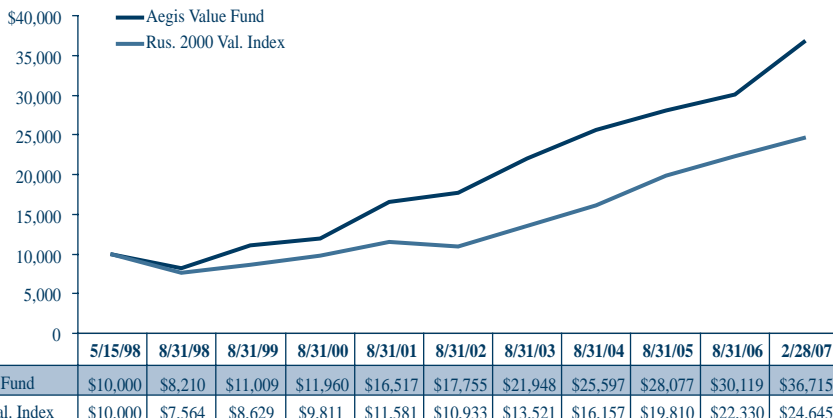
Hypothetical example for comparison purposes

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

**Disclosure of Fund Expenses
February 28, 2007 – (continued)**

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



Average Annual Total Returns (As of February 28, 2007)

	AVALX	Rus. 2000 Val.
Trailing 5 Year	15.4%	15.0%
Trailing 3 Year	13.0%	14.5%
Trailing 1 Year	20.3%	14.3%
Since inception (May 15, 1998)	15.9%	10.8%

Please see performance data disclosure on pages 2 – 3.

Industry Breakdown

	% of the Fund's Net Assets
Common Stock	73.4%
Consumer Discretionary	24.7%
Consumer Staples	3.1%
Energy	1.8%
Financials	14.8%
Health Care	0.0%
Industrials	8.7%
Information Technology	0.3%
Materials	17.3%
Telecommunication Services	0.3%
Utilities	2.4%
Warrants	0.7%
Investment Companies*	2.9%
Short-Term Investments	26.2%
Other Assets and Liabilities	<u>-3.2%</u>
Total Net Assets	<u>100.0%</u>

* – Please refer to page 11 for further details.

Schedule of Portfolio Investments
February 28, 2007

	Shares	Market Value
Common Stock – 73.4%		
Consumer Discretionary – 24.7%		
Auto Components – 5.0%		
Exide Technologies ⁽¹⁾	749,318	\$ 5,889,639
Superior Industries International, Inc.	650,600	13,955,370
		<u>19,845,009</u>
Automobiles – 1.0%		
Coachmen Industries, Inc.	162,105	1,753,976
National R.V. Holdings, Inc. ⁽¹⁾⁽²⁾	719,995	2,303,984
		<u>4,057,960</u>
Distributors – 6.1%		
Advanced Marketing Services, Inc. ⁽¹⁾	78,300	7,830
Audiovox Corp. ⁽¹⁾⁽²⁾	1,018,094	15,373,219
Handleman Co. ⁽²⁾	1,195,900	9,088,840
		<u>24,469,889</u>
Hotels, Restaurants & Leisure – 1.4%		
Bowl America, Inc.	9,481	159,281
J. Alexander's Corp.	130,920	1,184,826
Lodgian, Inc. ⁽¹⁾	158,300	2,118,054
Luby's Inc. ⁽¹⁾	8,367	86,431
Nathan's Famous, Inc. ⁽¹⁾	132,400	2,023,072
		<u>5,571,664</u>
Household Durables – 3.6%		
Bassett Furniture Industries, Inc.	487,684	7,695,654
Comstock Homebuilding Companies, Inc. ⁽¹⁾	323,085	1,941,741
Dominion Homes, Inc. ⁽¹⁾⁽²⁾	820,000	3,936,000
Enesco Group, Inc. ⁽¹⁾⁽²⁾	765,500	9,186
National Presto Industries, Inc.	15,000	948,300
		<u>14,530,881</u>
Leisure Equipment & Products – 1.8%		
Head NV	1,881,000	7,128,990
Multiline Retail – 3.0%		
Dillard's, Inc.	198,300	6,623,220
Duckwall-ALCO Stores, Inc. ⁽¹⁾	140,100	5,463,900
		<u>12,087,120</u>
Specialty Retail – 0.1%		
Pep Boys – Manny, Moe & Jack	21,200	321,180

See Notes to the Financial Statements.

**Schedule of Portfolio Investments
February 28, 2007 – (continued)**

	Shares	Market Value
Consumer Discretionary (continued)		
Textiles, Apparel & Luxury Goods – 2.7%		
Delta Apparel, Inc.	337,700	\$ 5,892,865
Delta Woodside Industries, Inc. ⁽¹⁾⁽²⁾	428,700	3,987
Quaker Fabric Corp. ⁽¹⁾⁽²⁾	1,680,000	1,982,400
Tandy Brands Accessories, Inc.	236,643	2,991,168
		<u>10,870,420</u>
Total Consumer Discretionary		<u>98,883,113</u>
Consumer Staples – 3.1%		
Food Products – 1.2%		
John B. Sanfilippo & Son, Inc. ⁽¹⁾	325,238	4,602,118
Tobacco – 1.9%		
Alliance One International, Inc. ⁽¹⁾	926,288	7,790,082
Total Consumer Staples		<u>12,392,200</u>
Energy – 1.8%		
Oil, Gas & Consumable Fuels – 1.8%		
Top Tankers, Inc.	48,700	235,221
USEC, Inc. ⁽¹⁾	497,250	7,051,005
		<u>7,286,226</u>
Total Energy		<u>7,286,226</u>
Financials – 14.8%		
Capital Markets – 0.3%		
BKF Capital Group, Inc. ⁽¹⁾	331,200	1,043,280
Diversified Financial Services – 2.6%		
California First National Bancorp. ⁽²⁾	569,683	7,696,417
Medallion Financial Corp.	250,140	2,819,078
		<u>10,515,495</u>
Insurance – 10.7%		
Acceptance Insurance Companies, Inc. ⁽¹⁾	229,400	1,262
MIIX Group, Inc. ⁽¹⁾	295,000	1,033
PMA Capital Corp. ⁽¹⁾⁽²⁾	2,383,019	22,376,547
PXRE Group Ltd. ⁽¹⁾	709,800	3,208,296
Quanta Capital Holdings Ltd. ⁽¹⁾	2,093,438	4,626,498
SCPIE Holdings, Inc. ⁽¹⁾	390,826	9,078,888
Specialty Underwriters' Alliance, Inc. ⁽¹⁾	427,153	3,096,859
		<u>42,389,383</u>

See Notes to the Financial Statements.

Schedule of Portfolio Investments
February 28, 2007 – (continued)

	Shares	Market Value
Financials (continued)		
Real Estate Investment Trusts – 0.0%		
Vestin Realty Mortgage I, Inc.	17,509	\$ 99,451
Real Estate Management & Development – 1.2%		
Consolidated-Tomoka Land Co.	5,900	452,058
MI Developments, Inc.	123,000	4,528,860
		<u>4,980,918</u>
Total Financials		<u>59,028,527</u>
Health Care – 0.0%		
Health Care Providers & Services – 0.0%		
OCA, Inc. ⁽¹⁾⁽³⁾	579,400	<u>0</u>
Industrials – 8.7%		
Aerospace/Defense – 0.9%		
Allied Defense Group, Inc. ⁽¹⁾	271,000	3,268,260
Sypris Solutions, Inc.	34,008	207,109
		<u>3,475,369</u>
Airlines – 3.6%		
Air France-KLM-ADR ⁽⁴⁾	96,700	4,181,308
MAIR Holdings, Inc. ⁽¹⁾⁽²⁾	1,210,922	8,234,269
Mesa Air Group, Inc. ⁽¹⁾	284,526	2,165,243
		<u>14,580,820</u>
Building Products – 0.2%		
International Aluminum Corp.	14,400	<u>754,272</u>
Machinery – 2.2%		
Quipp, Inc. ⁽²⁾	78,300	559,845
Tecumseh Products Co., Class A ⁽¹⁾	205,183	3,492,215
Tecumseh Products Co., Class B ⁽¹⁾⁽²⁾	290,616	4,911,410
		<u>8,963,470</u>
Marine – 0.9%		
Excel Maritime Carriers Ltd. ⁽¹⁾	20,000	357,000
International Shipholding Corp. ⁽¹⁾	175,697	3,127,407
		<u>3,484,407</u>
Road & Rail – 0.2%		
Covenant Transport, Inc. ⁽¹⁾	84,937	<u>982,721</u>
Trading Companies & Distributors – 0.1%		
Huttig Building Products, Inc. ⁽¹⁾	60,500	<u>370,865</u>

See Notes to the Financial Statements.

**Schedule of Portfolio Investments
February 28, 2007 – (continued)**

	Shares	Market Value
Industrials (continued)		
Transportation Infrastructure – 0.6%		
Sea Containers Ltd. ⁽¹⁾⁽²⁾	1,985,400	\$ 2,283,210
Total Industrials		<u>34,895,134</u>
Information Technology – 0.3%		
Internet Software & Services – 0.0%		
LQ Corp., Inc. ⁽¹⁾	52,115	<u>63,059</u>
IT Services – 0.1%		
Technology Solutions Co. ⁽¹⁾	41,429	<u>327,703</u>
Semiconductors & Semiconductor Equipment – 0.2%		
Spanion, Inc. ⁽¹⁾	77,400	<u>941,185</u>
Total Information Technology		<u>1,331,947</u>
Materials – 17.3%		
Chemicals – 7.2%		
American Pacific Corp. ⁽¹⁾⁽²⁾	670,534	6,919,911
CF Industries Holdings, Inc.	416,900	16,117,353
CPAC, Inc. ⁽²⁾	368,474	3,143,083
Terra Industries, Inc. ⁽¹⁾	150,200	<u>2,620,990</u>
		<u>28,801,337</u>
Containers & Packaging – 0.8%		
Mod-Pac Corp. ⁽¹⁾	110,794	1,238,677
Peak International Ltd. ⁽²⁾	771,601	<u>2,160,483</u>
		<u>3,399,160</u>
Metals & Mining – 5.8%		
Amerigo Resources Ltd.	445,000	854,400
Northern Orion Resources, Inc. ⁽¹⁾	28,400	117,860
Ryerson Tull, Inc.	232,900	8,011,760
Steel Technologies, Inc.	478,886	<u>14,040,938</u>
		<u>23,024,958</u>
Paper & Forest Products – 3.5%		
Canfor Corp. ⁽¹⁾	690,900	6,798,456
Pope & Talbot, Inc. ⁽¹⁾⁽²⁾	910,000	<u>7,189,000</u>
		<u>13,987,456</u>
Total Materials		<u>69,212,911</u>

See Notes to the Financial Statements.

Schedule of Portfolio Investments
February 28, 2007 – (continued)

	Shares	Market Value
Telecommunication Services – 0.3%		
Diversified Telecommunication – 0.3%		
IDT Corp. ⁽¹⁾	10,000	\$ 136,600
IDT Corp. Class B ⁽¹⁾	86,000	1,123,160
Integrated Telecom Express, Inc. ⁽¹⁾⁽³⁾	308,300	3,083
		<u>1,262,843</u>
Total Telecommunication Services		<u>1,262,843</u>
Utilities – 2.4%		
Electric Utilities – 2.4%		
Commerce Energy Group, Inc. ⁽¹⁾	86,000	136,740
Reliant Energy, Inc. ⁽¹⁾	555,300	9,390,123
		<u>9,526,863</u>
Total Utilities		<u>9,526,863</u>
Total Common Stock (Cost \$277,765,531)		<u>293,819,764</u>
Warrants – 0.7%		
Air France ADW 11/05/07 ⁽¹⁾	247,300	2,769,760
Total Warrants (Cost \$390,734)		<u>2,769,760</u>
Investment Companies – 2.9%		
Canfor Pulp Income Fund	79,349	1,003,765
Federated Prime Obligations Fund	10,542,280	10,542,280
Total Investment Companies (Cost \$10,853,662).		<u>11,546,045</u>
Short Term Investments – 26.2%		
U.S. Treasury Bill 3/01/07 (4.935% Discount Rate)	20,000,000	20,000,000
U.S. Treasury Bill 3/08/07 (4.97% Discount Rate)	15,000,000	14,985,504
U.S. Treasury Bill 3/15/07 (4.99% Discount Rate)	20,000,000	19,960,020
U.S. Treasury Bill 3/22/07 (5.075% Discount Rate)	15,000,000	14,955,594
U.S. Treasury Bill 3/29/07 (5.085% Discount Rate)	25,000,000	24,901,125
U.S. Treasury Bill 4/05/07 (5.04% Discount Rate)	10,000,000	9,951,000
Total Short Term Investments (Cost \$104,754,412).		<u>104,753,243</u>
Total Investments – 103.2% (Cost \$393,764,339)		412,888,812
Liabilities less other Assets – (3.2)%		<u>(12,776,059)</u>
Net Assets – 100.0%		<u>\$400,112,753</u>

⁽¹⁾ Non-income producing securities

⁽²⁾ Affiliated Company – The fund is owner of more than 5% of the outstanding voting securities. See Notes to the Financial Statements for additional information on Investments in Affiliated Companies.

⁽³⁾ Company is in liquidation and security is being fair valued according to policies and procedures approved by the Aegis Value Fund board of directors.

⁽⁴⁾ ADR – American Depositary Receipt.

Statement of Assets and Liabilities
February 28, 2007
(Unaudited)

Assets

Investments in unaffiliated companies/securities at market value (cost \$260,521,127) . . .	\$314,717,021
Investments in affiliated companies*/securities at market value (cost \$133,243,212) . . .	<u>98,171,791</u>
Total investment securities at market value (cost \$393,764,339)	412,888,812
Cash	3,852
Receivable for fund shares sold	282,637
Receivable for investment securities sold	2,129,141
Interest and dividends receivable	196,216
Prepaid assets	<u>38,250</u>
Total assets	<u>415,538,908</u>

Liabilities

Payable for investment securities purchased	14,285,684
Payable for fund shares redeemed	314,949
Payable to Investment Advisor	755,838
Other payables	<u>69,684</u>
Total liabilities	<u>15,426,155</u>

Net Assets \$400,112,753

Net assets consist of:

Paid-in capital	\$352,741,824
Undistributed net investment income	65,492
Accumulated net realized gain	28,180,964
Net unrealized appreciation	<u>19,124,473</u>

Net assets \$400,112,753

Capital Shares

Authorized (Par value \$0.001 per share)	<u>100,000,000</u>
Outstanding	<u>25,656,683</u>

Net asset value per share \$ 15.59

* — Please refer to Note 6 for additional details

Statement of Operations
For the Six Months Ended February 28, 2007
(Unaudited)

Investment Income

Dividends from unaffiliated companies*	\$ 997,108
Dividends from affiliated companies	290,753
Interest income	<u>2,365,369</u>
Total investment income	<u>3,653,230</u>

Expenses

Investment advisory fees	2,308,740
Fund servicing fees	205,037
Registration fees	14,672
Printing and postage fees	29,753
Legal fees	36,235
Audit fees	10,549
Director fees	12,136
Insurance fees	14,033
Miscellaneous fees	<u>5,075</u>
Net expenses	<u>2,636,230</u>

Net investment income 1,017,000

Realized and unrealized gain/(loss) on investments

Net realized gain on investments – unaffiliated companies	38,868,192
Net realized loss on investments – affiliated companies	(3,466,391)
Change in unrealized appreciation of investments for the period	<u>40,368,415</u>

Net realized and unrealized gain on investments 75,770,216

Net increase in net assets resulting from operations \$76,787,216

* Net of foreign tax withholding of \$14,078.

**Statements of Changes in Net Assets
For the Periods Ended
(Unaudited)**

	Six Months Ended February 28, 2007	Year Ended August 31, 2006
Increase in net assets from operations		
Net investment income	\$ 1,017,000	\$ 4,080,700
Net realized gain from investment	35,401,801	129,839,294
Change in unrealized appreciation/(depreciation)	40,368,415	(102,482,282)
Net increase in net assets resulting from operations	76,787,216	31,437,712
Distributions		
Net investment income	(2,700,141)	(5,250,475)
Net realized capital gains	(104,913,844)	(46,148,914)
Total distributions to shareholders	(107,613,985)	(51,399,389)
Capital share transactions*		
Subscriptions	17,705,769	31,713,238
Distributions reinvested	100,860,233	47,217,395
Redemptions	(81,460,668)	(341,031,958)
Total capital share transactions	37,105,334	(262,101,325)
Net increase/(decrease) in net assets	6,278,565	(282,063,002)
Net assets at beginning of period	393,834,188	675,897,190
Net assets at end of period	\$ 400,112,753	\$ 393,834,188
Undistributed net investment income at end of period	\$ 65,492	\$ 1,748,633
* Share information		
Subscriptions	1,155,124	1,783,813
Distributions reinvested	7,148,139	2,844,421
Redemptions	(4,874,677)	(19,202,271)
Net increase/(decrease) in shares	3,428,586	(14,574,037)

See Notes to the Financial Statements.

**Financial Highlights
For the Periods Ended**

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

	Six Months Ended	For the Years Ended August 31,				
	February 28, 2007	2006	2005	2004	2003	2002
	(unaudited)					
Per share data:						
Net asset value –						
beginning of year	\$ 17.72	\$ 18.37	\$ 17.56	\$ 15.44	\$ 12.99	\$ 12.12
Income from investment operations:						
Net investment income	0.06	0.19	0.08	(0.06)	0.04	0.01 ⁽²⁾
Net realized and unrealized gains/ (losses) on investments	3.25	1.02	1.60	2.59	2.92	0.90
Total from investment operations	3.31	1.21	1.68	2.53	2.96	0.91
Less distributions declared to shareholders:						
Net investment income	(0.14)	(0.19)	0.00	(0.01)	(0.02)	0.00 ⁽³⁾
Net realized capital gains/(losses)	(5.30)	(1.67)	(0.87)	(0.40)	(0.49)	(0.04)
Total distributions	(5.44)	(1.86)	(0.87)	(0.41)	(0.51)	(0.04)
Net asset value –						
end of year	\$ 15.59	\$ 17.72	\$ 18.37	\$ 17.56	\$ 15.44	\$ 12.99
Total investment return	21.90% ⁽⁴⁾	7.27%	9.70%	16.60%	23.70%	7.50%
Ratios (to average net assets)/ supplemental data:						
Expenses after reimbursement/recapture and fees paid indirectly ⁽¹⁾	1.37% ⁽⁵⁾	1.41%	1.41%	1.50%	1.50%	1.50%
Expenses before reimbursement/recapture and fees paid directly	1.37% ⁽⁵⁾	1.42%	1.41%	1.51%	1.56%	1.54%
Net investment income/(loss)	0.53% ⁽⁵⁾	0.83%	0.39%	(0.34%)	0.31%	0.04%
Portfolio turnover	17% ⁽⁴⁾	18%	29%	27%	15%	29%
Net assets at end of period (000's)	\$400,113	\$393,834	\$675,897	\$702,237	\$294,199	\$154,707

⁽¹⁾ Ratio after expense reimbursements/recapture, before fees paid indirectly, is 1.37% in 2007, 1.41% in 2006, 1.42% in 2005, 1.50% in 2004, 1.51% in 2003, and 1.52% in 2002.

⁽²⁾ Based on average shares outstanding during the year.

⁽³⁾ Less than \$0.01.

⁽⁴⁾ Not Annualized.

⁽⁵⁾ Annualized.

Notes to Financial Statements
February 28, 2007**1. The Organization**

Aegis Value Fund, Inc. (the “Fund”) is registered under the Investment Company Act of 1940 as a diversified open-end management company. The Fund was incorporated October 22, 1997 in the State of Maryland and commenced operations May 15, 1998. The Fund’s principal investment goal is to seek long-term capital appreciation by investing primarily in common stocks that are believed to be significantly undervalued relative to the market based on a company’s book value, revenues, or cash flow. Refer to a current Prospectus for additional information about the Fund.

2. Summary of Significant Accounting Policies

Security valuation. Investments in securities traded on a national securities exchange (or reported on the NASDAQ National Market) are stated at the last reported sales price or a market’s official close price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, or the average of bid and ask price for NASDAQ National Market securities. Short-term notes are stated at amortized cost, which is equivalent to value. Restricted securities, securities for which market quotations are not readily available, and securities with market quotations the Advisor does not believe are reflective of market value are valued at fair value as determined by the Advisor under the supervision of the Board of Directors. The valuation assigned to fair valued securities for purposes of calculating the Fund’s NAV may differ from the security’s most recent closing market price and from the prices used by other mutual funds to calculate their NAVs.

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 at least annually. 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.

Notes to Financial Statements
February 28, 2007**2. Summary of Significant Accounting Policies – (continued)**

Use of estimates. The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Other. The Fund records security transactions based on the trade date. Gains and losses on security transactions are determined on a specific identification basis. Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis and includes accretion of discounts and amortization of premiums. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

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.

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 1.20% of the Fund's average daily net assets. The Agreement 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 1.50% of the Fund's average daily net assets. The Agreement shall remain in force through March 31, 2008. Either party may terminate the Agreement anytime upon sixty (60) days written notice to the other party. During the semi-annual period ending February 28, 2007, there were no Advisor reimbursements.

As part of the expense limitation agreement, the Fund has agreed to repay the Advisor for amounts waived or reimbursed by the Advisor 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 1.50% and the repayment is made within three years after the year in which the Advisor incurred the expense. There are no allowable recapturable amounts as of February 28, 2007.

Notes to Financial Statements
February 28, 2007

3. Advisory Fees and Other Transactions with Affiliates – (continued)

Certain officers and directors of the Fund are also officers and directors of the Advisor. The Fund pays each director 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.

4. Investment Transactions

Purchases and sales of long-term investment securities (excluding short-term investments) were \$49,603,219 and \$133,509,280, respectively, for the semi-annual period ending February 28, 2007.

5. Distributions to Shareholders and Tax Components of Net Assets

At February 28, 2007, gross unrealized appreciation and depreciation of investments, based on cost of federal income tax purposes were as follows:

Cost of Investments	\$393,787,729
Gross Unrealized Appreciation	\$ 89,459,144
Gross Unrealized Depreciation	(70,358,061)
Net Unrealized Appreciation	\$ 19,101,083

The tax character of distributions paid during the tax years ended August 31, 2006 and 2005 were as follows:

	2006	2005
Distribution paid from:		
Ordinary income	\$ 7,737,542	\$ 3,913,122
Long-term capital gains	43,661,847	33,913,713
	\$51,399,389	\$37,826,835

For the tax year ended August 31, 2006, the components of net assets on a tax basis were as follows:

Undistributed ordinary income	\$ 18,786,920
Undistributed long-term gains	80,660,737
Tax accumulated earnings	99,447,657
Unrealized depreciation on investments	(21,249,959)
Total accumulated earnings	\$ 78,197,698

Notes to Financial Statements
February 28, 2007**6. Investments in Affiliated Companies**

An affiliated company is a company in which the Fund has ownership of at least 5% of the voting securities. Companies which are affiliates of the Fund at period-end are noted in the Fund's schedule of portfolio investments. Transactions during the period with companies which are or were affiliates are as follows:

	Value Beginning of Period	Purchases	Sales Proceeds	Dividend Income	Value End of Period
American Pacific Corp.	\$ 4,660,211	\$ 0	\$ 0	\$ 0	\$ 6,919,911
Audiovox Corp.	15,169,809	0	93,277	0	15,373,219
California First National Bancorp.	7,982,576	0	7,539	125,330	7,696,417
CPAC, Inc.	2,100,302	0	0	25,793	3,143,083
Delta Woodside Industries, Inc.	68,592	0	0	0	3,987
Dominion Homes, Inc.	4,633,000	0	0	0	3,936,000
Enesco Group, Inc.	309,393	0	12,600	0	9,186
Handleman Co.	3,243,838	4,967,497	0	131,800	9,088,840
MAIR Holdings, Inc.	6,139,375	0	0	0	8,234,269
National R.V. Holdings, Inc.	2,224,440	330,683	0	0	2,303,984
Peak International Ltd.	0	2,113,622	0	0	2,160,483
PMA Capital Corp.	25,897,807	0	3,614,618	0	22,376,547
Pope & Talbot, Inc.	4,857,050	152,653	0	0	7,189,000
Quaker Fabric Corp.	2,464,000	86,440	0	0	1,982,400
Quipp, Inc.	630,315	0	0	7,830	559,845
Sea Containers Ltd.	4,885,356	0	161,905	0	2,283,210
Tecumseh Products Co., Class B.	0	4,435,596	0	0	4,911,410
Total	\$85,266,064	\$12,086,491	\$3,889,939	\$290,753	\$98,171,791

7. Recent Accounting Pronouncements

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 provisions 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 the fiscal years beginning after December 15, 2006 and is to be applied to all open tax years no later than

**Notes to Financial Statements
February 28, 2007****7. Recent Accounting Pronouncements – (continued)**

June 29, 2007. At this time, management is evaluating the impact of FIN 48 and its impact in the financial statements has not yet been determined.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements.” The Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and is to be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied. Management has recently begun to evaluate the application of the Statement to the Funds, and is not in a position at this time to evaluate the significance of its impact, if any, on the Funds’ financial statements.

**Other Information
(Unaudited)****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.

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 at 800-528-3780.

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 without charge, by calling the Fund at 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 Commission's website at <http://www.sec.gov>.

Basis for the Boards' Approval of the Agreements:

At a meeting held on January 22, 2007, the Board considered and approved an interim advisory agreement between the Fund and AFC (the "Interim Advisory Agreement") and a new advisory agreement between the Fund and AFC (the "New Advisory Agreement" and together with the Interim Advisory Agreement, the "Agreements"). The Board based its approval of the Agreements on its review of information provided by AFC. Such information included information concerning AFC's change of control transaction (the "Transaction") and the Transaction's effect on the Agreements and the Fund and information provided by AFC in response to a request for information made pursuant to Section 15(c) of the 1940 Act (the "Section 15(c) Information").

The Board also considered, among other things, the following information with respect to the Transaction:

- (i) there is not expected to be any diminution in the nature, quality and extent of services provided to the Fund and its shareholders by AFC;

**Other Information
(Unaudited) – (continued)**

- (ii) the Transaction is not expected to result in any changes in AFC's investment approach with respect to the Fund;
- (iii) the advisory fee rates charged to the Fund under the New Advisory Agreement will not change as a result of the Transaction;
- (iv) the New Advisory Agreement does not materially differ from the advisory agreement between AFC and the Fund that was approved by the Fund's shareholders previously, except for the effective and termination dates;
- (v) the information contained in a certification provided to the Board by AFC in which AFC certified that for a period of two years after the closing of the Transaction no "unfair burden," as that term is defined in the 1940 Act, will be imposed on the Fund as a result of the Transaction;
- (vi) AFC has agreed to pay all expenses of the Fund in connection with the Board's consideration of the New Advisory Agreement and all costs of soliciting shareholder proxies and shareholder meeting and, as a result, the Fund will bear no costs in obtaining shareholder approval of the New Advisory Agreement; and
- (vii) the Fund's portfolio manager will remain with AFC and serve in such capacity for such time as he and AFC so desire.

In its deliberations on the Agreements, the Board considered the Section 15(c) Information provided to it by AFC. The Board did not identify any particular aspect of the Section 15(c) Information that was all-important or controlling, and evaluated all information available to it. The Board concluded that the terms of the Agreements are appropriate, that the fees to be paid are reasonable in light of the services to be provided to the Fund, that the Agreements should be approved, and that the New Advisory Agreement should be recommended to Fund shareholders for their approval. In approving the Agreements, the Board, including the Independent Directors, considered and made the following conclusions with respect to the following relevant factors.

A. Nature, Extent and Quality of Services Provided by AFC

The Board reviewed the scope of services provided by AFC. The Board concluded that it continues to be satisfied with the quality and value of the investment advisory services provided to the Fund. The Board concluded that it continues to have confidence in the management style and discipline followed by AFC.

The Board considered the nature and quality of services provided by or overseen by AFC on behalf of the Fund. The Board evaluated the compliance procedures of AFC, including its trade allocation procedures, and the internal control systems of AFC. The Board also considered AFC's resources, including its in-house research capabilities,

**Other Information
(Unaudited) – (continued)**

and future plans for the Fund. On the basis of these factors, the Board determined that the nature and quality of the services provided by or overseen by AFC were consistent with its duties under the Agreements and appropriate and consistent with the investment program of the Fund and concluded that the range and quality of services provided by AFC to the Fund were appropriate and were expected to continue under the Agreements.

B. The Investment Performance of the Fund and AFC

In connection with its review, the Board reviewed statistical information prepared by AFC, some of which was derived from information made available publicly on Morningstar.com (an independent research service) and some of which was derived from information provided by the Fund's administrator, regarding the performance of the Fund for recent quarterly, one-, three- and five-year periods ended December 31, 2006, as applicable, and a comparison of the Fund's performance to that of other funds registered under the 1940 Act. The Board noted that AFC subscribes to Morningstar.com, but does not pay for any particular research information. The Board also received updated Fund performance information through December 31, 2006, provided by AFC prior to, and at, their January 22, 2007 meeting.

The Board noted that during the most recent calendar year, the Fund returned 17.79%, trailing its index benchmark, the Russell 2000 Value Index, which rose 23.48% during 2006. For the three-year period ended December 31, 2006, the Fund returned an 11.55% average annual total return, versus 16.48% for the Russell 2000 Value Index. For the five-year period, the Fund returned 13.82% average annual total return versus 15.37% for the index. From inception on May 15, 1998 through December 31, 2006, the Fund has returned an average annual total return of 15.20% versus 10.98% for the index.

In addition, the Board noted that the performance disparity in recent years against the closest benchmark indices is primarily attributable to a cautious outlook toward the markets, as evidenced by significant cash holdings in the Fund. The Board noted that AFC places an emphasis on capital preservation in the Fund portfolio, and continues to be invested in a conservative posture due to the relatively high valuations in the stock market. The Board noted that this conservatism will often cause the Fund to underperform during periods of strong market appreciation. The Board concluded that the Fund's performance was satisfactory.

C. AFC Profitability

The Board reviewed AFC's profitability estimates. The Board considered representations made by AFC with respect to (i) the profitability of managing the Fund to the Adviser, (ii) income received by AFC's affiliate, BGB Securities, Inc., and (iii) other benefits that might accrue to AFC as a result of its relationship with the

**Other Information
(Unaudited) – (continued)**

Fund. Those benefits include the fact that the Fund's public performance record may at times attract inquiries regarding AFC's advisory services and may result in the acquisition of new advisory clients. The Board determined that these factors would not prevent the Board from approving the continuation of the advisory agreement.

D. Economies of Scale

The Board reviewed information regarding economies of scale or other efficiencies resulting from increases, if any, in the Fund's asset levels. The Board considered economies of scale and whether existing fees might require adjustment. During calendar 2006, assets of the Fund declined from approximately \$500 million to approximately \$380 million. The Board considered that AFC did not realize any material economies of scale during 2006, and that the Fund would have to show substantial growth in assets before any material economies of scale could be achieved.

The Board did not believe that any modification of existing fee levels was necessary in light of the fact that the Fund's total annual expense ratio was comparable to the average expense ratio of the Fund's peers included in the statistical information prepared by AFC, some of which was derived from information made available publicly on Morningstar.com and some of which was derived from information provided by the Fund's administrator.

E. Comparisons of the Services to be Rendered and Fee Amounts

The Board reviewed the fees paid to AFC and the Fund's overall expense ratios and considered whether the fees were reasonable in light of the services provided and the fees charged by other advisers to similarly-situated funds offering similar services. In evaluating the Fund's advisory fees, the Board also took into account the demands, complexity and quality of the investment management of the Fund.

The Board did not compare the fees paid to AFC by the Fund against the fees paid to AFC by its other non-investment company, advisory clients because of the significant differences between the contractual and regulatory requirements applicable to the Fund and the other clients.

The Board noted that the Fund paid an advisory fee of 1.20% of net assets during fiscal 2006. Other Fund expenses were 0.21%, for a total expense ratio of 1.41%. Currently, the Fund's expense ratio is well below its expense limitation of 1.50%. The Board also noted that according to a search of small value funds on Morningstar.com, the average total expense ratio of the 401 small value equity funds currently tracked by Morningstar is 1.54%, with the average size of the funds being \$704 million. Morningstar rates 195 no-load funds in its small value category, and those funds had an average expense ratio of 1.35%. Of the no-load small value funds in the category, 164 funds had total expense ratios less than or equal to 1.50%.

Other Information
(Unaudited) – (continued)

The Board concluded that the Fund's advisory fee was reasonable in light of the quality and nature of the services provided by AFC and that the Fund's overall expense ratio was reasonable in light of the expense ratios of other similarly situated funds.



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