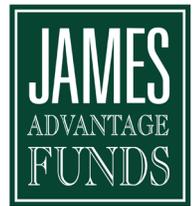


# The Advantage

Investing for a lifetime



Advised by James Investment Research, Inc.

1ST QUARTER 2014

## In The News

### Golden Rainbow Fund

It is with special thanks to our shareholders that your James Golden Rainbow Fund has now crossed \$3 billion in assets. Thank you so much for your continued support of the fund.

### Daily Radio Show

Our daily radio show may provide you with guidance during uncertain times. This airs locally at 8:30am Monday through Friday on WBZI 100.3.

### E-delivery

We would like to remind you that you can sign up to receive online delivery of your statements, confirms, and regulatory documents. Please visit our website at [www.jamesfunds.com](http://www.jamesfunds.com) to enroll. If you have any questions, don't hesitate to call our shareholder services line at 1-800-99-JAMES.

## How We See It

Last week snow fell in Alpha, OH. The weather has been a topic we recently discuss but the soft patch in the economy is also a topic of interest. Fed Chair Janet Yellen was questioned about this during her Senatorial hearings. She indicated that, "Part of that softness may reflect adverse weather conditions, but at this point it's difficult to discern exactly how much." When you mix weather with economics you get the old joke, *God made economists to make weathermen look good*, (or is it the other way around?)

The economic softness has been seen in a number of areas. First, housing and retail sales have been sluggish. In addition, employment results haven't been encouraging and we've seen a slowdown in certain manufacturing and home construction. A number of the Fed regional reports are giving mixed signals. It is clear that hurdles remain outside of the weather. The White House expected excellent growth and employment results for 2014. This would be encouraging to see, but Washington hasn't changed tax and regulatory policy, so why would we expect different economic results? Einstein said it eloquently, *"Insanity: doing the same thing over and over again and expecting different results."*

What has been working in the stock market? While the bargain stocks we favor have been advancing, more expensive stocks have continued to outperform. By our measure, in the last three months, top growth stocks had returns far exceeding those of top value stocks. We note that stocks which would normally be excellent short sale candidates have enjoyed a remarkable rally. All of these trends are often associated with topping markets, or one that is higher risk. This, coupled with excessive enthusiasm and excessive selling by officers and directors leads us to believe this isn't a time to become more aggressive. On top of all these, our intermediate term indicators have moved into a riskier position and we are working to lower equity levels where appropriate.

Having given you all these negatives for the intermediate term, we note that our *long term* stock indicators remain very positive. And, we continue to find our bond indicators in the positive camp. Most disbelieve, but for some time we have come to hold this could well be the **year of the bond**. As winter turns to spring, we expect bonds will continue to post better returns. Stocks are likely to remain frothy and we believe a modest, less aggressive, position in stocks is a good course for now. We have been adjusting portfolios accordingly.

It is a pleasure serving you and the many staff members who are investing in our funds.

Sincerely,

Frank E. James, Ph.D.  
Chairman/CIO, James Investment Research, Inc.

Barry R. James  
President/CEO, James Investment Research, Inc.  
President, James Advantage Funds

## Total Returns After Expenses as of March 31, 2014

	** Operating expenses	Percent Change					SI	Inception Date
		1Q2014	1yr	3yr	5yr	10yr		
James Balanced: Golden Rainbow (No Load)	1.07%	2.32%	8.73%	8.43%	11.49%	7.70%	8.46%	7/1/91
James Mid Cap (No Load)	1.54%	2.79%	20.47%	11.18%	21.60%	-	6.60%	6/30/06
James Small Cap (No Load)	1.53%	-0.06%	20.29%	14.21%	23.35%	7.54%	9.14%	10/2/98
James Micro Cap (No Load)	1.54%	-0.64%	25.13%	12.29%	-	-	15.93%	7/1/10
James Long/Short Fund (No load)	2.75%	3.80%	15.25%	-	-	-	10.94%	5/23/11

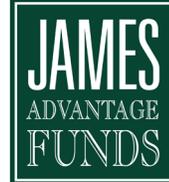
Investors should consider the investment objectives, risks, and charges and expenses of the James Advantage Funds (the Funds) carefully before investing; this and other information about the Funds is in the prospectus, which can be obtained by calling 1-800-99-JAMES. Read the prospectus carefully before you invest. The performance data quoted represents past performance; past performance does not guarantee future results. The 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. The Fund's current performances may be lower or higher than the performance data quoted. Investors may obtain performance information current to the last month-end, within 7 business days, at [www.jamesfunds.com](http://www.jamesfunds.com). ALPS Distributors, Inc. is not affiliated to James Investment Research, Inc. \*\*Indicates total annual fund operating expenses. Barry James is a registered representative of ALPS Distributors, Inc. #JAF 000260 Exp. 6/30/2014.

James Investment Research, Inc.

[www.jamesfunds.com](http://www.jamesfunds.com) | [info@jamesfunds.com](mailto:info@jamesfunds.com) | 1-800-99-JAMES

# The Advantage

## Investing for a lifetime



Advised by James Investment Research, Inc.

1ST QUARTER 2014

### James Balanced: Golden Rainbow

After paying a dividend of 5.7 cents per share on March 31st, your James Balanced Golden Rainbow Fund returned 2.32% for the year to date and 8.73% over the past 12 months. We are of course pleased to be able to report good progress with the stewardship of your assets in the face of stock market volatility.

In managing your Funds, we are mindful of our twin charges: Growth and Income, along with Capital Preservation in declining markets. Investors need to be mindful of the second objective when evaluating the Fund for their needs. A bit of math shows the overall value of Capital Preservation, especially when bearish trends grip the markets.

We find opportunities with a mixture of value stocks (value issues out of favor with Wall Street, which nevertheless show rising earnings, good future prospects, increasing relative strength, undervalued, but with strong fundamentals) along with varying amounts of quality bonds. Bond maturities may be short when the risks of rising rates are present, and extended when rates are apt to decline.

What's new? Our leading intermediate term risk indicators have deteriorated for stock prices, while indicators are improving greatly for bonds. Bonds have been criticized for low yields, however, they become attractive in the face of bearish stock trends, low dividends, lagging economic development, and foreign military threats.

Should the difficulties we project become a burden, stocks may falter while bonds prosper. We are working to lower risks, and are adjusting holdings as required.

### James Mid Cap

For the first quarter of 2014 your James Mid Cap Fund advanced 2.79%. The Fund's benchmark, the S&P 400 Mid Cap Value index advanced 3.99%. No dividends were paid out during the quarter.

Overall, the markets have been favoring Mid Cap stocks as their increases in price have been greater than the larger S&P 500 Index or smaller Russell 2000 Index. We continue to like Mid Cap stocks for the greater growth potential they have relative to large stocks, and the higher relative financial security compared to small stocks.

The stock market has also been favoring stocks with high estimated future earnings growth. Historically, this has not been the case. We welcome a return to a market where inexpensive Mid Cap stocks with good relative earnings and good relative strength are even better rewarded.

*S&P 400 Value is a recognized, unmanaged index of mid cap stocks considered to be Value stocks using S&P's methodology.*

### James Small Cap

During the first quarter of 2014 your James Small Cap Fund declined 0.06%. The Russell 2000 Index was also subdued and gained 1.12%. No dividends were paid out during this quarter.

Recently, the overall markets have been favoring speculative investing as evidenced by the high number of IPOs coming to the market. However, our weekly risk indicators suggest the markets may be poised to begin rewarding bargain investing on a relative basis.

Our present research suggests we may find growing opportunities in the Utility sector, while recommending a more conservative approach with technology stocks.

*Russell 2000 index is a widely recognized, unmanaged index of the 2000 smallest US domiciled common stocks of the Russell 3000 Index.*

### James Micro Cap

Your James Micro Cap Fund lost 0.64% during the first quarter of 2014. The Russell Microcap Index rose 3.01%. Speculative stocks helped propel the Russell Microcap Index. No dividends were paid during the quarter.

Microcap stocks are often considered to be more at risk in volatile markets. To mitigate losses, we diversify widely, and look for stocks with good valuations. These include securities with low price-to-earnings or price-to-book levels. Recent additions to the portfolio include Supreme Industries (2.2% of Fund) and Orbotech Ltd. (2.1% of Fund). We continue to maintain our value discipline, and your typical stock has a market value of just over \$200 million.

*The Russell Microcap Index measures the performance of the microcap segment of the US equity market. Diversification does not eliminate the risk of losses. Price/Earnings = a valuation ratio of a company's current share price compared to its per-share earnings. Price/Book = a ratio used to compare a stock's market value to its book value.*

### James Long Short

Your James Long-Short Fund returned 3.80% during the 1st quarter of 2014. The benchmark S&P 500 Index gained 1.81%. There were no dividends paid out during this quarter for your Fund.

We continue to take an active approach in regards to the overall allocation between longs and shorts for the Fund. Lately, our research and risk indicators for stocks have become unfavorable. To take advantage of these recent developments we have made tactical shifts and increased the short exposure of the Fund.

As of March 31, 2014 the Fund has a net equity exposure of 54.8% (Longs 91.8% minus Shorts 37.0%). We continue to evaluate our research weekly and will make additional tactical shifts in the future if deemed necessary.

*S&P 500 is a leading indicator of US equities and is meant to reflect the risk/return characteristics of the large cap universe.*

Fund holdings and sector weightings are subject to change without notice. The average annual total returns assume reinvestment of income, dividends and capital gains distributions and reflect changes in net asset value. The principal value and investment return will vary with market conditions so that an investor's shares, when redeemed, may be worth more or less than their original cost. **Important Risk Disclosures:** Mid Cap, Small Cap, and Micro Cap investing involves greater risk not associated with investing in more established companies, such as greater price volatility, business risk, less liquidity and increased competitive threat. Investment in shares of a Long/Short fund is more volatile and risky than some other forms of investments. Since the Long/Short equity fund has both a long and a short portfolio, an investment in the Fund will involve risks associated with twice the number of investment decisions made for a typical stock fund. These types of funds typically have a high portfolio turnover that could increase transaction costs and cause short-term capital gains to be realized. You should note that the James Advantage Funds are professionally managed mutual funds while the indices are unmanaged, do not incur expenses and are not available for direct investment. The James Advantage Funds are distributed by ALPS Distributors, Inc., 1290 Broadway, Ste 1100, Denver, CO 80203.