

The Advantage

Investing for a lifetime



Advised by James Investment Research, Inc.

1ST QUARTER 2015

How We See It

Our last communication discussed the volatility in the markets in 2014. Prospects for calendar 2015 also feature volatility; so far reversals have been frequent but not too severe.

According to our indicators, we now see a neutral environment for stocks. So far this year, long term treasury bonds have outperformed stocks. While some risks remain due to higher valuation levels, we believe there are increased opportunities for stocks over the longer term and we have been taking action by adding equities.

Why the improved outlook? One reason is the decline in oil prices. As noted in our economic outlook last year, we have suggested 2015 will be known as the "Year of the [oil] Glut". Why? The remarkable gains in energy production, thanks to technologies developed mostly here in the United States, have already led to dramatically lower oil prices. Already the price of oil has fallen from \$107 a barrel to a recent low under \$44. Cheaper energy has a strongly positive effect on the consumer. Economists note this shifts over \$1.3 trillion to consumers and will save the average American driver about 2% of their gross income.

Although no commodity ever goes straight up or down, the data suggests oil prices can slip further. Even as energy companies shut down less profitable rigs, overall oil production continues to rise. With oil storage becoming more difficult to find, there is growing likelihood oil prices could fall well below \$40 a barrel; unless hostilities intervene. Lower oil prices offer the American consumer cheaper energy, and is also deflationary.

The stronger US Dollar is an additional rein on inflation. Foreign central banks, including the European Central Bank (ECB) and the Bank of Japan (BOJ), proceed with their versions of *Quantitative Easing, cheapening the value of their currency. This action gives our own Federal Reserve room to keep interest rates low, another positive for stock and bond prices.

Some media talk of lower energy prices and a stronger but stable dollar as "problems"; however, our experience is they represented "opportunities."

Currently our indicators are in a neutral intermediate array, but strong for the longer term. One of the most telling positive indicators is investor sentiment, which currently tells us that the number of market bears is too high but rising.

Stock prices have a way of surprising the analyst, and a moderate correction (not a bear market) before a more sustained rally would not be out of the question. Longer term, we believe falling oil prices, a strong U.S dollar, an accommodative Federal Reserve and a propensity of bearish sentiment creates strong investment potential for stocks.

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

* Quantitative easing is a type of monetary policy used by central banks to stimulate the economy when standard monetary policy has become ineffective.

Total Returns After Expenses as of March 31, 2015

| | ** Operating expenses | 1Q2015 | 1yr | 3yr | 5yr | 10yr | SI | Inception Date |
|--|-----------------------|--------|--------|--------|--------|-------|--------|----------------|
| James Balanced: Golden Rainbow (No Load) | 1.01% | 2.58% | 7.39% | 8.74% | 9.45% | 7.34% | 8.41% | 7/1/91 |
| James Mid Cap (No Load) | 1.51% | 5.78% | 8.84% | 15.54% | 13.85% | – | 6.86% | 6/30/06 |
| James Small Cap (No Load) | 1.51% | 1.81% | 3.44% | 12.59% | 15.03% | 6.95% | 8.79% | 10/2/98 |
| James Micro Cap (No Load) | 1.51% | 3.74% | 11.07% | 15.90% | – | – | 14.89% | 7/1/10 |
| James Long/Short Fund (No load) | 2.59% | 1.87% | 6.05% | 11.09% | – | – | 9.65% | 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. 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 000333 Exp. 06/30/2015.

The Advantage

Investing for a lifetime

1ST QUARTER 2015

James Balanced: Golden Rainbow

Stocks managed a rocky, volatile path during the first quarter of the year. Charts show frequent reversals and few moves of a long duration. Our survey of more than 9,000 equities showed a median performance of only 4/10ths of one percent. We are glad to report your Fund provided a positive return during the quarter.

The risk indicators we monitor show a mixed picture, depending on the time frame of reference. For the intermediate term, four to six months, the picture is neutral suggesting more volatility but no clear trend. Longer term, the picture is bullish. We believe the likelihood of a severe stock market decline, such as markets experienced in calendar year 2008, is slight, whereas long term opportunities lie in connection with major trends now seen in the economy: 1) Strength in the dollar 2) Price reductions in energy. It is likely dollar strength will lead to continued low interest rates.

Firms which assemble or sell goods imported from abroad will take advantage of cheaper prices. Companies which use energy such as refiners benefit from cheaper prices for oil, and so do transportation issues. Accordingly, we find opportunities to invest so as to take advantage of major economic trends. Recently, assets were about 56% invested in equities and the remainder in bonds.

So far this year, bonds continue to outperform equities and we are happy to report your highest quality treasury issues have provided income and capital appreciation to meet the Fund objectives.

James Mid Cap

Your James Advantage Mid Cap Fund rose 5.78% during the quarter, outpacing the S&P 400 Mid Cap Value Index, which rose 2.83%. Mid cap stocks have outperformed small cap and large cap stocks so far in 2015. We thought that a shift from larger stocks, which outperformed in 2014, to smaller stocks might occur in 2015 as we mentioned in our 2015 Economic Outlook. The Energy and Consumer Cyclical sectors had the best performance during the quarter, while the Utilities sector was the only sector that had negative performance. We are starting to see more discrimination in stock performance, with bargain criteria adding more value. Overall, we look for a continued shift away from Wall Street favorites toward the stocks offering relative value, solid earnings, and rising prices.

S&P 400 serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence. You cannot invest directly into an index.

James Small Cap

Your James Small Cap Fund advanced 1.81% for the quarter. No dividends or taxable gains were paid out.

Presently we note the dollar's strength. The Dollar Index appreciated almost 9% last quarter. With Quantitative Easing-type programs dominating the world's central banker playbook, it seems likely the dollar will continue to appreciate in the future. To help take advantage of this, we will be seeking out companies generating high levels of sales domestically.

We also note the lower oil prices can favor companies catering to the consumer. Lower oil prices should help these companies in managing their operational costs. *The US Dollar Index is an index of the value of the United States dollar relative to a basket of foreign currencies.*

James Micro Cap

Your James Micro Cap Fund performed well during the first quarter of 2015, gaining 3.74%. The Russell Microcap Index rose 3.14%. The Fund was helped by the Energy and Consumer Non-Cyclical sectors. No dividends were paid during the quarter.

Microcap stocks are often considered to be more at risk in volatile markets. To help decrease risk, we diversify widely, and look for stocks with good valuations. Recent additions to the portfolio include *Coca-Cola Bottling* (2.2% of Fund) and supermarket chain *Ingles Markets* (2.4% of Fund). We continue to maintain our value discipline, and your typical stock has a market value of just over \$200 million.

Diversification does not eliminate the risk of experiencing investment losses. The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market.

James Long Short

The James Long/Short Fund gained 1.87% in the first quarter of 2015. The benchmark S&P 500 Index advanced 0.95%. There were no dividends or capital gains distributed for the Fund during the quarter.

Since last year we have seen the US Trade Weighted Dollar continue to gain strength. The stronger dollar is often a headwind for the heavier exporting large capitalization companies, as exports prices increase and revenues often decline. With this, we have begun to look for opportunities within the small cap arena. We still remain well diversified among market capitalization, however; we feel smaller domestic based companies with less foreign exposure may benefit more from the recent rise in the US Dollar.

Additionally, over the past couple of months our risk indicators have suggested reducing our exposure to the stocks we have sold short. Following our research, we currently have the Fund long 93.8%. We will continue to monitor our risk indicators closely and make appropriate tactical shifts accordingly.

S&P 500 is a leading indicator of US equities and is meant to reflect the risk/return characteristics of the large cap universe. You cannot invest directly into an index.

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.