

The Advantage

Investing for a Lifetime



Advised by James Investment Research, Inc.

1ST QUARTER 2017

James Balanced: Golden Rainbow Fund

Your James Balanced: Golden Rainbow Fund earned 1.17% during the first quarter of 2017 and paid a dividend of 5.64 cents per share on March 31st.

On the heels of stocks advancing after the Presidential election, inauguration and first State of the Union address, equity markets reached a new high. At this time, your Fund began to slightly lower the equity exposure to reduce risk in an effort to preserve capital, one of the Fund's primary objectives. Some of the "sell high" trades seem to have paid off, as stocks have begun to show more volatility.

The fixed income component of your Fund has stabilized after bonds experienced a difficult second half of 2016, as we now appear to be trading in a "range". Your Fund still maintains its holdings in high quality bonds, however now with a shorter time to maturity. Those shorter term notes may help to hold value, should interest rates move up further this year.

How We See It

The first quarter of the year saw many indexes hit new highs and then back off after the Federal Reserve raised rates. Since the election, the stock market has been running on hope of a better economy. The bond market has also been affected but instead of rising in price, bonds fell as inflation expectations rose.

After eight years of rising markets, investors have become accustomed to low volatility and rising prices. This has led to many becoming more aggressive which is seen in record levels of margin debt (borrowing to buy stocks). It is also seen in high valuations for stocks which are seemingly ignored as a warning sign. We believe the market is in a topping pattern and being conservative is a prudent approach. In the fable of the Tortoise and the Hare, the Tortoise always wins.

Economic optimism is high. CEOs, consumers and builders are all reporting the highest levels of optimism in at least the last 11 years. The manufacturing area has indeed seen a rebound, and home prices have been rising.

Overall, we suggest a cautious approach to bonds, focusing on shorter term, Treasury Inflation Protected Securities (TIPS) and Floating Rate bonds. We believe bargain stocks should do relatively well in the current environment and active portfolio management will show its value.

Sincerely,

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

David W. James, CFA
Senior Vice President/Director of Research,
James Investment Research, Inc.

Total Returns After Expenses as of March 31, 2017

	** Operating expenses	1Q2017	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	0.97%	1.17%	4.29%	3.10%	5.58%	5.86%	7.82%	7/1/91
James Mid Cap (No Load)	1.51%	3.61%	7.10%	4.24%	9.92%	5.50%	5.94%	6/30/06
James Small Cap (No Load)	1.51%	-3.85%	12.75%	2.62%	8.32%	4.97%	8.06%	10/2/98
James Micro Cap (No Load)	1.51%	-5.21%	13.54%	7.60%	11.79%	–	12.15%	7/1/10
James Long/Short (No load)	2.53%	3.32%	6.31%	1.50%	6.21%	–	6.00%	5/23/11
James Aggressive Allocation (No load)	1.01%	1.32%	8.97%	–	–	–	0.59%	07/01/15

*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. #JAF000463 Exp. 6/30/2017.*

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James Mid Cap

Your Mid Cap Fund rose 3.61% during the quarter. Bargain securities, the type we seek to invest in, were rewarded during the quarter. The Fund was aided by its holdings in Basic Materials and Consumer Non-Cyclical stocks. We continually refine our stock selection process, and this effort seems to have helped. You should know, all of our Portfolio Managers have a holding in the Fund, and some have recently added to their holdings. As our Director of Research David James likes to say, we “eat our own cooking” and we believe in the Fund going forward.

James Small Cap

Your James Advantage Small Cap Fund lost 3.85% for the quarter. As we strive for better risk-adjusted performance in the future, we have reemphasized investing in a diversified selection of bargain stocks. Namely, these are securities which on balance enjoy attractive relative value, profitability and price strength. This renewed emphasis was in effect towards the end of February, and the month of March has enjoyed better relative results. We will continue this work in the future. On a macro basis, small cap investing could be influenced from Washington’s push to lower taxes. Where this is successful, we believe small stocks should flourish. Where roadblocks appear, small stocks may experience volatility. Long term, we continue to believe in small cap investing.

James Micro Cap

Your James Micro Cap Fund lost 5.21% for the quarter. After a great fourth quarter, it is not surprising to see the Fund pause for a quarter or so. Microcap stocks are often considered to be more at risk in volatile markets. To help preserve your assets, 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 Advance Emissions Solutions (1% of Fund as of March 31st) and AV Homes (1.2% of Fund). We continue to maintain our value discipline, and your typical stock has a market value of just over \$600 million.

James Long/Short

Your James Advantage Long/Short Fund gained 3.32% on the quarter. On a net basis, your Fund is 85.5% long in equities. Again, your Fund looks to go long the best bargain stocks and short the most expensive securities. By doing so, it is hoped to lower some of the volatility of the market while still providing growth opportunities. Presently, Technology and Finance are the heaviest weighted sectors, while Energy securities are lightly weighted.

James Aggressive Allocation

Your Aggressive Allocation Fund rose 1.32% during the first quarter of 2017. As the quarter ended, your Fund was 76.1% invested in common stocks. The heaviest sector weighting was in Technology stocks, followed by Financial stocks and Industrials. Your Fund is currently underweight in Utilities, Energy and Health Care stocks. The bond portion of the Fund is invested in high quality corporate bonds and U.S. Government bonds and we have raised cash levels for rapid redeployment into equities, should President Trump’s initiatives regain momentum in Congress. We will look to add to small capitalization stocks and international holdings in the coming quarter if global events move in a positive direction, specifically concerning the elections in Europe and trade talks between the Trump administration and our trading partners.

*Price/Earnings ratio is a valuation of a company’s current share price compared to its per-share earnings. Price/Book ratio measures a company’s market price in relation to its book value. 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. Diversification does not eliminate the risk of experiencing investment losses. The James Advantage Funds are distributed by ALPS Distributors, Inc., 1290 Broadway, Ste 1100, Denver, CO 80203.*