

The Advantage

Investing for a Lifetime



Advised by James Investment Research, Inc.

2ND QUARTER 2016

James Balanced: Golden Rainbow Fund

Your Fund advanced in the second quarter. While deep value stocks performed decently, it was a different case for profitability and momentum strategies. This created some headwinds for our overall style of investing. Overall, your Fund rose 0.55% after paying out a dividend of 5.2 cents per share on June 30th. One major topic that affected financial markets is Brexit, where the United Kingdom voted to leave the European Union. Your Fund was conservatively positioned going into the event, and took advantage of the volatility to add equities the day the results were announced. See the adviser's special study, *Opportunities From Brexit*, for more commentary on the subject.

We have recently been adding to REITs (Real Estate Investment Trust) and select marine-shiping issues. These generally have fine dividends and good prospects. Additionally, we have been adding to smaller capitalization stocks.

For the future, we will continue to stay with the discipline of focusing on bargain securities. Namely, we will look for stocks with good valuations, solid profitability and relative price appreciation. Your Fund continues to offer a good mix between stocks and high-quality bonds.

How We See It

The quarter seemed to be going along just fine until the referendum in the United Kingdom upset the market. In just a few days the stock indices went from positive to negative. At the same time, bonds and precious metals rose nicely.

We prepared a Special Study titled *Opportunities From Brexit*. It is available on the adviser's website. In the study we point out the exit process for the United Kingdom is a long one, and both the European Union and the UK have a lot to lose if they don't end things amicably. The pull back in stocks needs to be viewed with the wider lens of our market and not just a knee jerk reaction. Our risk indicators do not point to higher risk and we view the volatility as a buying opportunity. It may not be the start of a new bull market, but we could see a nice rebound in prices.

In spite of the severe reaction to Brexit, the stock market really hasn't gone anywhere since the end of 2014. It seems to have been immersed in jello, it jiggles around but really doesn't move that far. We looked back to 1900 and only found 35 out of 1357 times when the market had remained in such a tight trading range. This period of the doldrums tended to continue for another 6 months or so. However, after this, the market tended to pick up at a faster than normal rate.

We have seen the market favor larger capitalization growth stocks for an extended period of time. This is unusual as smaller value stocks have led the way over history. We looked at similar times in the past and found a reversal of fortune over the next three years. This is one reason we are gradually adding additional smaller stocks where appropriate.

We review results regularly, and are always looking at ways to improve. This is one advantage of doing our own research; if something isn't working, we can hopefully figure out how to make appropriate changes. However, we don't change our basic philosophy or process as we have had decades of experience with them. One thing we have learned; it is important to maintain one's discipline, or run the serious risk of compounding any difficulties which currently exist.

Sincerely,

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

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

Total Returns After Expenses as of June 30, 2016

	** Operating expenses	2Q2016	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	0.97%	0.55%	-0.64%	5.34%	5.98%	6.18%	7.90%	7/1/91
James Mid Cap (No Load)	1.50%	-3.00%	-2.46%	8.02%	7.76%	5.35%	5.35%	6/30/06
James Small Cap (No Load)	1.50%	0.39%	-4.62%	4.60%	7.03%	3.99%	7.71%	10/2/98
James Micro Cap (No Load)	1.51%	-0.27%	-0.44%	10.27%	9.84%	-	11.34%	7/1/10
James Long/Short (No load)	2.71%	-1.37%	-1.96%	3.49%	5.26%	-	5.36%	5/23/11
James Aggressive Allocation (No load)	0.99%	2.49%	-	-	-	-	-4.98%	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. #JAF000422 Exp. 9/30/2016.*

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James Mid Cap

This was a difficult quarter for your Mid Cap Fund. No dividends were paid. It fell during the quarter as the market did not reward the bargain types of securities we seek to invest in. In the last quarter, those stocks we would rate the most expensive, and thereby avoid, did much better than those we look to invest in. We maintain our approach of looking for good relative value, solid historical earnings and above average price performance. We realize changing to a different approach, even when our style is out of favor, would likely create more problems than it would solve. During the quarter, the Fund was helped by its Utility Holdings, while Cyclical and Energy stocks pulled performance down. This was primarily due to Airline and Refiner stocks reversing course from the strong gains last year. We have lowered exposure to both of these areas.

James Small Cap

Your James Small Cap Fund rose for the quarter. No dividends were paid. The months of April and May were difficult periods, as bargain investing worked in reverse. June however, on the market uncertainty on Brexit, began to return to normal. Our research found good value in industries such as precious metals and REITs. Further, we looked to lower exposure to the airline industry.

James Micro Cap

Your James Micro Cap Fund fell for the quarter. No dividends were paid. Most of 2016 has been dominated by poor momentum stocks. In fact, our research suggests through the end of May, the micro cap sized stocks with the lowest strength (bottom 20%) outperformed their higher strength (top 20%) brethren by over 17%. Recently we are beginning to see a shift back to bargain investing.

James Long Short

Your James Long Short Fund fell in the second quarter of 2016. No dividends were paid during this period. Generally, the Long Short Fund looks to reduce its exposure to shorts as our risk evaluation improves. With the market opportunity from Brexit (see the adviser's special study *Opportunities From Brexit*) we have greatly reduced our short exposure over the quarter. Today, the level of shorts is negligible as our indicator picture is relatively favorable. We will continue to monitor risk conditions and make adjustments as the data suggests.

James Aggressive Allocation

Your Aggressive Allocation Fund shares rose 2.49% for the quarter. No dividends were paid. Positions in precious metals and mining helped the returns, as did the positions in longer term U.S. Treasury securities. Your Fund added securities on the market weakness following the Brexit vote on June 23, raising the allocation to common stocks from 72% to 76%. We also added interest rate sensitive stocks. We believe these moves proved beneficial as the Fund completed the quarter. Going forward, we will continue to be aggressive in allocation and sector changes, in keeping with the Fund's objectives and strategies. *Past performance does not guarantee future results.*

*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.*