

The Advantage

Investing for a Lifetime



Advised by James Investment Research, Inc.

2ND QUARTER 2017

James Balanced: Golden Rainbow Fund

The second quarter of 2017 showed a positive return of .19% for your James Balanced: Golden Rainbow Fund. This was accompanied by a dividend of 4.76 cents per share paid at the end of the quarter. As the markets have advanced, valuations on stocks have crept up as well, causing the market to look expensive. We have been hard at work, slowly reducing the exposure to stocks in order to help preserve the Fund, should we see a stock market pullback. Your Fund looked better during the month of June. During this last month, your Fund showed a return of .89%. This may coincide with a shift in the markets. As we have moved into the summer months, those Large Cap Growth oriented stocks have taken a back seat to their smaller, more value oriented brethren. As a matter of fact, value stocks were up during June, while growth stocks declined in price. While it may be early in the game to tell if this will continue, the Golden Rainbow Fund is positioned to take advantage, should value stocks take the lead.

How We See It

Last quarter saw the stock market do very little until late May and early June, when prices started to rise again. The advance was once again aided by a few big technology stocks like Amazon and Google. Value oriented stocks underperformed, while bonds also advanced.

The Federal Reserve raised rates in mid-June, which seemed to trip up the stock and bond markets. Of course, the FED also suggested more hikes to come and a gradual elimination of previous quantitative easing. This has created some concerns since the market's long bull run has been strongly correlated to quantitative easing.

It is too early to tell if it will continue, but the market appears to have been changing leadership since the Fed action in June. Both value and smaller capitalization stocks took a firmer tone, while larger and more growth oriented stocks started to lag. Considering the long period of outperformance for larger and growth oriented stocks, if this does mark the turning point, we believe it could continue for a long time.

We have expected to see this shift, and have been waiting for the market to return to more normal behavior. We believe bonds in a balanced portfolio will offset some of the volatility in stocks, and we still see opportunities in many bargain stocks.

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 June 30, 2017

	** Operating expenses	2Q2017	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	0.97%	0.19%	3.92%	2.04%	5.96%	5.56%	7.75%	7/1/91
James Mid Cap (No Load)	1.51%	0.08%	10.50%	2.24%	11.13%	4.71%	5.81%	6/30/06
James Small Cap (No Load)	1.51%	-0.85%	11.36%	1.62%	9.32%	4.40%	7.90%	10/2/98
James Micro Cap (No Load)	1.51%	0.94%	14.90%	7.29%	13.20%	-	11.84%	7/1/10
James Long/Short (No load)	2.53%	2.36%	10.32%	1.24%	7.55%	-	6.15%	5/23/11
James Aggressive Allocation (No load)	1.01%	0.20%	6.54%	-	-	-	0.62%	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 and David James are registered representatives of ALPS Distributors, Inc. #JAF000473 Exp. 9/30/2017.*

James Investment Research, Inc.

www.jamesfunds.com | info@jamesfunds.com | 1-800-99-JAMES

The Advantage

Investing for a Lifetime



Advised by James Investment Research, Inc.

2ND QUARTER 2017

James Mid Cap

During the 2nd quarter, your James Mid Cap Fund returned 0.08% with no dividends paid. In general, it has been a difficult period for value stocks, especially compared to their growth brethren. During the quarter, the S&P Mid Cap 400 Growth Index enjoyed an almost 2.5% greater return than the corresponding value index. Historically, this is contrary to normal investing patterns for mid cap stocks, and we believe a return to typical investing patterns should unfold. Your Fund is taking a deeper dive into bargain investing for the future.

James Small Cap

During the quarter, your James Small Cap Fund declined 0.85%. No dividends were paid. Overall, your Fund continues to concentrate on small cap stocks, and the largest stock (by market capitalization) is \$3.8 billion. Your Fund also focuses on bargain securities (defined as those we believe have good relative value, profitability, and long-term strength) and the typical stock features favorable comparative numbers in areas like Price/Earnings, Price/Cash, Earnings Growth and Relative Strength. While bargain investing often offers strong returns, our research shows it is not true every quarter. The last three months have been challenging for bargain hunters. Despite this, we remain committed to the strategy and we believe the markets will eventually return to more normal patterns.

James Micro Cap

Your James Micro Cap Fund rose 0.94% during the 2nd quarter of 2017. No dividends were paid during this time period. Your Fund continues to focus on smaller sized stocks, with almost every holding having a market capitalization under \$1.5 billion. Presently, your Fund is finding opportunities in the Consumer Cyclical, Technology and Finance sectors. We are lightly weighted in Utilities, Basic Material and Energy stocks. While we may see some turnover in the coming quarter, most stocks held still offer good bargain status (good relative value, profitability and price strength). Given the recent pressure on large-cap technology stocks, we may see a leadership rotation. This could benefit smaller stocks on a relative basis.

James Long-Short

Your James Long-Short Fund returned 2.36% during the 2nd quarter of 2017. No dividends were distributed. Your Fund is currently net long 73%. Our indicators weakened over the quarter, and we took the opportunity to increase the percentage of shorts in the Fund. The technology sector was one area we increased the allocation for the shorts. This sector has a number of expensive companies based on our criteria of good relative value, profitability and relative price strength. If our indicators continue to weaken, we will look to increase the short exposure during the coming months.

James Aggressive Allocation

Your Aggressive Allocation Fund rose 0.2% last quarter. No dividends were paid. Energy stocks hurt performance over the quarter as the price of oil fell. The exposure to the retail sector was also a drag on returns. As the quarter ended, your Fund was 73.8% invested in common stocks, down slightly from the end of the first quarter. Heightened political uncertainty and high valuations lead us to be more cautious. About 5.4% of the portfolio is invested in Aerospace and Defense as NATO countries beef up military spending. Over 7% of the portfolio is invested in bank stocks as Dodd-Frank reforms and higher interest rates should help those stocks. The bond portfolio is invested in high quality corporate and U.S. Government bonds and has a moderate duration.

*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. S&P Mid Cap 400 serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence. 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.*