

The Advantage

Investing for a lifetime



Advised by James Investment Research, Inc.

3RD QUARTER 2015

James Balanced: Golden Rainbow Fund

The stock market just completed an exciting quarter, with the median security losing 10.89%. Large cap stocks did slightly better, declining 10.07% while smaller stocks, the ones we usually prefer, declined 13.87%. It appears investors became nervous about trade prospects with China, the world's second largest economy. Your Fund's focus on undervalued bargain stocks proved helpful in resisting declines. Your high quality bonds proved to be a good offset to equities this quarter, providing a note of stability in sinking markets, as they often do. Your Fund also paid a dividend of 6.06 cents per share on September 30th.

Large stocks have held up better this year. Year-to-date they have declined less than smaller issues.

Long term, Fama and French researchers found smaller value issues returned about 5% annually more than large growth issues. Large U.S. firms do most of the exporting, and large exporters are hampered today by the strong dollar. This pushes up the price of their products, making them less competitive.

Looking ahead, we are encouraged by seasonal strengths and prospects for small undervalued securities, the ones we often like to buy.

How We See It

We just completed the worst quarter for stocks since 2011. As we have previously noted, we have been due for more volatility this year and the third quarter provided it. The S&P 500 fell about 6.4% while the *typical stock lost 10.9%. Longer term bonds rebounded after losing ground in the first half of the year.

Many have become concerned with the "sudden" drop in prices and it is our goal to find ways to reduce volatility. It is important to recall the market has enjoyed a long run in larger, growth oriented companies, such as those in the *Dow and *S&P 500. Smaller, value oriented stocks have been lagging over the last several years. We anticipate the next significant run in stocks to likely be in smaller issues. We don't expect to see the transition overnight, but we do believe they will reward investors in the long run.

Today we can identify some areas of concern about stocks. Last year the Federal Reserve (the Fed) stopped quantitative easing, the frequent injections of fresh cash, which had provided major support to stocks. Second, we are facing a significant slowdown in China, a major trading partner, and its impact is being felt. Add to this the great strength in our currency which reduces overseas sales, thus crimping earnings in our largest firms and slowing industrial production.

We believe we have entered a period of transition for stocks. Given market volatility and economic concerns, we think it is prudent to improve stability in portfolios. Where appropriate, we plan to restrain equity levels and move into moderate duration bonds. The good news is that we are about to enter the historically strongest season (November – April) for stocks, and we hope to get a boost before the year ends.

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 September 30, 2015

	** Operating expenses	3Q2015	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	1.01%	-2.48%	1.48%	6.65%	7.19%	6.35%	8.07%	7/1/91
James Mid Cap (No Load)	1.51%	-1.88%	3.85%	13.91%	11.77%	-	5.86%	6/30/06
James Small Cap (No Load)	1.51%	-6.69%	-1.79%	10.03%	11.61%	4.68%	7.92%	10/2/98
James Micro Cap (No Load)	1.51%	-5.03%	7.66%	16.12%	11.91%	-	12.04%	7/1/10
James Long/Short (No load)	2.59%	-3.47%	-6.72%	8.41%	-	-	5.93%	5/23/11
James Aggressive Allocation (No load)	0.99%						-9.00%	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. #JAF000368 Exp. 12/31/2015.*

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James Mid Cap

The Mid Cap Fund held up much better than the *S&P 400 Mid Cap Value Index during the last quarter. The Fund lost 1.88% while the index fell 10.13%. So far this calendar year, the Mid Cap Fund is still in positive territory while the Mid Cap Value Index is down 8.67%. No dividends were paid out during this quarter. Having a good weighting of the portfolio in Utility and Consumer Cyclical stocks helped. Those parts of the portfolio actually rose during the last quarter. The portfolio was also aided by strong returns in its largest holding, Alaska Air (7% of portfolio). Overall, we try to buy relatively cheap stocks in companies with good earnings and rising stock prices. This often works well in turbulent markets. While volatility should continue, we think this is an appropriate time to hold these types of stocks.

James Small Cap

For the 3rd quarter your James Small Cap Fund declined 6.69% while the *Russell 2000 fell 11.92%. No dividends were paid during the quarter. We continue to seek bargain stocks for your Fund. We define bargains as those enjoying good relative value, profitability and long-term price strength. Today, the stocks in the Fund have an average *PE of 15.15, enjoy solid earnings' growth and have favorable price strength levels compared to the typical small cap stock. As we move into the fourth quarter, we believe bargain Small Cap securities will perform better.

James Micro Cap

Small stocks felt the volatility in the 3rd quarter. Your James Micro Cap Fund declined 5.03% while the *Russell Microcap Index fell 13.78%. No dividends were paid out during this quarter. How did the Fund outperform the index? Partly this is due to your Fund staying in bargain securities. On items like *Price/Earnings and *Price/Sales, the Fund focused on better valuations. Similarly, earnings growth and relative strength have also been favorable. What of the future? We note the difficult times being felt by some of the international players. To help combat this, your Fund has generally avoided investing in international securities.

James Long Short

The 3rd quarter was a challenging time for investors as global headwinds increased market volatility. In addition to the heightened volatility, we have seen certain segments of the market outpace others. In particular growth stocks (high expected earnings, high prices relative to fundamentals) have outpaced value stocks (low prices relative to fundamentals) over the past year. Growth and value often go in cycles, and history has shown that in the long run, small value often outperforms. We continue to favor value stocks with good relative value, positive earnings, and strong relative strength. The Fund will continue to rely on our indicators and research to take advantage of opportunities for both the longs and shorts as we move forward. No dividends were paid out during this quarter.

James Aggressive Allocation

This new Fund began investing just as the market began its summer correction. No dividends were paid out during this quarter. The Fund's holdings (as of August 15, 2015) in Mylan Labs (1.0% of the portfolio) and Amgen (1.8% of the portfolio) dragged returns lower, as did its holding in DST Systems (1.4%) which fell after missing analysts' earnings expectations. This Fund is structured to benefit from rising stock prices. It is currently running about 70% in stocks and will increase that allocation when the stock markets show greater opportunity. However, it is not for the faint-of-heart as it may lag in sharply declining markets.

**S&P 500 is a leading indicator of US equities and is meant to reflect the risk/return characteristics of the large cap universe. Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. 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. Russell 2000 is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell Microcap Index measures the performance of the microcap segment of the U.S. equity market. One cannot invest directly in an index. The Price-to-Earnings Ratio is a ratio for valuing a company that measures its current share price relative to its per-share earnings. Price-sales ratio is a valuation metric for stocks. Typical Stock refers to median stock in the JIR universe which follows over 8,000 stocks.*

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.