

The Advantage

Investing for a Lifetime



Advised by James Investment Research, Inc.

3RD QUARTER 2017

James Balanced: Golden Rainbow Fund

Your James Balanced: Golden Rainbow Fund advanced 2.10% during the quarter after paying a dividend of 9.79 cents per share. Both stock and bond holdings added to the overall results.

While the stock market has been hitting new highs, risks of a correction have also been rising. Excessive valuations and an upside down market (stocks with no earnings doing better than those with earnings) lead us to take a conservative posture towards equities at this time. We are currently targeting around 40% in equities.

On a positive note, the market is digesting possible tax law changes, and we are seeing signs of some market rotation. While larger and more expensive stocks had been leading we are starting to see a crack in this movement, with smaller, bargain oriented stocks starting to perform nicely. This has contributed to the improved results during September.

We take seriously the Funds' objectives of growth and income with preservation of capital in declining markets. While we have not seen a decline of any significance for some time, we think it is still prudent to seek ways to reduce risk while maintaining the ability to grow.

How We See It

We finished an interesting quarter. After struggling in August, both large and small cap stocks rebounded in September. For most of the quarter we saw a continuation of growth and large cap stocks outperforming value and small cap stocks. However, in a welcome change, the opposite was true in September. After 45 years in the business, we have seen smaller and value oriented stocks normally do better. This has not been true the last few years but we anticipate a reversal to more normal markets.

While many market indices have hit record levels, we are finding risk for larger, growth oriented stocks is rising. Valuation levels are extended and the economy does not look like it will pick up much speed in the months to come. In addition, sentiment readings are high, usually a negative for stocks. Lastly, the Federal Reserve (Fed) has been raising rates and now looks poised to reduce its balance sheet, something called Quantitative Tightening. Much of the market's previous advance, and the favoring of larger growth stocks, has been correlated to Quantitative Easing. This reversal by the Fed will likely have a significant and long lasting impact on stocks. We believe this will benefit the bargain type securities we tend to favor.

Bonds faded as the quarter progressed, but they still provide a cushion in balanced accounts when stocks correct. We do not believe it is a time to be overly aggressive with bond maturities, and we would maintain modest durations.

Patience is a virtue and we have been patiently waiting to see the market reward common sense investing. If we are right, we believe this should be a good time to own bargain stocks (those with low valuations, growing earnings and excellent price strength), the kind we try to put into your funds.

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.

Note: While the Equifax breach has had no direct impact on the James Funds, we have tried to answer key questions on our website www.jamesfunds.com.

Total Returns After Expenses as of September 30, 2017

	** Operating expenses	3Q2017	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	0.97%	2.10%	5.21%	3.13%	5.57%	5.58%	7.76%	7/1/91
James Mid Cap (No Load)	1.51%	6.06%	14.25%	6.56%	11.48%	5.57%	6.23%	6/30/06
James Small Cap (No Load)	1.51%	7.36%	12.34%	6.27%	10.24%	5.77%	8.19%	10/2/98
James Micro Cap (No Load)	1.51%	4.75%	11.25%	10.75%	14.59%	-	12.12%	7/1/10
James Long/Short (No load)	2.53%	2.16%	12.28%	2.21%	7.84%	-	6.26%	5/23/11
James Aggressive Allocation (No load)	1.01%	4.00%	9.19%	-	-	-	2.32%	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. #JAF000488 Exp. 12/31/2017.*

James Investment Research, Inc.

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James Mid Cap

During the 3rd quarter, your James Advantage Mid Cap Fund rose 6.06% with no dividends paid. The Fund has been making a deeper dive into bargain investing and this has paid off. During the quarter, the Fund returned more than the S&P MidCap 400 Index as well as the S&P MidCap 400 Value Index. We believe “bargain stocks” (those with a mix of value, growth, and price momentum) will continue to serve shareholders well in the future.

James Small Cap

Your James Small Cap Fund gained 7.36% during the quarter and outpaced its benchmark, the Russell 2000 Index, which advanced 5.67%. No dividends were paid in the quarter. Overall, your Fund continues to concentrate on smaller issues. Recently, your largest stock had a market capitalization of approximately \$4 billion. Furthermore, an emphasis has been placed on bargain securities. The Fund continues to focus on having a portfolio of stocks which enjoy better valuations, profitability and price strength than it's benchmark.

James Micro Cap

Your James Micro Cap Fund enjoyed a third quarter return of 4.75%. No dividends were paid during the quarter. Today the stocks in your Fund have an average Price/Earnings Ratio of 16.67, enjoy strong earnings growth and have attractive strength levels. What of the future? From a seasonal and political calendar standpoint, we are entering a time that historically favors smaller stocks. Our research suggests investing in bargain securities should continue to reward shareholders.

James Long-Short

Your James Long Short Fund gained 2.16% during the 3rd quarter of 2017. No dividends were distributed during the quarter. Your Fund is currently positioned with a net long of 86.69%. Smaller stocks outpaced large stocks during the recent quarter, as the S&P 500 Index gained 4.48% and the Russell 2000 Index gained 5.67%. In September, small value showed signs of strength as value outpaced growth. Growth is still higher on the year, but this is a good sign for bargain investors and the Fund which favors bargain stocks. After the announcement for tax reform, we see some opportunities in smaller companies and those companies with less debt.

James Aggressive Allocation

Your James Aggressive Allocation Fund rose 4.00% last quarter. No dividends were paid. The Fund continues to underweight Energy and Utilities, as those sectors are currently running less than three percent of the portfolio. We have added to the Consumer Cyclical sector with purchases of Macy's (about 1.30% of the portfolio) and General Motors (about 1.38% of the portfolio). About 3.7% of the portfolio is in Defense Company stocks, as NATO and other countries rebuild their defense systems. The Fund is running about 75.39% in common stocks, 22.91% in Fixed Income and 1.70% in cash. We are carefully watching developments in the Tax Reform discussions and will make appropriate changes in the portfolio when we have more detailed information. We look to make additional investments in companies we believe are likely to benefit from changes in the tax code while meeting criteria.

S&P 500 is a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. Russell 2000 is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index. Quantitative Tightening is a course of action undertaken by the Federal Reserve to constrict spending in an economy that is seen to be growing too quickly or to curb inflation when it is rising too fast. Quantitative Easing is a monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. Price/Earnings ratio is a valuation of a company's current share price compared to its per-share earnings. S&P Mid Cap Value Index measures value stocks using three factors: the ratios of book value, earnings, and sales to price. S&P Mid Cap 400 Index 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.