

The Advantage

Investing for a lifetime



Advised by James Investment Research, Inc.

4TH QUARTER 2014

In The News

2015 Economic Outlook

Our firm has recently developed our Outlook for the year 2015. This includes sections on the Economy, Stocks, Bonds and the International scene. We also offer overall conclusions and suggestions for Business Executives and Investors.

We invite you to view this information on our website at www.jir-inc.com. You can download the written summary and watch short videos if you like.

Daily Radio Show

Our daily radio show may provide you with guidance during uncertain times. This airs locally at 8:30am Monday through Friday on WBZI 100.3, and is also available on our website after 9am. www.jamesfunds.com.

How We See It

While it had increased volatility in the fourth quarter, the stock market still advanced. Large cap stocks had been the leaders most of the year, but we saw a reversal in the last quarter, as small cap stocks rebounded. At the end of November, six out of ten small stocks (less than \$1 billion in size) were in bear trends, down 20% or more from their recent highs. In a testament to the favorability of large cap stocks this year, only about one in ten of the stocks in the S&P 500 were down a comparable amount.

In the largest surprise of the year, long term treasury bonds actually outdistanced stock indices. Our bond indicators had been positive this past year but our bond indicators have become less sanguine and are now neutral. This leads us to conclude that the easiest gains are behind us and that a neutral approach to bonds is more fitting.

Strength in the U.S. economy is being tested with weakness around the globe and countries such as Japan, China and the European Union are aggressively trying to stimulate their economies. This has given a boost to the U.S. dollar, making our goods more expensive but also making imports less expensive. This may hurt export oriented companies but it could give a boost to companies with solid domestic sales or to firms which import parts and material. An additional boost is likely from the "Year of the Oil Glut." Lower energy prices will help many consumers and users of energy.

Historically, we have fairly favorable conditions for stocks and our indicators haven't turned negative. However, valuations are extended and sentiment is elevated. We will run into some bumps along the way but we believe we are likely to see a transition toward smaller, value oriented securities in the year ahead. This has always been a focus of ours and we will try to take advantage of it for you.

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 December 31, 2014

| | ** Operating expenses | Percent Change | | | | | SI | Inception Date |
|--|-----------------------|----------------|-------|--------|--------|-------|--------|----------------|
| | | 4Q2014 | 1yr | 3yr | 5yr | 10yr | | |
| James Balanced: Golden Rainbow (No Load) | 1.01% | 2.45% | 7.12% | 9.38% | 9.35% | 7.23% | 8.39% | 7/1/91 |
| James Mid Cap (No Load) | 1.51% | 3.57% | 5.77% | 16.43% | 13.59% | - | 6.36% | 6/30/06 |
| James Small Cap (No Load) | 1.51% | 6.01% | 1.54% | 14.68% | 16.21% | 6.38% | 8.81% | 10/2/98 |
| James Micro Cap (No Load) | 1.51% | 10.43% | 6.39% | 19.83% | - | - | 14.83% | 7/1/10 |
| James Long/Short Fund (No load) | 2.59% | 1.68% | 8.07% | 13.32% | - | - | 9.79% | 5/23/11 |

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. #JAF 000320 Exp. 03/31/2015.

James Investment Research, Inc.

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

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James Balanced: Golden Rainbow

What a rocky ride! Stocks had several bumps over the past year, including a 6% decline beginning in January, a 9.8% decline from September to October, plus a variety of smaller setbacks. Contrary to most expectations, the year turned out very favorable for bond investors, and shareholders benefitted from the excellent returns garnered by their bond investments. We are happy to report, for your conservative Fund, an attractive 7.12% return during calendar 2014.

What do we see ahead? For stocks, we don't see the degree of misallocation or enthusiasm within the market which needs to be corrected by a major bearish stock decline. Nor do we believe it likely that bonds will turn in another repeat of their 2014 sterling performance. We have lowered the average maturity and duration of your bond holdings. For the present, in deference to the extended position of many equities after five years of advances, we maintain a moderate 45-55% equity position, with most of the remainder in good quality bonds.

Continued success in equity markets depends on selection of securities. For shareholders, we make a major effort as we search for value stocks, ideally ones priced below their true worth, neglected by Wall Street, showing good earnings and with relative strength rising due to increasing investor interest.

Some observers claim recent elections show a voting public becoming more conservative and business friendly. If correct, this would be a good climate for entrepreneurs and business leaders, and the equity securities in your Funds.

James Mid Cap

Your James Advantage Mid Cap Fund rose a healthy 3.57% during the quarter. A yearly long term capital gain of \$1.34 per share and a short term capital gain of \$.038 was paid in the quarter, as was an income distribution of .67 cents per share. Mid Cap value stocks did well in the quarter after a tumultuous October. The fall in commodity and energy prices hurt Basic Material and Oil related stocks. Fortunately, these were offset with exceptional returns in Utility and Cyclical stocks. In this case, both see an advantage from lower energy and commodity prices.

Mid cap stocks had a solid year and any possible shift to smaller stocks could be beneficial for our Fund. In addition, a shift back to value oriented stocks would also be advantageous.

James Small Cap

Your James Small Cap Fund enjoyed a solid fourth quarter. On a total return basis the Fund advanced 6.01%. No dividends or capital gains were paid this year.

The quarter was very favorable for small capitalization stocks. Sectors rotated in and out of favor. Overall, the Fund saw Consumer Cyclical and Utility holdings perform admirably. Unfortunately, holdings in Energy and Industrial securities lagged.

For 2015 we continue to see opportunities for small capitalization stocks. We continue to invest in value securities. In general your Fund holds stocks enjoying good relative value, profitability, and long-term strength.

James Micro Cap

During the fourth quarter, your James Micro Cap Fund advanced 10.43%. A yearly long-term capital gain of \$3.45 per share was paid, as was an income distribution of 2.36 cents per share.

While much of 2014 was focused on large capitalization stocks, we have recently seen a transition taking place. During the fourth quarter it has been smaller stocks taking the lead. Historically, our research suggests it is presidential pre-election years that have offered above average returns for smaller issues.

We will continue to favor value stocks for your Fund. These are stocks that generally enjoy good relative value, profitability, and stock price strength. *Past performance is not indicative of future results.*

James Long Short

Your James Long/Short Fund gained 1.68% for the fourth quarter of 2014. The benchmark S&P 500 Index advanced 4.93%. The Fund ended the year gaining 8.07%. There were no dividends or capital gains distributed for the Fund in 2014.

Large capitalization stocks were the place to be in 2014 as they outpaced smaller capitalization stocks; the S&P 500 gained 13.69% while the Russell 2000 Index rose 4.89%. Our research suggested smaller stocks were coming into a seasonal sweet spot late in 2014 and we feel this may continue into 2015. We will look to take advantage of opportunities in smaller companies as they arise.

Volatility is expected to pick up in 2015 and we will actively monitor our equity risk indicators in order to adjust the Fund's allocation accordingly. Currently our equity risk indicators are neutral and the Fund has a net equity exposure (longs minus shorts) of 95%. *S&P 500 is a leading indicator of US equities and is meant to reflect the risk/return characteristics of the large cap universe. Russell 2000 index is a widely recognized, unmanaged index of the 2000 smallest US domiciled common stocks of the Russell 3000 Index. You cannot invest directly into an index.*

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.