

# Small Cap Fund (JASCX)

## Investment Objective

The James Small Cap Fund seeks to provide long-term capital appreciation by investing in small cap stocks.

## Investment Strategy & Process

The James Small Cap Fund invests primarily in common stocks of small capitalization companies, defined by JIR as companies with capitalizations at the time of purchase no larger than the stocks in the Russell 2000 Index, which is the benchmark index for this fund. The Russell 2000 Index is constructed to provide a comprehensive capitalization weighted small-cap universe of stocks and is reconstituted annually. As of July 31, 2007, the stock with the maximum capitalization in the Russell 2000 Index had a capitalization of \$3.469 billion. The James Small Cap Fund is not indexed to the Russell 2000 and may hold securities not included in the index.

- JIR's proprietary model is an important tool in the search for small-cap stocks using a database of over 8,500 stocks. JIR looks for those stocks with the strongest combination of Value, Neglect, and Management Confidence traits.
  - Relative Value – investing in securities which have relatively low ratios such as price to book and price to earnings.
  - Neglect – finding stocks which are overlooked by Wall Street analysts or underrepresented in institutional portfolios.
  - Management Confidence – looking for companies where the managers are showing confidence by buying stock in their own company.
- Fundamental analysis is then used to seek out the most promising candidates which show excellent intrinsic value.

## Morningstar Rating

Overall Rating ★★ ★  
 3 Year Rating ★★ ★  
 5 Year Rating ★★ ★  
 10 Year Rating ★★ ★

The Morningstar Star Rating™ for the James Small Cap Fund is based on risk-adjusted returns as of 6/30/10 in the small cap value category out of 321 funds overall and for the last 3 years, 251 in the last five years, and 129 in the last ten years.

The overall Morningstar Star Rating™ for a fund is derived from a weighted average of the performance figures associated with its three, five and ten year Morningstar rating metrics. ©2010 Morningstar, Inc. All Rights Reserved.

## Fund Info

**Fund Statistics (as of 6/30/10)**

Ticker Symbol.....	JASCX
Cusip .....	470259508
Benchmark Index.....	Russell 2000 Index
No. Stocks in Portfolio .....	120
Assets .....	\$65.4 Mil.
Median Capitalization.....	\$321.9 Mil.
Price/Earnings.....	13.7
Price/Book.....	2.2
<b>Fund Operating Expenses</b> (Expenses that are deducted from Fund assets)	
Management Fee.....	1.24%
Distribution (12b-1) Fee.....	0.25%
Other Expenses .....	0.01%
Total Annual Fund Operating Expenses.....	1.50%

**Top Ten Equity Holdings** (as of 4/30/10)

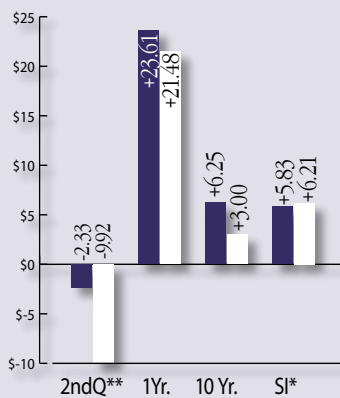
North American Galvanizing.....	4.10%
Del Monte Foods Co.....	3.70%
Tupperware Brands Corp.....	3.58%
CGI Group Inc - Cl A.....	2.96%
American Financial Grp .....	2.85%
Atlantic Tele-Net.....	2.82%
Rent A Center Inc.....	2.64%
Williams Partners LP .....	2.55%
VSE Corp.....	2.39%
Polaris Industries Inc.....	2.28%
Total.....	29.87%

## James vs Russell 2000 (Ending 6/30/10)

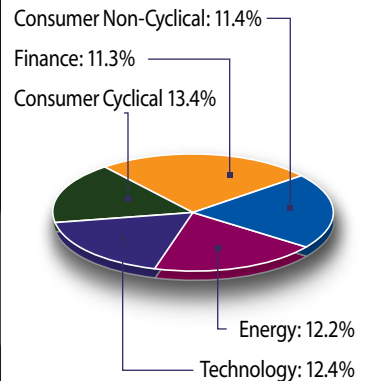
	2Q10**	1yr	5yr	10yr	SI*
James Small Cap	-2.33%	+23.61%	-2.29%	+6.25%	+5.83%
Russell 2000	-9.92%	+21.48%	+0.37%	+3.00%	+6.21%

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. \* Since Inception 10/2/98 \*\* 2nd quarter numbers are not annualized. (All other number are average annual returns.) \*\*\*Indicates total annual fund operating expenses.

■ James Small Cap Fund (\*\*\*)1.50%  
 □ Russell 2000



## Top Five Sector Diversification



As a % of total portfolio as of 6/30/10

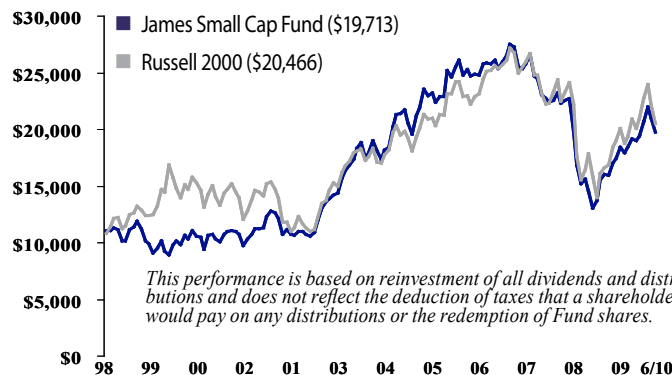
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 NO BANK GUARANTEE



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## Growth of \$10,000



James Advantage Funds  
**Small Cap Fund** (JASCX)

2Q.10

Quarterly Total  
Returns %

	2007		2008				2009				2010	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
James Small Cap Fund	-5.74	-5.38	-8.46	0.41	-11.63	-20.84	-12.32	15.90	14.88	2.82	7.14	-2.33
Russell 2000	-3.09	-4.58	-9.90	0.58	-1.11	-26.12	-14.95	2.68	19.28	3.88	8.85	-9.92

(Ending 6/30/10)

Portfolio Managers

**Dr. Frank James, Ph.D**

37 Years  
 Founder and Chairman of  
 James Investment Research

**Barry R. James, CFA, CIC**

24 Years  
 President/CEO and Portfolio Manager  
 with James Investment Research  
 President of the James Advantage Funds

**Thomas L. Mangan, MBA, CMFC**

15 Years  
 Senior Vice President  
 and Portfolio Manager  
 VP and CCO of James Advantage Funds

**David W. James, CFA**

29 Years  
 Senior Vice President  
 and Portfolio Manager

**Ann M. Shaw, CFP**

31 Years  
 Chief Operating Officer  
 and Portfolio Manager

**R. Brian Culpepper, MBA, CMFC**

14 Years  
 Portfolio Manager

**Brian Shepardson, CFA, CIC**

10 Years  
 Portfolio Manager

Portfolio Commentary

During the 2nd Quarter, the James Small Cap Fund declined 2.33 percent, while the Russell 2000 fell 9.92 percent. A dividend of .19 cents per share was paid on June 30th.

Although we never like to see the Fund decline, it is reassuring that bargain investing has returned to the market. This has enhanced capital preservation in turbulent markets for smaller cap stocks.

What is bargain investing? It is finding companies that offer good relative value (such as Price/Earnings), profitability, and long-term strength. Often these stocks are bargains because they are

neglected by Wall Street. Our research suggests that these stocks typically produce strong total return results for the long term investor.

One area of interest is the action of smart money. We ask, what are the corporations doing with their own money? Are they investing in their own shares? Buybacks are generally rare. In the Russell 2000, fewer than 1-in-5 companies are buying back their shares. In the Fund, one-in-three are performing buybacks.

*There are special risks associated with small capitalization issues, such as market illiquidity and greater market volatility than large capitalization issues.*

*For each fund with at least three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of the funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, and the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund with the scale and rated separately, which may cause slight variations in the distribution percentages.)*

*As of 6/30/10, James Small Cap Fund was rated against the following numbers of U.S. domiciled Small Cap Value funds over the following time periods: 321 funds in the last three years, 251 in the last five years, and 129 in the last ten years. With respect to these Small Cap Value funds, the James Small Cap Fund received a Morningstar Rating™ of 3 stars for the three year period, 3 stars for the five year period, and 3 stars for the 10 year period.*

*Ratings are based on risk-adjusted return. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3, 5 and 10-year (if applicable) Morningstar Rating metrics. (Overall and 3-years 321 funds)*

*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.*

*\*\*\*The Russell 2000 Index is a widely recognized, unmanaged index comprised of the 2,000 smallest U.S. domiciled publicly-traded common stocks of the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index, an unmanaged index of the 3,000 largest U.S. domiciled publicly-traded common stocks by market capitalization.*

*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 investment. There are special risks associated with small capitalization issues such as market illiquidity and greater market volatility than large capitalization issues. The James Advantage Funds are distributed by Unified Financial Securities, Inc. 2960 N. Meridian St., Ste. 300, Indianapolis, IN 46208.*



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