

The Advantage

Investing for a Lifetime



Advised by James Investment Research, Inc.

1ST QUARTER 2016

James Balanced: Golden Rainbow Fund

What a quarter for Investors! The markets started heading down during the first part of the year, followed by a strong March rally. After paying a dividend of 6.11 cents per share or 7.57 cents (Institutional shares) the Golden Rainbow Balanced Funds returned 1.05% for the quarter.

During the last quarter, your Fund was aided by good performance in Newmont Mining Corp. (0.6% of portfolio) and Hawaiian Holdings Inc. (0.7% of portfolio). Newmont benefited from the bounce back in the price of gold, and securities in the Utility sector helped boost returns during this volatile quarter.

Having added an emphasis on companies with good buyback programs or dividends benefited your Fund. Further, our research suggests micro and small cap securities should offer added benefits and diversification. We have continued to increase our weightings in both of these areas. Our weightings in precious metals have also increased during the quarter.

We believe our focus on bargain securities, those with good valuations, excellent earnings and solid price strength should do well in the year ahead. The volatility is most likely to continue, but your Fund continues to offer a good mix between stocks and bonds.

How We See It

It is said the markets often pulse to two emotions: fear and greed. This was certainly on display for the first quarter. January through early February was characterized by fear. Investment surveys of both professional and individual investors showed a clear majority were bearish. In fact, investment sentiment became so pessimistic we expected to see a contrarian rally emerge, and it did. The S&P 500 Index enjoyed its strongest March percentage gain since 2009.

Some are encouraged by the latest jobs report which showed job gains for the 66th consecutive month. Job gains are important and always welcome. Still, the quality of the job matters too. It is disquieting that in the latest month low-wage jobs are on the rise while high-wage jobs actually fell.

Stocks and bonds continue to face swirling currents. In a recent speech, Federal Reserve Chair Janet Yellen offered a dovish note. This has led some to speculate the number of rate hikes in 2016 will be limited. As this is an election year, it should be of little surprise the Fed will not want to rock the boat. This is probably good news for stocks, but it may lead to some inflation concerns for bonds.

Still, bonds have done well this last quarter. We believe they continue to offer excellent diversification from the stock market as they thrived during the market queasiness early in the quarter. Given the year-over-year decline in Industrial Production and the poor numbers from the Atlanta Fed's GDPNow forecast (model forecast for real GDP growth), we find the odds of an overheating economy to be small and bonds should continue to hold up well.

Regarding stocks, selection will grow ever more important. In our previous newsletter we noted, "Bargain value stocks have underperformed growth stocks for an extended period of time. This provides a good opportunity for them to rebound in 2016." So far, this has been correct with value outpacing growth stocks during the first quarter.

Overall risk levels will likely vacillate. In this environment we are prepared to take more defensive or aggressive actions as our indicators shift. We have a steady approach to measuring risk, and we will work hard to do our best for you in the coming months.

Sincerely,

Frank E. James, Ph.D.
Chairman, James Investment Research, Inc.

Barry R. James
President/CEO, James Investment Research, Inc.
President, James Advantage Funds

Total Returns After Expenses as of March 31, 2016

| | ** Operating expenses | 1Q2016 | 1yr | 3yr | 5yr | 10yr | SI | Inception Date |
|--|-----------------------|--------|--------|--------|-------|-------|--------|----------------|
| James Balanced: Golden Rainbow (No Load) | 0.97% | 1.05% | -2.16% | 4.54% | 6.02% | 6.14% | 7.96% | 7/1/91 |
| James Mid Cap (No Load) | 1.50% | 1.90% | -2.84% | 8.41% | 7.77% | - | 5.82% | 6/30/06 |
| James Small Cap (No Load) | 1.50% | -1.39% | -7.35% | 4.85% | 7.38% | 3.86% | 7.80% | 10/2/98 |
| James Micro Cap (No Load) | 1.51% | -0.13% | -1.22% | 11.14% | 9.21% | - | 11.91% | 7/1/10 |
| James Long/Short (No load) | 2.71% | -0.68% | -7.26% | 4.27% | - | - | 5.93% | 5/23/11 |
| James Aggressive Allocation (No load) | 0.99% | 1.43% | - | - | - | - | -7.29% | 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. #JAF000401 Exp. 6/30/2016.

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1ST QUARTER 2016

James Mid Cap

Your Mid Cap Fund returned 1.9% during the last quarter. This was good news since it fell early in the quarter. It had a big bounce back and value stocks also are starting to revive. The largest gainers in the portfolio were Hawaiian Holdings (2.9% of portfolio) and Express Inc. (2.1% of portfolio). Both of these are in the Cyclical sector. In addition, your Utility holdings did well as a group. While we only had a small weighting in the Energy sector, those stocks didn't do very well. We continue to believe value oriented stocks should excel, and this is our focus with your Fund. No dividends were paid out during the quarter.

James Small Cap

Your James Small Cap Fund declined 1.39% for the quarter, compared to a 1.52% decline for the Russell 2000 Index. No dividends were paid. In general, we note smaller stocks had a more difficult time than larger stocks for the quarter. However, small stocks do have several advantages. Long term, the academics Fama and French found much better returns for small cap stocks, particularly small cap value stocks. Your Fund continues to seek out smaller sized issues and often find those with superior value characteristics. Given today's investing environment, having a value bent may prove wise.

James Micro Cap

During the 1st quarter your James Microcap Fund fell 0.13% while the benchmark, Russell Microcap Index, declined 5.43%. No dividends were paid out for the quarter. With the nation experiencing falling profit margins, it may be fruitful to favor value investing for the foreseeable future. Fortunately, your Fund already features some impressive value characteristics. Regarding sectors, your Fund is most heavily weighted in Consumer Cyclical and Consumer Non-Cyclical securities.

James Long Short

Your James Long Short Fund lost 0.68% in the first three months of the year. No dividends were paid during this period. The 1st quarter of 2016 was filled with ups and downs, as the S&P 500 Index saw major swings in both directions. Volatility, measured by the VIX Index, peaked during mid-February and has since retreated to below 14; after averaging 20.4 for the quarter. The Fund's net equity exposure for the quarter averaged 87.5%. Our indicators are beginning to weaken, and the rally in stocks since mid-February may be nearing an end. If our indicators weaken even more during the quarter ahead, we will look for opportunities to increase our short exposure in securities we find to be overvalued.

James Aggressive Allocation

Your James Aggressive Allocation Fund rose 1.43% for the quarter. No dividends were paid this quarter. The Fund has increased its holdings in emerging market stocks and precious metals. It was running about 75% invested in stocks at the end of the period. We will adjust our exposure to stocks lower or higher depending on our research and internal forecasts, but this is designed to be an aggressive Fund. For this reason, it will generally maintain higher exposure to stocks than our more conservative Golden Rainbow Fund. The bond portion of the Aggressive Allocation Fund was invested in Treasury and U.S. Agencies bonds at quarter end. We reduced the duration of the portfolio and sold corporate bonds early on to raise cash to move into stocks. During March, we moved more heavily into Treasury Inflation Protected bonds, which we thought to be attractive relative to other Treasury securities.

* *Fama & French* Eugene Fama and Kenneth French, professors at the University of Chicago Booth School of Business. *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, 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. *The VIX Index* (CBOE volatility index) shows the market's expectation of 30 day volatility. One cannot invest directly in 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.