

The Advantage

Investing for a Lifetime



Advised by James Investment Research, Inc.

2ND QUARTER 2018

James Balanced: Golden Rainbow Fund

Your James Balanced: Golden Rainbow Fund continues to be managed with primary objectives of Growth and Income while also trying to preserve capital in declining markets. As such, your Fund finished the 2nd Quarter of 2018 with a 47.5% allocation to stocks with the remaining 52.5% invested in what we believe to be high quality bonds and cash. During the last week of June, your Fund paid a dividend of 6.44 cents per share as part of our income objective. The heaviest weightings were in Financial, Cyclical and Technology stocks, while Energy and Utility stocks were more lightly invested. Your Fund's composition was 49%, 11%, 36% and 4% in Large Cap, Mid Cap, Small Cap and Micro Cap stocks respectively. While Tariffs continue to be a hot topic in Washington, your Fund's ability to move amongst different sizes and sectors could help with diversification in the future.

How We See It

In our last newsletter we said "For now though, the intermediate picture has improved. While we would avoid extreme aggressiveness in stocks, our indicators no longer suggest taking excessive caution." In fact, major stock indices moved ahead and we saw smaller stocks start to take the lead. This was a good sign.

The economy has been rocking along with some strength. The Atlanta FED's GDPNow shows an estimate of almost 4% growth in the second quarter. Employment has been strong and earnings in the first quarter were up almost 24% on the S&P500. Tax cuts seem to have spurred business investment and we have seen a significant uptick in companies using the repatriated cash to buy back shares.

The Federal Reserve continues to boost short term rates and have indicated they will continue to do so later this year. It is amazing to note short term rates are now above the dividend yield on stocks. We finally see competition and even some money market funds are boasting better rates. This gives investors some pause and we have seen sentiment shift from very positive to somewhat negative over the last six months. Trade wars currently overshadow economic news and the drumbeat of more tariffs is getting louder. This is the one eventuality which could give stocks another pause.

Longer term bond yields seem to have settled into a trading range which started in February. Inflation has ticked up a little, but not really enough to force rates considerably higher. We expect them to hold up fairly well while international trade concerns continue.

Sincerely,

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Atlanta FED's GDPNow - a running estimate of real Gross Domestic Product growth based on available data for the current quarter. Dividend Yield-indicates how much a company pays out in dividends each year relative to its share price. Tariff-a tax or duty to be paid on a particular class of imports or exports. Price/Earnings ratio - current share price relative to its per share earnings. Price/Book-a company's current market price compared to its book value.

Total Returns After Expenses as of June 30, 2018

	** Operating expenses	2Q2018	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	0.97%	-0.11%	1.87%	1.70%	4.35%	5.47%	7.52%	7/1/91
James Mid Cap (No Load)	1.52%	2.79%	7.27%	4.96%	8.36%	6.40%	5.93%	6/30/06
James Small Cap (No Load)	1.52%	3.01%	11.41%	5.77%	7.26%	7.66%	8.07%	10/2/98
James Micro Cap (No Load)	1.52%	8.04%	11.62%	8.49%	11.45%	-	11.81%	7/1/10
James Long/Short (No load)	1.58%	-3.02%	1.35%	3.11%	4.39%	-	5.46%	5/23/11
James Aggressive Allocation (No load)	1.01%	0.09%	7.36%	-	-	-	2.82%	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. #JAF000524 Exp. 9/30/2018.*

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James Mid Cap

During the second quarter of 2018 your Fund gained 2.79%. The stocks in the Energy and Consumer Cyclical sector contributed the most to the performance of your Fund last quarter. In addition, the largest holdings outperformed the smaller holdings. This is ideal, as we prefer to hold stocks that are advancing, and sell stocks that are declining. We are still finding a number of “bargain” securities in the consumer cyclical sector.

James Small Cap

For the second quarter of 2018 your James Small Cap Fund gained 3.01%. Your Fund remains focused on smaller cap issues. Recently, the largest stock by market capitalization was under \$5 billion. On a sector level, your Fund is overweight in consumer cyclical names, while underweighting utilities. Small stocks may shine in the coming months. The uncertainty over tariffs places a premium on more domestic based companies, like many small cap issues. Further, the tax cuts from December 2017 can favor many smaller issues as they had relatively higher effective tax rates before the cut.

James Micro Cap

Your James Advantage Microcap Fund advanced 8.04% during the 2nd quarter of 2018. Your Fund continues to focus on smaller sized stocks, with the average market capitalization under \$1 billion. Presently, the Fund is finding opportunities in the Technology, Finance and Consumer Cyclical sectors. Microcap stocks are often considered to be more risky in volatile markets. To help preserve your assets, we seek stocks with reasonable valuations. These include securities with low price-to-earnings or price-to-book levels.

James Long-Short

Your James Long-Short Fund ended the quarter with a net long exposure of 87.8%. The rise in tensions revolving around “trade wars” with the United States has had a negative impact on larger companies with International exposure. As geopolitical risk increases, we will look to favor “bargain” stocks that show good profitability, relative value and price momentum. Furthermore, our market risk indicators are slightly favorable, suggesting we continue to limit our short exposure at this time.

James Aggressive Allocation

Over the last 12 months your Fund returned 7.36%. Consistent with our research, as of June 30th, your Fund is running 72% in common stocks, 4% in cash and 24% in what we believe to be high quality bonds. Technology companies make up 17.1% of the portfolio’s equity holdings while Financials make up 10.1%. We have increased the allocation to Utilities to 5.5% and greatly reduced exposure to International stocks, especially emerging markets. International exposure is now running at 0.9%. We noted in our last report we had added oil refiners, which appears to have been working as oil rose above \$70/barrel. We also added some longer term Treasury securities to the portfolio, consistent with our research which shows bonds to be overly despised. Our research is no longer as positive for stocks as earlier in the year, so we have reduced exposure somewhat. We remain vigilant since stock prices remain elevated, and the dangers of a severe impact on the global economy seem to be rising. We are mindful the Fund also seeks to preserve capital in down markets, so a further decline in our stock indicators could lead us to even lower stock exposure.

*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. The Russell Microcap® Index measures the performance of the microcap segment of the U.S. equity market. It makes up less than 3% of the U.S. equity market. 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.*