



THE ADVANTAGE

How We See It

2ND QUARTER 2019

We saw a wild ride in the markets during the past quarter. It started strong and then May came along and wiped out a lot of the gains for the year. Fortunately, we have had a great June and it made up the lost ground.

In a horse race, the Dow, the S&P 500 and the NASDAQ are all neck and neck in the contest to set record highs. However, the small cap Russell 2000 lags far behind, and is more than 10% below last year's peak. The disparities do not end with size. Through May, our research found companies with no profits rose over 20% this year, while those with earnings were down over 7%. We believe this will reverse but it is a worrying anomaly.

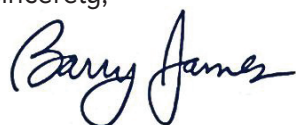
Talking about profits, they have been pretty skosh this year. The first quarter saw profitability advance by only about 1% on the S&P 500, while second quarter results have started weak and are not expected to show much improvement. If earnings are not driving the market, why have stocks rallied recently?

The markets are likely anticipating some positive events. The Federal Reserve has clearly indicated they are considering rate cuts in the near future. Investors are also expecting some kind of trade deal to unfold with China. Lastly, in spite of worries by CFOs and negative signals from small stock prices and an inverted yield curve, we feel it is obvious a recession is not really being considered.

Risk however, is being considered. This is the reason why larger stocks have been outperforming. Investment advisors are pretty negative on stocks and have built up their cash positions. Volatility and exposure to leverage has also taken on added importance.

We see the glass as half full. The rally has momentum and investor fears can help prop the market up for a while. However, valuations are high and too much good news is already priced into the stock market. We will continue to hold stocks with favorable outlooks, but we do not think it is time to rush in. As we see it, it is best to remain prudent for now.

Sincerely,



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Total Returns After Expenses as of June 30, 2019

	**Operating expenses	2Q2019	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	1.00%	1.77%	-1.24%	1.49%	1.34%	6.02%	7.20%	7/1/91
James Small Cap (No Load)	1.50%	-0.39%	-15.63%	1.53%	-0.28%	9.52%	6.79%	10/2/98
James Micro Cap (No Load)	1.51%	1.40%	-5.25%	6.72%	5.49%	-	9.77%	7/1/10
James Aggressive Allocation (No Load)	1.01%	1.49%	-3.40%	3.38%	-	-	1.22%	7/1/15

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. Dow Jones Industrial Average is an index that tracks 30 large, publicly-owned companies on the NYSE. Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks. **Indicates total annual fund operating expenses. Barry James and David James are registered representatives of ALPS Distributors, Inc. JAF000574

James Balanced: Golden Rainbow

The second quarter of 2019 was dominated by talks of additional tariffs in May and hope for a deal in June. As such, the stock market experienced some volatility almost purely due to politics. Your James Balanced: Golden Rainbow Fund ended the quarter up 1.77% and paid a dividend of 12.20 cents per share on June 28th. During the quarter, large stocks, represented by the S&P 500, increased 4.30% while small stocks in the Russell 2000 made 2.10%. Due to this trend, the Fund has taken an approach of holding more Large Caps than we have traditionally done in the past.

We have also maintained our holdings in high quality treasury notes and bonds. All signs point to the Federal Reserve lowering rates in late July. These lower yields equate to higher prices for bonds. The potential for an economic slowdown in 2020 have once again made fixed income an attractive holding.

James Small Cap

For the second quarter of 2019 your James Small Cap Fund fell by -0.39%. Your Fund remains focused on smaller cap issues. Recently, the largest stock by market capitalization was just over \$5 billion. On a sector level, your Fund is overweight in finance and technology, while underweighting energy. 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. The Fund continues to focus on having a portfolio of stocks which have historically enjoyed better valuations, profitability and price strength than their benchmark of the Russell 2000.

James Micro Cap

It was a positive quarter for your James Micro Cap Fund. On a total-return basis, your Fund advanced 1.40% while the benchmark, Russell Micro Cap Index gained 0.92%. Presently, the Fund has its highest concentration in the Financial and Industrial sectors as we continue to look for bargain opportunities. Many of the stocks in the portfolio have strong value characteristics with Price-Earnings, Price-Book and Price-Cash at relatively cheap levels, especially compared to larger stocks like those of the S&P 500. We will continue to look for securities offering attractive prospects.

James Aggressive Allocation

Your James Aggressive Allocation Fund advanced 1.49% during the second quarter. As the market declined in May, the Fund was slightly lower in equity positions than the benchmark. This however, did not preclude the Fund from the market volatility, as several of the names were caught up in the 'Trade Talks' between the United States and China. Hope is not lost however, in the fact that the U.S and China are going back to the table for more discussions. Should a deal be reached, some of these very names could prosper the most into the future.

YOUR FUTURE. OUR PURPOSE.

The S&P 500 is a stock market index that tracks the stocks of 500 large-cap U.S. companies. **The Russell 2000 Index** is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. **The Russell Micro Cap® 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. **Price/Earnings ratio** is a valuation of a company's current share price compared to its per-share earnings. **Price/Cash ratio** is a ratio used to compare a company's market value to its cash flow. **Price-to-book ratio** to compare a firm's market to book value by dividing price per share by book value per share. 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: 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. 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.