

The Advantage

Investing for a lifetime



Advised by James Investment Research, Inc.

4TH QUARTER 2015

James Balanced: Golden Rainbow Fund

For our shareholders, we seek to provide return through a combination of growth and income and preservation of capital in declining markets. During the last quarter your Fund paid an income dividend of 5.54 cents per share. We sought to preserve capital, and lowered equity exposure where we thought appropriate, selling certain securities to help guard against declines. To that end, we took profits, generating capital gains of 42.56 cents per share.

Interestingly, for much of the last year, many stocks have actually been in a bear market. Currently, over 1/3rd of stocks in the S&P 500 are down 20% or more from their 52-week high. For smaller stocks it has been even worse, as 55% of the stocks in the Russell 2000 have fallen 20% or more. Put simply, the market has been on shaky ground.

Retooling one's portfolio to include companies with good buyback programs or dividends will make sense. Further, our research notes value investing typically asserts leadership in periods following declining profit margins.

We believe our focus on undervalued securities, those with good valuations, excellent earnings and solid price strength will do well in the year ahead.

How We See It

Last year was one full of investment struggles. Stocks, bonds, cash, commodities and foreign currencies all had trouble moving ahead, but at least stocks rebounded a bit during the last three months. This is in keeping with our last report where we said *"The good news is that we are about to enter the historically strongest season (November – April) for stocks, and we hope to get a boost before the year ends."*

Looking back, we experienced a relatively weak economy in 2015, but one in which the unemployment rate fell and wages started to finally rebound. Consumer finances are relatively healthy, but many households aren't feeling that wealthy. Consumer spending had been increasing and they will be the key to 2016. However, manufacturing and profits have been hit by the strong dollar.

We project 2016 as a continuation of some of the trends we saw in 2015. Bonds will hold up relatively well in a low inflation environment. U.S. yields are higher than those of many other countries and Fed rate hikes may actually benefit longer term bonds. The economy isn't likely to overheat, and if we see volatility in stocks, bonds could prove useful.

On the other hand, stocks promise to face some hurdles as we go into the lame duck year for the President. While some equity prices are elevated, the good news is many areas still present opportunities. Companies that import have an advantage over those that export. Those using energy will receive the benefits of low oil prices. Companies which pay good dividends and purchase (buy back) their own shares tend to do well. Finally, value stocks are due for rallies. Undervalued stocks have underperformed growth stocks for an extended period of time. This provides a good opportunity for them to rebound in 2016.

Our near term outlook is fairly stable, but we are prepared to take more defensive actions if our indicators turn negative. We have a steady approach to measuring risk and we will work hard to do our best for you in the coming months.

Best wishes for a Happy and Prosperous New Year.

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, 2015

	** Operating expenses	4Q2015	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	0.97%	0.28%	-0.68%	6.32%	6.37%	6.30%	8.00%	7/1/91
James Mid Cap (No Load)	1.50%	0.58%	0.86%	12.14%	9.27%	-	5.76%	6/30/06
James Small Cap (No Load)	1.50%	3.25%	-4.34%	10.36%	9.76%	5.15%	8.00%	10/2/98
James Micro Cap (No Load)	1.51%	5.25%	2.61%	17.14%	10.53%	-	12.50%	7/1/10
James Long/Short (No load)	2.71%	3.68%	-4.88%	8.58%	-	-	6.42%	5/23/11
James Aggressive Allocation (No load)	0.99%	0.45%					-8.59%	07/01/15

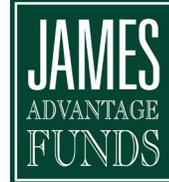
*Investors should consider the investment objectives, risks, and charges and expenses of the James Advantage Funds (the Funds) carefully before investing; this and other information about the Funds is in the prospectus, which can be obtained by calling 1-800-99-JAMES. Read the prospectus carefully before 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. #JAF000382 Exp. 3/31/2016.*

James Investment Research, Inc.

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

The Advantage

Investing for a lifetime



Advised by James Investment Research, Inc.

4TH QUARTER 2015

James Mid Cap

Your Fund returned 0.58% during the last quarter and 0.86% in the calendar year. This compared favorably for the year with the S&P 400 Mid Cap Value index declining 6.65%. The Fund paid a long term capital gains distribution of 90.87 cents per share and an income distribution of 5.03 cents per share in December. During the last quarter, your Fund was aided by good performance in Hawaiian Airlines (2.9% of portfolio), Orbital ATK (2.4%) and Jarden (5.4%). Jarden was the target of a takeover announcement from Newell Rubbermaid, helping the stock make a great recovery. Mid Cap stocks had been lagging the last 5 years, but the advance in your Fund this past year is encouraging. Our focus on undervalued securities, those with good valuations, excellent earnings and solid price strength, will hopefully continue to do well in the year ahead.

James Small Cap

For the 2015 year, we find your James Small Cap Fund declined 4.34% while the benchmark Russell 2000 Index declined 4.41%. The Fund paid out a long-term capital gain of \$1.24 per share and had income of 12.23 cents per share. No short-term gains were paid out. We continue to note the relative strength or stability of the United States Dollar and economy to the rest of the world. Going forward how does this impact investors? Often it is fruitful to look for companies who rely on the U.S domestic markets as opposed to heavy exporters. In this, smaller companies often have an advantage as much of their sales are focused domestically.

James Micro Cap

Your James Micro Cap Fund ended the year gaining 2.61% while the benchmark Russell Microcap Index fell 5.16%. Total income paid by your Fund for the year was 1.38 cents per share and no capital gains were paid out. Your Fund benefited from relatively low holdings in the energy sector. With crude oil prices declining by over 30% this was a good place to generally avoid. Looking ahead, we note the strain corporate profits are under. Historically, when profit margins begin to falter, we often find value stocks enjoying the leadership role over growth style investing. We expect your Fund to continue looking for bargains during the year ahead.

James Long Short

Your James Long-Short Fund gained 3.68% during the last quarter of 2015. No dividends or capital distributions were paid. The 4th quarter saw a much needed rebound after increased volatility and declining markets during the previous quarter. Most of the gains were by large capitalization companies. In 2015, growth investing dominated value investing, however in 2016 as profit margins contract, we think value investing will come back into favor. In addition, our research suggests we will see some headwinds for stocks as 2016 plays out. We expect market volatility to remain high and also expect equity markets to correct sometime during the year. We will watch our indicators closely, and when they signal higher risk ahead for stocks, we will look to increase the exposure to shorts in the Fund.

James Aggressive Allocation

The Aggressive Allocation Fund, which commenced operations on July 1, 2015 paid an ordinary dividend of 3.13 cents per share on December 30th but did not pay out a capital gains distribution. The Fund has a realized net capital loss that will carry over into 2016. For the quarter, the Fund returned 0.45%. This Fund is structured to benefit from rising stock prices and has a focus on value stocks. It is currently running about 70% in stocks and 30% in high quality bonds. On December 31st, the Fund's greatest exposure was in Technology stocks (12.1% of the portfolio) and the largest Industry Groups were Property/Casualty Insurance (5.1%) and Aerospace-Defense (4.6%). Investors should keep in mind that this Fund is managed in an aggressive style and will always have significant exposure to common stocks.

** 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. Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. S&P 400 serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence. 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. 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.