

The Advantage

Investing for a Lifetime



Advised by James Investment Research, Inc.

4TH QUARTER 2016

James Balanced: Golden Rainbow Fund

Your James Balanced: Golden Rainbow Fund finished the year 2016 with a return of 4.17%, of which 1.66% was attributed to the 4th quarter. In December the Fund paid out a dividend of 6.79 cents per share as well as a long-term capital gain of 9.48 cents per share.

Like much of the stock market, returns in your Fund were boosted during the last two months of the year, following the Presidential Election. Our holdings in the Financial, Energy and Industrial area did well in the wake of new found optimism. During this same time, we were actively lowering the duration, or time to maturity on the bond holdings. This slight change helped to lower our interest rate risk exposure at the end of the year while the Federal Reserve was deciding if they should raise rates.

We will continue to monitor the Fund with cautious optimism as we head into the New Year, while striving to maintain our goal of capital preservation balanced against total return.

How We See It

Santa came early this year, at least for the stock market. Stock prices surged since the election and we are especially happy to see smaller and bargain stocks leading the way for a change. All of our Funds advanced during the last quarter. It is great to finish a year on a positive note.

The only disappointment has been the coal in the stocking for bonds. Not only did the Federal Reserve raise the Fed Funds rate, but longer term bonds had already made a significant move in anticipation of higher economic growth and inflation. Whether or not those come to fruition remains to be seen.

The stock market has begun to move out of the doldrums it had experienced since the end of 2014. The election was a catalyst for a hope rally. Investors hope lower taxes and regulations will help corporate earnings and even raise the value of stocks, just as cuts in capital gains tax rates have done in the past. Many financial institutions had recommended huge cash levels going into the election and now they are scrambling to get their clients invested. We believe these types of rallies have the ability to last for months and at the center of this rally is the transition to bargain and smaller cap stocks. They had been neglected for some time and we are pleased to see them rising to the top, as we emphasize these in your Funds.

We expect to see volatility in stocks and bonds in 2017. We currently see these as buying opportunities for stocks and selling opportunities for bonds. We have been repositioning portfolios which hold bonds to have less exposure to rising rates and potentially benefit if this occurs. The year looks positive in a number of areas, and we will attempt to take advantage of these conditions for you. As a last note, we have been adding to our positions in your Funds as we believe they will work well in the years ahead.

Sincerely,

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

David W. James, CFA
Senior Vice President/Director of Research,
James Investment Research, Inc.

Total Returns After Expenses as of December 31, 2016

	** Operating expenses	4Q2016	1yr	Percent Change				SI	Inception Date
				3yr	5yr	10yr			
James Balanced: Golden Rainbow (No Load)	0.97%	1.66%	4.17%	3.49%	6.25%	5.93%	7.85%	7/1/91	
James Mid Cap (No Load)	1.51%	3.89%	5.33%	3.96%	10.89%	5.43%	5.72%	6/30/06	
James Small Cap (No Load)	1.51%	9.75%	15.63%	3.95%	10.78%	5.44%	8.40%	10/2/98	
James Micro Cap (No Load)	1.51%	11.01%	19.62%	9.30%	16.13%	-	13.57%	7/1/10	
James Long/Short (No load)	2.53%	3.91%	2.19%	1.65%	7.18%	-	5.66%	5/23/11	
James Aggressive Allocation (No load)	1.01%	3.41%	9.09%	-	-	-	-0.19%	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. #JAF000450 Exp. 3/31/2017.*

James Investment Research, Inc.

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James Mid Cap

Your Mid Cap Fund rose 3.89% during the quarter. In December the Fund paid out a dividend of 1.77 cents per share as well as a long-term capital gain of \$1.57 per share and short-term capital gain of 11.18 cents per share. Bargain securities, the type we seek to invest in, were rewarded during the quarter. The Fund was aided by its holdings in Technology and Consumer Cyclical stocks. As we mentioned last quarter, it is important to maintain a consistent process for security selection. Our Portfolio Managers have a holding in the Fund, and some have invested new money into the Fund recently. As our Director of Research, David James likes to say, we “eat our own cooking” and we believe in the Fund going forward.

James Small Cap

Your James Small Cap Fund enjoyed a solid fourth quarter. On a total return basis the Fund advanced 9.75% and paid a dividend of 16.99 cents per share in December. No capital gain was paid this year. The quarter was very strong for small capitalization stocks. Sectors rotated in and out of favor. Overall, the Fund saw the Finance, Energy and Technology sectors perform well. Unfortunately, holdings in Industrial securities lagged. For 2017 we continue to see opportunities for small capitalization stocks and we continue to invest in bargain securities. In general, your Fund holds bargain stocks, defined as those we believe have good relative value, profitability, and long-term strength.

James Micro Cap

Your James Micro Cap Fund gained 11.01% during the fourth quarter on a total return basis. No dividends or capital gains were paid out during this time. The election has put a spotlight on smaller sized stocks. The upcoming administration has suggested policies favoring domestic sales and generally, this fits with smaller companies. Additionally, smaller stocks had become better bargains than their larger brethren. Recently, the largest sector weightings in the Fund have been Finance and Consumer Cyclical. We expect these sectors to maintain a heavy weighting in the coming months.

James Long/Short

Your James Long/Short Fund gained 3.91% for the fourth quarter of 2016. The S&P 500 Index advanced 3.82%. The Fund did not pay a dividend or have a capital gain distribution in 2016. As the year progressed, we continued to increase the allocation to small cap stocks. Since the election in November, this has been an area in the market that has done very well. Our research shows this is an area to favor at this time and we will continue to add and favor small caps stocks in 2017. In late December, we began to increase our exposure to the shorts after our indicators began to deteriorate. If the indicators continue to weaken, we will look to increase the allocation to shorts in the Fund.

James Aggressive Allocation

Your Aggressive Allocation Fund rose 3.41% during the final quarter of 2016. A dividend of 8.86 cents per share was paid in December. No capital gain was paid this year. At the end of 2016, the Fund was 83.82% invested in common stocks. The heaviest sector weighting was in Technology stocks followed by Industrial and Financial securities. The Fund is underweight in Utilities and Health Care stocks. The bond portfolio is conservatively structured with most securities maturing in 2021 or earlier. We will look to add more small capitalization stocks in the coming quarter and likely maintain a higher allocation to 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. 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.*