

## THE ADVANTAGE

2ND QUARTER 2020

### How We See It

The stock market enjoyed a powerful rally in the second quarter, with the Russell 3000 Index up over 20%.

It appears that much of the market action comes from expectations over the COVID virus. Sentiment is usually worse after stock rallies. The reciprocal is also true. Concerns over a second wave send investors to the sidelines. What else is affecting stocks?

The Federal Reserve is pushing easy money. M2, a measure of money supply, is now growing well over 20% on a year-over-year basis. This is at a record pace. While this may eventually lead to higher inflation and create headwinds for bonds; it presently is seen as good news for stocks.

It also should be noted that many individual investors are bearish. The American Association of Individual Investors (AAII) is decidedly negative in today's environment. This may give the markets a wall of worry to climb. Another positive may be insider action. Thomson Reuters reports that the ratio of insider sales to buys is back to bullish levels.

Still, there remains a reason for concern. Consumer spending, while rebounding nicely, remains quite soft. This can especially be seen in areas like auto sales. Also, while consumer confidence is rebounding, business confidence continues to fall.

Overall, this is a good time to avoid excessive aggressiveness. We believe moderate levels of equity exposure and bond duration make sense.

Sincerely,



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Total Returns After Expenses as of June 30, 2020

	**Operating expenses	2Q2020	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	1.08%	5.23%	-1.18%	-0.20%	0.52%	4.73%	6.90%	7/1/91
James Small Cap (No Load)	1.54%	17.65%	-19.04%	-8.70%	-4.17%	4.98%	5.44%	10/2/98
James Micro Cap (No Load)	1.57%	22.43%	-17.45%	-4.42%	-0.02%	-	6.69%	7/1/10
James Aggressive Allocation (No Load)	1.03%	9.62%	-8.60%	-1.77%	-	-	-0.82%	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](http://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. JAF000605.

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## James Balanced: Golden Rainbow

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Your James Balanced: Golden Rainbow Fund earned 5.23% for the quarter ending June 30, 2020. This includes a dividend payout of 5.03 cents per share. As of June 30, the Fund was invested 43% in stocks, 56% Fixed Income, and the remainder in a small cash position. However, this allocation is designed to take part in the action of the stock market, but not so aggressively, that the Fund would be harmed should a second wave of the Coronavirus spike. Even if there is no second wave shutdown, we have taken the precaution of keeping a low exposure to Financial stocks. Should Americans who are out of work have difficulty paying their mortgages, rent, or even monthly payments on credit cards, those banks' stocks could be adversely affected. Conversely, we are overweight Healthcare, in hopes that a vaccine/cure is found.

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## James Small Cap

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After a difficult start to the year, small-cap stocks rebounded in the second quarter of 2020. Your James Small Cap Fund gained 17.65% during the quarter ending June 30. The outperformance of growth versus value continues as the economy tries to re-open. The low-interest rate and low growth environment have been a headwind for value stocks and in particular, interest-rate sensitive sectors such as Utilities, Real Estate, and Financials. Lately, we have seen a rise in consumer sentiment and improving data from the ISM (Institute of Supply and Management), which helped push stocks higher along with sectors such as Consumer Discretionary, Technology, and Industrials. We still expect headwinds moving into the fall, as the Federal Reserve Bank (Fed) plans to keep rates low and virus cases reemerge. We believe this should provide more opportunities in small caps down the road.

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## James Micro Cap

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Your James Micro Cap Fund gained 22.43% during the second quarter. Presently, smaller stocks have seen a resurgence in the aftermath of the COVID virus and the re-opening of some businesses. In some ways, this is in sharp contrast to the economic reality that suggests any rebound has yet to return the country to its previous prosperity levels. Still, hope has been a powerful aphrodisiac for investors, and we believe small stocks are likely to continue to perform well in this environment.

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## James Aggressive Allocation

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After a turbulent stretch, your James Aggressive Allocation Fund fared much better during the second quarter of 2020, increasing 9.62%. In what has been described as a "Risk On" move for the markets, large cap stocks of the Russell 1000 Index increased by over twenty percent. During the months of April, May, and June, the Fund added to positions in the Technology and Communications sector while lowering Utility and U.S. Treasury weightings. Adding to large cap positions in each of these areas was a two-fold decision. The Fund was trimming out of areas that held up in the market declines while adding to sectors that have been recently outperforming. Should equities continue their advance in the second half of the year and evidence of a rebounding economy presents itself, the Fund has plenty of ammunition to increase stock allocations even further.

## Your Future. Our Purpose.

*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. The Russell 1000 Index is a subset of the Russell 3000 and represents the 1000 top companies by market capitalization in the US. The Russell 3000 Index is a market-capitalization-weighted equity index maintained by FTSE Russell that provides exposure to the entire U.S. stock market.*

**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, 10th Floor, Denver, CO 80203.*