



2ND QUARTER 2026

Conclusions & Recommendations

The economic outlook remains constructive but increasingly dependent on one key variable: energy prices. The business cycle continues to show resilience, supported by healthy financial conditions and a durable consumer, even as industrial activity, housing, and labor market momentum gradually soften. Inflation has moderated from recent highs, but its path will largely depend on whether oil prices continue to ease or move higher. As a result, the Federal Reserve is likely to remain cautious, balancing inflation risks against slowing growth. Rather than signaling recession, the current environment points toward slower, more durable expansion with elevated uncertainty.

Key Themes

- Oil prices are the primary driver of inflation and market direction.
- The U.S. economy remains resilient, though growth is moderating.
- Financial conditions continue to support the business cycle despite slowing activity.
- The Federal Reserve is expected to remain data dependent as inflation and growth evolve.
- Earnings remain healthy, but investors are watching whether AI-driven capital spending translates into sustained profits and broader market leadership.



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Economic
Outlook Update

What next?

While uncertainty remains elevated, the underlying economic foundation has not materially deteriorated. The most likely path continues to be one of slower growth rather than contraction, provided inflation continues to improve. Maintaining a diversified, long-term investment approach remains appropriate, with an emphasis on high-quality businesses, strong balance sheets, and flexibility as market leadership evolves. Short-term volatility may create opportunities, but history continues to favor investors who remain disciplined rather than reacting to headlines.

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Fund Highlight: James Micro Cap Fund

The James Microcap Fund ended the quarter with a gain of 14.10% and advanced 21.09% during the first half of the year. Financials, Industrials, and Information Technology were the strongest-performing sectors and the primary contributors to quarterly results.

Continued momentum in the Artificial Intelligence (AI) theme supported both Industrials and Information Technology, benefiting companies positioned to capitalize on growing AI investment and demand. In contrast, Utilities and Energy lagged, with falling oil prices weighing on energy stocks during the quarter.

Investor enthusiasm surrounding AI, combined with easing geopolitical tensions in the Middle East, particularly involving Iran, helped lift market sentiment and propel markets to new highs during the quarter.

Morningstar Rating™

Overall Rating	★★★
3 Year Rating	★★★
5 Year Rating	★★★★
10 Year Rating	★★

The Morningstar Star Rating™ for the James Micro Cap Fund (JMCRX) is based on risk-adjusted returns as of 6/30/2026 in the Small Value category out of 453 funds overall and in the last 3 years, 432 funds in the last 5 years, and 362 in the last 10 years.

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Mutual Fund Performance	Total Expense Ratio*	2Q2026**	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	1.23%	6.39%	14.69%	12.20%	6.47%	5.01%	7.07%	7/1/91
James Small Cap (No Load)	1.51%	16.14%	32.32%	22.61%	14.46%	10.49%	8.70%	10/2/98
James Micro Cap (No Load)	1.50%	14.10%	30.26%	16.60%	9.89%	9.53%	10.20%	7/1/10
James Aggressive Allocation (No Load)	1.02%	12.40%	24.92%	18.76%	10.59%	7.65%	6.43%	7/1/15

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 Funds' 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.jamesinvestment.com. *Total Expense Ratio are expenses deducted from Fund assets. This ratio is as of the 11/01/2025 prospectus. **The most recent quarter numbers are not annualized. (All other numbers are average annual returns.)

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Risks: Investing involves risk, including loss of principal. The value of the fund's shares, when redeemed, may be worth more or less than their original cost. There is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses. Equity securities, such as common stocks, are subject to market, economic and business risks that may cause their prices to fluctuate. Fixed income investments are affected by a number of risks, including fluctuation in interest rates, credit risk, and prepayment risk. In general, as prevailing interest rates rise, fixed income prices will fall. Small-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. Micro-cap stocks may offer greater opportunity for capital appreciation than the stocks of larger and more established companies; however, they also involve substantially greater risks of loss and price fluctuations. Micro-cap companies carry additional risks because their earnings and revenues tend to be less predictable. ETF's are subject to specific risks, depending on the nature of the underlying strategy of the fund. These risks could include liquidity risk, sector risk, as well as risks associated with fixed income securities, real estate investments, and commodities, to name a few.