



3RD QUARTER 2026

Conclusions & Recommendations

The economy continues to expand, but renewed inflation and tighter financial conditions call for discipline. We favor equities supported by strong earnings, particularly Technology and Communication Services, alongside selected energy and industrial companies. In fixed income, we emphasize floating-rate, short-duration, and investment-grade corporate bonds. Our focus remains on investments that can withstand elevated rates and energy costs as we monitor inflation and Fed policy.

Key Themes

- Consumer spending, employment, and production support growth despite housing weakness.
- Higher energy costs and renewed inflation are pushing the Fed toward tighter policy.
- Strong corporate earnings remain the foundation for stock market opportunities.
- AI investment creates opportunities in technology, power infrastructure, and selected industrial companies.
- Floating-rate, short-duration, and quality corporate bonds offer income and flexibility.



Scan QR code
to read full
Economic
Outlook Update

What next?

Our focus is on companies with dependable earnings, manageable debt, and the ability to withstand elevated rates and energy costs. We see opportunities in Technology and Communication Services, selected refiners, and Industrials tied to rising power demand, while broadening exposure beyond the largest stocks. In bonds, we favor floating-rate and short-duration investments for flexibility and investment-grade corporate bonds for income. Oil prices, inflation reports, and the Fed's year-end decisions will guide our next steps. We will also watch whether AI spending and corporate profits meet expectations, maintaining a disciplined approach as conditions evolve.

R. Brian Culpepper, CMFC, CKA

President, CEO
James Investment Research, Inc.
President James Advantage Funds

Fall Ainina, Ph.D., CFA

Director of Research
James Investment Research, Inc.



James Investment Research, Inc.
1349 Fairground Road, Xenia, OH 45385

The James Advantage Funds are distributed by Ultimus Fund Distributors, LLC, Member FINRA. James Advantage Funds and Ultimus Fund Distributors, LLC are not affiliated. Call 1-800-995-2637 for a free copy of the prospectus or visit www.jamesinvestment.com. Investors should consider the investment objectives, risks and charges and expenses of the investment carefully before investing. The prospectus contains this and other information about the funds and should be read carefully before investing.

Fund Highlight: James Small Cap Fund

The James Small-Cap Fund declined 6.75% during the quarter, giving back ground after a strong start to the year. The Bloomberg US 2000 Index fell 7.80% over the same period. Value held up slightly better than growth, with the Bloomberg US 2000 Value Index down 7.25% and the Bloomberg US 2000 Growth Index down 8.14%.

The momentum tailwind from earlier in the year faded as the quarter progressed. Concerns about inflation and higher interest rates weighed on smaller companies, a notable reversal from prior quarters. The selloff was broad, with 10 of 11 benchmark sectors declining. Industrials, information technology, financials, and consumer discretionary were the largest drags on index returns.

Morningstar Rating™

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

The Morningstar Star Rating™ for the James Small Cap Fund (JASCX) is based on risk-adjusted returns as of 9/30/2026 in the Small Blend category out of 582 funds overall and in the last 3 years, 559 funds in the last 5 years, and 456 in the last 10 years.

© 2026 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Mutual Fund Performance	Total Expense Ratio*	3Q2026**	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	1.23%	-2.18%	5.72%	12.09%	6.07%	4.69%	6.95%	7/1/91
James Small Cap (No Load)	1.51%	-6.75%	13.89%	19.64%	13.03%	9.04%	8.35%	10/2/98
James Micro Cap (No Load)	1.50%	-7.33%	13.62%	13.27%	8.54%	7.84%	9.52%	7/1/10
James Aggressive Allocation (No Load)	1.02%	-3.42%	11.67%	18.20%	10.36%	7.12%	5.96%	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.)

The James Advantage Funds are distributed by Ultimus Fund Distributors, LLC, Member FINRA. James Advantage Funds and Ultimus Fund Distributors, LLC are not affiliated. Call 1-800-995-2637 for a free copy of the prospectus or visit www.jamesinvestment.com. Investors should consider the investment objectives, risks and charges and expenses of the investment carefully before investing. The prospectus contains this and other information about the funds and should be read carefully before investing.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

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.