

## THE ADVANTAGE

### How We See It

1ST QUARTER 2021

Last month, the tug of war between interest rates and the stock market continued to dominate the headlines. Some investors believe the rising yields are a good sign the economy is improving, while others think inflationary pressures are building up.

The "economy improving" camp points to the trifecta of the improved vaccine distribution, the dovish monetary policy, and the ample fiscal stimulus as the foundation for a strong and sustainable economic recovery. The good news on COVID-19 in terms of the rate of new infections, hospitalizations, and vaccine rollout is a welcome relief. The improving labor market, the already elevated personal savings, and the stimulus checks are likely to increase consumer spending. This is important as consumer spending represents two-thirds of the gross domestic product (GDP).

The "inflation pressures" camp argues the increase in market expectation for future inflation may lead the Federal Reserve to taper its purchases. Surveys show the percentage of small businesses raising prices is climbing, and according to the New York Federal Reserve, U.S. households expect a sharp rise in rental costs over the next 12 months. They suggest the rising input costs and commodity prices are likely to increase inflation and force the Federal Reserve to raise rates sooner than expected, and this would undoubtedly hurt stock prices.

Our economic outlook points to a positive year for the equity markets. We believe the COVID-19 vaccine and the combination of accommodating monetary and easy fiscal policies are likely to keep the recovery optimism high. The tensions between those who think rising interest rates are due to improving growth prospects, and those who believe they are due to inflation pressures will continue to rattle the market. Stretched valuations and increased interest rates may affect some sectors of the markets but we see good opportunities after any pullback.

Sincerely,



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### Total Returns After Expenses as of March 31, 2021

	**Operating expenses	1Q2021	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	1.13%	3.09%	16.29%	2.51%	2.80%	4.40%	7.08%	7/1/91
James Small Cap (No Load)	1.51%	19.76%	82.24%	2.91%	5.68%	6.52%	7.32%	10/2/98
James Micro Cap (No Load)	1.51%	19.42%	82.11%	7.92%	8.28%	8.74%	10.21%	7/1/10
James Aggressive Allocation (No Load)	0.99%	5.42%	30.57%	1.73%	4.28%	-	2.35%	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.jamesinvestment.com](http://www.jamesinvestment.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. JAF000635.

## James Balanced: Golden Rainbow

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The James Balanced: Golden Rainbow Fund earned 3.09% during the first three months of the year, it also paid a dividend of 4.17 cents per share on March 31, 2021. Some of the highlights were strong advances in smaller stocks that were held within the fund as well as a return to value leading the way. Sector allocation helped especially in the areas of finance and energy.

Even as stocks have been rallying, the fund continues its balanced approach of investing in stocks and bonds. At quarter end, the fund held just over 51% in stocks, 45% in bonds, and the remaining in cash. As a tactical fund, the James Balanced: Golden Rainbow has the ability to increase its equity level, should the economy continue to grow; or conversely, cut back should problems arise. As interest rates slowly drift higher, the fund may keep maturities shorter, as to not take as much interest rate risk.

## James Small Cap

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The James Small Cap Fund gained 19.76% during the first quarter of 2021. The Russell 2000® Index gained 12.70%. There has been a rotation within the market as “Value” has outpaced “Growth” thus far in 2021. We believe the trend should continue through the year and believe small caps should be one of the bright areas of the market. In the Small Cap Fund we have looked to add to some cyclical sectors such as Financials and Energy, while lightening up in Information Technology. The vaccine rollout has been a major tailwind for the economy, and we believe 2021 should be a great year for cyclical sectors and smaller issues.

## James Micro Cap

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The James Micro Cap Fund enjoyed double-digit returns during the first quarter, gaining 19.42% as of March 31, 2021. After years of favoring larger securities, the market is presently showing signs of preferring smaller stocks. This is not unexpected with a recovering economy after the shutdown due to the COVID-19 virus. The fund is now favoring Financial stocks, which may benefit from a steepening yield curve (where yields on longer dated securities are rising faster than short term bonds). We continue to like smaller stocks in this environment.

## James Aggressive Allocation

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The James Aggressive Allocation Fund began the first quarter of 2021 advancing 5.42%. During this same time period, the fund’s benchmark of 65% Russell 3000® Index and 35% Bloomberg Barclays U.S. Aggregate Government/Credit Bond Index gained 2.56%. The outperformance could be due to several different factors such as a slightly higher allocation to equities, a good weighting in smaller capitalization stocks, or value stocks having their time to shine. The fund is currently positioned with a slightly higher than average weighting in stocks, while the bonds hold a slightly lower duration than in the past. The configuration is based upon the view the economy should continue to improve as more and more individuals are vaccinated across the country. Should COVID-19 rear its ugly head in a major way, we have flexibility to get more conservative; however, at this point it does not appear warranted.

## 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 2000® Index is a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000® Index. The Russell 3000 Index tracks the performance of the 3,000 largest U.S.-traded stocks which represent about 98% of all U.S incorporated equity securities. The Bloomberg Barclays US Aggregate Bond Index, is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Dividends are not guaranteed and the Fund's abilities to pay dividends may be limited. Indices are not actively managed and do not reflect any deduction for fees, expenses or taxes. An investor may not invest directly in an index. A bellwether stock is a stock believed to be a leading indicator of the direction of the economy or of a sector of the market or the market as a whole.*

**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, Suite 1000, Denver, CO 80203.