

## THE ADVANTAGE

4TH QUARTER 2021

### How We See It

The significant sources of market volatility remain the trajectory of COVID-19 and the Federal Reserve (Fed) tightening policy.

On the COVID-19 front, the headlines continue to be mixed. Omicron is spreading faster than Delta but is milder, and new COVID-19 treatments from Pfizer and Merck have been approved by the U.S. Food and Drug Administration. However, the 80 to 85% required herd immunity is still an elusive target in most countries.

The Federal Reserve's decision to double the pace of its asset purchase taper and the potential of rate hikes sooner than expected continue to rattle the markets. The Fed decision was driven by the surprisingly high Consumer Price Index (CPI) numbers. Fueled by strong demand and constrained supply, the CPI registered 6.8% in November, the highest number in almost 40 years.

Despite the uncertainty regarding COVID-19, rising inflation, and anxieties about the Federal Reserve's policy shift, the stock market recorded a third straight year of growth in 2021. With the help of a Santa Claus rally, the S&P 500, a broad measure of the stock market, rose by 28.71%, and all sectors have double-digit gains, with Energy outperforming with a whopping 54% return (S&P 500 Energy Sector). Large stocks have outperformed smaller ones. Growth style, especially the technology secular growth mega-caps, dominated value; however, small value beat small growth by a wide margin.

In 2022, we expect a broad economic reopening with an improvement in the labor market despite weak labor participation, and a resilient consumer with ample savings and significant pent-up demand. A corporate sector with above-average earnings growth and a still supportive monetary policy despite the announced tightening will be a source of market stability.

Sincerely,



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

	**Operating expenses	4Q2021	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	1.18%	4.99%	12.68%	8.65%	4.01%	5.12%	7.21%	7/1/91
James Small Cap (No Load)	1.78%	10.98%	38.79%	17.37%	5.43%	8.07%	7.76%	10/2/98
James Micro Cap (No Load)	1.50%	11.43%	36.24%	18.19%	7.23%	11.59%	10.77%	7/1/10
James Aggressive Allocation (No Load)	1.06%	8.18%	16.87%	9.57%	4.91%	-	3.71%	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. JAF000673.

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## James Balanced: Golden Rainbow

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Your James Balanced: Golden Rainbow Fund proved to be a good hedge to volatile markets last quarter and also during the calendar year ending December 31st. The Fund returned 4.99% during the previous three months while paying out a dividend of 3.21 cents per share, a long term capital gain of \$1.32 per share and a short term capital gain of 4.45 cents per share in December. With its high quality bonds, the fixed income portion saw additions of corporate bonds while trimming back on the allocation to longer term treasury bonds. Additionally, the Fund continued to hold significant positions in market *bellweather stocks* Microsoft (3.4% of the Fund) and JPMorgan Chase (1.8% of the Fund), while striving to find the best bargains in the market. By year-end, the Fund was overweight Finance and Industrial stocks while underweight Technology. Your Fund continues to offer a good mix between stocks and high-quality bonds.

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## James Small Cap

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Your James Small Cap Fund gained 10.98% during the final quarter of the year as the Russell 2000® Index advanced 2.14%. Your Fund also paid out a dividend of 9.27 cents per share on December 30th. The strong performance during the fourth quarter helped your Fund gain 38.79% in 2021. The tilt towards value sectors such as Financials and Industrials proved beneficial during the year and were two of the primary contributors to performance. As we look to 2022, our outlook remains optimistic despite the anticipation of a less accommodative Federal Reserve. Our research suggests the tailwinds from earnings and revenue growth should benefit equity investors. Additionally, we believe the strong momentum in the market, the re-opening of the economy and the potential for more fiscal spending should help smaller stocks in 2022.

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## James Micro Cap

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Your James Micro Cap Fund gained 11.43% during the fourth quarter on a total-return basis and outpaced the benchmark Russell Microcap Index which declined 2.65%. Your Fund paid out a dividend of 0.99 cents per share and a long term capital gain of 78.41 cents per share in December. The Fund has overweighted the Financial and Technology sectors. Many of the stocks in the portfolio have strong value characteristics with Price-Earnings, Price-Book, and Price-Cash at relatively cheap levels, especially compared to larger stocks like those of the S&P 500. We will continue to look for securities offering attractive prospects.

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## James Aggressive Allocation

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Your James Aggressive Allocation Fund finished the year with a strong 4th quarter advancing 8.18%. A dividend of 2.42 cents per share was paid on December 30th, resulting in a total one year return of 16.87%. Your Fund finished the year with 78% invested in stocks, 1.5% in cash and the remainder in fixed income/bonds. The bonds carry a duration of 3.6 years, slightly below that of the fixed income component of the benchmark. The sector with the highest weighting is Technology, closing the year at 18% of the equity, while the Staples sector was the lowest with only 2%. We continue to like the equity markets and anticipate holding similarly high equity levels as the economy continues to recover from the COVID-19 shut downs.

## 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 Microcap Index measures the performance of the microcap segment of the U.S. equity market. The S&P 500 is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S. A bellwether stock is one that's generally thought to be an indicator of the direction of the market overall. Price/earnings is the ratio for valuing a company that measures its current share price relative to its earnings per share. Price/book ratio compares a company's market value to its book value. Price/cash ratio is a stock valuation indicator or multiple that measures the value of a stock's price relative to its operating cash flow per share. 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.*

**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.