

## THE ADVANTAGE

4TH QUARTER 2020

### How We See It

After the deep slide during the first quarter of 2020, U.S. equities put in a strong performance throughout the remainder of the year. The equity market rallied in December but more notably in November, when the S&P 500 gained 10.95%; making it the best one-month performance since 1987 and the best November in history. The significant upside drivers were the positive vaccine developments, the Federal Reserve easy money policy, the anticipated passage of the fifth round of fiscal stimulus, the better than expected earnings season, the fading of the presidential election's uncertainty, and the resilience of the economy.

The other less rational factors that played a role in this outperformance are the fear-of-missing-out (FOMO) and there-is-no-alternative (TINA) biases.

The vaccine optimism largely trumped the COVID-19 resurgence. The vaccine driven normalization was the catalyst for the recent outperformance of small-cap stocks and cyclicals such as Energy, Financials, and Industrials.

However, we see some headwinds. The less than perfect vaccine roll out and larger than expected hospitalization and infection rates due to the new strain of the virus may challenge the timeline on the return to normality.

The Georgia senate election results may affect the market as a Democratic win may have negative regulatory and tax implications. However, potential significant additional stimulus packages could have a positive impact on the market.

Overall, our research points to a positive year in 2021 but we should see volatility as geopolitical and national political issues arise. We wish all of you a Happy and Prosperous New Year.

Sincerely,



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Total Returns After Expenses as of December 31, 2020

	**Operating expenses	4Q2020	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	1.13%	3.91%	1.54%	0.61%	2.39%	4.36%	7.03%	7/1/91
James Small Cap (No Load)	1.51%	26.12%	-1.11%	-4.15%	1.65%	5.63%	6.54%	10/2/98
James Micro Cap (No Load)	1.51%	22.92%	-4.20%	0.37%	4.48%	7.46%	8.61%	7/1/10
James Aggressive Allocation (No Load)	0.99%	7.85%	-1.43%	-0.82%	3.47%	-	1.48%	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. 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. JAF000626.

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## James Balanced: Golden Rainbow

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Your James Balanced: Golden Rainbow Fund wrapped up the year earning 3.91% during the last three months, while paying out a dividend of 4.91 cents per share and a long term capital gain of 2.92 cents per share in December. The Fund gradually added stock positions through the year, ending with an allocation of 51%. The fixed income portion, which maintains high quality bonds, saw additions to the corporate bond sector while trimming back on the allocation to longer term treasury bonds. Additionally, the Fund continued to hold large positions in market bellwether stocks \*Apple Inc. (2.2% of portfolio) and \*Microsoft Corp. (1.8% of portfolio) while striving to find the best bargains; those which we believe have good relative value, profitability potential and relative strength. When the year ended, the Fund was overweight Industrial stocks while underweight Communication Services. Should value and small cap continue their late hot streak, those areas may be appealing for future investments. \*Holdings subject to change.

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## James Small Cap

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Your James Small Cap Fund gained 26.12% during the final quarter of 2020. The Russell 2000 Index gained 31.37%. The Fund did not pay any capital gains distributions for the year but did pay a dividend of 12.51 cents per share on December 30th. In November, the world received encouraging news with the development of a vaccine for COVID-19. We feel the news is a game changer and will help the economy rebound next year. The news also has us shifting our outlook and rotating to more cyclical sectors. In the Small Cap Fund, we have begun the rotation and have been adding to Financials and Industrials while cutting exposure to Utilities and Information Technology. We will look to continue to transition as we begin the New Year.

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## James Micro Cap

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Your James Micro Cap Fund gained 22.92% on a total return basis during the fourth quarter of 2020. A dividend of 8.42 cents per share was paid on December 30th. Overall, we have been seeing a change in leadership from larger to smaller stocks. This is not necessarily unusual as small stocks can often do well in a rebounding economy. Currently, the largest sector in the Fund is Financials followed by Industrials. Again, these are areas which we believe should benefit from an economic recovery from the COVID-19 virus. We will continue to look for opportunities in areas which have been depressed, and set for possible improvement in the future.

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## James Aggressive Allocation

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Your James Aggressive Allocation Fund advanced 7.85% during the 4th quarter of 2020. In addition, the Fund paid out an annual dividend of 8.86 cents per share. As we concluded the year, the Fund was 71% invested in common stocks, 24% in fixed income, 1% in gold, and the remaining 4% in cash. This slightly higher allocation to stocks throughout the quarter helped returns, as stocks rallied during the last three months of the year. Technology, Industrials and Health Care stocks had the highest weighting, while Utilities and Real Estate were the lightest. We believe the Fund is positioned to take advantage of a recovering U.S. Economy and subsequently U.S. Stock market. The continual roll out of COVID-19 vaccines should help to bolster the improving situation. Should events change, the Fund is flexible enough to switch gears and become more defensive.

## 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. Dividends are not guaranteed and the Fund's abilities to pay dividends may be limited. S&P 500 is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. 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.*