



# 1ST QUARTER 2025

## Executive Summary & Outlook

The current economic environment is characterized by heightened uncertainty, primarily driven by the Trump administration's policy initiatives – specifically regarding tariffs, federal job reductions, and potential tax reforms – alongside conflicting indicators on inflation, growth trajectories, and recession risks. The announcement of sweeping new tariffs on April 2, 2025, has significantly increased economic volatility and altered growth prospects globally, with particularly pronounced implications for US economic outlook in the coming quarters.

### Outlook

The US economic landscape in April 2025 is characterized by pervasive uncertainty, primarily driven by the administration's evolving policy framework, particularly regarding international trade. The April 2nd announcement of sweeping tariffs represents a dramatic escalation of protectionist policies, with the US now imposing a minimum 10% tariff on all exporters plus additional "reciprocal" duties on countries with large trade imbalances. This has significantly increased concerns about stagflation risks and potential economic contraction.

Short-term economic data appears particularly clouded by transitory factors, including severe weather events and unusual seasonal illness patterns that significantly disrupted Q1 activity. Analysts should exercise caution when interpreting upcoming data volatility, which may overstate both weakness in Q1 and strength in Q2. The underlying trend suggests gradual but persistent economic softening, with more substantial risks concentrated in the second half of 2025.

The Federal Reserve faces a challenging balancing act, navigating these complex crosscurrents, as evidenced by its decision to maintain current interest rates while simultaneously revising economic projections downward and moderating quantitative tightening. Equity markets have responded with increased volatility and general weakness, reflecting heightened uncertainty and recession concerns, while credit markets have maintained relative stability.

The interplay between forthcoming government policy implementation, Federal Reserve monetary responses, and ongoing economic data releases will prove decisive in determining US economic trajectories in subsequent quarters. Given this environment of elevated uncertainty and potentially misleading data signals, investors should maintain vigilance, stay informed regarding policy developments, and adhere to fundamental long-term financial planning principles, including diversification and alignment of asset allocation with individual objectives and risk parameters.



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Outlook Update

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# Fund Highlight: James Small Cap Fund

As the first quarter of 2025 ends the James Small Cap Fund declined -1.48%, while the VettaFi US Equity Small Cap 2000 Index declined -10.39% and the Russell 2000 Index fell by -9.48%. The first quarter was highlighted by persistent volatility and headwinds from tariffs, inflation, and even the talk of a potential recession. This eventually resulted in deteriorating investor sentiment, weighing on small cap investors. Despite the recent downturn, small cap stocks continue to present both opportunities and risks. The outlook for small caps will be influenced by factors such as Federal Reserve interest rate policy, global trade and tariffs, inflation trends, and regulatory developments. Fortunately, we still see attractive valuations in the small cap market and see potential for long-term for investors. Further, if government regulations are reduced, interest rate cuts materialize, and trade talks improve, this could prove favorable for small cap investors.

## 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 3/31/2025 in the Small Value category out of 475 funds overall and in the last 3 years, 449 funds in the last 5 years, and 361 in the last 10 years.

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## Mutual Fund Performance

	Total Expense Ratio*	1Q2025**	1yr	3yr	5yr	10yr	SI	Inception Date
James Balanced: Golden Rainbow (No Load)	1.23%	-0.90%	5.17%	4.50%	6.59%	2.88%	6.74%	7/1/91
James Small Cap (No Load)	1.50%	-1.48%	7.21%	9.95%	22.14%	6.18%	7.80%	10/2/98
James Micro Cap (No Load)	1.50%	-10.10%	-8.27%	5.15%	16.61%	5.70%	8.58%	7/1/10
James Aggressive Allocation (No Load)	1.02%	-3.96%	4.12%	7.14%	10.72%	-	3.93%	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](http://www.jamesinvestment.com). \*Total Expense Ratio are expenses deducted from Fund assets. This ratio is as of the 11/01/2024 prospectus. \*\*The most recent quarter numbers are not annualized. (All other numbers are average annual returns.)

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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.