



3RD QUARTER 2024

3rd Quarter Recap

The third quarter of 2024 brought a mix of challenges and opportunities, marked by sharp market volatility and a significant shift in Federal Reserve (Fed) policy. After reaching an all-time high in July, the stock market experienced substantial fluctuations throughout August and September, driven by various economic factors and corporate earnings reports. The CBOE Volatility Index (VIX: A measurement of the 30-day expected volatility of the US stock market) captured these shifts, with dramatic swings that saw it spike to nearly 66 in early August before stabilizing to around 15 by mid-month.

The Federal Reserve made a notable policy change, initiating a 50 basis-point rate cut at its September meeting. This marked the first rate reduction since 2019 outside of the COVID-19 context and signaled a new phase of monetary easing, with the target range now at 4.75%–5%. The Fed's September projections hinted at further cuts in 2024 and 2025, aiming to support economic growth while addressing inflation, which remains a lingering concern.

By September 24, 2024, the S&P 500 (an index comprising the stocks of 500 publicly traded companies in the U.S.) had surged 21.43% year-to-date, notching its 41st record close, while the NASDAQ (A U.S.-based stock market exchange) gained 21.07%. However, smaller companies, represented by the Russell 2000 (a market index of 2,000 smaller company stocks in the Russell 3000 index), posted a more modest increase of 10.80%.

Sector performance varied, with Utilities and Communication Services leading the way, up 28.8% and 23.9%, while Materials and Energy lagged behind. Utilities benefited from both artificial intelligence (AI)-driven electricity demand and favorable interest rates.

In the bond market, lower interest rates bolstered fixed income investments. As of September 24, 2024, the U.S. Aggregate Bond Index (benchmark that measures the U.S. investment grade, fixed-rate taxable bond market) was up 4.73% year-to-date, driven by falling Treasury yields, which had declined from 4.705% in April to 3.88% by mid-September. This decline in yields helped support broader bond market performance.

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Fund Highlight: James Micro Cap Fund

The James Micro Cap Fund has delivered strong performance over the past 12 months, ending 9/30/2024. The fund posted an impressive gain of 31.12%, significantly outperforming the VettaFi Micro Cap Index (a benchmark that tracks the lower half of the S-Network US Small-Cap Index) which gained 15.76% during the same period. The fund has successfully mitigated the negative impact of rising interest rates on smaller regional banks by reducing its exposure compared to market benchmarks. Additionally, it has maintained a lower-than-average allocation to the Healthcare sector, which has faced considerable challenges, particularly in biotech securities.

As we move into a period historically favorable for smaller stocks, driven by seasonal and political factors, we are identifying a higher-than-usual number of investment opportunities in the micro-cap sector, particularly within the Cyclical, Technology, and Industrial sectors. The fund remains focused on identifying strong companies in the micro-cap space, prioritizing those with solid earnings and attractive valuations.

Should the United States manage to avoid a recession, the micro-cap segment presents opportunities for capitalizing on the growth potential of these smaller enterprises.

Morningstar Rating™

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

The Morningstar Star Rating™ for the James Micro Cap Fund (JMCRX) is based on risk-adjusted returns as of 9/30/2024 in the Small Value category out of 446 funds overall and in the last 3 years, 420 funds in the last 5 years, and 326 funds in the last 10 years.

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Mutual Fund Performance

| | Total Expense Ratio* | 3Q2024** | 1yr | 3yr | 5yr | 10yr | SI | Inception Date |
|--|----------------------|----------|--------|--------|--------|-------|--------|----------------|
| James Balanced: Golden Rainbow (No Load) | 1.25% | 5.26% | 21.87% | 5.12% | 5.46% | 3.62% | 6.92% | 7/1/91 |
| James Small Cap (No Load) | 1.51% | 8.91% | 35.20% | 13.35% | 14.06% | 7.20% | 8.03% | 10/2/98 |
| James Micro Cap (No Load) | 1.50% | 10.10% | 31.12% | 10.77% | 10.91% | 8.89% | 10.13% | 7/1/10 |
| James Aggressive Allocation (No Load) | 1.04% | 5.20% | 30.10% | 8.85% | 7.59% | - | 4.56% | 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 11/01/2023 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.