

## ABSOLUTE STRATEGIES -

### Hingham fund firm sees assets under management quadruple in the past year

By JON CHESTO  
*The Patriot Ledger*

HINGHAM - The stock market's recent volatility has given many investors and money managers headaches. But it's been a perfect environment for the overseers of the Absolute Strategies mutual fund.

That's because the fund is designed to provide a haven for steady returns during boom and bust times for the market by allowing investors to employ hedge-fund strategies without actually putting money into a hedge fund.

The formula is paying off for Jay Compson and Brian Hlidek, two friends from Hingham that opened Absolute Investment Advisers in their hometown in 2005.

The assets under management in the firm's Absolute Strategies fund have more than quadrupled in the past year, rising from about \$180 million at the end of 2006, the fund's first full year, to \$790 million at the end of 2007.

"There were a lot of people who we were talking to for a few years who were probably waiting until we got critical mass (to see) how we performed in difficult environments," Hlidek said. "I think we're proving our worth."

Absolute Strategies acts as a "fund of funds," pooling the expertise of money managers in a variety of asset classes. The mutual fund invests in other funds run by about a dozen different firms with the goal of minimizing volatility. Unlike most mutual funds, a portion of the Absolute Strategies fund can be invested in "short-selling" techniques, or betting on certain stocks to fall in price.

Individuals can invest in the Absolute fund through a financial planner or other intermediary. Hlidek said more than 4,000 people invest in the fund, with an average account size of \$60,000.

Financial advisers who put their clients' money in the Absolute fund say they're attracted to the fund because it provides a way to use hedge-fund strategies while providing the regulatory oversight and transparency of a mutual fund. Unlike hedge funds, shares in the Absolute fund can be bought or sold on a daily basis.

"Clearly, there are a lot of financial advisers out there who are not comfortable putting their clients into hedge-fund structures," Compson said.



*The Absolute Strategies Fund has more than quadrupled in the past year. Fund executives are, from left, Jay Compson, principal for portfolio management and a co-founder of the fund; Christopher Ward, principal, sales and marketing; Brian Hlidek, principal and a co-founder of the fund; and Neil Kristian, vice president, operations and administration. (AMELIA KUNHARDT/The Patriot Ledger)*

Jay Richards, managing partner at the Investment Advisory Group in Hanover, said his firm has more than 50 clients invested in the fund, with investments equal to about 5 to 10 percent of their overall portfolios. "Their goal is to provide low volatility and a good return, and they've demonstrated that they've been able to do that," Richards said of Absolute.

"Hopefully, we'll see a lot of benefits from having something like this because of the volatile environment that we've had," said Chris Cabral, a vice president at Fiduciary Trust Co. in Boston and a client of Absolute's. "What we try to build is an 'all-weather portfolio.' This is a nice complement to that type of portfolio."

The mutual fund's meteoric growth hasn't led to a major staff expansion at Absolute. On the South Shore, four people work out of the Hingham office and two work in Duxbury - including two other partners, Alec Petro and Chris Ward. The firm also has a few out-of-state members.

"We were staffed from the beginning to handle this kind of scale," Compson said.

*Jon Chesto may be reached at [jchesto@ledger.com](mailto:jchesto@ledger.com).*

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*[ Important disclosure on reverse side]*

## Important Disclosures

*Before investing you should carefully consider the Absolute Strategies Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by calling 888-99-ABSOLUTE or visiting the Fund's website at [www.absoluteadvisers.com](http://www.absoluteadvisers.com). Please read the prospectus carefully before you invest.*

Past performance of any security product is not a guarantee of future results. The Fund's share price and return will fluctuate based upon changes in the value of its portfolio securities. There is no assurance that the Fund will achieve its investment objective, and an investment in the Fund is not by itself a complete or balanced investment program.

The Fund is non-diversified and may focus its investments in the securities of a relatively small number of issuers. Concentration in securities of a limited number of issuers exposes a fund to greater market risk and potential monetary losses than if its assets were diversified among the securities of a greater number of issuers. The Fund may invest in small- and medium-sized companies, which involves greater risk than investing in larger, more established companies such as increased volatility of earnings, higher failure rates, and limited markets, product lines or financial resources.

The Fund may invest in foreign or emerging markets securities, which involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets.

The Fund may invest in debt securities which are subject to interest rate risk. An increase in interest rates typically causes a fall in the value of the debt securities in which the Fund may invest. The Fund may also invest in high yield, lower rated (junk) bonds which involve a greater degree of risk and price fluctuation than investment grade bonds in return for higher yield potential. The Fund's distressed debt strategy may involve a substantial degree of risk, including investments in sub-prime mortgage securities.

The Fund may purchase securities of companies in initial public offerings. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. The Fund may leverage transactions, which includes selling securities short as well as borrowing for other than temporary or emergency purposes. Leverage creates the risk of magnified capital losses. The Fund may also invest in derivatives which can be volatile and involve various types and degrees of risks, depending upon the characteristics of a particular derivative. The Fund may invest in options and futures which are subject to special risks and may not fully protect the Fund against declines in the value of its stocks. In addition, an option writing strategy limits the upside profit potential normally associated with stocks. Futures trading is very speculative, largely due to the traditional volatility of futures prices.

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**ABSOLUTE** **Strategies**  
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2 Portland Square, Portland, Maine 04101  
(888) 99-ABSOLUTE or (888) 992-2765  
[www.absoluteadvisers.com](http://www.absoluteadvisers.com)