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By **ROMY VARGHESE**

Huntington Funds' Kathy Stylarek strives to protect investors from any unpleasant jolts when they open their statements, as she navigates a financial market rife with pitfalls.

"If you're looking for a fund that maximizes your tax-free payout and minimizes any surprises, this is the fund you want to own," says Stylarek, who manages **Huntington's Ohio Tax-Free Fund (HOHFX)**.

The fund, which has around \$50 million in assets, provides income that is exempt from federal and Ohio personal-income taxes.

Stylarek purchases high-quality municipal bonds issued by Ohio and municipal agencies in the state; the bulk fall in the double-A ratings category. The fund doesn't hold derivatives or bonds subject to the Alternative Minimum Tax, or AMT.

She prefers general-obligation and essential-purpose bonds over debt that is backed by leases or linked to corporate taxes. A municipality in tough times is more likely to support a school district, she explains, than a baseball stadium.

For example, the fund owns bonds issued

by the Ohio Housing Finance Agency, which receives subsidies from the federal government to develop affordable housing.

Another top holding is the Ohio State Turnpike Commission.

"With the infrastructure focus from the federal government, the roadways and building up of infrastructure in the U.S. and in the state of Ohio will be something the state and federal governments will subsidize, more so than they would for a soccer stadium or some type of corporate project," Stylarek says.

General-obligation bonds issued by the state provide income for the fund as well.

Ohio, a Rust Belt state, posted an unemployment rate of 10.5% for June, the latest month available, which is one percentage point higher than the national rate of 9.5%. But Moody's Investors Service said Ohio acts promptly to address budget shortfalls and has moderate debt burden compared with other states.

Stylarek feels that the Buckeye State numbers among the most creditworthy states as its economy adapts.

"It's transitioning its economy from weighting heavily in manufacturing and moving more towards service," she says.

Overall, she sees opportunities in the

municipal bond market as press coverage of budget deficits are "over-emphasized."

"I think local municipalities and states are doing what they can to make them (budgets) work," she says.

Demand for tax-exempt municipal bonds will remain high, she says, as people brace for a hike in taxes. Meanwhile, supply is subdued. Year-to-date issuance of new tax-free debt dropped 19% to \$154.5 million from the same period last year, according to Thomson Reuters.

Stylarek also manages two money market funds and handles trading for Huntington Trust, which has \$1.9 billion in tax-free assets. She has run the Ohio fund since March 2001.

Year-to-date the fund has returned 3.09%, according to Morningstar as of Aug. 4. Its three-year annualized return was 4.07% and its five-year annualized return was 3.08%. Its benchmark, the Barclays Capital 7-Year Municipal Bond Index, returned 5.36%, according to Barclays Capital as of Aug. 4. The three-year annualized return for the index was 7.185%, and the five-year annualized return was 5.537%.

(Romy Varghese covers municipal finance for Dow Jones.)

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	Average Annual Total Return as of 6/30/10			
	1-year	3-year	5-year	10-year
Huntington Ohio Tax Free Fund	4.68%	4.14%	2.94%	3.70%
The gross expense ratio is 1.20				

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost.

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