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# Advisor: Blue chips strong basis for equity portfolio

By **JIM MARSH**  
Business Journal Correspondent

Jay Kemmerer, president and CEO of Berkshire Advisors Inc. of Wyomissing, remembers investment advice he received from his father, Warren, over the years. His father's words had a big influence as Kemmerer was forming the mutual fund he now manages.

"Never sell the bank stocks," the senior Kemmerer advised. "They will be the last ones to close if the economy goes really bad, and if they fold, we'll all be farmers anyway."

The wisdom in that advice is what led Jay Kemmerer to choose good, old-fashioned blue chip dividend-paying companies as the base of the Berkshire Advisors Select Equity Portfolio, which began trading last April.

Kemmerer is fond of telling his clients the main reason he follows the blue chips is because they are usually the foundation of our economic life. They are companies we encounter everyday of our lives and do not even know it. They are the companies that make the foods we eat, build the appliances we use, supply the technology we use all day, and are generally somewhere in the supply chain of everything we touch from morning to night.

The term blue chips refers to the largest capitalized companies of our economy, with \$6 billion or more of assets, and make up such indexes as the Dow 30 industrials.

The fund Kemmerer formed was nearly a decade in development. After working in the securities industry for eight years, affiliated with others, Kemmerer in 1992 formed his own independent firm, Kemmerer and Co. Financial Services in Wyomissing.

He figured that was the best way to use his talents to realize his full potential. Working for others, "I wasn't making a lot of money at the time. I had always wanted to manage my own office, and the only way to do that was to leave the nest. I had been raised to believe that if you work hard and pay your dues, you can be successful. With your own name on the door, it's either sink or swim," Kemmerer says.

The first year working on his own, Kemmerer

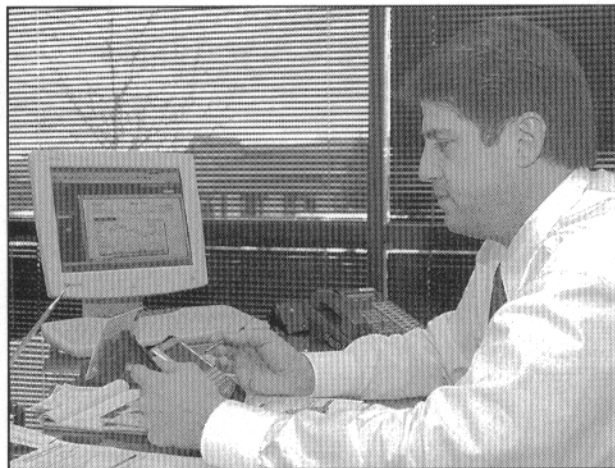


Photo by Jim Marsh  
Jay Kemmerer realized a long-time dream of managing a mutual fund when his Berkshire Advisors Select Equity Portfolio went into operation last April.

tripled his income. In the mid-90s he started to realize his dream of some day managing his own mutual fund by back-testing the hypotheses and research he would base his fund investments upon. Looking back at data made available by the technology of personal computers and Internet databases, Kemmerer could see how his investments would have fared over previous years, if his fund had been in place.

Then as the market became really euphoric in the mid-90s, Kemmerer found that "people were literally throwing money at you, wanting to invest in the market." He shelved his fund plans as he worked to meet client needs and study to get additional credentials to provide even more services.

When the market tanked at the end of the '90s, Kemmerer began looking at where people were still investing and again seeing the wisdom of the blue chip, dividend-paying stock mentality. Recognizing that the blue chips were the only companies to have true earnings, Kemmerer knew it was time to get serious about putting his new fund in place.

Early in 2002, Kemmerer took his methodology for a portfolio to The Penn Street Funds, and Citco-Quaker Fund Services Inc. of Valley Forge. In October 2002, the Penn Street Funds' board approved the creation of the Select Equity Portfolio and Kemmerer incorporated Berkshire Advisors as a SEC-registered investment advisor. Kemmerer's portfolio became one of several offered through the Penn Street Funds

when it began operation in April.

Kemmerer says a major portion of his long days are spent looking after the mutual fund. His days usually start at 6 a.m., since a lot of business information becomes available around 7-8 a.m. daily. That information, combined with research he has done the evening before, are usually enough to tell him whether he should make any allocation changes to his portfolio.

Besides watching over the fund throughout the day, Kemmerer has to spend time meeting the needs of the client base he has built up over two decades. Much of the \$40 million Kemmerer has under management has come from his retail base of clients — those

for whom he manages money in mutual funds, and other financial products, on which he earns commissions.

For the past four years, Kemmerer has been working to grow the fee-based part of his business, through which he manages funds for clients on a fixed fee based on the value of their portfolio. The Select Equity Portfolio is part of that new emphasis.

In light of the pounding that investors have received by the market of the past few years, Kemmerer believes that in the region that makes up his client base, more investor money will gravitate toward the blue chips.

"I think it will be a long time before people forget the pain they experienced in the dot.com debacle and the Enron debacle. Because we live in a very conservative area, where good values and good ethics are important to people, I believe that a blue chip, and a more conservative strategy, will be important as we move forward. While how much depends on people's risk tolerance, some money is going to be in safer things."

While Kemmerer believes there will always be euphoric periods when people may want to take some of their money out of the safer investments for the next big investment boom, people will always appreciate quality.

Jay Kemmerer is depending on that quality to give his fund a good, long run. To learn more about Kemmerer's services, visit his Web site at: [www.berkshireadvisors.net](http://www.berkshireadvisors.net).