



# **The Davis Dynasty: Fifty Years of Successful Investing on Wall Street**

*John Rothchild*

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## **The Davis Dynasty: Fifty Years of Successful Investing on Wall Street** John Rothchild

A half-century of Wall Street history as seen through the lives of its most illustrious family

This compelling new narrative from bestselling author John Rothchild tells the story of three generations of the legendary Davis family, who rank among the most successful investors in the history of the Street. With a novelist's wit and eye for telling detail, Rothchild chronicles the financial escapades of this eccentric, pioneering clan, providing a vivid portrait of fifty years of Wall Street history along the way. Rothchild shadows the Davis family's holdings through two lengthy bull markets, two savage and seven mild bear markets, one crash, and twenty-five corrections and, in the process, reveals the strategies behind the family's uncanny ability to consistently beat the markets.

The Davis Dynasty begins in 1947, the year Shelby Davis quit his job as a state bureaucrat and, armed with \$50,000 of his wife's money, took the plunge into stock investing. By the time he died in 1994, he had multiplied his wife's original stake 8,000 times! The story continues with his son, Shelby, who established one of the most successful funds of the past thirty years. The final characters in this enthralling family saga are grandsons Chris and Andrew. Both surrendered to the Davis family passion for investing and both went on to earn reputations as investment luminaries in their own right.

John Rothchild (Miami Beach, FL) co-wrote the blockbusters *One Up on Wall Street*, *Beating the Street*, and *Learn to Earn* with Peter Lynch. He is the author of *Survive and Profit in Ferocious Markets* (Wiley: 0-471-34882-1), *A Fool and His Money* (Wiley: 0-471-25138-0), and *Going for Broke*. He has written for *Harper's*, *Rolling Stone*, *Esquire*, and other leading magazines and he has appeared on the *Today Show*, the *Nightly Business Report*, and *CNBC*.

## **The Davis Dynasty: Fifty Years of Successful Investing on Wall Street Details**

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# From Reader Review The Davis Dynasty: Fifty Years of Successful Investing on Wall Street for online ebook

## Nashvilledore says

Excellent story on an obscure but extremely successful investor in insurance stocks. Davis also managed to successfully pass along his investing principles to his son and grandsons.

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## Helio Winter says

It's been over a year I read the book.

Every time I remember this story, I think Shelby Davis was a terrible guy. He probably hated his daughter.

It's not a great investing book, nor a great bio either.

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## Pyoungsung Choi says

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## grundoon says

3.5 Not a bad book, per se, just one that seems to want to repeatedly underscore the lesson of value investing over the long haul, while omitting (or sidestepping) elements which might have made for a more rounded, entertaining biographic read. Then again, perhaps further exploration of a stodgy, rather dysfunctional family wouldn't have served even that purpose.

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## Julian Bu says

long-term investing at its best

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## Joel Gray says

ONCE DAVIS HAD BOUGHT WINNING COMPANIES HIS BEST DECISIONS WERE NEVER TO SELL. AS LONG AS HE BELIEVED IN THE STRENGTH OF THE LEADERSHIP AND THE COMPANY'S CONTINUAL ABILITY TO COMPOUND, HE HELD.

Most, if not all, rich lister investors buy growth at modest prices, not any price.

It is unrealistic to expect companies to grow at 15% for extended periods. Most great companies cannot do it.

The top marginal tax rate increased to 56% in the US in 1932, up from 28% in 1925. Was increased to 62% in 1936. An undistributed corporate profits tax was introduced in 1937.

In 1940 the NYSE had its lowest volume since 1916.

Unanimity of opinion is a danger sign.

A bear market in bonds, which began in the late 1940s when LT treasuries were 2% lasted for 34 years.

In 1954 only 4 out of 100 American's owned shares.

A new issue craze is always the last stage of a dangerous boom.

A down market lets you buy more shares in great companies at favourable prices. If you know what you are doing you will make most of your money from these periods. You just won't realise it until much later.

At the 1974 bottom the DJ was at 6x.

Shelby shun high-priced fast growers and embraced lower priced moderate growers.

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## **Jessica Seaton says**

Somewhat interesting, but not enough to recommend it. I wish the author had actually given more information about the son and the grandson. Those two were written in the barest of outlines.

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## **InvestingByTheBooks.com says**

What's the difference between Warren Buffett and The Davis family? The former's compounding at 23 percent annually for over 50 years has brought him the kingdom and the princess many times over, while the latter's equivalent number – spread over 60 years and three generations – merely makes them heroes of Stockpickerville. Admittedly Buffett has “done more” with his 23 percent annual clip, but as far as long duration stock picking goes, the feats are equally impressive.

“Throughout the market saga and the family saga, Davis's stock-picking techniques have produced many happy returns...”. The quote from Peter Lynch, writer of the foreword and a Davis-investing devotee, aptly catches the gist of this 2001 book by John Rothchild. The Davis Dynasty is as much a family chronicle as it is a 60-year investment journey. As a fellow investor, I find the fact that there is a “Davis dynasty” absolutely fascinating in the first place; the stock picking ability did not rest in one person for a very long time but in three generations for an extraordinarily long time. It is without precedent, even though the third generation has fully to prove themselves over a long-enough time-period.

For the majority of us who are familiar with the Davis family, two words immediately come to mind: insurance companies. Shelby Davis started post WWII with \$50,000 from his wife's family and ended up with a total estate worth \$900mn in 1994, largely via buying and holding well-run insurance companies. The dig-where-you-stand method of investing later popularized by Lynch, has its true father in Davis. The life-long love affair with insurance stocks emanated from his five year experience as a functionary in the NY State insurance department. A "Sliding Door" observation: would the "Davis Dynasty" have happened had Shelby accepted the offer to work for the utility department in 1942? Only very late in his investment career did he branch out of insurance stocks. Up to this day, his son, also named Shelby, and the two grandsons now running the Davis Funds, have not strayed far away, mainly owning financial stocks and adjacent businesses.

John Rotchild's novelist-type writing style – which is on full display in *One Up On Wall Street* which he co-authored with Peter Lynch – can also be seen here. Not many books within the business book space can be described as page-turners, but this one is. Accolades must also be handed out to Rotchild et al. for the amount of research work going into this book. Considering that Shelby Davis Sr. left no investment diaries, records or notes of any kind, countless hours must have been spent digging up numbers and events.

The weak spots in the book have more to do with the lack of detail around the handcraft and the smallish space devoted to the second generation. A substantial portion of the \$900mn was gained in the latter part of Davis's life, when he finally had handed over most investments to his son. To some extent, these two areas go hand in hand, and are only slightly improved by the last two chapters covering some of the principles behind the Davis investment philosophy. For somebody with an appetite for the Davis family's stock picking techniques, I highly recommend visiting the Davis Fund's own website.

For a contemporary set of circumstances, the read about the mid-40s "balm and sweet simplicity of no percentage interest rates" (J.M. Keynes) is very enlightening, perhaps also a ghost's whisper of what's to come in the 2010s. War bonds had created "a sea of money" which lenders would soon realize logically required them to demand higher interest rates, not lower. The following bond malaise is well chronicled. The challenge today as an equity investor, foreseeing a similar large scale rotation into equities? In 1946 at the trough of long term interest rates, the equity market served up 9 times earnings, 1 time BV and 5 percent dividend yield. Not exactly the valuation menu on offer today with the Dow Jones at all-time highs.

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## **Michael says**

Provides a good historical overview of the investing landscape throughout the 20th century while focusing on the disciplined approach to investing followed by the Davis family, which allowed them to build their wealth throughout the ups and downs of the markets. A central theme of the book explains why a long-term approach is often not only superior, but required in order for an investment portfolio to grow sizably (you need to be invested for the gains, but it's difficult to time the market and people often pull their money out during a downturn, thereby missing the upturn). However, the book does not go into great detail about how to perform a valuation or actually apply a value investing approach; for coverage of those subjects, old standbys like *The Intelligent Investor* are still the go-to resource. Still, the history laid out in the book should be required reading for anyone who is serious about long-term investing and obtaining a historical perspective on investment cycles.

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## **Joseph says**

An unintentionally uplifting condemnation of capitalism, its destructive effects on society, individuals, and hard work. A must-read.

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## **Tirath says**

It's a good storybook about the Davis family. The biographical content wasn't too great, and the investment/finance related content was much below par.

They ran too diversified a portfolio, had family issues (as most families do :)) and had a fair share of adventures.

But they did have the right attitude for investing for the long term, and of course, backed it up with prudence and good work.

One may give this book a pass.

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## **Paul says**

Great historical account of the stock market interspersed with pearls of investing wisdom!

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## **Christian says**

Conclusion: best way to build big family dynasty... Is to marry into a very rich family, and then not waste all the money.

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