



Posted on Thu, Jan. 03, 2008

## Broker: Investing is a long-term proposition

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McClatchy-Tribune News Service

**"The Dick Davis Dividend: Straight Talk on Making Money from 40 Years on Wall Street" by Dick Davis; John Wiley & Sons Inc., 471 pages (\$29.95)**

Stock market expert Dick Davis denies emphatically that he is one.

In fact, Davis, an entrepreneur, former stockbroker and longtime financial newsletter publisher, commentator and teacher, puts the term "stock market expert" squarely in the same category in which some cynics think the term "military intelligence" belongs.

In "The Dick Davis Dividend," his first book-length exposition on matters financial, Davis writes:

"When someone teaches a class or writes a book, the inference is that he's an expert on the subject. In the market advice field, we all know there is no such thing and that, in fact, the term stock market expert is an oxymoron."

In eschewing any claim to such expertise, Davis insists that he is not putting on a front of false modesty. But that is precisely what he is doing. Davis, to paraphrase Winston Churchill, has a lot to be falsely modest about. He says he's not in the same league with thousands of people in the various areas of the investment business whose grasp of fundamental and technical knowledge greatly exceed his.

"However, I have learned that the mastery of complex financial subjects does not necessarily equate to sound judgment, common sense or an understanding of human nature. I have had some 40 years of interaction with the investment public. Many of my core convictions result from observing the behavior of investors over this long period. For any commentary on investing to be taken seriously, it must be a voice of experience," he writes.

That experience, translated into wisdom, insight and judgment, Davis seems to suggest, gives him a leg up on the brilliant scholars he admires who can expound far better than he on subjects such as "program trading, option strategies, arbitrage, derivatives, currencies, stochastics, quantitative analysis and so on."

Davis displays genuine modesty, however, when he confesses to an inability to fathom the inexorable workings of the fickle and tyrannical market. The central message of the book is that no one has the ability to determine what the market will do at any discrete moment or how it will react to routine occurrences, extraordinary events and technological breakthroughs or the daily news.

What can be discerned, he maintains, is long-term trends. Davis speaks of a "predictable though imperfect symmetry" to significant market movements.

"The longer the time period, the more visible the symmetry: The ebb and flow gets lost when focusing on shorter-term phenomena like rallies, corrections and trading ranges. But step back and look at the big picture and the market's counterbalancing action falls into place," writes Davis.

Successful investing is a long-term proposition, maintains Davis.

Davis sees index funds as the best way to go for most investors. He is a strong advocate of diversification with timely, prudent rebalancing to maintain the proper mix in one's portfolio. The book contains numerous model portfolios to fit various investor objectives.

Although Davis speaks of Warren Buffett in almost reverential tones, suggesting that Buffett really is someone who qualifies as a stock market expert, he points out that Buffett does not diversify. The financial wizard from Omaha, says Davis, doesn't believe that diversification makes much sense for investors who know what they are doing.

Nevertheless, Davis sticks to his guns on diversification.

"The odds of being successful without diversifying are astronomically better if you're working with the same brains as Buffett or (George) Soros. If you're not, I'd stay with diversification," writes Davis.

The payout of "The Dick Davis Dividend" is an enjoyable and informative reading experience for the general reader and a treasure trove of valuable advice for the investor who wants to come out ahead in the long term.