

THE HABITS OF GREAT INVESTORS

Antifragile

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“Antifragility is beyond resilience or robustness. The resilient resists shocks and stays the same; the antifragile gets better.”

— Nassim Nicholas Taleb

The Price of Admission

The long-run return of mainstream US stocks has been approximately **10% per year on average**, compounding over many, many decades. That is the most reliable wealth-building engine in history. Investors who simply stayed invested and let that engine run have been rewarded beyond almost any other strategy available.

But here's the catch, and it's a significant one. In order to earn that 10% per year over time, you also have to be willing to live through episodes when your portfolio loses 20%, 30%, even 50% of its value — not once, but multiple times over an investing lifetime.

These bear markets are not accidents, and they are not anomalies. They are the price of admission for the long-run reward. They are the reason that most investors fail to earn what the market actually offers.

What Antifragility Means for Investors

In his 2012 book, mathematician Nassim Taleb introduced a concept he called antifragility. Most things in the world are either fragile — they break under stress — or resilient — they withstand stress and return to their prior state. But Taleb identified a third category: things that actually get *stronger* when exposed to shocks, volatility, and disorder.

Think of the human immune system. Every time it successfully fights off an infection, it doesn't just recover to its prior state. It becomes more capable, more sophisticated, and more prepared for the next threat. That's the essence of antifragility.

The greatest investors work the same way. Each bear market they live through doesn't just leave them where they started emotionally — it makes them stronger. It deepens their conviction. It shortens the emotional distance between fear and equanimity the next time around.

They've felt the full weight of a bear market. They've heard the newspaper headlines screaming that the world is ending, the cocktail party conversations filled with panic, and the very real temptation to sell everything and hide out in cash. And instead, they chose to stay the course. Then they watched the market recover. They'll never forget that lesson.

“When the next shock arrives, the antifragile investor doesn't feel panic. She feels something closer to recognition: I've seen this before, and I know how this ends.”

Why Antifragility Is Harder to Build Today

Since the great financial crisis of 2008, almost every moment of genuine market distress has recovered with stunning speed. That speed has quietly conditioned an entire generation of investors to expect the same thing every time.

Consider the two most dramatic examples. The COVID bear market of 2020 saw the S&P 500 drop **34% in just 33 days** — one of the fastest crashes in market history. But it was also one of the fastest recoveries. By August of that year, just five months after the bottom, the market had fully recovered. A year after the bottom, it was up roughly 75%.

Then came the tariff scare of April 2025. The S&P 500 briefly touched bear market territory intraday before recovering very sharply. The VIX spiked to 52 — a reading that in prior eras would have signaled extended turmoil. Instead, the S&P 500 was up over 9% in a single day on April 9th and had recovered all its losses by mid-May. If you blinked, you missed it.

“Buy the dip” has become not just a strategy but almost a reflex. That’s not wrong — buying dips has worked. But the danger is that investors now believe that living through a brief, sharp decline is all the experience they need. They’ve never had to sit through something that tests your faith in the entire premise of long-term investing for *years*.

What a Real Bear Market Actually Feels Like

The S&P 500 peaked on March 24, 2000 at a level of 1,527. What followed was not a quick drop and a quick recovery. It was a slow, grinding, relentless descent that lasted two and a half years, punctuated by false rallies that pulled investors back in, only to disappoint them again.

When the market officially entered bear market territory — down 20% — in October 2000, seven months after the top, the decline was nowhere near over. What came next was a cascade of genuinely terrifying news: the September 11th attacks, the Enron scandal, the WorldCom bankruptcy (then the largest in American history), and the Arthur Andersen accounting collapse. Confidence in corporate America disintegrated. It wasn’t just one shock — it was shock after shock after shock spread across two and a half years.

By the time the S&P 500 finally bottomed in October 2002, it had fallen **49% from its peak**. The Nasdaq had fallen **78%**. Nearly \$5 trillion in market value had been wiped out. Many investors who had held through the first year of losses finally gave up somewhere near the bottom — which is almost always what happens in a real bear market. The patient investor who stayed the course earned well over 600% on their money from that low point to where markets stand today.



The 2008 financial crisis was something different in character but equally severe. The S&P 500 peaked in October 2007 and fell more than 57% before bottoming in March 2009. By the time the market officially crossed into bear territory in the summer of 2008, the worst was still ahead: Lehman Brothers collapsed, Washington Mutual failed, and the financial media was, with some justification, raising the question of whether the banking system itself would survive. In Q4 2008 alone, the S&P 500 closed up or down 3% or more on 29 separate trading days.

Even after the recovery began, it didn't come in a straight line. The market bounced in the spring of 2009, then fell back during the European debt crisis of 2011. It wasn't until April 2013 — five and a half years after the prior peak — that the S&P 500 finally reclaimed its prior high. From the March 2009 bottom, the index is today up nearly ten times its value.

“In a real bear market, 20% down is often just the opening act, not the finale.”

Do Your Lifeboat Drills Now

To be clear: this is not a prediction that a major bear market is imminent. The current environment — the Iran war, oil prices, tariff uncertainty — introduces genuine risks to the economic outlook. But none of that necessarily means stocks are on the brink of a crash. A 7% quarterly decline, in the full context of market history, barely registers.

The real question is not whether to sell today. The real question is whether you are emotionally prepared for the day when a genuine bear market arrives — because one will, eventually.

Surprise is the mother of panic. The investor who is not surprised by a bear market doesn't panic, and the investor who doesn't panic cannot make the catastrophic mistake of selling at the bottom.

THE NICK MURRAY PRINCIPLE

- “Do your lifeboat drills before the ship leaves the harbor.”
- Don't wait until the storm arrives to decide whether you have the emotional fortitude to stay invested through a 40% decline that lasts two years. Decide that now, in calm water, when you can think clearly.
- Build your conviction on the bedrock of history, not the shifting sands of today's headlines.

Study the bear markets of 2000 and 2008 until they are not abstract history but vivid reality. Understand that when the market first crosses down 20%, that may be the moment the real test begins — not the moment it ends.

There is an old saying: bear markets are the time when stocks are returned to their rightful owners. The patient, the disciplined, the antifragile — they hold on through the fear and accumulate ownership while the fragile

investor is liquidating at the bottom. When the recovery comes, those are the investors who benefit the most.

The investor who has done their lifeboat drills and built a conviction deep enough to withstand years of bad news will not just survive a real bear market. They will grow stronger from it. Because they are antifragile.

Helping Those You Care About

The purpose of our **Great Investors** series is to help you become an outstandingly successful investor by following the principles of patience and discipline required to prosper as an equity investor. No doubt, “Mr. Market” periodically tests that patience and discipline by subjecting investors to emotional swings, possibly causing many to make a big mistake. Only those who faithfully adhere to a rock-solid investing philosophy will pass those tests.

Successful investing, while always fundamentally simple, will never be easy. You may have a family member, colleague, or friend who perhaps has not fared as well recently, and who you feel might have benefited from the sort of advice you’re receiving. Should that be the case, we would certainly appreciate your introducing us to them. We very much enjoy working with you and would welcome the opportunity to offer the same level of planning and service to the people you care about.

Stay the course. Stay invested.

If you know someone who is struggling with market uncertainty or who hasn’t yet built the emotional foundation to survive a real bear market, please share this with them — or invite them to our next Great Investors LIVE event. We’d be honored to help.

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