

The Long View on American Capitalism

Navigating portfolio strategy through shifting economic regimes requires anchoring decisions in long-term historical perspective rather than short-term headlines. In *Investing in America: The Rise of a 250-Year Bull Market*, Meb Faber provides an extensive empirical examination of U.S. capital markets since the founding of the nation. The overarching lesson is simple yet profound: American enterprise has served as one of the most resilient wealth creation engines in human history. Over two and a half centuries, capital has compounded through civil wars, global conflicts, severe panics, pandemics, and inflationary cycles.

Over this 250-year horizon, U.S. equities have generated a real, inflation-adjusted total return of approximately 6.5% to 7.0% annualized. While fixed income instruments and cash preserve purchasing power over short windows, equities remain the primary asset class capable of driving substantial real wealth compounding across generations. Understanding this broad historical trajectory is the foundational prerequisite for sound financial planning.

The Anatomy of Market Volatility and Drawdowns

Participating in the long-term compounding of U.S. markets requires paying a real behavioral price: enduring severe portfolio drawdowns. A central theme of Faber's work is that significant market declines are not anomalous events; they are an inherent feature of equity ownership. During the Great Depression, the stock market experienced a historic drawdown of roughly 80% to 89%, taking over a decade to recover on a real basis. Similarly, the 1970s stagflation era saw equities drop nearly 48% in nominal terms, while high inflation severely eroded actual purchasing power.

More recent history reinforces this pattern. The Dot-Com crash of 2000 caused a 49% decline in the S&P 500 and a nearly 78% drop in tech-heavy indices, taking years for valuations to normalize. The 2008 Global Financial Crisis brought a 55% drawdown, while the 2020 COVID panic triggered a rapid 34% drop before aggressive policy responses prompted a swift recovery. An investor who cannot tolerate a 20% decline every few years, or a 50% drop once or twice in a career, risks selling at market troughs and converting temporary volatility into permanent capital loss.

Valuations and Total Return

Faber emphasizes that long-term equity returns are governed by starting valuations and real cash flow generation rather than market sentiment or media narratives. To evaluate broad market pricing, investors often look to the Cyclically Adjusted Price-to-Earnings ratio, which averages trailing ten-year real earnings to smooth out short-term economic fluctuations. High starting valuations historically correlate with compressed forward returns over the subsequent decade, whereas lower starting multiples provide a built-in margin of safety and higher prospective yields.

When evaluating individual company cash flows, traditional income strategies often rely solely on dividend yield. However, Faber highlights the importance of evaluating total Shareholder Yield, which combines cash dividend payouts with net share buybacks. Companies that combine sustainable dividends with disciplined share repurchases reduce overall share count, increase per-share earnings, and return capital efficiently. This approach offers a far more complete picture of corporate health than dividend yield alone.

Turning Strategy into Execution

Translating a 250-year historical perspective into actionable portfolio construction requires balancing broad exposure to American economic growth with disciplined risk management. While global diversification remains an essential tool for reducing single-country risk, the deep capital markets, strong legal frameworks, and continuous innovation of the U.S. economy justify a permanent core allocation in long-term wealth plans.

Ultimately, long-term success depends less on short-term market timing and more on systematic execution. Broad equity holdings can be paired with real assets, high-quality fixed income, and liquid alternative strategies to navigate various macroeconomic regimes. Rebalancing across these asset classes forces the disciplined habit of trimming appreciated positions and buying underperforming ones. By focusing on long-term cash flows and maintaining disciplined allocation targets, investors can capitalize on the ongoing growth of American enterprise.

INVESTING IN AMERICA



THE RISE OF A 250-YEAR BULL MARKET

MEB FABER

Markets React to Warsh in Jackson Hole

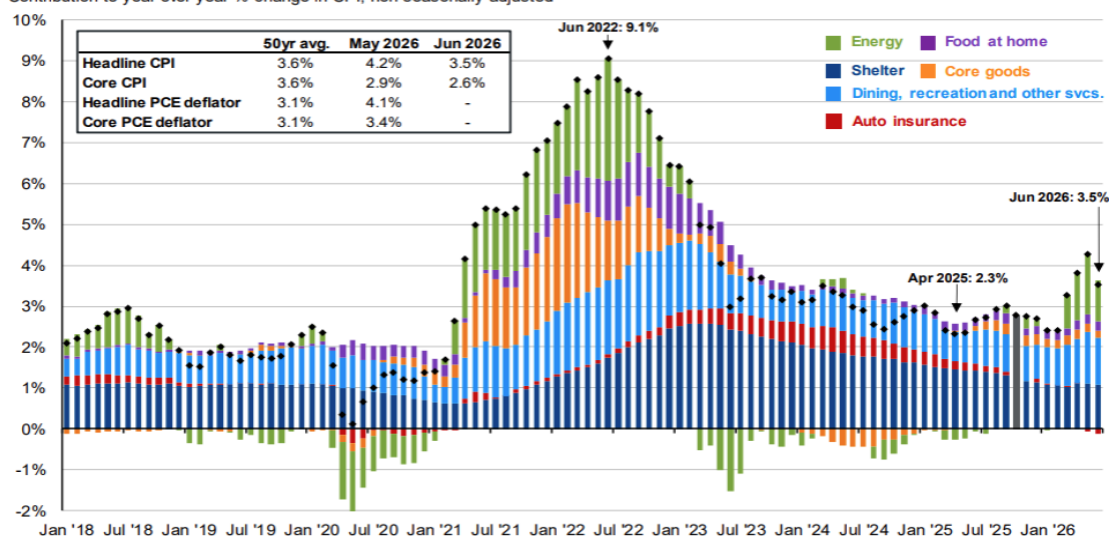
In his first Jackson Hole address as Federal Reserve Chair, Kevin Warsh delivered a distinctly hawkish message that recalibrated Wall Street's expectations for monetary policy and established an independent stance relative to the White House. Marking roughly 100 days into his tenure, Warsh emphasized that restoring price stability remains the central bank's singular, paramount mandate. He noted that with inflation running above the two percent target for sixty-five consecutive months, recent modest cooling in price data does not represent a structural fix. Explicitly warning that rates might need to rise from their present 3.5% to 3.75% corridor if inflation does not fall clearly and quickly, Warsh signaled that the Federal Reserve will act forcefully to anchor long-term inflation expectations.

Beyond rate guidance, a core theme of Warsh's speech was his commitment to leading a quieter central bank that drastically reduces forward guidance. He argued that explicit promises about future rate paths create a feedback loop where the Fed and financial markets continuously react to one another rather than fundamental economic indicators. By stripping away forward-looking commitments in policy statements, Warsh urged market participants to draw their own conclusions directly from primary data rather than relying on Fed forecasting or signal management.

Addressing broader structural themes, Warsh highlighted artificial intelligence as a transformative technology capable of expanding long-term productivity and potential growth, while noting that the Fed has launched specialized internal task forces to study its macroeconomic impact. He concluded by reaffirming that economic models must remain humble in the face of fast-moving global supply chain and technology shifts. Following the address, market swaps quickly adjusted to reflect increased odds of a quarter-point rate hike, reflecting broad recognition of Warsh's disciplined, data-driven framework.

Contributors to headline CPI inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management.
Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and tenants' and household insurance. "Food at home" includes alcoholic beverages. Headline and core PCE deflator inflation shown are based on seasonally adjusted data due to data availability. Official October 2025 data unavailable due to government shutdown and data shown are J.P. Morgan Asset Management estimates.
Guide to the Markets - U.S. Data are as of July 17, 2026.

J.P.Morgan
ASSET MANAGEMENT

Fast Facts

Senior strategists at both JPMorgan and Citadel Securities issued notes shifting to a tactically neutral/cautious market outlook entering September. Key drivers include elevated pre-election volatility, impending corporate buyback blackout periods, and an upcoming \$9.6 trillion U.S. options expiration. – *Morningstar*

Over two dozen superyachts seized by Western governments continue to sit docked across European ports. Maintenance, insurance, and crew upkeep on seized vessels cost host nations tens of millions annually, while maritime tax laws make liquidating or auctioning foreign-flagged sovereign assets legally complex. – *Forbes*

Controlling ownership of the Los Angeles Lakers was agreed to be sold to Disney CEO Bob Iger and venture capitalist Josh Kushner at a record-shattering \$12.5 billion valuation. The agreement sets the highest valuation ever for a professional sports franchise globally. – *Bloomberg*

Sovereign central banks bought a record 1,037 metric tons of gold over the past 12 months, driven by reserve diversification efforts away from foreign fiat currencies. China, Poland, and Singapore led the purchases. – *Bloomberg*

Private equity firms and alternative asset managers allocated over \$120 billion to acquiring independent power producers and clean energy developers. The primary driver is securing guaranteed base-load electricity for hyperscale AI data centers before utility grid constraints tighten further. – *Bloomberg*

Contact Us

As always, feel free to reach out to us if you have any questions regarding your investments or financial plan or would like to schedule a meeting with our team.

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“Knowing what you don’t know is more useful than being brilliant.” – Charlie Munger