

INSIGHTS

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Charlie's Corner

I entered the new year with a bad cold, which wasn't how I planned to start 2026.

It limited some of the holiday time I would normally enjoy and left me a bit lower on energy coming back into the office. Still, the slowdown had an unexpected benefit. It created space to reflect.

One thing that stood out was the resilience of complex systems. The human body is extraordinarily complicated, and it routinely absorbs unknown and unexpected disruptions like an upper respiratory virus and keeps functioning. If it were fragile, an event like that could be catastrophic. In a resilient and adaptable system, it becomes a temporary setback.

Economies work in much the same way, and financial plans and portfolios should be built with that same principle in mind. The future is unknowable, so we've always emphasized strategy over forecast. A forecast assumes an outcome. A strategy accepts uncertainty and recognizes that good and bad developments alike must be lived with. Resilience matters more than precision.

That framework was particularly relevant in 2025. We entered the year amid widespread pessimism following a contentious election and an unusually loud political environment. Throughout the year, we encouraged clients to look past the noise and to avoid investing with their politics or the drumbeat of the news cycle.

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**Plan wisely.
Play accordingly.**

2025 was a very good year for portfolios.

There were real events to contend with. New tariffs were introduced, and much of the early commentary around them was confident and dire. Slower consumer spending was predicted, along with a sharp rise in inflation. Markets reacted quickly, volatility increased, and concern spread. What actually happened was more nuanced.

By year-end, the S&P 500 had gained 17.9% (YCHARTS), despite the volatility along the way. Overseas, markets did even better. (More on this in our markets section.) Inflation moderated rather than accelerated, finishing the year at 2.7 percent (Bureau of Labor Statistics). Policy changes have consequences, but complex systems often adjust in ways that aren't obvious at first.

That isn't to say 2025 was smooth. What has been striking is the gap between public sentiment and the underlying data. This is often framed as Main Street versus Wall Street. Markets have continued to move higher, supported in part by expectations around artificial intelligence and productivity gains. The broader economy has been less exuberant, but more resilient than many headlines suggest. Payrolls increased by roughly 584,000 jobs over the year. Consumer spending rose, and economic output expanded, including a notably strong third quarter.

As we look ahead to 2026, the challenge for investors is reconciling competing signals. The ongoing technological productivity boom may result in higher corporate profits, which may be reflected in higher stock prices. At the same time, anxiety remains elevated, fueled by politics, social media, and a constant news cycle. Layered on top of that is a level of market optimism that may, at times, get ahead of itself.

Investment management has always been about balancing opportunity and risk. We remain long-term optimists, while recognizing that volatility and setbacks are inevitable along the way. Resilient portfolios are built with that reality in mind.

As we begin the new year, I want to thank you for your continued trust and partnership. I wish you a happy, healthy, and prosperous New Year.

Themes Update

We track long-running themes influencing the world and financial markets. From time to time, we share updates as our thinking evolves.

Theme One: Technology-Driven Productivity Gains

The pace of technological progress continued to accelerate in 2025, led by advances in artificial intelligence, robotics, and early-stage quantum computing. AI tools moved well beyond experimentation and further into day-to-day business use, with productivity benefits becoming more tangible across industries.

Even smaller firms such as Kreitler Financial are finding practical ways to use these tools, from digital notetaking to workflow automation. This may continue to power a corporate profit boom. As in past periods of technological innovation, it's unclear at the time who will ultimately capture the largest share of the economic gains. For example, the users of personal computers have had a far greater benefit than the builders of them. (Does anyone remember Gateway?)

Theme Two: Regionalization and the Realigning of the Global Order

The world continues to move away from a single, U.S.-led framework toward a more regional structure built around spheres of influence. President Trump's first year in office signals that his administration will continue this trend. Early January's arrest of Nicolás Maduro sent a clear signal that the United States intends to reassert dominance within the Western Hemisphere.

This approach aligns with similar ambitions pursued by China and Russia in their own regions. What remains unresolved is how much overlap or conflict the United States will tolerate as these spheres evolve. The implications for global trade, supply chains, and geopolitical stability are significant, particularly for countries such as Ukraine and Taiwan.

Market Summary



2025 will be remembered as a strong year in the financial markets.

The year began with a mix of optimism and caution about economic growth and markets. On the positive side, markets were supported by continued investment in productivity such as artificial intelligence infrastructure, an easing monetary policy backdrop, and potential for less regulation. On the negative side, markets continued to navigate ongoing uncertainty around fiscal policy, tariffs, and geopolitics. Nevertheless, stocks around the world generally rose solidly, and fixed income benefited from attractive yields and declining rates.

The S&P 500 returned 17.9% for year (YCHARTS). For the first time since 2021, all sectors in the S&P 500 closed the year in positive territory (Raymond James Monthly Market Commentary 4Q 2025). U.S Small-cap stocks lagged the S&P 500 for the year, but the Russell 2000 small cap index returned 12.8%(YCHARTS).

International markets continued to outperform the U.S. on both a quarterly and year-to-date basis, supported by attractive valuations and improving growth prospects outside the U.S. Strong performance in the European equity markets was supported by 9% depreciation of the U.S. dollar, which increases returns when measured to our currency.

Emerging market stocks returned 34.4% for the year, while developed international markets, as measured by the MSCI EAFE Index, returned 31.9%. On a year-to-date basis, both MSCI EAFE and MSCI Emerging Markets have outperformed the S&P 500 by 16.5% and 14%, respectively. European Equities led in Q4, outperforming U.S. equities in 2025 by the widest annual margin since 2006.

Fixed income markets benefited from a combination of declining interest rates, improving inflation data, and attractive starting yields. The Bloomberg U.S. Aggregate Bond Index posted a total return of 7.3% for the year (YCHARTS). With yields remaining near multi-year highs by historical standards, income is once again a meaningful component of expected fixed income returns.

As we move through 2026, we expect volatility to persist amid geopolitical, fiscal, and policy uncertainties. This environment shows the importance of a diversified investment approach, and a long-term perspective that is aligned with individual objectives.

As always, we welcome your questions and comments.

Market Return as of December 31, 2025

ASSET CLASS	INDEX	YEAR TO DATE TOTAL RETURNS
US Stocks	S&P 500 Total Return	17.9%
	Russell 2000	12.8%
Foreign Stocks	MSCI Emerging Markets	34.4%
	MSCI EAFE	31.9%
US Bonds	Bloomberg US Aggregate	7.3%

**Source YCharts Returns as of December 31, 2025*

"You can find the right direction and reach your goal only if you know where you are now and how things are around you."

— Hans Rosling

Meet Our Team

KERSTI MELCHIORE

DIRECTOR OF CLIENT EXPERIENCE

YEARS AT KF:
25 THIS YEAR!



What inspired you to join Kreitler Financial, and what do you enjoy most about your role?

I joined KF in October 2001 as a temporary front desk assistant. As the company began to grow, so did my role. Over the years, I had the opportunity to support both Bob and later Charlie in client meetings. I've held a variety of positions within the organization and have truly enjoyed each one. Today, I feel fortunate to have the best of both worlds—maintaining direct client interaction while also contributing to our operations team.

How do you stay updated with the latest trends and changes in the financial industry?

I stay updated by reading the Kreitler Financial Newsletter

What are you most excited about in the upcoming months for our company and our clients?

I look forward to continuing to provide our clients with the highest level of service possible.

What hobbies or activities do you enjoy outside of work?

Outside of work, I enjoy drawing portraits of both people and animals. It's a passion that I've turned into a little side venture, and I participate in various craft fairs throughout the year with my own booth.

What is your favorite book, movie, or podcast, and why?

My fav books are "The Art of Hearing Heartbeats" and "November 9"

Where is your favorite travel destination? What is a must-see when someone visits there?

Aside from visiting family back home in England, my favorite getaway has to be Cape May, New Jersey. There's truly nothing like the sunsets there. Kohr Bros frozen custard and a sunset are the perfect way to end a summer evening.

At Kreitler Financial, we help change people's lives by helping them dream a future they can't yet imagine, then outline the path to make it a reality.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Kreitler Financial, LLC ("Kreitler Financial")), or any non-investment related content, made reference to directly or indirectly in this article will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this content serves as the receipt of, or as a substitute for, personalized investment advice from Kreitler Financial. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Kreitler Financial is neither a law firm, nor a certified public accounting firm, and no portion of the article content should be construed as legal or accounting advice. A copy of Kreitler Financial's current written disclosure Brochure discussing our advisory services and fees is available upon request. Please Note: If you are a Kreitler Financial client, please remember to contact Kreitler Financial, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. Kreitler Financial shall continue to rely on the accuracy of information that you have provided.

POSSIBILISTS & PATHFINDERS

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