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Wealth Alternatives
Your Compass to Alternative Investments

WEEKLY ECONOMIC UPDATE SEPT. 8, 2026

Stocks were mixed last week as markets continued to navigate geopolitical concerns and new signals about short-term interest rates.

The Standard & Poor's 500 Index edged up 0.09 percent, while the Nasdaq Composite Index rose 0.40 percent. The Dow Jones Industrial Average slipped 0.27 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, skidded 0.25 percent.[1,2]

Summer's Final Act

Stocks fell modestly, and oil prices rose at the start of the week after renewed tensions in the Middle East put investors on edge. Longer-maturity Treasury bond yields also rose, adding pressure on stocks.[3]

Stocks remained under pressure as global bond yields rose, with traders fretting that higher oil prices would stoke broader inflation. Benchmark government bond yields for the U.S., Germany, and Japan hit 20-month, 15-year, and 30-year highs, respectively.[3]

But midweek, stocks rebounded after Fed Governor Christopher Waller suggested that the Fed might leave interest rates unchanged at its meeting later this month. Each major average gained 1 percent or more.[4,5]

Before Friday's opening, the Labor Department's nonfarm payrolls report showed job growth was stronger than expected in August. Stocks were under pressure all day as traders saw the job report as a reason that the Fed might consider adjusting rates later this month.[6]

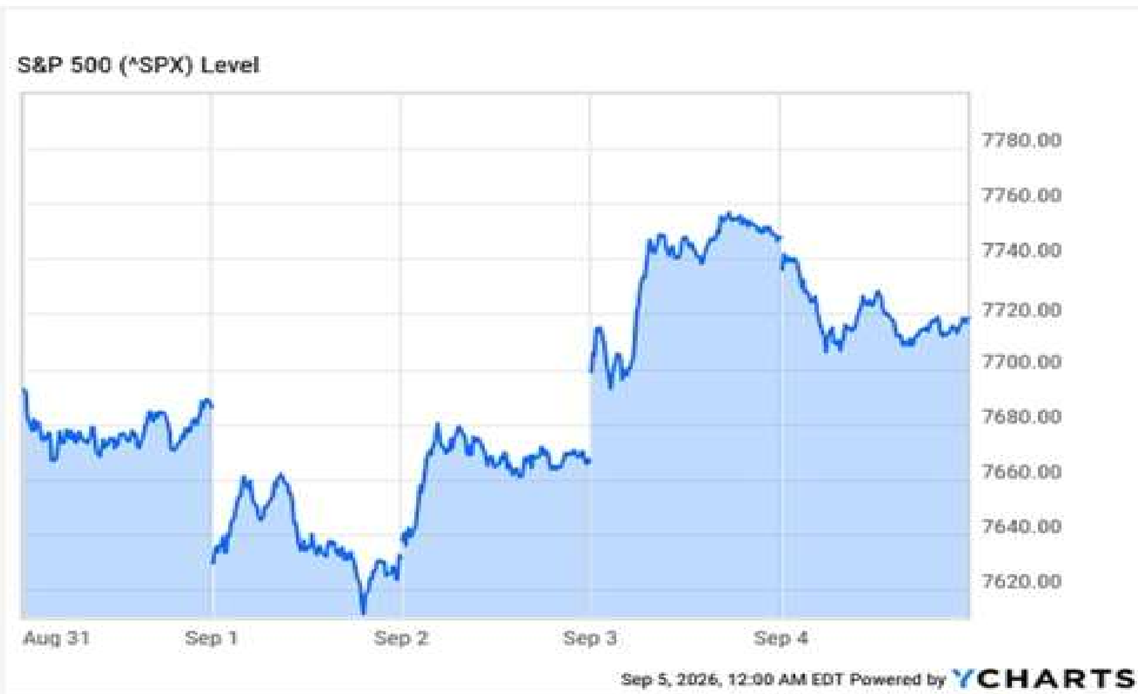
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	2.65%	14.83%	24.40%	79.44%
S&P 500	2.05%	14.06%	21.56%	83.47%
MSCI EAFE	1.77%	14.51%	24.05%	58.44%
Dow Jones Industrial Average	1.20%	12.96%	20.56%	66.83%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 09/04/26	4.78%	4.63% 4.47% 4.17%	3.24% ▲ 6.94% ▲ 14.63% ▲

Jobs Update

Wednesday's ADP National Employment Report showed private-sector hiring slowed in August, as companies added only 38,000 jobs.[7]

That was one of the reasons why Friday's nonfarm payrolls report surprised investors. The entire U.S. economy added 162,000 jobs in August. That was triple the 53,000 job gain economists expected and the biggest jump in 5 months. The unemployment rate also remained unchanged at a historically low 4.1 percent.[8]

This Week: Key Economic Data

Tuesday: NFIB Small Business Optimism Index. Consumer Credit.

Thursday: Weekly Jobless Claims. Producer Price Index (PPI). Monthly Wholesale Trade. Existing Home Sales.

Friday: Consumer Price Index (CPI). University of Michigan Consumer Survey. Monthly Treasury Balance.

"Everything you say should be true, but not everything true should be said."

– Voltaire

Of Note

When you open a Private Placement Memorandum (PPM) for the first time, the distribution-waterfall section may look like dense legalese. It is not merely boilerplate. It is one of the most important sections in the document because it explains how distributable cash is allocated among investors and the sponsor.

A distribution waterfall gets its name from the way cash flows through a series of tiers. Each tier must be satisfied, in whole or in part, before cash moves to the next tier. The waterfall establishes who gets paid, how much they receive, and in what order.
That priority system is where much of the economic due diligence occurs.

The following example describes one possible waterfall. Investors contribute $3.4 million in total capital, which the sponsor uses to acquire or develop an asset—in this case, a real estate project. After a five-year holding period, the asset is sold, generating approximately $7.3 million in distributable proceeds.

The waterfall then determines how those proceeds are allocated. The $7.3 million is not necessarily divided evenly or distributed all at once. In this simplified example, the proceeds flow through three principal tiers.

Before the sponsor participates in residual profits, investors receive the return of their contributed capital. In this example, the first $3.4 million of distributable proceeds is allocated to investors.

This provision protects investors against the sponsor receiving a share of residual profits before investors have recovered their original investment. It does not, however, guarantee that investors will receive their capital back; the asset must generate sufficient distributable proceeds for that to occur.

In many private-equity and real-estate structures, the sponsor’s share of residual profits is called the promote or carried interest. It is generally performance-based compensation, but the sponsor may also receive management fees, acquisition fees, development fees, disposition fees, or other payments that are separate from the promote.

A whole-fund, or “European,” waterfall generally postpones carried-interest distributions until investors have received the required return of capital and preferred return across the fund as a whole. By contrast, an “American” or deal-by-deal waterfall may permit the sponsor to receive carried interest from an individual profitable investment before the fund’s other investments have been realized. The precise definitions and protections must be confirmed in the PPM and partnership or operating agreement.

After the return of capital, investors receive their preferred return, or “pref.” In this example, the preferred return is an 8% annual, non-compounding return on invested capital. Assuming the calculation is based on the full $3.4 million for all five years and that there are no interim distributions, the simple calculation is:

$$\$3.4\text{" million"}\times 8\%\times 5=\$1.36\text{" million"}$$

This is a simplified illustration. The actual amount may differ depending on the PPM’s provisions concerning the timing of capital contributions, interim distributions, unpaid or accrued preferred return, changes in the capital balance, and whether the preferred return is calculated as simple interest, compounded interest, or by reference to an IRR hurdle. Preferred returns may also be cumulative, meaning that unpaid amounts carry forward, but “cumulative” does not necessarily mean “compounding.”

A sponsor might offer a higher preferred return as an early investor incentive, such as 10% or 12%, but a higher stated rate does not necessarily make an investment more attractive. The rate must be evaluated together with the calculation method, other fees, leverage, risks, and the sponsor’s share of subsequent profits.

After investors have received both their contributed capital and the applicable preferred return, the remaining proceeds are divided according to the residual profit split. Using the figures in this example:

Total proceeds: approximately $7.30 million.
Return of investor capital: $3.40 million.
Preferred return: approximately $1.36 million.
Remaining proceeds: approximately $2.54 million.
Investors’ 80% share: approximately $2.032 million.
Sponsor’s 20% share: approximately $508,000.

This example assumes that the $7.3 million represents the amount available for distribution after debt repayment, transaction costs, reserves, fees, and other expenses. If $7.3 million is instead the gross sale price, the amount available for the waterfall could be substantially lower.

A waterfall can help align the sponsor’s interests with those of investors, particularly when the sponsor receives carried interest only after investors have recovered capital and achieved the required preferred return. But that alignment should not be overstated.

For example, a deal might return investors' capital but fail to generate the preferred return. Depending on the governing documents, the sponsor might receive no promote but could still receive management or other transaction-related fees. In a deal-by-deal waterfall, the sponsor might also receive carried interest from a successful investment while other investments remain unrealized or later produce losses. Clawback, escrow, reserve, and giveback provisions are therefore important protections to review.

The example above is a relatively simple three-tier waterfall. Actual structures can be considerably more complex. Important provisions to scrutinize include:

- The preferred-return rate and whether it is simple, cumulative, compounding, or based on an IRR hurdle.
- Whether the preferred return is calculated on contributed capital, unreturned capital, or another defined amount.
- Whether the waterfall includes a GP catch-up, under which the sponsor receives some or all of subsequent distributions until it reaches a specified share of profits.
- The number of hurdle rates and whether the sponsor's participation increases as performance reaches higher thresholds.
- Whether the waterfall is calculated at the individual-investment, deal, or whole-fund level.
- Whether distributions are calculated on a gross or net basis after fees, expenses, debt repayment, reserves, and taxes.
- Whether the documents contain clawback, escrow, or giveback provisions.

- Whether the sponsor may receive fees in addition to carried interest or the promote.

Finally, so-called “co-GP” structures have become common in private-equity and real-estate transactions. In a co-GP arrangement, two or more sponsor-side parties share responsibilities and economics, which may include the promote or carried interest. Investors do not automatically receive a share of the GP’s carried interest merely because a transaction has a co-GP structure. If the intended arrangement gives investors direct or indirect participation in the sponsor’s carried interest, that right should be expressly described in the governing documents, including the applicable allocation, conditions, fees, and risks.[10]

Footnotes And Sources

1. WSJ.com, September 4, 2026
2. Investing.com, September 4, 2026
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9. creatoreconomy.so, June 25, 2025
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International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.