



QUATTRO
CAPITAL

THE ACCREDITED INVESTOR'S GUIDE to ALTERNATIVE INVESTMENTS

Exploring Opportunities Beyond Stocks and Bonds

INTRODUCTION

When most people think about investing...

When most people think about investing, their minds go straight to the stock market. Stocks, bonds, and mutual funds are familiar, widely available, and easy to access.

But that's only part of the picture. With volatility in public markets, rising interest rates, and ongoing inflationary pressures, accredited investors are increasingly looking for stability and reliable income that doesn't rise and fall with Wall Street.

That's where alternative investments come in. Alternatives can open the door to opportunities that diversify portfolios, generate steady cash flow, and build long-term wealth, often in ways uncorrelated to the stock market.

At Quattro Capital, we believe education is the first step to confident investing. This guide is designed to help you understand what alternatives are, why they matter in today's environment, and how they might fit into your portfolio.



QUATTRO
CAPITAL

Amplifying Wealth. Amplifying Life.



What is

Alternative Investing?

Most investors are familiar with the basics: stocks, bonds, and mutual funds. These are called traditional investments, they're widely available, easy to buy and sell, and form the foundation of most portfolios.

Alternative investing means looking beyond those traditional options. A simple way to think about it is like upgrading your toolbox. Stocks and bonds are your hammer and screwdriver — reliable tools that work for many situations. Alternatives are the specialty tools that let you take on bigger or more complex projects. They don't replace the basics, but they give you more ways to reach your goals.

Common types of alternatives

Private Equity – Owning part of a privately held business.

Private Debt / Fixed Income Funds – Act as the bank by lending capital to companies, often secured by real assets, and receive steady interest income in return.

Real Estate – Investing in income-producing properties, either directly or through a pooled fund.

Commodities – Assets like gold, silver, or oil that can help protect against inflation.

Collectibles – Items such as art, wine, or classic cars that may gain value over time.

Why they're different

They are usually **less liquid** — meaning your money may be tied up for a period of time.

Some are **only available to accredited investors**, because they require more knowledge and financial capacity.

They can provide **unique benefits** — such as stable income, inflation protection, or returns that don't always move with the stock market.



PRIVATE EQUITY



PRIVATE DEBT / FIXED
INCOME FUNDS



REAL ESTATE



COMMODITIES



COLLECTIBLES

In short, alternative investments expand your options. For accredited investors, they offer a way to diversify, generate new sources of income, and build wealth in ways that go beyond the traditional stock-and-bond approach.

This eBook will focus primarily on Real Estate and Fixed Income Funds as they are the easiest to understand and readily available for accredited investors.

Why Accredited Investors Have More Opportunities

Not every investment is open to every investor. Some opportunities are reserved for those who qualify as accredited investors.

The Securities and Exchange Commission (SEC) sets these standards to make sure that people participating in more complex or less regulated investments have the financial experience and resources to manage the risks.

What Does It Mean to Be Accredited?

You may qualify as an accredited investor if you meet at least one of these criteria:

Income Test

You've earned at least \$200,000 per year individually (or \$300,000 with a spouse) for the last two years, with the expectation of continuing.

Professional Certifications

Certain licenses (such as Series 7, 65, or 82) can also qualify.

Other Pathways

The SEC has expanded accreditation to include "knowledgeable employees" of private funds, recognizing that experience can matter just as much as wealth.

Net Worth Test

You have a net worth of more than \$1 million, not including your primary residence.

How to calculate net worth:

Add up all your assets (cash, investments, retirement accounts, business ownership, and real estate other than your primary home). Then subtract your liabilities (mortgages, loans, credit card balances, and other debts).

Example:

Investments:	\$600,000
Real estate (other than primary home)	\$500,000
Retirement accounts:	\$100,000
Debts:	(\$200,000)
Net worth (qualifies as accredited)	\$1,000,000

Why It Matters

Accredited investors gain access to a wider range of investments that aren't available to the general public. These include private placements, real estate syndications, and fixed income funds, often offered under SEC exemptions like Regulation D 506(c). Because these investments aren't traded on public markets, they can offer:

Higher potential returns

Income streams not tied to stock market performance

Access to strategies institutional investors use

Opportunities: The Bottom Line

Being accredited doesn't just check a box, it opens the door to opportunities beyond the traditional stock and bond markets. For investors who want to diversify and explore new ways to build wealth, accreditation is the key that unlocks those doors.

The Benefits of Alternative Investments

Why would an investor look beyond stocks and bonds? The answer is simple: alternative investments can provide benefits that traditional investments often can't. They expand the toolkit, adding balance, income, and long-term resilience.

Diversification

When the stock market rises or falls, most traditional investments move with it. Alternatives often behave differently, which is what makes them valuable for diversification.

By combining assets that don't move in lockstep, investors can smooth out portfolio performance and reduce overall volatility.

Income Potential

Traditional income sources include dividends from stocks or interest from bonds.

While valuable, these streams are tied to the performance of public markets, stock dividends can be cut during downturns, and bond values fluctuate with interest rates.



By contrast, alternatives like private debt funds or real estate investments are often structured to provide steady income, such as loan interest payments or rental cash flow.

These income streams usually have low correlation to stocks and bonds, meaning they may continue even when public markets are volatile.

That said, no investment can guarantee income. Cash flow depends on the underlying asset's performance — tenants must pay rent, borrowers must repay loans, and markets must support asset values.

Investors should view income potential as a benefit, but not a certainty.

Inflation Protection & Wealth Preservation

Certain assets, like real estate and commodities, tend to rise in value as prices increase. This makes them valuable tools not just for hedging inflation but also for preserving long-term wealth. While stocks and bonds can lose purchasing power during inflationary periods, alternatives tied to real assets often maintain or even grow value, helping investors protect what they've built.

Access to Unique Opportunities

Alternatives can give investors access to opportunities usually reserved for institutions: owning part of an apartment community, funding a private loan, or investing in asset-backed opportunities. Because these are tied to tangible assets or private agreements, their performance is often less connected to daily swings in the stock market.

Potential for Higher Returns

While not guaranteed, many alternatives aim to deliver returns above what's typically available in the public markets. Their return drivers are different from stocks and bonds, so they may perform well even when traditional markets underperform.



Tax Benefits

Many alternatives are structured in ways that can provide tax advantages. For example:

1

Real estate often generates depreciation deductions that can be used to offset **passive taxable income** from other investments.

2

Pass-through entities (like LLCs or partnerships) may deliver income that qualifies for lower capital gains tax treatment.

3

Self-directed retirement accounts can be used to hold alternatives, allowing tax-deferred or tax-free growth.

While investors should always consult their CPA, these strategies can improve after-tax returns and support overall wealth-building goals.

Important note: Tax treatment varies by investment and by investor. Always consult your CPA to understand how a specific opportunity impacts your situation.

Benefits: The Bottom Line

Alternative investments aren't a replacement for stocks and bonds, they're a complement. By adding assets that behave differently, investors can create portfolios that are more resilient, with:

Diversified performance

Potentially steadier income

Stronger inflation protection

Strategic tax advantages

At Quattro Capital, we believe alternatives aren't just about chasing returns, they're about building portfolios that protect, preserve, and grow wealth across market cycles.

Things to think about

Risks and Considerations

Every investment has risks, and alternatives are no exception. For accredited investors, the key is understanding those risks before committing capital. The goal isn't to avoid risk altogether (which is impossible) but to recognize it, plan for it, and align it with your goals.

Liquidity & Funds Availability

Unlike stocks or bonds, which can be sold quickly, many alternatives require you to keep your money invested for several years. This “lock-up period” means you should only invest funds you won't need in the near term.

This also ties directly to funds availability. When you invest in alternatives, your capital is deployed into long-term assets such as real estate projects or private loans. It's not sitting in a bank account where you can withdraw it anytime. For that reason, alternatives should be viewed as part of your long-term strategy, not money you might need for short-term expenses.

Transparency

Publicly traded companies are required to publish detailed financial reports. Private investments don't always have that level of disclosure. Investors often need to rely on the sponsor's reporting and track record, making due diligence critical.

At Quattro Capital, we recognize the importance of transparency. That's why we provide detailed quarterly reports to our investors, including financial performance, operational updates, and outlook commentary.

Our goal is to ensure investors always have clear insight into how their capital is being managed.



Complexity

Alternative investments may involve structures that are less familiar than buying a stock or bond. Terms like “preferred return,” “waterfall,” or “capital stack” can affect how and when you’re paid. Understanding the deal terms before investing is essential.

Before committing to an opportunity, investors should ask:

What is the investment structure?	Equity or debt? Direct property ownership or a fund?
How are returns generated?	Cash flow, appreciation, interest payments, or a combination?
What are the fees?	Acquisition, management, performance, and how do they affect net returns?
When and how will I get paid?	Monthly, quarterly, or only at sale/refinance?
What are the risks to my capital?	What happens if the property underperforms or a borrower defaults?
What is the exit strategy?	Is there a clear plan for how and when capital is returned?

Asking these questions helps investors cut through complexity and understand not just the upside, but also the mechanics of how their money is put to work.

Market and Asset Risk

While alternatives often move differently than the stock market, they’re not risk-free. Real estate can face vacancies or falling rents, private loans can default, and commodities can swing with global supply and demand.

Regulatory Environment

Because alternatives are less regulated than public investments, investors carry more responsibility for assessing quality and risk. That’s why access is limited to accredited investors.

Risks and Consideration: The Bottom Line

Alternative investments can provide diversification, income, and growth, but they come with trade-offs. By recognizing risks upfront, asking the right questions, and working with experienced sponsors, investors can make informed choices that strengthen their portfolios.

At Quattro, we see risk management as the foundation of wealth preservation. It’s not about avoiding risk, but about understanding it, and making sure it works in your favor.

How Alternatives

Fit into a Portfolio

For most investors, stocks and bonds form the foundation of their portfolio. Alternatives aren't meant to replace them, instead, they serve as complements that can add balance, income, and growth potential.

A common approach is called the "core and satellite" strategy. The "core" is made up of traditional investments like stocks, bonds, and index funds that provide broad market exposure. The "satellites" are alternative investments, such as real estate, private debt, or commodities, that diversify the portfolio and offer benefits traditional investments may not provide.



Typical Allocation

Many accredited investors choose to allocate **10-25% of their portfolio** to alternatives, depending on risk tolerance, income needs, and time horizon.

The exact mix is personal and should align with an investor's financial goals.

For example:

- A **conservative investor** might place 10% in income-focused alternatives (like private debt).
- A **moderate investor** might balance 15-20% across real estate and asset-backed opportunities.
- A **growth-focused investor** might push 25% or more into alternatives with higher return potential, such as value-add real estate.

Institutional insight: Endowments and pension funds frequently allocate 30-60% of their portfolios to alternatives. They do this not just for higher returns, but for stability, diversification, and inflation protection — the same reasons individual accredited investors might consider them.

Questions to Ask Before Allocating

What percentage of my portfolio should I realistically commit to alternatives?

Do I have enough liquidity outside of alternatives for emergencies or short-term needs?

Which types of alternatives best match my goals — income, growth, or wealth preservation?

How comfortable am I with longer lock-up periods where funds aren't immediately available?

Am I working with a sponsor or advisor who has experience managing alternatives?



A Rule of Thumb

Invest enough to feel the benefits of diversification and income, but not so much that illiquidity keeps you up at night. Alternatives should strengthen your portfolio, not add stress to it.

Portfolio Fit: The Bottom Line

Alternatives fit best as a supporting role in a portfolio – they expand options, help smooth performance, and can add steady income or inflation protection. The right allocation depends on your goals, but the key is finding balance between traditional and alternative investments.

At Quattro, we help investors find that balance, pairing the stability of real assets with strategies designed for long-term wealth preservation.

Here are the basics of Due Diligence

When it comes to alternative investments, the most important step you can take is doing your homework. Unlike buying a stock on a public exchange, alternatives don't come with the same level of oversight or daily pricing. That means investors must take an active role in evaluating opportunities before committing capital.

Here's a clear framework to guide your review:

Step 1: The Sponsor or Manager

- Who is running the investment?
- What is their track record and reputation?
- How do they communicate with investors?

TIP: Look for sponsors with consistent performance, conservative underwriting, and a commitment to transparency. At Quattro, for example, we provide quarterly reports with both numbers and narrative, so investors see not just the results, but the story behind them.

Step 2: The Asset

- What exactly are you investing in?
- For real estate: property type, location, local market trends.
- For private debt: borrower quality and collateral backing the loan.
- For other alternatives: key drivers of value and historical performance patterns.

ASK YOURSELF: What factors will ultimately make this investment succeed or fail?

Step 3: The Structure

- Is this equity (ownership) or debt (lending)?
- How are distributions structured? (Preferred return, profit splits, etc.)
- When do investors start receiving returns? (Monthly, quarterly, or at exit?)

Step 4: The Fees

- What fees are charged? (Acquisition, management, performance, etc.)
- How do these affect net investor returns?

RULE OF THUMB: Fees aren't inherently bad, but they should be transparent, clearly explained, and aligned with investor success.

Step 5: The Exit Strategy

- What is the plan for returning investor capital?
- Is there a clear timeline? (Sale, refinance, loan repayment, etc.)
- What could delay or change that timeline?

Due diligence is simply the process of asking the right questions, verifying details, and making sure the investment aligns with your goals.



Investor Checklist: Questions to Ask Before Investing



Who is the sponsor, and what is their track record?

How does this investment actually make money?

What are the risks, and how are they being managed?

How does the sponsor view the investment's risk profile? (Conservative, moderate, or aggressive, and why?)

What fees will I pay, and how are they justified?

How often will I receive updates, and in what format?

What is the timeline for getting my money back?

Due Diligence: The Bottom Line

Strong due diligence won't eliminate risk, but it will help you avoid surprises. By slowing down, asking questions, and working with experienced sponsors, investors can approach alternatives with greater confidence and clarity.

At Quattro, we encourage investors to perform due diligence on us, because a transparent partnership is the foundation of long-term success.

Here are

Tax Considerations

One of the unique benefits of alternative investments is how they are taxed. While every investor's situation is different, alternatives often come with tax advantages that can improve after-tax returns.

Key Concepts

Depreciation in Real Estate

Real estate investments typically provide depreciation, a paper expense that reduces taxable income, even if the property is cash-flowing. For accredited investors, this can offset **passive taxable income** from other investments.

Example (Real Estate)

- A property generates **\$10,000** in rental income.
 - It also produces **\$9,000** in depreciation deductions.
 - Taxable passive income is reduced to just **\$1,000**.
- ↳ Cash flow received: \$10,000. Tax owed: on only \$1,000.



Private Debt Income

Private debt investments don't have depreciation. Income is typically taxed as ordinary income, similar to bond interest.

Example (Real Estate)

- A private debt fund pays **\$10,000** in annual interest.
 - With no depreciation offsets, the full **\$10,000** is taxable at the investor's ordinary income rate.
- ↳ Cash flow received: \$10,000. Tax owed: on \$10,000.



This simple comparison shows why many investors appreciate real estate's unique tax treatment.

Capital Gains vs. Ordinary Income

Income from interest payments (like private debt) is usually taxed as ordinary income. Gains from selling an investment (like real estate) are usually taxed as capital gains, often at a lower rate.



1031 EXCHANGES

In real estate, a 1031 exchange allows investors to defer capital gains by reinvesting proceeds into another qualifying property.

This strategy supports long-term wealth preservation by keeping capital at work.



PASS-THROUGH ENTITIES

Many alternatives are structured as LLCs or partnerships, which means income and expenses pass directly to investors via a K-1 tax form. This adds flexibility and potential tax efficiency — but it also means tax preparation can be more complex.

Important: K-1s often arrive later in tax season, so investors may need to file under extension — a normal practice in private investing.



TIMING OF TAX FILINGS

Because K-1s are often issued later in the tax season and the rules around alternatives are complex, investors may need to file their personal tax returns under extension.

This is a common practice and gives CPAs time to complete accurate returns without rushing.



RETIREMENT ACCOUNTS & UBIT

Self-directed IRAs and solo 401(k)s can hold alternatives, enabling tax-deferred or tax-free growth. However, certain income types may trigger UBIT (Unrelated Business Income Tax).

While not always common, investors should be aware and confirm with their CPA whether UBIT could apply.



Questions to Ask Your CPA

- How can depreciation from real estate offset my passive income?
- Will this investment's returns be taxed as ordinary income or capital gains?
- Could a 1031 exchange apply to my situation?
- If the investment issues a K-1, how will that affect my tax return?
- Will I likely need to file for an extension?
- Does investing across multiple states require additional state filings?
- Should I consider using a retirement account for alternative investments, if so, will UBIT apply?

Tax Considerations: The Bottom Line

Alternative investments not only diversify portfolios, they can also create tax advantages that strengthen long-term wealth-building. Real estate in particular can generate income with significant tax shields, while private debt provides steady income but less shelter. Because filings for these investments can be more complex and sometimes require extensions, planning ahead with a qualified CPA is essential.

The smartest approach is proactive planning. At Quattro, we encourage every investor to partner with a qualified CPA to ensure their investments are structured for maximum after-tax benefit.

Here are some

Real-World Examples

Sometimes the best way to understand alternative investments is to see how real investors might use them. Here are two examples that show how accredited investors put alternatives to work in their portfolios.



Case Study: Jane, a physician looking for passive income and tax efficiency

Case Study: Jane, a physician looking for passive income and tax efficiency

Jane was seeking a way to diversify beyond her busy medical practice and stock portfolio. She invested \$100,000 in a multifamily real estate syndication, joining other accredited investors to acquire a 200-unit apartment community.

Cash Flow: Jane began receiving quarterly distributions from rental income.

Appreciation: As units were renovated and released at higher rates, the property's value increased.

Tax Benefits: Depreciation deductions offset much of her passive income, reducing her taxable income while she still collected cash flow.

Risks to consider: Occupancy rates and rental demand drive returns, and interest rate changes can impact financing costs. For Jane, the investment provided both immediate income and long-term growth, along with significant tax advantages.



Case Study: Mark, a retiree focused on steady cash flow

Multifamily Real Estate: Building Wealth Through Ownership

Mark wanted predictable income to supplement his retirement without riding the ups and downs of the stock market. He invested \$100,000 in a private fixed income fund.

Cash Flow: Mark began receiving steady quarterly interest payments, used to cover living expenses.

Stability: Because the fund's loans were backed by real estate, his investment had an added layer of protection.

Security: The asset-backed structure reassured him that collateral stood behind the loans, unlike unsecured bonds.

Risks to consider: Returns depend on borrower repayment and collateral quality. Unlike public bonds, these investments aren't liquid and require a longer commitment. For Mark, the fixed income fund offered peace of mind: consistent income and security, without the daily swings of Wall Street

Getting Started in

Alternative Investing

Getting started with alternatives doesn't have to feel overwhelming. Think of it as a step-by-step journey where each stage builds your knowledge and confidence.



Step 1: Assess Your Goals

Ask yourself:

- Am I seeking income, growth, or long-term wealth preservation?
- How much liquidity do I need for short-term expenses?
- What is my time horizon for these investments?
- Having clarity on your “why” is the foundation of a successful strategy.

Step 2: Build Your Network

Alternatives are relationship-driven. Connect with:

- **Sponsors and fund managers** who have proven track records.
- **CPAs and advisors** who understand alternative structures.
- **Fellow investors** through networks, groups, or events.

At Quattro, we often say: “*Invest in people first, deals second.*”

Step 3: Start Small

Test the waters with one investment. Learn the process, track the communication, and watch how distributions and reporting work. You don't have to commit a large portion of your portfolio at once, building confidence step by step is part of the journey.

Step 4: Stay Educated

Markets shift, regulations evolve, and strategies change. Stay engaged by attending webinars, reading investor updates, and asking questions. The best investors are lifelong learners.

Step 5: Scale With Confidence

Once you've completed an investment cycle and understand how it fits into your portfolio, you'll have the confidence to scale, adding more capital, diversifying across asset types, or increasing your allocation to alternatives.

Alternative Investing: The Bottom Line

Alternative investing is not about jumping in quickly, it's about taking thoughtful, deliberate steps that align with your financial goals.

At Quattro, we view this as a partnership. Our role is to educate, provide access to well-structured opportunities, and ensure that each investor feels supported at every stage of the journey.

Conclusion

Alternative investments open the door to opportunities beyond Wall Street, creating ways to generate income, preserve wealth, and build long-term growth. For accredited investors, they represent more than just an additional asset class; they are a pathway to stability, control, and freedom.

At Quattro Capital, we believe alternatives should feel transparent, not mysterious. That's why we focus on:

Real asset security — investments backed by tangible, resilient assets.

Steady, reliable income — structures designed to deliver consistent returns.

Open communication — quarterly reporting, investor updates, and direct access to our team.

Most importantly, we believe investing should feel like a partnership, not a transaction.

Your Next Step

No matter where you are on your journey, there's a path forward:

Just exploring? Download our investor due diligence checklist.

Ready to learn more? Join one of our upcoming webinars or educational calls.

Looking to take action? Schedule a one-on-one conversation with our team to see if our opportunities are the right fit.

BOOK A CALL WITH QUATTRO

Final Thought

Investing isn't just about growing money, it's about building a life of freedom, security, and impact. We'd love to walk alongside you on that journey.

At Quattro Capital, we listen first, invest second, and partner for the long term investors.



QUATTRO CAPITAL

Visit us at:

thequattroway.com

Located:

**10412 China Spring Rd,
Ste F PMB 1119, Waco, TX 76708-5676**