

The Evolution of Alternatives

CAIS

CIVIL WAR

1862



The First Alternative Investment

United States transcontinental railway¹ was financed in part by private capital which received subsidies via the **Pacific Railroad Act of 1862**.²



RAILROADS



TELEGRAPH

For the remainder of the century, infrastructure investments like railroads and telegraph companies made up the bulk of investments into privately held companies.

1901



The First Leveraged-Buyout Transaction

J.P. Morgan helped Federal Steel Company facilitate the acquisition of Andrew Carnegie's Carnegie Steel Company, creating **United States Steel Corporation**.

The \$492 million in financing represented not only the first leveraged-buyout transaction, but also saw the \$1.4 billion consolidated entity becoming the **first billion-dollar corporation in U.S. history**.³ This transaction was a precursor to the modern private equity industry.

\$492M

IN FINANCING

\$1.4B

CONSOLIDATED ENTITY

WORLD WAR 2

1946



Georges Doriot



John Hay Whitney



Benno C. Schmidt Sr.

The Birth of Private Equity

The founding of American Research and Development Corporation (ARD) and J.H. Whitney & Company.

ARD

ARD was founded to encourage private sector investments in businesses started by soldiers returning from war, making it the earliest example of venture capital.⁴

J.H. WHITNEY & COMPANY

J.H. Whitney & Company had a similar start in venture investing, initially seeking to finance entrepreneurs with business plans who could not secure traditional sources of financing.⁵

1949



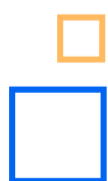
Alfred Winslow developed the first hedge fund.⁶

The fund itself focused on a long/short investment approach that emphasized stock selection rather than market returns.⁷

2021

Preqin data shows alternatives have grown exponentially to represent over **\$10 trillion** in assets under management today.

\$10 Trillion



From these early beginnings, alternative investments have grown to become a mainstay of the investing landscape – transitioning from optional to essential.⁸

Whether it's due to their potential to enhance returns, diversify risk or supplement income, it is likely that we will continue to see their broad-based adoption, especially from those investors who are just now discovering these powerful investment strategies.

Notes

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5. "J.H. Whitney & Company," Wikipedia. Accessed 2 Mar. 2021.
6. Kaplan, Michael. "Meet A.W. Jones." Business Insider, 9 Oct. 2012.
7. "A.W. Jones | About Us | Firm," A.W. Jones. Accessed 3 Mar. 2021.
8. J.P. Morgan Asset Management. "2021 Global Alternatives Outlook," Accessed 3 Mar. 2021.

Images

1. "J.P. Morgan - Life, Family & Philanthropy - Biography", Biography.com. Accessed April 24, 2021
2. "Pacific Railway Acts", Britannica. Accessed April 24, 2021
3. "J. P. Morgan", Wikipedia. Accessed April 24, 2021
4. "General Georges F. Doriot The Founder of INSEAD", Insead. Accessed April 24, 2021
5. "John Hay Whitney", Wikipedia. Accessed April 24, 2021
6. "Benno C. Schmidt Sr.", Wikipedia. Accessed April 24, 2021
7. "The amazing story behind the world's first hedge fund", Business Insider. Accessed April 24, 2021