Crisil
Coalition
Greenwich

Pandemic Perspectives (Part 2) – Lessons from the Past

April 1, 2020

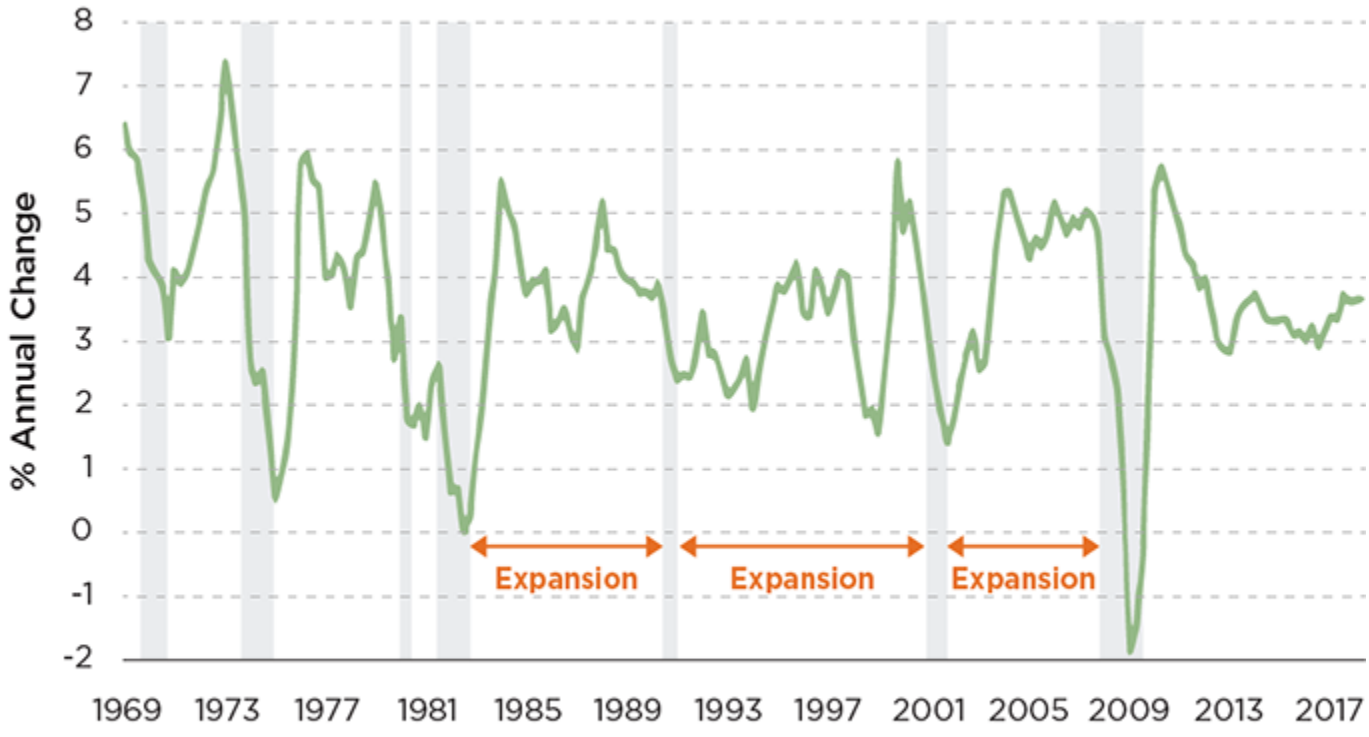
The novel coronavirus has caused an unprecedented shut down of global travel, trade and commerce. In our lifetime, we have never seen a virus cause such widespread fear, disruption to society or market uncertainty.

In response, the markets have tumbled into correction territory, and most experts are predicting a global recession on the horizon.

While this is entirely unwelcome news to both Main Street and Wall Street, a global recession is at least familiar territory. We've seen this movie before.

By most accounts, there have been six global recessions since 1970. We should be able to look to the past for ideas about what the future might hold. After all, "Those who cannot remember the past are condemned to repeat it."

GLOBAL REAL GDP GROWTH



Note: Shaded areas indicate recession.
Source: International Monetary Fund/Have Analytics

As long-term observers of the financial markets, in particular the asset management industry, Greenwich Associates maintains a great deal of historical data about investor sentiment and actions during previous market corrections and recessions. We are also privileged to have access to institutional investors working to navigate the current coronavirus crisis. Leveraging this access, we conducted a global ”pulse study” with large institutional investors the week of March 20, 2020.

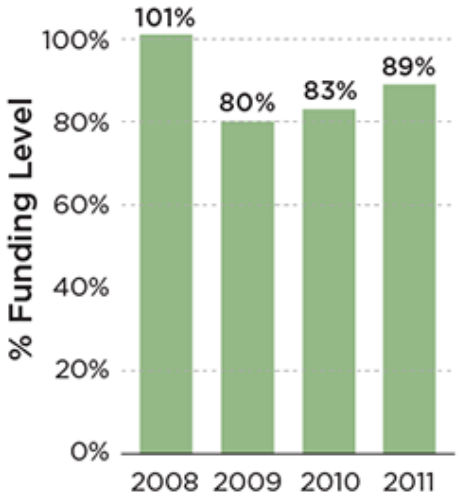
Lessons from the Past

Market corrections are scary events for investors. However, institutional investors have proven to have greater fortitude and discipline in sticking to their investment strategy than retail investors during these periods.

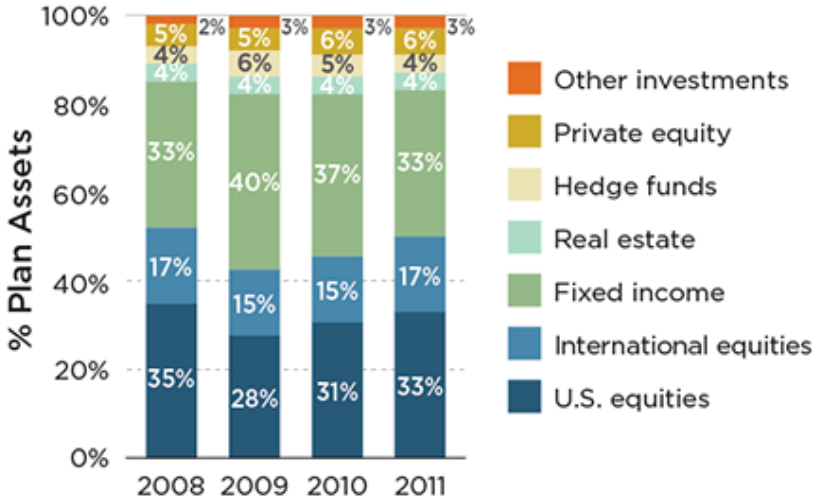
For example, average U.S. corporate pension funding ratios fell by 21% between 2008 and 2009, but investors largely reverted to target allocations by 2011. The same pattern is seen in other markets around the world. Asian institutional equity portfolios that fell from 25% in 2008 to 18% in 2009 (due to lower asset prices), returned to 26% by the end of 2011.

The takeaway: Recessions tend not to lead to a wholesale change in investment approach.

U.S. CORPORATE FUNDS' AVERAGE FUNDING LEVELS



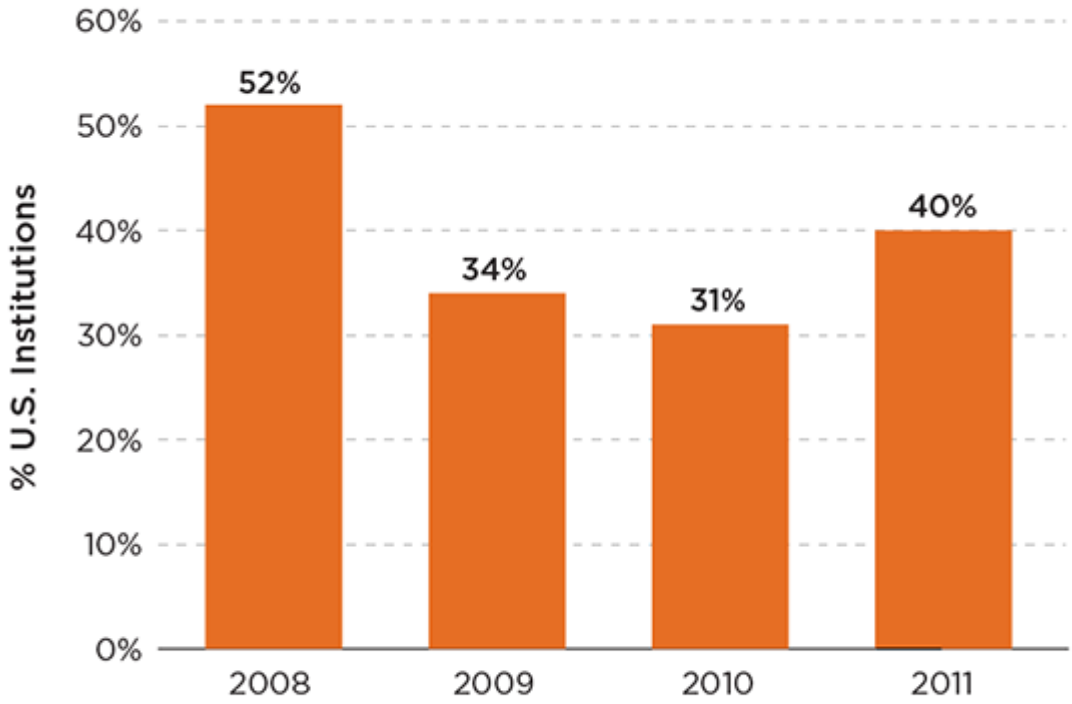
U.S. CORPORATE FUNDS' ASSET MIX OF DEFINED BENEFIT PLAN ASSETS



Note: Based on 1,075 respondents in 2008, 1,009 in 2009, 1,000 in 2010 and 987 in 2011.
Source: Greenwich Associates 2008-2011 U.S. Institutional Investors Studies

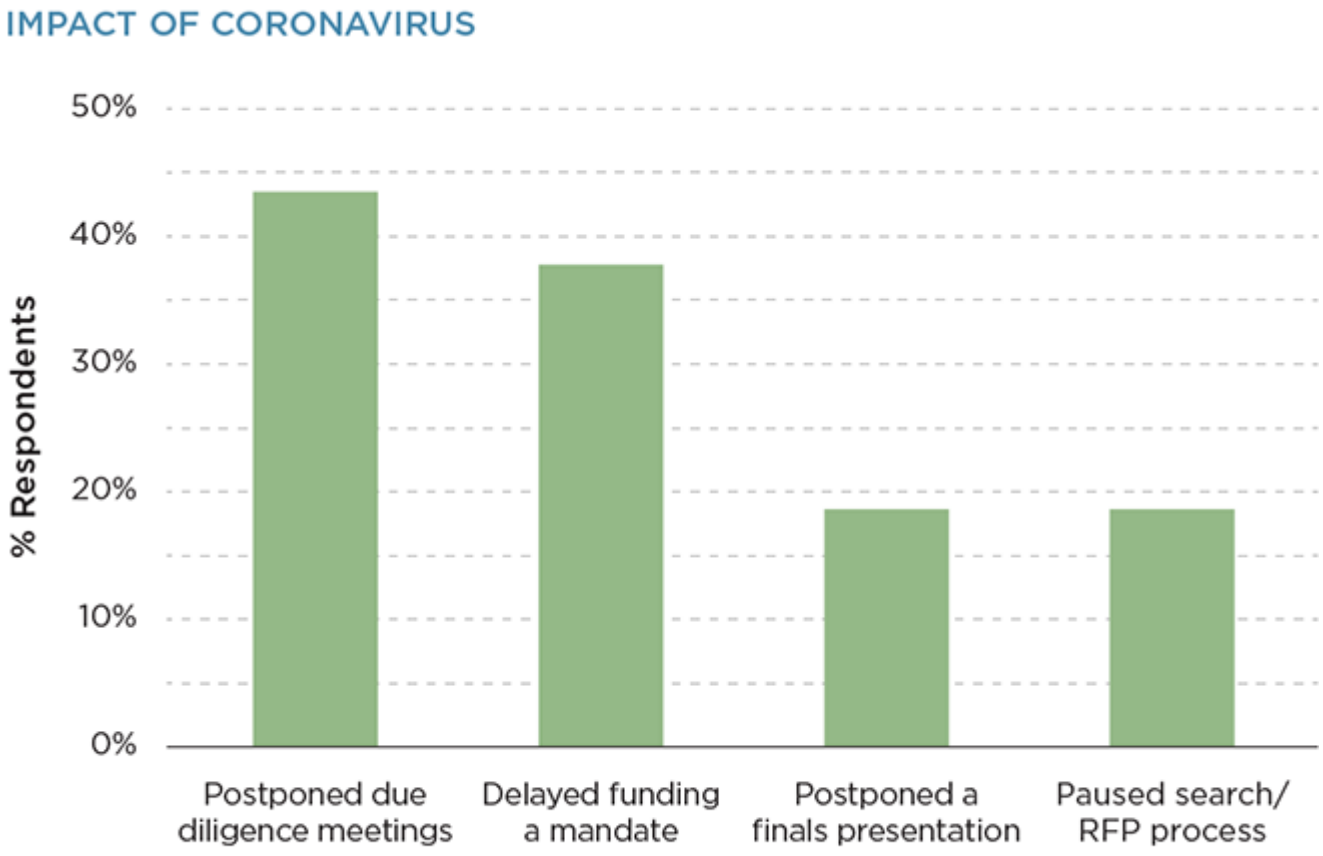
Further, history shows that institutional investors are patient and thoughtful (some might say “slow”) about transitioning managers that have underperformed during recessions. During the last recession, hiring/replacement levels slowed dramatically for 18 to 24 months until greater levels of certainty returned to the market and asset owners had greater clarity about manager performance and service delivery. Therefore, super-normal levels of communication and service are critical during market downturns.

HIRING EXPECTATIONS AMONG U.S. INSTITUTIONAL INVESTORS



Note: Based on 1,075 respondents in 2008, 1,009 in 2009, 1,000 in 2010 and 987 in 2011.
Source: Greenwich Associates 2008–2011 U.S. Institutional Investors Studies

From a new business development standpoint, hiring opportunities will be precious in the coming 12 to 18 months. Based on our global pulse study, while some mandates may take longer to fund and hiring levels may slow, it does not appear as though investors are universally canceling manager search efforts as a result of the coronavirus pandemic.



Source: Greenwich Associates Coronavirus Flash Study, March 2020

What Keeps You Awake at Night?

As noted in Pandemic Perspectives – Part 1, institutional investors seem to be retaining a positive long-term outlook, despite a high degree of distress about what the rest of 2020 will bring. The Greenwich Investor Resiliency Index shows a short-term confidence score of 4.9 vs. an 8.1 score over the longer term.

Additionally, these investors voiced three key concerns about the "unknowns" related to the coronavirus pandemic:

Potential long-term impact on the economy: What if the optimists' view that the economy will roar right back once the pandemic is under control does not play out? Instead, the coronavirus will have long-term economic impact and lead to a prolonged recession (think 1930s).

Enduring crisis of confidence: What if society loses confidence in a) our governments' and policy makers' ability to respond to future crises; b) the healthcare systems' ability to protect us from future pandemics; or c) the U.S. dollar's role as the reserve currency? This uneasiness may lead to instability in global political and economic systems.

Panic-driven investing as the norm: What if the coronavirus creates a new environment of uncertainty--about more than just health-related issues--that drives consistently higher levels of market volatility? This situation would make it more difficult for investors to achieve their long-term goals and objectives.

Although nobody (including us) has a crystal ball, managers would be wise to understand and address these concerns in discussions with clients and consultants in the weeks ahead.

Conclusion

We are all living through an unprecedented situation with the coronavirus pandemic. The economic outcome of the coronavirus (a global recession), however, is familiar territory. The managers that learn from the past by providing exceptional levels of communication, reliable advice and impactful thought leadership will be well positioned to succeed in the years ahead.

Part 1 – Greenwich Investor Resilience Index

Part 3 – Supporting Consultants During Coronavirus

Part 4 – Asset Manager Service Quality: Pre- and Post-COVID-19 Onset

Part 5 – Leading through Crises

Part 6 – Useful Content in Times of Crisis

Part 7 – Managers Adapting Through Crisis

Part 8 – Using Analytics to Transform Sales, Win New Assets

---

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India’s foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF

ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., a company of S&P Global. ©2026 Crisil Ltd. All rights reserved.