Crisil
Coalition
Greenwich

Short Duration Credit

A Multifaceted Addition to the Fixed-Income Toolbox

September 1, 2020

Executive Summary:



This report is based on the results of a special study, conducted by Greenwich Associates in partnership with Lord Abbett, to better understand how institutional investors viewed the risk, liquidity and return profiles of their portfolios just before the onset of the COVID-19 crisis. The study data reveals that even before the latest set of challenges related to the pandemic, and even more so now as institutions recalibrate their portfolios in response to today's unprecedented conditions, many would benefit from assets that can potentially help utilize their privileged liquidity position, protect principal and enhance yields.

A number of the institutions have been finding these qualities in short duration credit strategies. At the onset of the crisis, institutional investors were using short duration credit to optimize cash holdings—an important function for plans that had been increasing cash positions in preparation for just such an event. Institutions were also using the product as a complement to core fixed-income allocations and as a way to access credit spread while limiting default risk, with the end goals of enhancing yield while managing liquidity and principal risk.

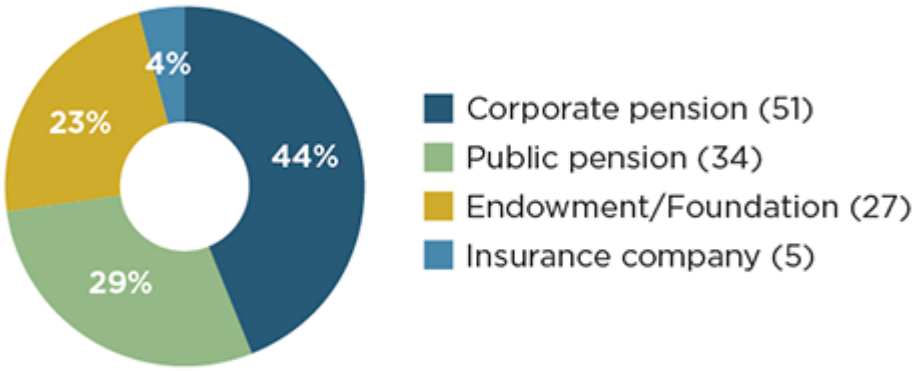
The COVID-19 crisis has elevated the awareness of and need for portfolio liquidity, while also intensifying institutions' need to enhance yields to address what could be acute, long-term funding shortages. We believe short duration credit can be integrated into tiered liquidity management programs that balance the need for elevated near-term liquidity with the desire for more yield available in the credit markets.

Fed action and increased market demand for fixed income have resulted in starkly lower yields for long-term government bonds and core fixed-income portfolios, leaving credit spreads in an advantaged position to potentially provide portfolio yield. However, not all credit is created equal: Elevated default risk and sector dispersion highlight the need for a focus on near-term maturities and an active, multi-sector approach, in our view.

Methodology:

From February to March 2020, Greenwich Associates, in partnership with Lord Abbett, conducted a study of institutional investors to understand the challenges they face and changes they have made to their portfolios in seeking to enhance returns while managing risk and liquidity. Greenwich Associates interviewed 117 U.S. institutional investors, including corporate pension plans, public pension plans, endowments and foundations, as well as several insurance plans.

RESPONDENTS



Note: Based on 117 total respondents. Numbers in parentheses represent number of respondents per segment.
Source: Greenwich Associates 2020 Short Duration Credit Study

Crisil
Coalition Greenwich

---

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.

greenwich.com ContactUs@greenwich.com Ph +1203.625.5038