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Multi-asset credit primer

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Multi-asset credit (MAC) is an investment approach that actively provides allocations across multiple credit sectors within a single portfolio that aims to pursue relative-value opportunities among the various credit sectors. MAC strategies have seen increasing use by institutional investors seeking a more flexible, opportunistic approach that can benefit from the evolution of global debt markets.

This paper provides an educational overview of MAC, explaining its origins, structure, and evolution. It explores the major categories of MAC strategies and the differences in investment approaches that managers use in constructing their portfolios. We also address the challenges and risks inherent in MAC strategies, as well as major implementation issues, such as benchmarking.

Key takeaways

- Multi-asset credit provides a flexible, opportunistic approach to credit investing by allowing managers to shift dynamically across diverse credit sectors, such as high yield, bank loans, and structured products. This flexibility aims to capture relative value and respond to changing market conditions.
- MAC strategies vary widely, from simple bond/loan blends to diversified, opportunistic, and public-private crossover approaches. MAC strategies offer different levels of complexity, liquidity, and alpha potential. Understanding these distinctions is essential for aligning a mandate with an investor's governance capacity and risk tolerance.
- Manager skill is central to MAC's value proposition, given the wide opportunity set and meaningful dispersion in performance across managers.
- Benchmarking MAC is inherently challenging because no single index captures its broad opportunity set. As a result, investors often rely on blended benchmarks, target-return frameworks, and multi-lens evaluation approaches to assess performance.

What is multi-asset credit?

A multi-asset credit strategy is an investment approach that actively shifts capital across a wide range of credit markets - typically below investment grade - seeking to capture relative value and optimize portfolio performance through changing market conditions. Unlike portfolios that maintain a fixed allocation to high yield bonds, leveraged loans, or other credit sectors, a MAC portfolio is managed opportunistically, moving between these areas as opportunities arise.

Rather than dividing exposure into isolated segments, MAC brings together these investments under a single, actively managed mandate. In practical terms, a MAC portfolio might hold high yield corporate bonds, leveraged loans, structured credit instruments (e.g., collateralized loan obligations or other asset-backed securities), convertible bonds, emerging markets debt, private credit, and other credit-based investments, all within one mandate (see Figure 1 for a broad representation of the opportunity set). While the focus is generally on non-investment grade fixed income, some strategies may opportunistically invest in investment grade credit or distressed equity-like positions. The unifying characteristic of these assets is that returns are primarily driven by credit risk.[1]

[1] Credit risk is highly linked to broader economic growth. Hence, investors should be aware that MAC will often move in similar directions as other assets in their portfolio that are exposed to economic growth, which includes equities.

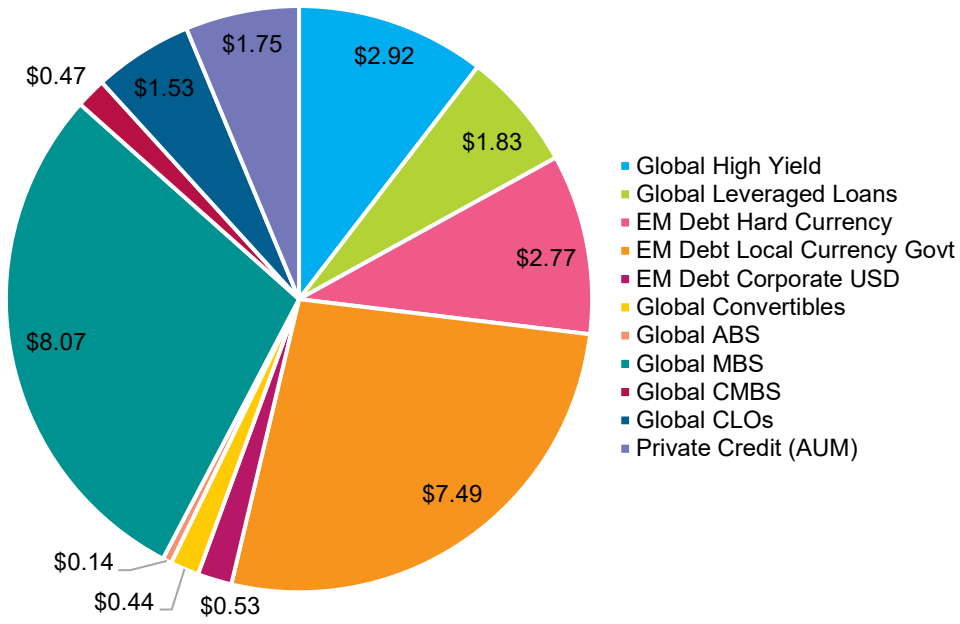

FIGURE 1
Opportunity Set for MAC by Amount Outstanding ($ Trillions)

Sources: Bloomberg's Barclay's Live, as of September 30, 2025; Preqin, as of March 31, 2025, pulled in November 2025; Morgan Stanley Research, as of October 7, 2025. Indices used: Global High Yield Global Leveraged Loan Index, EM Hard Currency Aggregate, EM Local Currency Govt, EM USD Aggregate: Corporate, Global Convertibles, Global Securitized Asset Backed, Global Securitized MBS Passthrough, Global Securitized CMBS, Global CLOs, Preqin's Private Credit Universe. Private credit data shown is AUM, while all other asset class data is amount outstanding.

MAC strategies are distinguished by their flexibility to access various credit markets, their active approach to shifting allocations in response to changing spreads and market fundamentals, and their holistic risk management approach, which integrates oversight across the entire portfolio rather than managing risk in separate silos.

Why group these asset classes together?

Many investors will use separate and distinct managers to allocate capital to high yield, bank loans, and other credit assets. This approach provides transparency, clarity of purpose, ease in benchmarking, and consistency with asset allocation targets. However, managers operating within narrow mandates often do not capture cross-asset relative value.

By contrast, an integrated MAC mandate enables a single manager to decide where in the capital structure or across geographies the best perceived risk-adjusted return exists. Using MAC mandates can lead to more efficient use of capital and a wider opportunity set for adding value.

The rationale for multi-asset credit strategies is rooted in the evolution of debt issuance and the appeal of managers conducting relative value trades across asset classes. As issuers have become more willing to seek financing from across the broad array of credit markets, including high yield, bank loan, and private credit, the opportunity set for asset managers has expanded. Recent years have seen notably different return profiles between credit asset classes, driven largely by interest rate changes and macroeconomic volatility.

The core logic behind MAC is that most corporate credit instruments share a common risk driver – the ability and willingness of the borrower to repay their debt – but differ in structure, seniority, and market behavior. High yield bonds, leveraged loans, and other forms of credit respond differently to changing interest rates and market cycles (see Figure 2). Managing them together allows an investor to rotate capital dynamically across the credit spectrum, rather than being locked into rigid asset-class mandates.

For example, in cycles of tightening monetary policy, floating-rate loans or CLOs can offer better protection, while in periods where spreads are narrowing, lower quality high yield or distressed opportunities may provide superior upside. Combining them within one portfolio helps facilitate optimization of risk and reward while still providing the investor the desired exposure to the higher yields typically associated with credit.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
US Convertibles 15.7%*	CLOs 2.1%	High Yield Bonds 17.1%	US Convertibles 21.0%	US Private Credit 6.8%	US Convertibles 20.9%	US CMBS 7.6%	US Private Credit 19.6%	US Private Credit 5.3%	CLOs 17.4%	CLOs 13.2%
US Private Credit 8.2%	US Convertibles 1.7%	US Convertibles 14.2%	EM Bonds (Local) 14.4%	US Convertibles 3.4%	High Yield Bonds 14.3%	US Convertibles 7.6%	US Convertibles 10.4%	Bank Loans -0.8%	High Yield Bonds 13.4%	US Convertibles 10.0%
US MBS 6.1%	US MBS 1.5%	US Private Credit 11.6%	US Private Credit 10.4%	US ABS 1.8%	EM Corporate Bonds 13.1%	US Private Credit 7.5%	High Yield Bonds 5.3%	CLOs -3.6%	Bank Loans 13.3%	US Private Credit 9.9%
EM Corporate Bonds 5.0%	EM Corporate Bonds 1.3%	CLOs 10.4%	EM Bonds (Hard) 9.6%	US CMBS 1.0%	EM Bonds (Hard) 12.1%	EM Corporate Bonds 7.1%	Bank Loans 5.2%	US ABS -4.3%	US Private Credit 10.4%	Bank Loans 9.0%
US CMBS 4.2%	US ABS 1.2%	Bank Loans 10.2%	CLOs 9.1%	US MBS 1.0%	EM Bonds (Local) 11.1%	High Yield Bonds 7.1%	CLOs 5.1%	US Convertibles -7.7%	EM Bonds (Local) 10.1%	High Yield Bonds 8.2%
EM Bonds (Hard) 3.1%	US CMBS 0.9%	EM Corporate Bonds 9.7%	EM Corporate Bonds 8.0%	Bank Loans 0.4%	CLOs 8.8%	EM Bonds (Hard) 7.1%	EM Corporate Bonds 0.9%	US CMBS -10.9%	EM Bonds (Hard) 9.6%	EM Corporate Bonds 7.6%
High Yield Bonds 2.5%	US Private Credit 0.3%	EM Bonds (Hard) 9.0%	High Yield Bonds 7.5%	CLOs 0.1%	Bank Loans 8.6%	CLOs 6.8%	US ABS -0.3%	High Yield Bonds -11.2%	EM Corporate Bonds 9.1%	EM Bonds (Hard) 5.8%
CLOs 1.9%	EM Bonds (Hard) -0.2%	EM Bonds (Local) 7.9%	Bank Loans 4.1%	EM Corporate Bonds -1.6%	US CMBS 8.3%	EM Bonds (Local) 5.1%	US CMBS -0.9%	US MBS -11.8%	US Convertibles 5.7%	US ABS 5.0%
US ABS 1.9%	Bank Loans -0.7%	US CMBS 3.5%	US CMBS 3.5%	High Yield Bonds -2.1%	US Private Credit 7.7%	US ABS 4.5%	US MBS -1.0%	EM Corporate Bonds -12.3%	US ABS 5.5%	US CMBS 5.0%
Bank Loans 1.6%	High Yield Bonds -4.5%	US ABS 2.0%	US MBS 2.5%	EM Bonds (Hard) -3.0%	US MBS 6.4%	US MBS 3.9%	EM Bonds (Hard) -2.6%	EM Bonds (Local) -12.7%	US CMBS 5.3%	US MBS 1.2%
EM Bonds (Local) -3.4%	EM Bonds (Local) -11.1%	US MBS 1.7%	US ABS 1.6%	EM Bonds (Local) -5.7%	US ABS 4.5%	Bank Loans 3.1%	EM Bonds (Local) -9.3%	EM Bonds (Hard) -16.6%	US MBS 5.0%	EM Bonds (Local) -2.0%

FIGURE 2
Annual Calendar Year Returns by Asset Class

Source: InvMetrics, Palmer Square, and Cambridge Associates via IHS Markit, as of December 31, 2024. Private credit data pulled in October 2025. Indices used: Bloomberg US Corporate High Yield, Morningstar LSTA US Leveraged Loan, ICE BofA All Investment Grade US Convertibles, Bloomberg EM Hard Currency Aggregate, Bloomberg EM Local Currency Diversified Government, JPM CEMBI Broad Diversified, Palmer Square CLO Diversified Index, Bloomberg US ABS Index, Bloomberg US CMBS Investment Grade Index, Bloomberg US Mortgage Backed Securities, Cambridge Associates US Private Credit Composite. Private credit is net of fees, all other asset classes are gross of fees. Note that Palmer Square's CLODI inception date is June 1, 2015, returns prior to that are "hypothetical/model returns calculated using a compilation of Thompson Reuters pricing and secondary market trade quotes."

By integrating management, the portfolio may benefit from streamlined oversight and collaboration. A unified team managing diverse credit strategies within one portfolio may gain a more thorough understanding of holdings, making it easier to recognize risks and capitalize on opportunities that might otherwise go unnoticed.

Ultimately, the case for MAC relies on managers being skilled at opportunistically identifying and capturing relative value across capital structures regardless of credit asset types. Those who utilize MAC strategies share a belief in the basic premise that a skilled manager can add value through cross-sector allocation and security selection beyond what static sub-allocations deliver.

The evolution of MAC

MAC emerged in the wake of the Global Financial Crisis (GFC). As the composition of credit markets evolved after the GFC, some investors started to think of credit portfolios more holistically rather than strictly siloed by rating category or geography. These investors likewise learned that credit-oriented fixed income portfolios offered limited protection during periods of extreme market stress, but that such periods also brought opportunities to exploit credit dislocations. At the same time, persistently low interest rates, courtesy of central bank policies in the 2010s, forced many investors to seek higher risk, higher return strategies. Hence some investors, starting primarily with European pension and insurance funds, began allocating to multi-sector credit mandates around 2010.[2]

A key distinction between multi-asset credit and unconstrained strategies that emerged around the same time is that multi-asset credit strategies primarily focus on credit whereas unconstrained strategies typically target the broad fixed income universe which includes government bonds and currencies. Unconstrained strategies will often place more of an emphasis on macro positioning such as duration and currencies. Both forms of strategies will adjust overall risk positioning through a cycle but differ in instruments used. Multi-asset credit strategies will utilize various credit qualities and security types to alter the portfolio's risk profile whereas unconstrained strategies will also use derivatives, government bonds and currencies.

Over time, the concept migrated to the US, initially among large insurance companies and endowments. By the late 2010s, global asset managers began offering dedicated MAC funds. At the same time, alternative asset managers that historically ran illiquid credit strategies developed liquid alternatives for public fixed income investors in the form of multi-asset credit strategies.

Following the rate-hiking cycle in 2022, capital raising has seen a meaningful shift where corporate issuers have opted to collaborate directly with buy-side asset managers as opposed to the traditional collaboration with sell-side underwriters. Given the increased cost of capital and different debt structures available to issuers, corporate issuers have become more agnostic about the markets from which they raise capital. Some corporate issuers raise capital from multiple markets simultaneously. The decision of which market(s) an issuer taps for capital can change based on feedback from the buyside asset managers regarding the prevailing market conditions and favorability of terms available for debt issuance in each market.

This changing nature of capital raising to a more decentralized market has fueled the appeal of multi-asset credit mandates. It coincides with issuers seeking alternative forms of financing through private credit and narrowly syndicated deals. Today, MAC has become an asset class category recognized by many institutional investors. The continued innovation in credit markets (e.g., growth of structured credit, expansion of emerging market corporate debt issuance, various forms of private lending) suggests that the opportunity set for MAC managers should be robust.

[2] Sources: Bank for International Settlements. Global Liquidity and Credit Dynamics: 2023 Review; PineBridge Investments. The Case for Multi-Asset Credit. June 2025.

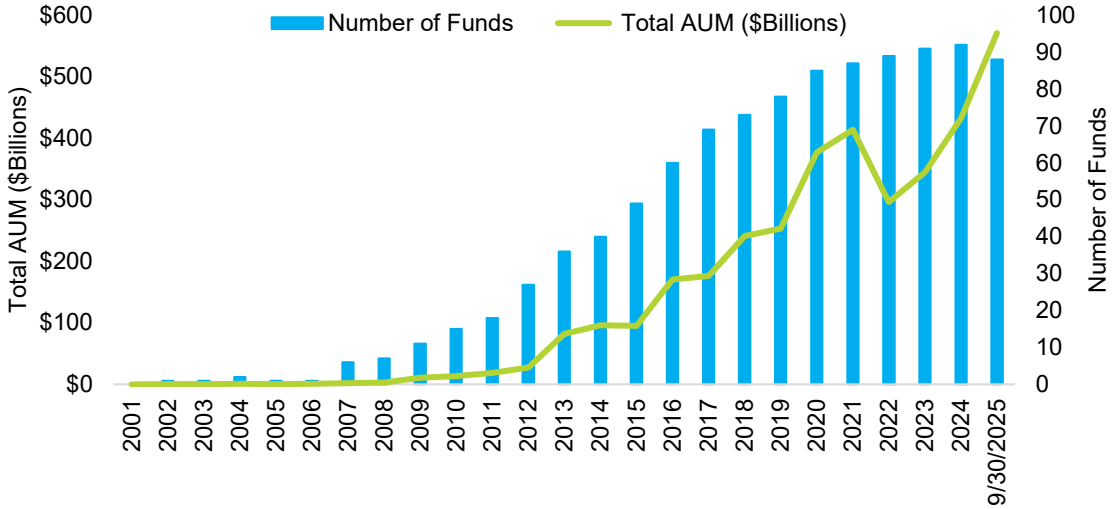

FIGURE 3
Growth in the MAC Universe

Source: eVestment Alliance, as of September 30, 2025. Data pulled in December 2025. Index: eVestment's Multi-Asset Credit Fixed Income Universe. The lower number of funds in 2025 may be due to the period end with the third quarter (e.g., some funds may not report until the end of the fourth quarter).

The modern MAC universe has expanded alongside the growth of global leveraged finance markets and securitized credit. The deepening of high yield and loan markets, combined with new vehicles like private credit and CLO tranches, has broadened the opportunity set for cross-credit investors. The number of funds and assets under management in MAC strategies has grown accordingly (see Figure 3).

Categories of MAC strategies

Although MAC is inherently flexible, Meketa generally recognizes five broad categories of strategy design:

The first category, **Core Multi-Asset Credit**, represents the most straightforward approach. Portfolios in this category, also known as simplified MAC, are typically split evenly between high yield bonds and bank loans, with limited sector diversification and lower tracking error. The primary drivers of return are security selection and asset allocation between fixed-rate and floating-rate instruments. This approach is often well-suited for investors seeking simplicity and transparency but may lack the additional alpha opportunities available within a broader set of credit asset classes.

Opportunistic Multi-Asset Credit strategies embrace higher conviction and concentration. Managers in this space often leverage private market expertise to inform public market investments, resulting in portfolios that may include stressed credits, special situations, and allocations to lower credit qualities such as CCCs. These strategies tend to be less liquid, with monthly or quarterly redemption options and marginally higher fees. They are frequently managed by firms with substantial private markets businesses, and they may adopt a global perspective, investing across both US and European credits. The ability to pivot quickly and take advantage of market dislocations within bespoke lending opportunities is a hallmark of this category.

Core Diversified Multi-Asset Credit strategies broaden the opportunity set further, incorporating not only high yield and bank loans but also other sectors such as securitized assets, emerging markets debt, and convertible bonds. These portfolios are typically managed by larger teams with expertise across multiple asset classes, and their benchmarks, while varied, remain focused on below-investment grade credit. Liquidity ranges from daily to monthly, and fees are generally in line with those of the core category. The inclusion of additional sectors allows for greater diversification and the potential to capture returns from less correlated sources.

Investment Grade Diversified Multi-Asset Credit strategies offer the broadest sector exposure and highest liquidity. This subset of strategies is often referred to as "Multi-Sector Credit." These portfolios include investment grade sectors alongside high yield, bank loans, securitized assets, and sometimes emerging markets debt. Duration risk is typically actively managed within the Investment Grade Diversified category, and it is typically managed within defined bands of 0–4 or 0–5 years. The strategies are usually run by large teams dedicated to specific sectors. The liquidity profile is often daily, making these strategies attractive for investors who require more flexibility. However, the additional interest rate sensitivity and duration risk must be carefully considered. This subset's investment grade tilt may require further portfolio analysis for clients who also have investment grade bond exposure through Core, Core Plus, or other investment grade bond allocations.

The fifth category, **Public-Private Crossover Multi-Asset Credit**, bridges the gap between public and private credit markets. These strategies typically allocate 20–40% to private credit, offering clients exposure to less liquid, higher-yielding assets, without the full lock-up periods associated with traditional private credit funds. Adoption has been limited, in part due to operational challenges and the way institutions often separate public and private market allocations. Nevertheless, the convergence of public and private credit is a major industry trend, with many investment managers noting that the lines between these markets are increasingly blurred. The lower volatility of these strategies, resulting from private credit allocations not being marked to market daily, may appeal to clients seeking stability, but the higher costs and limited liquidity require careful consideration.

Note that the distinctions are not rigid: some managers operate across multiple categories depending on mandate design. However, recognizing these categories helps investors align complexity and scope with their governance capacity.

Bottom-up vs. top-down approaches to alpha generation

MAC managers differ in how they seek to generate alpha. As is often the case with strategies in several other asset classes, MAC portfolio management approaches can be either top down or bottom up.

→ Bottom-up strategies emphasize issuer-level credit research across the entire capital structure. Portfolio construction stems from fundamental credit selection, using relative-value insights to choose between, for example, a company's loan, bond, or convertible. Each issuer or credit instrument is evaluated on fundamentals and relative value against alternatives from any sector.

  By examining credit risk at the issuer level, the manager may be able to identify dislocations. For example, a company's loan may yield significantly more than its bond, or two companies in different industries may offer a similar spread but one is in a stronger perceived financial situation. These kinds of cross-market relative value insights are more likely with an integrated research approach (i.e., an analyst team that covers loans, bonds, and other instruments together). This approach is rooted in the conviction that credit anomalies and relative value opportunities can be best exploited at the security level.

→ Top-down strategies are driven by macroeconomic and valuation factors and they tend to emphasize sector allocation, risk budgeting, and duration positioning before security selection. They focus on capital allocation across markets (e.g., shifting exposure between the US and Europe or between leveraged loans and CLOs) based on spread, duration, and cycle analysis. For example, a manager might become more defensive if they expect a recession or hedge interest rate exposure if they anticipate rates are about to rise.

Some of the most effective MAC implementations are adept at combining the two approaches. That is, a strong MAC manager may use top-down analysis to inform tilts but investment ideas will primarily percolate from the bottom up. In this combined approach, allocation shifts are frequently the result of accumulated security-level decisions linked with an overlay of top-down views.

The importance of manager selection

The thesis behind MAC is one that relies on active management. Therefore, an investor must choose among active managers to execute on their MAC mandate. The median rolling one-year MAC return has, naturally, followed very closely with that of a 50% Bank Loans and 50% High Yield Bond portfolio (see Figure 4). The largest deviation between the two occurred during the Global Financial Crisis and its subsequent rebound. During the Global Financial Crisis, MAC strategies generally declined less than broader credit markets, potentially reflecting their diversified structure. That same diversification, however, contributed to relative underperformance versus a 50% bank loans / 50% high yield bonds portfolio during the post-crisis rebound. Since then, performance dispersion between the two has been more muted, with the second largest deviations occurring in 2020 and 2021, though not to its GFC-levels. Overall, the trailing net 10-year annualized return of the median MAC strategy was 4.9%, roughly ~1% lower than the 50% Bank Loan and 50% High Yield Bond portfolio's 5.8% (see Figure 5).[3]

[3] Source: eVestment Alliance and InvMetrics, as of September 30, 2025. Data pulled in November 2025. Index: eVestment's Multi-Asset Credit Fixed Income Universe, Bloomberg US Corporate High Yield, Morningstar LSTA US Leveraged Loan. MAC performance is net of fees. MAC had 37 funds with returns over the full trailing 10-year period.

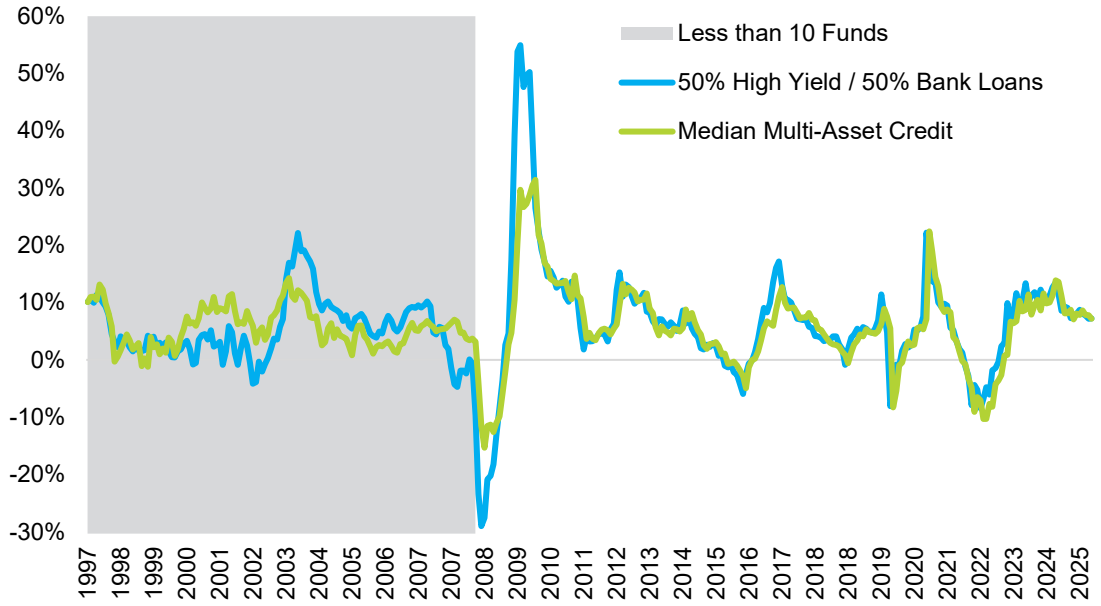

FIGURE 4
Rolling 1-Year Annualized Return

Source: eVestment Alliance and InvMetrics, as of September 30, 2025. Data pulled in November 2025. Index: eVestment's Multi-Asset Credit Fixed Income Universe, Bloomberg US Corporate High Yield, Morningstar LSTA US Leveraged Loan. MAC performance in this chart is net of fees.

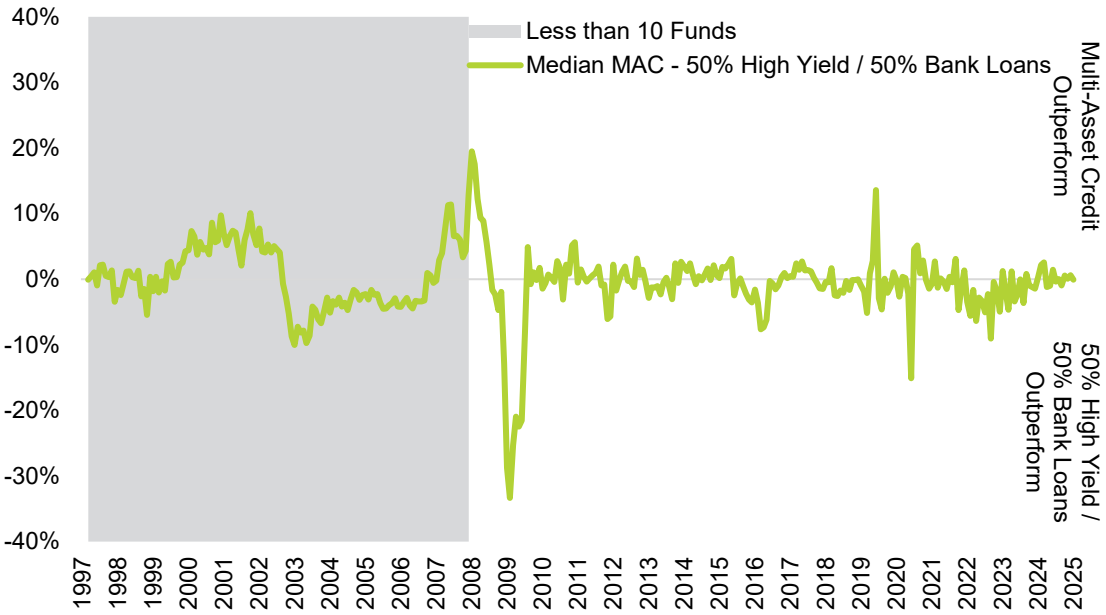

FIGURE 5
Rolling 1-Year Outperformance of MAC Relative to a 50% Bank Loans / 50% High Yield Portfolio

Source: eVestment Alliance and InvMetrics, as of September 30, 2025. Data pulled in November 2025. Index: eVestment's Multi-Asset Credit Fixed Income Universe, Bloomberg US Corporate High Yield, Morningstar LSTA US Leveraged Loan. MAC performance in this chart is net of fees.

Interquartile spreads can be interpreted as how much potential value lies in selecting superior active managers within each asset class. The active MAC universe has, on average, had a historically larger interquartile spread than bank loans and high yield bonds (see Figure 6). This implies that there are many different styles of MAC strategies with significantly different return drivers, and that multi-asset credit strategies may have a larger opportunity to generate manager alpha compared to managers in these single asset class strategies. This intuitively makes sense since MAC managers have a larger opportunity set and a broader variety of opportunities from which to choose.

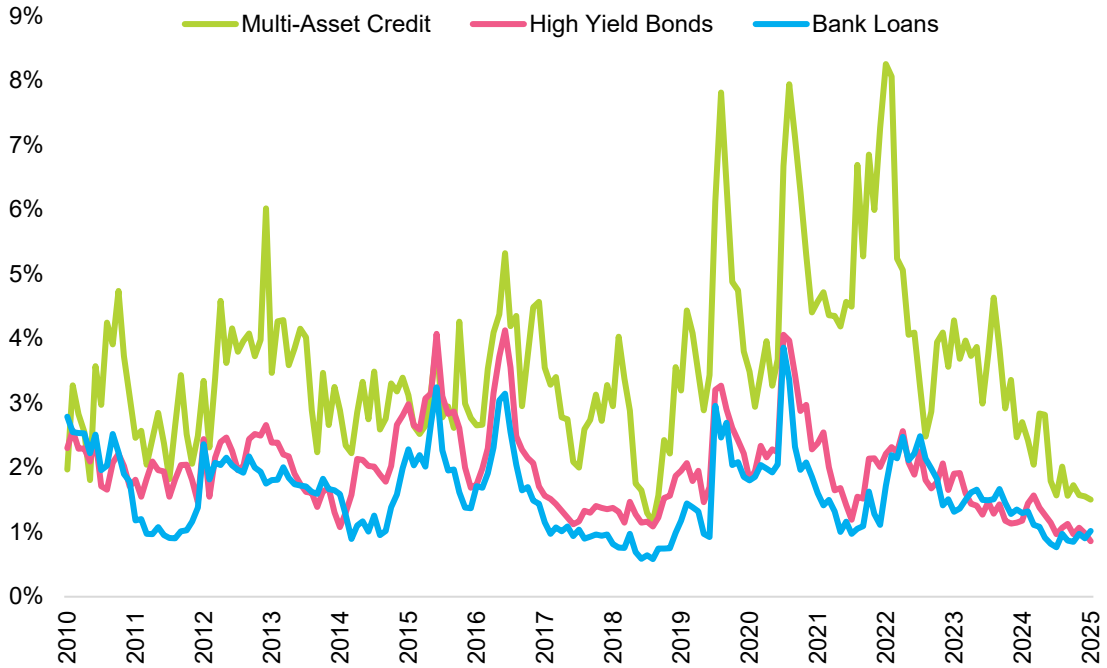

FIGURE 6
Rolling 1-Year Interquartile Spread in MAC Strategies

Source: Meketa analysis of data from eVestment Alliance. Gross of fees. Data is as of September 30, 2025. Interquartile spreads are evaluated by taking the difference between the geometric average of the 75th percentile return and the 25th percentile over a rolling 12-month period. September 2010 was used as the start date because it is the first date that all three asset classes had at least 10 funds. See Meketa's Manager Alpha whitepaper for more information. Fund count was not substantially different over the past ten years, MAC had an average of 63 funds, bank loans had an average of 89, and high yield had an average of 151.

Implementation issues

MAC strategies are sometimes accessed through commingled funds, but large institutions can implement them via separately managed accounts that can be tailored to liquidity, duration, and credit-quality preferences.

Customization and the institutional imperative

Customization is one of the most valuable aspects of MAC. Institutional investors can differ widely in risk tolerance, liquidity needs, and governance frameworks. Larger investors may employ multiple MAC managers, each with a distinct approach, to construct the desired overall allocation. For example, one mandate may emphasize liquid credit while another provides more structured-credit or opportunistic exposure. The combined approach should be designed to match the investor's tolerance for illiquidity and tracking error.

Investors who are able to customize their approach to portfolio design should consider how they want to approach each of the following dimensions:

- **Concentration**. MAC portfolios range from highly diversified, index-like portfolios to concentrated, high-conviction accounts. Concentration increases alpha potential but raises tracking error and idiosyncratic risk.
- **Private credit**. Including private credit can smooth returns and potentially offer high yields, but add illiquidity and reduce transparency. Many US institutions prefer to treat private credit separately, reserving MAC for public markets.
- **Liquidity**. The level of liquidity ranges from daily-liquid vehicles to those with quarterly or semi-annual redemption terms. The inclusion of structured or private assets typically reduces liquidity.

- **Emerging markets debt**. Including emerging market sovereign and corporate debt substantially increases the opportunity set. However, it may bring additional risks, such as sovereign and currency risks.
- **Non-USD Exposure**. Some MAC strategies are US-centric, while others offer global mandates. Exposure to non-USD assets increases currency risk, in which case a manager's currency hedging policy will significantly affect portfolio volatility.
- **Credit Quality**. MAC portfolios may focus on relatively higher quality (BB/B) segments or extend into lower quality and distressed areas in the pursuit of higher returns.

These aspects often overlap. For example, strategies that pursue higher yields frequently accept greater illiquidity and concentration risk. Understanding these trade-offs helps investors select MAC managers that align with their objectives and constraints.

Fees

Fees are another important implementation consideration for MAC strategies. eVestment's Multi Asset Credit Universe has a median fee of 54 basis points on a $100 million mandate, slightly higher than the median of 50 basis points for high yield bonds and bank loans.[4] However, MAC's slightly higher median fee does not tell the full story. Due to the wide range of MAC categories and varying degrees of complexity, there can be a wide range of fees charged by managers. Investors should anticipate a general rise in fees as the complexity of assets increases. For example, the core MAC category is likely to have lower fees due to its straightforward and less complex nature. Conversely, opportunistic MAC strategies often tend to have higher fees due to the inclusion of structured products, distressed credit, and other more complex credits.

[4] Source: eVestment Alliance, as of November 21, 2025. Indices used: eVestment Multi Asset Credit Fixed Income Universe, eVestment US High Yield Fixed Income Universe, eVestment US Floating Rate Bank Loans Fixed Income Universe. Backdated fee data is unavailable. It is important to note that the fees listed are the "rack rate" fees.

Potentially misleading "MAC" labels?

As MAC's popularity has grown, some traditional "core-plus" or multi-sector fixed income strategies have rebranded themselves as MAC in the hope of capturing investor attention (and AUM). There are several key characteristics that are more commonly found among true MAC strategies than these other strategies (see Figure 7).

Genuine MAC Characteristics	"Rebranded" Strategies
Dynamic allocation across credit asset classes, including below investment grade markets	Primarily investment grade with limited tactical flexibility
Integrated portfolio management under one team	Separate sleeves managed independently
Bottom-up credit research primarily drives asset allocation.	Allocating based on top-down risk assessment.
Blended credit benchmark	Traditional core-plus benchmark or fully unconstrained.

FIGURE 7
Common Characteristics of MAC and Rebranded Strategies

Source: Meketa Investment Group, 2026.

Investors should evaluate whether the manager demonstrates cross-asset conviction, dedicated multi-credit research teams, and a clear history of active rotation across markets.

Portfolio integration considerations

Implementing a multi-asset credit strategy can introduce overlapping exposures when different asset classes or managers share similar risk factors, leading to unintended concentrations in the portfolio. This overlap may reduce diversification benefits and increase vulnerability to sector-specific or macroeconomic shocks. Careful portfolio construction and ongoing risk monitoring are essential to identify and manage these overlapping exposures effectively.

Likewise, implementing a multi-asset credit strategy can complicate risk budgeting by introducing overlapping risk exposures across asset classes, making it harder to accurately assess and allocate risk limits. Additionally, the dynamic nature of allocations in such strategies may result in shifting risk profiles that require more frequent and nuanced monitoring to avoid unintended concentrations and breaches of established risk budgets.

Measuring performance in multi-asset credit

Evaluating the performance of multi-asset credit (MAC) strategies requires a different mindset than evaluating traditional asset classes. MAC is not a single market with a single return stream. Instead, it is a flexible investment approach that allows managers to allocate across multiple credit sectors, instruments, and regions as market conditions evolve. This flexibility is a defining feature of MAC, but it also complicates how performance should be measured and interpreted.

Key challenges

One challenge stems from benchmarking itself. Because MAC strategies can vary meaningfully in their design, there is no single, investable benchmark that fully represents the opportunity set. Investors often rely on blended benchmarks, typically combining high yield bonds and bank loans, to approximate the "core" of a MAC portfolio. These benchmarks provide a helpful reference point, but they are inherently static. They do not adjust as managers shift allocations, nor do they fully capture exposures to sectors such as securitized credit, emerging markets debt, or private credit that may be integral to a strategy's return profile. As a result, benchmarking MAC inevitably involves trade-offs between simplicity, investability, and representativeness, and investors should apply judgment when determining how success should be defined for a given MAC allocation.

Approaches to benchmarking

Many MAC mandates end up being measured against a blended index composed of major credit indices, typically high yield and bank loan indices.[5] The most prevalent in recent years has been a 50/50 blend of a high yield bond index and a leveraged loan index.[6] This blend is simple, represents the core below-investment grade

[5] It is common practice across the investment industry to construct a custom benchmark (aka, a "normal portfolio") to reflect the manager's investment style and process, rather than a generic market index. It typically represents the set of assets and weights that an unbiased, rational manager following the stated investment mandate would hold. A normal portfolio can serve as a fair reference point for performance attribution and appraisal, as it helps isolate active management decisions relative to what would have been achieved under a neutral implementation of the stated strategy.

[6] Source: Shenkman Capital (2025), "Multi-Asset Credit: A Complete Approach," Appendix.

sectors, and reflects the fact that many MAC strategies gravitate around a mix of bonds and loans as the "core" of their portfolio. Some investors use slight variations that are designed to include exposures that are typical in a given mandate. For example, A MAC strategy that regularly invests a meaningful portion of their portfolio in emerging markets bonds might benchmark to 1/3 each in high yield, loans, and emerging markets debt. Another common example is a MAC strategy investing in the European credit markets may use a benchmark that splits the benchmark regionally to reflect a targeted proportion of US and European markets (e.g., 70% US high yield and bank loans / 30% European high yield and bank loans). While blended benchmarks are a practical solution, they come with shortcomings. Any fixed blend is by nature somewhat arbitrary and not reflective of a dynamic allocation. This is a challenge for any strategy in any (combination of) asset class(es) that relies on tactical shifts in allocations. Moreover, they often do not represent the full opportunity set available to the manager. If a MAC manager outperforms a static 50/50 index because they routinely hold other assets (CLOs, EM, etc.) that are not in the benchmark, it would be challenging to attribute this outperformance to skill.

Because MAC portfolios often include off-benchmark exposures for their benchmark, performance attribution is tricky: managers (and consultants) often run attribution by "sleeve" or asset class to determine the source of excess returns. For example, they will compare what the high yield portion of the portfolio did versus the high yield index (used in the-benchmark) and then any returns from assets not in the benchmark are labeled as "allocation effect" or "off-benchmark effect." This is informative but again not perfect – what if those off-benchmark bets are a core part of the strategy's skill? Then calling them just an "effect" relative to a high yield/ loan index understates the manager's capability.

If the benchmark is being used as a performance target to beat, an investor could choose an easier hurdle (like a blend that is easy to outperform) or a harder one, depending on their philosophy. Goodhart's Law famously states that when a measure becomes a target, it ceases to be a good measure.[7] In the context of benchmarks, if a MAC manager is explicitly tasked to beat a specific index, they might game the system (e.g., overweight an off-index asset that isn't in the benchmark if they think it will do well, thus making relative performance look great but essentially taking a different risk). For this reason, investors should consider evaluating MAC strategies using multiple lenses and benchmarks will provide more useful information.

[7] Named after a British economist, Charles Goodhart, who originated the concept in the context of monetary policy, though it is often applied to broader performance metrics and incentive systems. See "Problems of Monetary Management: The UK Experience", Papers in Monetary Economics, Reserve Bank of Australia, Vol. I, 1975.

Some investors benchmark MAC against a target return that is based on a "risk free" asset like cash or Treasuries (e.g., "90-Day Treasuries yield + 4%"). This reflects the idea that MAC should beat government bonds by a reasonable spread over a full market cycle. As with any "plus a spread" benchmark, the appropriate size of that spread (i.e., the outperformance hurdle) is rather subjective and susceptible to the potential gaming noted above. Another challenge is that such a benchmark is not investable. Further, "plus a spread" benchmarks do not adjust for market conditions. For example, in years when credit does poorly, beating a static "+4%"

might be unrealistic, while in years where spreads are tightening, the vast majority of managers would be expected to beat it. Hence, this kind of benchmark might be better for evaluating the policy decision of whether to invest in MAC, while blended benchmarks and peer universes might be used to evaluate the skill of the manager(s) employed.

Conclusion

Multi-asset credit has evolved into a distinct and increasingly important category within institutional portfolios, offering investors a flexible framework for accessing the broad and expanding universe of global credit. By enabling managers to allocate dynamically across public and private markets, across capital structures, and across geographies, MAC strategies provide a more holistic approach to credit investing than traditional siloed mandates. The continued growth and diversification of global credit markets only reinforce the relevance of MAC as a tool for navigating an ever-changing landscape.

At the same time, MAC's breadth underscores the importance of thoughtful manager selection, clear mandate design, and well-defined governance structures. Because the strategy relies heavily on active decision-making, both at the security and allocation levels, investors must ensure alignment between their risk tolerance, liquidity needs, and the particular strengths of a chosen manager. Customization can be a powerful advantage, but it also requires careful calibration of exposures, including the appropriate balance between liquid and illiquid assets, top-down and bottom-up processes, and domestic and international markets.

Finally, evaluating MAC performance requires a nuanced approach that recognizes the limitations of traditional benchmarks. No single index can fully capture the strategy's opportunity set or its reliance on tactical flexibility. As a result, investors should consider employing multiple perspectives, such as blended benchmarks, absolute-return frameworks, and peer comparisons, to form a complete picture of results. As credit markets continue to innovate and expand, MAC strategies offer the potential for attractive risk-adjusted returns, provided they are implemented thoughtfully and governed with appropriate investment objectives in mind.

Appendix

	High Yield Bonds	Bank Loans	Convertibles	EM Bonds (Hard)	EM Bonds (Local)	EM Corporate Bonds	CLOs
High Yield Bonds	1.00						
Bank Loans	0.80	1.00					
Convertibles	0.82	0.63	1.00				
EM Bonds (Hard)	0.83	0.63	0.70	1.00			
EM Bonds (Local)	0.68	0.46	0.59	0.86	1.00		
EM Corporate Bonds	0.83	0.75	0.68	0.94	0.77	1.00	
CLOs	0.67	0.89	0.54	0.58	0.40	0.71	1.00

FIGURE 8
Correlations among Credit Asset Classes

Source: InvMetrics and Palmer Square, as of September 30, 2025. Indices used: Bloomberg US Corporate High Yield, Morningstar LSTA US Leveraged Loan, ICE BofA All Investment Grade US Convertibles, Bloomberg EM Hard Currency Aggregate, Bloomberg EM Local Currency Diversified Government, JPM CEMBI Broad Diversified, Palmer Square CLO Diversified Index. For the period January 1, 2012 to September 30, 2025.

Benchmarking Approach	Why It's Used	Core Limitation	Implication
Single Index Benchmark	Familiarity and simplicity	No single index represents MAC's multi-sector flexibility	Misrepresents risk, return, and opportunity set
Blended Benchmarks (e.g., 50% HY / 50% Loans)	Captures core below-investment-grade exposures	Static and arbitrary; ignores dynamic allocation	Can reward or penalize managers for intended shifts
Customized Blended Benchmarks	Aligns benchmark with mandate-specific exposures (EM, Europe, etc.)	Still subjective and incomplete	Benchmark design influences outcomes

FIGURE 9
Benchmark Construction Challenges in Multi-Asset Credit (MAC)

Source: Meketa Investment Group, 2026.

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