An Introduction to Multi-Asset Credit
Fixed Income Series, Part Two

Executive Summary

Multi-Asset Credit (MAC) strategies invest across a wide spectrum of credit assets—including high-yield bonds, leveraged loans, emerging market debt, and structured credit—with the goal of delivering higher total returns and improved risk-adjusted outcomes. These strategies offer diversified exposure to non-core sectors, tactical allocation flexibility, and a potential yield premium over traditional investment-grade bonds. As such, MAC may serve as a modern yield-enhancing complement to the more defensive characteristics of core fixed income. In particular, these strategies could be effective tools for expanding exposure across each credit vertical for clients where individual allocations to each space is less feasible.

This paper is part two of a multi-part fixed income series and explores the case for MAC strategies within institutional portfolios. It defines the MAC strategy framework, highlights historical performance and risk characteristics, and outlines key implementation considerations. The central thesis is that a well-constructed MAC allocation can enhance portfolio resilience, potentially generate meaningful income, and allow institutions to capture tactical opportunities across the credit landscape—without sacrificing the traditional role that fixed income serves within an institutional portfolio.

What is Multi-Asset Credit?

Multi-Asset Credit refers to actively managed strategies that invest across multiple segments of the global credit markets. These strategies typically focus on higher-yielding sectors outside the investment-grade core, such as high-yield corporate bonds, syndicated loans, emerging market debt, structured credit, and occasionally private or niche credit. The objective is to maximize total return and income over a full market cycle through dynamic sector allocation and security selection.

MAC portfolios are typically long-only and credit-focused with moderate interest rate exposure. Many target absolute return outcomes (e.g., cash + 4–6%) or benchmark against custom blends of high-yield, loan, and emerging market indices. Their key advantage is flexibility: they are designed to rotate tactically among sectors based on relative value and macro conditions, rather than adhere to a static benchmark like the Bloomberg US Aggregate.

These strategies are diverse. Some emphasize liquidity and focus on public credit markets, while others incorporate private credit and less liquid exposures. Regardless of scope, the defining feature is the ability to adapt allocations across the credit universe to capture opportunity and manage downside risk.

This flexible structure allows MAC to serve as a consolidated credit sleeve, reducing the need for separate mandates in high yield, loans, and other non-core sectors. It also improves operational efficiency and allows investors to access a broad range of credit exposures through a single vehicle.

The table below (Figure 1) illustrates key structural differences between MAC, core, and core plus fixed income strategies, underscoring MAC's value proposition: MAC offers the potential for higher income and reduced duration risk by allocating across the full credit spectrum. It serves as a flexible, return-seeking complement to traditional core and core plus fixed income strategies.

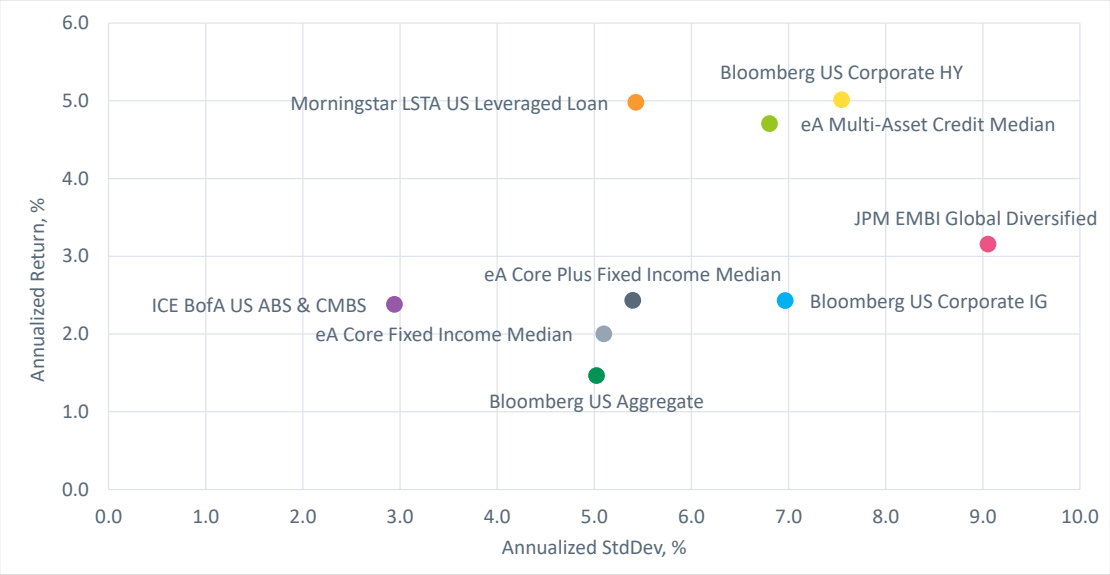
Figure 1: Strategy Characteristics

	Average Coupon, %	Yield to Maturity, %	Effective Duration	Average Quality
eA Core Fixed Income	4.06	4.82	6.01	AA
eA Core Plus Fixed Income	4.44	5.24	6.04	A
eA Multi-Asset Credit	5.98	6.67	2.89	BB

Source: eVestment. As of June 30, 2025.

Figure 2 illustrates how MAC strategies have delivered attractive risk-adjusted returns over the past decade relative to core and core plus fixed income and major bond indices. It's important to note that there can be a wide disparity in results across MAC strategies and, given it's broad exposure, these approaches can underperform specific, standalone allocations to an underlying asset class. However, MAC strategies can be effective tools for an investor to capture yield with the potential benefit from dynamic allocations across each underlying space.

Figure 2: 10-Year Risk/Return



Source: eVestment. As of June 30, 2025. Performance is gross of fees.

Strategic Case for Multi-Asset Credit

The strategic case for MAC lies in its potential to enhance total returns, improve diversification, and generate higher income than traditional core fixed income. MAC strategies, by design, access credit sectors that typically offer additional yield and capital appreciation opportunities while diversifying exposure across geographies, credit qualities, and structures. Over time, this diversified and flexible approach has delivered returns that compare favorably to static allocations to a single credit sector or smaller subset of the available credit asset classes, often with lower volatility than standalone high-yield portfolios.

By combining floating- and fixed-rate instruments and dynamically adjusting sector and regional exposures, MAC can navigate credit and interest rate cycles. This allows the strategy to pivot away from overvalued or deteriorating sectors and into areas of improving fundamentals or relative value, helping to avoid concentration risk and capture alpha across multiple dimensions of the market. In addition, the income-generating potential of MAC can be substantial. Given the typical higher yield profile of the underlying credit assets, MAC strategies often yield 6–8% in more normalized environments, compared to 4–5% in core fixed income. The carry component of MAC also provides a buffer against short-term market volatility, allowing institutions to benefit from income even during periods of modest price drawdowns.

Figure 3 compares the performance of the median MAC strategy to major fixed income sectors across different credit spread levels over the past 120 months. Their flexibility to tactically allocate across sectors appears to provide potential downside mitigation compared to some single-sector benchmarks, especially in idiosyncratic or liquidity-driven stress periods, while maintaining attractive returns in more stable conditions.

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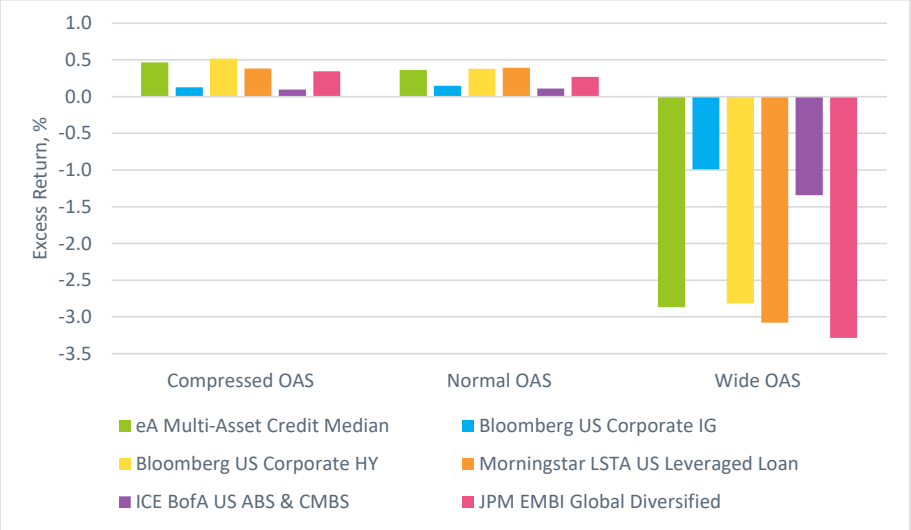
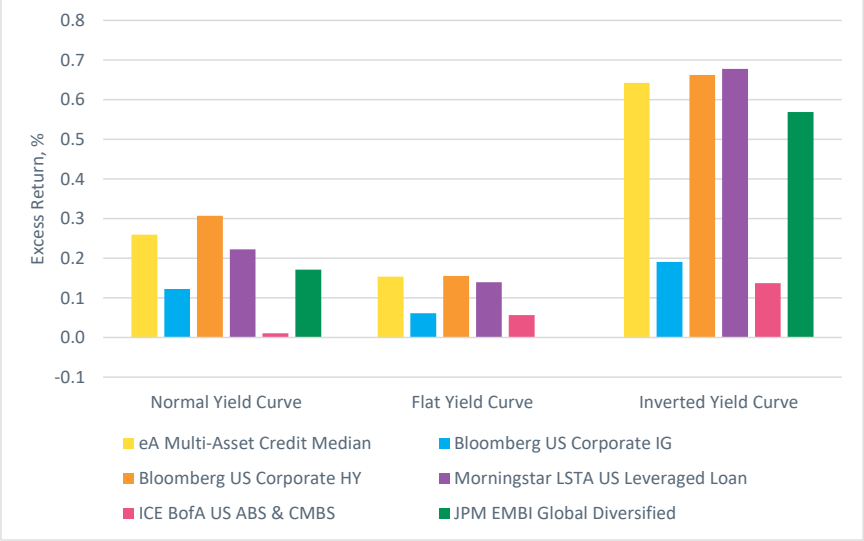
Figure 3: Average Excess Returns During Past Credit Spread Conditions (120 Months)



Source: eVestment. As of June 30, 2025. Performance is gross of fees and is relative to the Bloomberg US Aggregate Bond Index. Average excess returns across past credit spread conditions are calculated to illustrate the performance of each index. Normal OAS is defined as an option-adjusted spread between 1 and 2.

Figure 4: Average Excess Returns During Past Yield Curve Regimes (120 Months)



Sources: eVestment, MPI Stylus. As of June 30, 2025. Performance is gross of fees and is relative to the Bloomberg US Aggregate Bond Index. Average excess returns across past yield curve environments are calculated to illustrate the performance of each index. Curve conditions are determined by the spread between 2Y and 10Y Treasuries. "Flat Yield Curve" is defined as a spread between 0 and 0.8.

Figure 4 compares the median MAC strategy's returns to major fixed income sectors across yield curve environments over the past 120 months, highlighting the strategy's adaptability in these different market conditions. Investors should be aware of the differentiated duration exposure of a MAC approach prior to investing.

Figure 5 compares the average annualized returns of MAC strategies versus major fixed income indices during periods of high, moderate, and low market volatility, as measured by the VIX (through June 2025). Their diversified exposure and flexible mandate allow them to capture spread opportunities, though they may face headwinds during abrupt market dislocations.

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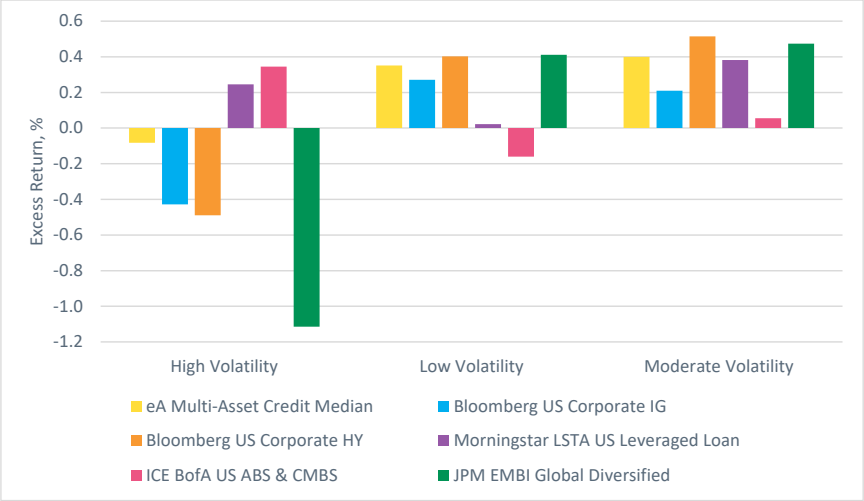
Figure 5: Average Excess Returns During Past VIX Regimes (120 Months)



Sources: eVestment, MPI Stylus. As of June 30, 2025. Performance is gross of fees and is relative to the Bloomberg US Aggregate Bond Index. Average excess returns of the indexes in past regimes of implied volatility (High Volatility = top 20% of VIX monthly readings, Moderate Volatility = middle 80%, Low Volatility = bottom 20%).

Implementation Considerations

Integrating MAC into an institutional portfolio requires thoughtful planning around role definition, allocation size, liquidity needs, and manager selection. MAC can be used in a number of ways:

- As a complement to core fixed income, enhancing yield and return potential while preserving the defensive function of traditional bonds.
- As a replacement for standalone allocations to high-yield bonds, syndicated loans, or emerging market debt, consolidating these exposures under one flexible mandate.
- Within an opportunistic or extended credit sleeve, allowing for tactical positioning across sectors and credit cycles.

However, MAC strategies are neither a necessity nor appropriate for all portfolios. Investors with the following characteristics in their current portfolio should think through whether this asset class would be a fit for their portfolio.

- Existing exposure to asset classes with similar return sources with low liquidity (e.g., private credit) or significant allocations to asset classes with elevated volatility (e.g., public or private equities).
- Limited ability or need to take additional risk within the fixed income asset class.
- A preference or need to control allocations to standalone asset classes that underlie most MAC strategies.
- As the duration of MAC strategies will normally differ significantly from the broad fixed income market, they may not be suitable for portfolios that are required to be closely linked to liabilities or other targets.

Governance and oversight are critical, especially given the dynamic nature of MAC strategies. Institutions should clearly define investment guidelines, monitor sector and credit quality exposures, and maintain transparency around benchmark selection and performance attribution. Portfolio liquidity should also be assessed, particularly if a strategy includes less liquid or private credit exposures.

Benchmarking

Given that MAC managers are expected to deviate from benchmark weights, these strategies present distinctive benchmarking challenges. Their dynamic allocations—spanning high-yield, leveraged loans, emerging-market debt, and other non-core sectors—are imperfectly reflected in traditional indices. As such, benchmarks should be viewed as policy portfolios rather than performance blueprints. Regardless of the benchmarking approach selected, best practices normally include constructing a benchmark using multiple, appropriate underlying benchmarks as reference points. For example, to better reflect MAC portfolios, institutions commonly use blended benchmarks, such as 50% high yield / 50% bank loans. The benchmark should reflect the intended portfolio role for the MAC strategy and be reviewed on a regular basis to confirm it remains appropriate for a given strategy.

Conclusion

Multi-Asset Credit strategies have emerged as a timely and practical solution for institutions seeking to expand their fixed income toolkit, offering the potential for enhanced income, risk-managed diversification, and flexible positioning across the credit spectrum. The accompanying charts underscore the value of MAC across multiple market dimensions.

During periods of credit market stress, MAC strategies have demonstrated notable resilience, outperforming traditional fixed income indices. Across different phases of the US rate cycle, MAC has delivered strong performance during rate plateaus and easing environments, while exhibiting defensive characteristics during the aggressive hiking period from 2022 to 2023. Additionally, MAC strategies have proven to be particularly effective in low and moderate volatility regimes, where they posted some of the highest average returns relative to other fixed income sectors.

Although performance dipped during periods of heightened equity market volatility and spread widening events—consistent with other risk assets—MAC's flexibility positions it well to recover quickly as conditions stabilize. This resilience is further validated by the 10-year risk/return chart, which shows MAC delivering returns comparable to high yield and leveraged loans, but with a more favorable balance of return and risk than many single-sector strategies. Of course, MAC strategies are not appropriate for each portfolio and some sizeable allocators may prefer to access each underlying vertical through standalone, differentiated placements. However, the growing depth of the MAC universe does offer investors another option to further diversify their sources of returns.

While core fixed income remains an essential anchor in portfolio construction, a complementary allocation to MAC may help institutional investors navigate a higher-rate, more volatile market environment with greater confidence. With thoughtful implementation and strong oversight, MAC has the potential to strengthen portfolio resilience and enhance long-term outcomes.

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