

Three trends shaping transition management



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Key Takeaways

- Rising transition activity is redefining transition management from execution to portfolio impact
- Credit transitions are becoming more precise and exposure-focused
- Interim management is evolving into bespoke, risk-managed portfolios
- We see financial institutions expanding transition use across fund structures

As transition activity increases, what was once seen as a step between portfolios is becoming part of the outcome itself. Execution is now more closely tied to how portfolios are reshaped, particularly as restructures grow larger, more frequent, and more complex. Three trends are shaping this shift, highlighting how implementation is becoming more precise, more deliberate, and more central to portfolio outcomes.

Credit transitions play a larger role in fixed income outcomes

As credit plays a larger role in generating income and diversification, how exposures are transitioned has become more consequential. Portfolios are more granular, with allocations increasingly targeted at specific segments rather than broad fixed income buckets. That makes transitions more complex, as duration, spread exposure, and liquidity must all be managed together to avoid unintended shifts in risk.

The structure of credit markets has evolved too. Electronic trading platforms now allow investors to source quotes from multiple counterparties at once, increasing competition and improving execution across large numbers of securities. For portfolios with hundreds of line items, this creates a more controlled and transparent way to move risk. And with Russell Investments' unique new fee structure,

the costs to manage these events has been lowered.

These dynamics are reshaping the impact transition management can have on outcomes. In a recent period of market volatility, a large fixed income portfolio was repositioned as part of a manager change, including allocations to less liquid credit sectors. Rather than allowing the portfolio to drift, the transition was executed as a coordinated event using multi-dealer execution and tight control of information. Despite the challenging backdrop, exposures were aligned with target levels from the outset, trading was completed on schedule, and performance held up well relative to expectations after costs.



Interim management as a customized portfolio solution

Institutional investors have used passive funds or ETFs as interim exposure tools to park assets as they identify and contract with new managers. That approach is becoming harder to justify as portfolios grow more customized and conversions take longer to fully implement.

What is emerging instead is a more deliberate approach built around bespoke portfolios. [Interim management](#) was used to preserve duration exposure and manage derivatives throughout the process, allowing assets to be migrated to the new structure more efficiently without disrupting the overall strategy.

This highlights how [interim portfolios](#) are constructed specifically for each client. Starting with

the existing allocation, the portfolio is optimized toward a benchmark with a client-defined level of tracking error. No two portfolios look the same. Each reflects preferences around cost sensitivity, turnover, and how tightly the portfolio should track during the interim period.

The way these portfolios are managed is also changing. Interim assets are increasingly supported by broader investment management capabilities, bringing more formal governance, risk management, and reporting into the process. What was previously handled in a more bespoke way within transition teams is now backed by a more established framework.

Mutual funds and variable annuity embrace transition management

Financial institutions are using transition management in more embedded ways, particularly within U.S. structures such as 40 Act funds. In these environments, changes to fund lineups, manager assignments, or asset allocations must be implemented while portfolios remain fully invested and operational.

These changes are often tied to broader restructuring efforts. Manager rationalizations, platform realignments, and balance sheet repositioning are carried out across multiple funds at once, requiring coordination across portfolios rather than isolated execution.

Transition management is increasingly used to manage this process end-to-end. Instead of a single

event tied to a manager change, it becomes a way to sequence and deliver a series of changes while maintaining exposure throughout the transition.

Working within 40 Act structures introduces additional constraints. Daily liquidity, subscriptions and redemptions, and pricing requirements mean that transitions must be aligned with fund flows. Implementation is often phased and coordinated over time, rather than executed in a single step.

For portfolios, this provides greater control over how change is delivered. Exposure can be maintained, tracking error managed, and activity coordinated across multiple funds simultaneously, helping institutions implement change while minimizing disruption to underlying investors.

Investor Implications

Transition management is playing a larger role in how portfolios are implemented as restructuring activity increases. Credit exposures require more precise handling, interim portfolios are becoming more tailored, and implementation within fund

structures demands greater coordination. A more deliberate approach to transitions can help maintain alignment, manage risk, and improve outcomes through periods of change.

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