

Case Study

Shenkman Capital brings dealer diversity to leveraged finance

Building on its decade-long initiative to integrate minority, veteran and women-owned dealers into its high yield investment process, Shenkman Capital Management, Inc. (“Shenkman”) joined the MarketAxess Diversity Dealer Initiative in August 2021, with the goal of efficiently engaging dealers and clients through the MarketAxess platform.



Shenkman Capital

As a boutique firm competing against some of the industry's largest fixed income managers, Shenkman has developed an entrepreneurial approach to problem solving. Indeed, the firm operates under the belief that good business practices can also improve market outcomes.



We're an independent, and collaborative firm, owned by our employees.



Justin Slatky

Chief Investment Officer
Shenkman Capital

"Founder, Mark Shenkman, served in the United States Army from 1967-1969, and firmly believes in giving back to our country. This viewpoint is engrained in the ethos of our firm, as we seek to give back to the community. Managing \$29 billion, Shenkman was founded in 1985 as a high yield manager, and has since expanded to offer a variety of solutions across both traditional and alternative credit. The firm has made progress over the past 10 years in its minority and women-owned business enterprise ("MWBE") effort, which is centered on the importance of trading with a group of diverse dealers.

While many firms have started to emphasize diversity across mandates and trading, Shenkman has been working to make an impact on its MWBE effort for over a decade. Indeed, some of its largest investors are state and city pension plans, which have been establishing MWBE programs for the past 15 years. "We've focused on trading with minority and women-owned dealers in the high yield market for many years," says Slatky. "We recognize that minority dealers have limited capital, which creates hurdles to transacting with them, but we wanted to find a way that seeks to overcome these obstacles."

To solve this problem, Shenkman enlisted the MarketAxess Diversity Dealer Initiative (DDI) in August 2021, which gives minority and women-owned dealers a seat at the table and provides investment managers with the means to carry out various diversity and ESG objectives. "MarketAxess DDI empowers us to allocate trading volume to MWBE brokers and break down some of the barriers to their participation in the leveraged finance markets," notes Slatky. Beyond DDI, the two firms have been working together since 2017.

Case Study: Shenkman Capital

"At MarketAxess, we're known for pioneering all-to-all trading in the credit markets, and we like to think of DDI as extending that model to 'all-for-all,'" says Rich Schiffman, Head of Open Trading at MarketAxess.



Shenkman Capital has been committed to DEI and ESG programs for over a decade. We look forward to seeking to expand our efforts in MWBE in the future.



Mark R. Shenkman

Founder & President
Shenkman Capital

"Our Diversity Dealer Initiative is an important advancement in expanding access to fixed income trading, it not only increases the number of connections among investors and dealers by bringing more points of view to the market, but also provides access and opportunity to a new and growing group of minority dealers."



A diversity challenge

“We strive to be a leader in DEI by lowering the barriers to entry both internally and externally. We’ve established a diversity and inclusion committee, employee resource teams for mentorship, a women’s network, and a donation matching program that includes charities that support underserved communities,” explains Slatky. “We’ve sought to include minority dealers in our trading flow from a secondary perspective for about a decade,” he says.



“First, the more pipes in the market the better. Second, some of our clients have prioritized these initiatives.” Slatky continues, “we recognize that having robust diversity, equity, and inclusion policies and practices are important to the growth of the market as well as our firm. However, our efforts have proven to be ongoing.”

“We would make initial progress as minority firms would add high yield sales and research talent, but still couldn’t gain traction. Those employees would leave, and their programs would lose momentum. They’d try again and the same cycle would repeat. Another part of the equation is best execution, which asset managers are obligated to seek. We have found it challenging for minority dealers to provide best execution without the necessary resources, which has prevented us from trading with them.”

Solving these challenges

An additional layer of challenge presents itself with high yield trading which can require dedicated capital, primary supply, research, and a robust salesforce to be competitive. Fiduciary requirements can prevent some larger high yield managers from trading with smaller MWBE firms, which inherently decreases their participation in these markets.

MarketAxess is breaking down the barriers for MWBE by entering the market and helping to incorporate diversity dealers into the platform's normal workflow for those clients choosing to trade through DDI. Clients specify which minority dealers they have chosen, and the platform makes a round-robin allocation of trades, maintaining the client's trading parameters and restrictions. The minority dealer captures a fee for clearing the trade, and clients receive the prevailing level. Earnings from trading enable dealers to build their capital.

Slatky adds, "The dealer gets better access to trade flow and participates in real time. That allows our firm to allocate some of our trading volume to MWBE brokers, providing them with capital they need to be relevant in the high yield market and still achieving best execution." Participation in the MarketAxess DDI program has been an important initiative for Shenkman.



The trading desk is one of the focal points in our firm's effort to promote social causes by empowering MWBE dealers to grow their presence in the high yield market.

Jason Hodes

SVP & Trader
Shenkman Capital

Shenkman's ESG focus

ESG elements have been an important part of Shenkman's history for more than 10 years. "Credit selection is integral to our investment philosophy. One makes money in high yield market by avoiding defaults," Slatky says, "so understanding the policies and governance of companies has been an essential element in our investment process." Shenkman Capital began implementing socially responsible guidelines in 2002. In 2017, the firm formalized its ESG policies and signed on to the United Nations Principles for Responsible Investment.

"We believe ESG is about identifying the hidden risks within companies," Slatky notes. "Hence, we developed our own internal ESG scoring system for evaluating these companies. We also publish an ESG newsletter, which discusses interactions we've had with management teams, highlighting where they have made a positive impact, or are mitigating negative factors inherent to their industries." ESG investing can present additional challenges to fixed income investors, who lack the influence of shareholder votes to drive meaningful change in the areas of ESG and DEI.

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DDI is a thoughtful trading tool in the financial services industry that incorporates the use of DEI into daily practice and highlights the importance of a collaborative approach within our community.



Mercedes Elias

Co-CEO
AmeriVet Securities 

However, as part of Shenkman's ongoing investment management process and internal ESG scoring system, the firm's analysts are in regular contact with management teams. This connectivity drove the firm to create the "Shenkman Hall of Shame" in 2010. The Hall features companies that fail to live-up to their commitments or act in a way that is detrimental to lenders. "We believe it has the intended effect because every visiting management team sees this plaque, and no CEO or CFO wants to be identified in the "Hall of Shame", says Slatky.

Beyond the Diversity Dealer Initiative

“The most interesting aspect about DDI for us, is that it creates a gateway to expand relationships with a new group of dealers,” Slatky adds. “Historically there hadn’t been enough traction on either side. Now that there are real dollars going to our DDI dealers, we have developed deeper relationships with them. These relationships can lead to a lot more business, beyond simply trading.” He explains that in one relationship, Shenkman expanded its partnership with Loop Capital, working with the firm on a structured credit product, which allows Loop Capital to expand their distribution in the structured finance and alternative investment sectors.

In another relationship, Shenkman has partnered with AmeriVet Securities on a short duration strategy, which increases their presence in the high yield asset management business. “We believe these are tangible benefits that start with trading through DDI, but that have the ability to potentially evolve into additional business opportunities,” Slatky says.



MarketAxess' DDI Program provides a vehicle for broader and meaningful access for MWBE firms to participate in market opportunities and enhances the playing field for participants to compete.



Sidney Dillard

Partner & Head of Corporate Investment Banking, Loop Capital



Among the largest privately held investment banks in the country, Loop has developed into a global financial services provider that can commit the capital for expanded opportunities with their issuing and investor base, thus eliminating many of the obstacles historically affecting MWBE firms.

“By thinking differently and leveraging technology, we believe the partnership between MarketAxess and Shenkman creates the opportunity to help lower the barriers of entry to the high yield market and ultimately paves the way for greater opportunities for inclusivity in broader fixed income markets.” The goal is simple: to improve access to trade flow and information sharing, allowing MWBE brokers to compete with bigger brokers more effectively beyond trading, ultimately growing and strengthening the market.

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