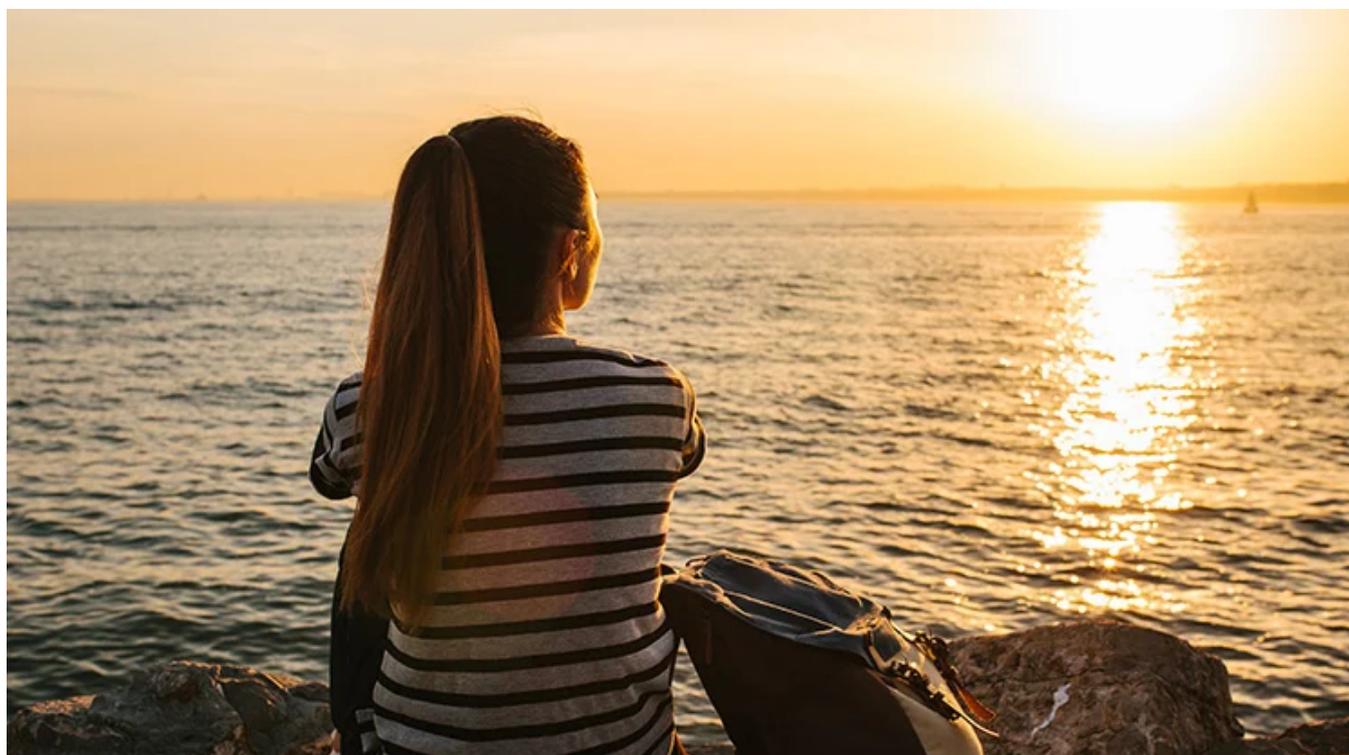


Vivek Prabhu: Why credit belongs in your portfolio

By Perpetual Asset Management

7 August 2025



Investors are turning to credit in the search for income as equity valuations look increasingly stretched. Perpetual's Vivek Prabhu explains

- Find out about Perpetual's new active ETF [Perpetual Diversified Income Fund \(ASX:DIFF\)](#)
- [New Perpetual active ETF targets credit sweet spot](#)
- [The case for active management in credit and fixed income](#)

The fixed-income and credit asset class plays a vital role in portfolios – generating regular income at a lower risk than equities and helping preserve capital through challenging economic conditions.

But for many investors, it remains underused as an asset class.

As global markets push the valuations of equities, real estate, gold and even cryptocurrencies to all-time highs, fixed income and credit remain outliers – offering compelling returns with downside protection.

“At a time when equity valuations are looking stretched and there's uncertainty in the global outlook, it makes sense to take a bit of risk off the table,” says Perpetual's head of credit and fixed income, Vivek Prabhu.

“And you're being paid for it at the moment.”

Prabhu has overseen Perpetual Diversified Income Fund (DIF) – an actively-managed, \$2.4 billion portfolio of predominantly high-quality, investment-grade credit securities – over its 20-year history.

DIF – which has had a history of outperforming its benchmark over those two decades – is now being made available through a new ASX-listed active ETF.

DIFF (ASX:DIFF) is a unit class of Perpetual Diversified Income Fund, offering daily liquidity and no minimum investment for investors seeking capital preservation and consistent income.

You can find out more about ASX-listed DIFF [here](#)

Why credit matters now

Investors have historically viewed credit as a defensive allocation – a place to protect capital at the expense of the higher returns available in equities.

But in a shift that challenges long-held assumptions, stretched equity valuations mean the dividend yield on the ASX 200 now trades below the risk-free rate on 10-year Commonwealth government bonds.

The dislocation offers opportunities for investors seeking income with protection against drawdown risk.

ASX:DIFF

Perpetual 

**Strike the perfect
balance between
income and
preserving capital**

[Learn more](#)



“Right now, floating-rate credit is offering equity-like returns , but with the safety that fixed income offers,” says Prabhu.

“History shows you’re overcompensated for the actual level of risk.”

Reinvestment and sequencing risk

As equity markets reach new highs, the prospect of falling interest rates is putting renewed pressure on income-focused investors, many of whom are already rolling over term deposits at lower rates.

Rates are now widely expected to fall toward 3 per cent over the next 12 months, as central banks ease as inflation continues to moderate .

That income erosion poses a challenge for investors who rely on regular payments and face the prospect of their income declining as their spending needs grow.

Bank hybrid investor seek alternatives

At the same time, some \$40 billion in Australian bank hybrid capital needs to find a new home as regulators phase out the popular securities.

Hybrids have been a mainstay for income-focused investors – despite carrying more risk than many realise – because of their attractive combination of yield and liquidity.

The looming end of the hybrids market leaves a large cohort of investors looking for an alternative solution.

Income without equity risk

Prabhu says ASX-listed DIFF's high-quality, actively managed credit strategy offers an important alternative for investors that can help support income without taking on equity-style risk.

The Perpetual Diversified Income Fund (DIF) has delivered above-inflation returns in 16 out of its 20-year history – and recorded a negative return in just three.

The Fund has remained open to investors through every market shock of the past two decades including the global financial crisis, the COVID pandemic and this year's tariff tantrums.

“The fund has been around for a long time – it's tried, trusted and tested through many market cycles,” says Prabhu.

“It's actively managed – not just passively replicating a benchmark – and diversified geographically, by industry sector and in the capital structure.”

About Vivek Prabhu and Perpetual Diversified Income Fund

Vivek is Perpetual's Head of Credit & Fixed Income. He joined Perpetual in 2004 and has more than 30 years of experience in finance, investments, accounting, governance and risk management.

He has managed multi-billion-dollar fixed income, credit and currency portfolios and his role involves credit analysis, trade execution and portfolio construction.

Vivek's Perpetual Diversified Income Fund (DIF) is designed for investors seeking daily liquidity, reliable income and capital preservation via a portfolio of predominantly high-quality, investment-grade credit securities.

The strategy is now also available as an ASX-listed active ETF (ASX: DIFF). DIFF is a unit class of DIF.

Find out more about ASX-listed Perpetual Diversified Income Fund (ASX:DIFF) [here](#) or the managed fund [here](#).

Find out about Perpetual's [credit and fixed income capabilities](#)

Want to know more? [Contact a Perpetual account manager](#)



Vivek Prabhu

Head of Credit & Fixed Income

BBus, FCA, Grad Dip App Fin & Inv, MBA, GAICD

This information has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426, as the issuer of the Perpetual Diversified Income Fund ARSN 110 147 665 (the Fund) and the issuer of the Perpetual Diversified Income Active ETF (ASX: DIFF) (Active ETF).. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not indicative of future performance.

The product disclosure statement (PDS) for the Fund, should be considered before deciding whether to acquire, dispose or hold units in the Fund. The PDS for the Active ETF and the other periodic and continuous disclosure announcements lodged with the ASX should be considered before deciding whether to acquire, dispose or hold units in the ETF. The PDSs and the Target Market Determinations (TMD), issued by PIML, for the Fund and Active ETF can be obtained by calling 1800 022 033 or visiting www.perpetual.com.au.

Neither PIML nor any company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of, or any return on an investment made in the ETF or the return of an investor's capital.