Perpetual

Vivek Prabhu: The case for active management in credit and fixed income

By Perpetual Asset Management
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When it comes to credit and fixed income, passive isn't smart. An active approach can help deliver income and capital preservation. 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
- Why credit belongs in your portfolio

Fixed income and credit is back in vogue, offering attractive yields while equity valuations remain elevated and geopolitical uncertainty heightens.

For the first time in more than a decade, fixed-income yields exceed the dividend yield on Australian shares – reversing a long-standing disadvantage for defensive assets.

Yet many investors still view fixed income and credit as a defensive allocation – overlooking the strong returns now available – or take a passive index-based approach to their allocation.

That's missing an important insight: investors no longer have to choose between capital preservation and income.

Managed actively, high-quality fixed income and credit funds can offer both.

"You're getting equity-like returns but with the benefit of the safety that fixed income offers," says Perpetual's head of credit and fixed income, Vivek Prabhu.

"When interest rates were closer to zero, you weren't being paid for the optionality of parking assets in the defensive part of your portfolio – whereas now you are."

Prabhu has overseen Perpetual Diversified Income Fund (DIF) – an actively-managed, $2.4 billion portfolio (at June 30, 2025)) of mainly high-quality, investment-grade credit securities – over its 20-year history.

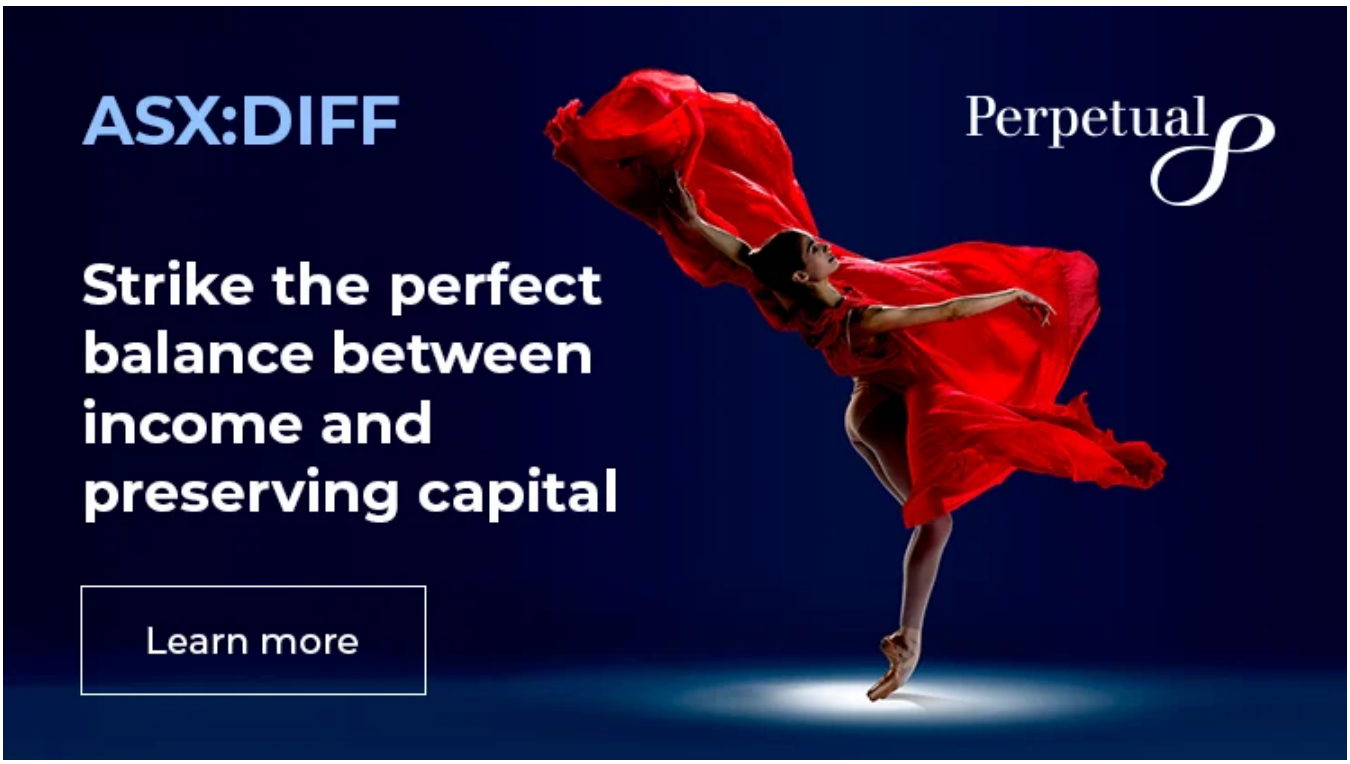
DIF – which has a history of outperforming its benchmark over those two decades – is now being made available through a new ASX-listed active ETF.

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.

Active management matters in credit and fixed income

Not all credit and fixed-income investments are the same.

Active management plays a critical role in fixed income and credit due to the unique nature of how indexes are constructed.



Unlike equities – where index weightings favour successful companies with high market capitalisations – fixed-income indexes instead concentrate exposure into the most indebted issuers.

That means passive strategies tend to allocate more capital to the most highly leveraged companies and governments.

“Passive investing isn’t well suited to fixed income ,” says Prabhu.

“Index representation is driven by how much debt you have on issue – so the bigger your debt, the bigger your representation in the index.”

Long track record

Perpetual is one of Australia’s longest-standing active investment managers – and a specialist in credit.

The senior members of Perpetual’s Credit and Fixed Income team – Vivek Prabhu, Michael Korber and Greg Stock – have worked together for more than 20 years, managing credit portfolios through multiple market cycles.

That kind of stability is rare and supports a disciplined investment process and a consistent approach to managing risk and return.

Perpetual Diversified Income Fund reflects that experience. The managed fund will mark its 20-year track record in October, having delivered through the GFC, the pandemic, rate shocks and

credit dislocations.

“The fact that it’s the same team and portfolio manager gives you confidence in the repeatability and consistency of the investment process, which has been tested through many market cycles in different conditions – and stayed open for business every single day since inception,” says Prabhu.

About Vivek Prabhu and Perpetual Diversified Income Fund

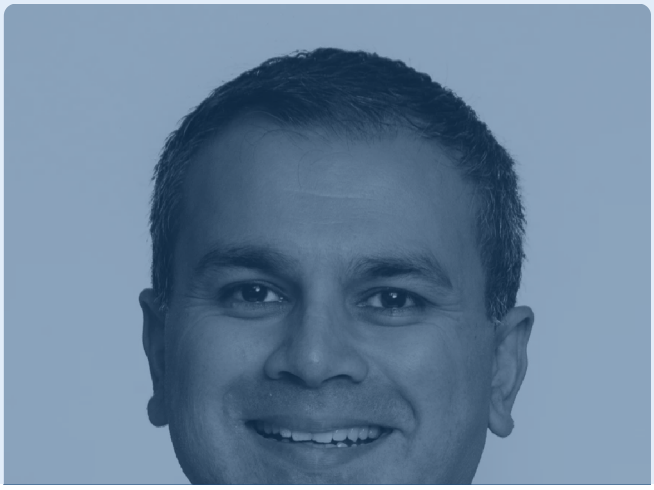
Vivek is Perpetual’s Head of Credit & Fixed Income. He joined Perpetual in 2004 and has more than 30 years of experience in finance, investments, accounting, governance and risk management.

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



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