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Navigating Fixed Income: Direct vs Fund Access

By Perpetual Corporate Trust

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Economists and the RBA agree: rates are set to stay “higher for longer.” NAB expects the cash rate to stay above 3.1% through 2026*, while bond markets point to yields well above pre-COVID levels**. With clients increasingly focused on income, fixed income is once again front and centre. But what’s the smartest way to access it – directly, or through a fund or Exchange Traded Fund (ETF)?

Both may be the answer.

Perpetual's Fixed Income market experts – Emily Boden **(EB)** Head of Institutional Sales and Relationship Management, Perpetual Digital and Dale Pereira **(DP)** Head of Client Solutions, Perpetual Asset Management – share their views!

Why fixed income?
EB: In Australia’s private wealth sector, fixed income remains significantly underrepresented. Investors are often overly focused on equities, leaving portfolios heavily weighted towards shares with minimal fixed income exposure. Yet fixed income offers regular, predictable income and is generally considered a safer, more stable asset class – positioned higher up the investment pyramid. Bonds also have defined maturity dates, meaning capital is typically repaid at the end of the term.

DP: Because yields are doing most of the heavy lifting – and are now close to decade highs – Australian fixed income offers a compelling opportunity. The market is built on strong issuers and conservative structures, giving advisers a reliable way to earn income without taking on excessive risk. It’s also a market where active management can really add value: shifts in interest rates and credit conditions create opportunities to adjust duration and move between different credit sectors to capture extra returns.

Biggest benefit of your approach?
EB: The biggest benefit of using Fixed Income Intelligence to invest in fixed income is the level of control and transparency it provides. Investors can actively manage their portfolios – moving in and out of positions as they choose – while targeting specific yields and issuers. This flexibility extends to selecting the industries and credit ratings they want exposure to, as well as determining where in the capital structure they wish to invest, whether that’s covered, senior, or subordinated debt.

DP: Diversification, access, and simplicity. With one trade in a Perpetual Diversified Income Active ETF, Perpetual Credit Income Trust (PCI) or a Pendal Monthly Income Plus (DIFF/MIP) Fund investors gain exposure to hundreds of issuers, sectors, ratings, and structures – delivering true diversification. Our scale provides access to primary markets, collateralised loans, structured credit, and private loans (via Pure Credit Alpha) that are often difficult to source directly. And it’s simple: investors benefit from professional research, robust risk systems, FX hedging, and consistent monthly income – without the need to manage dozens of individual positions.

Key risks and trade-offs?

EB: Liquidity and complexity. The Australian market can be challenging, so strong advice is key. Direct portfolios also require managing issuers, sectors, and currencies. While there are no management fees, investors handle the portfolio themselves.**DP:** The trade-offs are fees, control, and liquidity. You exchange a management fee for diversification and execution but with less control. DIFF and PCI offer daily liquidity, while Pure Credit Alpha provides periodic liquidity and valuation lags. Income strategies such as MIP, DIFF, Regnan Credit Impact Fund (CRIMP), and Pendal Sustainable Australian Fixed Income Fund (SAFI) target returns above cash, so success should be measured by income and active management rather than an index.

Best-suited clients?

EB: Fixed Income Intelligence best suits wholesale and sophisticated investors, including high-net-worth individuals, private wealth advisors, and Self-Managed Super Funds (SMSF).

DP: Different strategies suit different client needs. DIFF and PCI are ideal for a broad retail audience, including SMSFs, smaller portfolios, and time-poor advisers who value daily liquidity and consistent income. MIP, DIFF, CRIMP, and SAFI are well-suited to advised portfolios targeting returns above cash, with a focus on active risk management and Environment Sustainability Governance alignment. For more experienced income investors, Pure Credit Alpha offers an opportunity to trade some liquidity for higher, more stable income and strong structural protections.

Looking ahead, how do you see fixed income performing in the next 12–18 months?

EB: We expect strong growth in fixed income. As over $40 billion in hybrids roll off, investors will have cash to redeploy. With rates likely to ease, some may shift from term deposits in search of higher returns. Awareness of this underrepresented asset class continues to build – Australian ultra-high-net-worth portfolios hold just 8% in fixed income versus 30% in developed markets.

DP: The focus remains on income first. A balanced approach – with exposure to floating rate credit securities via listed diversified credit funds like DIFF and PCI offers liquidity and higher income. Exposure to funds such as MIP and DIFF, will adjust exposures and give active interest rate duration to portfolios as the cycle evolves.

Next steps

Whether through direct holdings or pooled vehicles, the key is ensuring fixed income plays a central role in balanced portfolios – matching each client's needs with the right approach.

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** BlackRock Australia Outlook and Quarterly Review | BlackRock

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