

Thomas Choi: Why it pays to check how your credit fund is managed

By Perpetual Asset Management

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How a fund is managed is just as important as its returns. THOMAS CHOI explains what to look for.

- Look deeper than headline yield

- Transparency matters for income investors
- Find out about [Perpetual's Credit and Fixed Income capabilities](#)

Investors looking for alternatives to bank hybrids should pay attention to the underlying assets and governance controls at listed income funds rather than just focusing on their headline yield, says Perpetual's Thomas Choi.

APRA's phase out of bank hybrids is pushing capital into private credit products just as ASIC is questioning the sector's transparency, valuation practices and potential for conflicts of interest.

Choi says for investors choosing between the growing number of listed income vehicles, differences in how funds are managed matter more than raw investment returns.

Independent valuations, external credit ratings and full fee transparency are the key attributes investors should watch for, says Choi, a senior portfolio manager in Perpetual's [Credit & Fixed Income Team](#) that manages the listed investment trust, [Perpetual Credit Income Trust](#) (ASX:PCI).

"All the assets held in the listed investment trust are independently valued – not just the liquid assets, but all the private assets as well," says Choi.

"And any fees that are generated through the underwriting of credit or origination of deals are all passed to the end investor. So, 100 per cent of the economic benefit ... is passed through to the investors.

"By doing that, we also eliminate any conflicts of interest."

Choi was speaking at the Stockbrokers and Investment Advisors Association's webinar *Under the bonnet of Listed Income Funds*.

Quality credit can replace hybrids

With some \$40 billion in hybrid investments¹ needing a new home, investors face the important question of how to find suitable alternatives as those positions unwind.

"Term deposits are probably the safest end of the spectrum – capital stable and guaranteed up to \$250,000 per account holder per ADI under the Financial Claims Scheme," says Choi.

"But investors lock up their money for the term of the term deposit."

Meanwhile, hybrids offer liquidity but can suffer price movements that resemble equities during times of volatility.

Perpetual's PCI is designed to sit between the two and can invest across the spectrum, adjusting exposures as conditions change, he says.

“Our priority is really to move clients up the quality spectrum, provide a more defensive investment, but also have that liquidity so that investors have the flexibility to change their mind in the future,” says Choi.

Defensive positioning

As of December 2025, PCI was highly diversified with 184 holdings across 107 issuers and a weighted average maturity of 3.3 years.

“The fund is quite defensively positioned, which is consistent with our cautious outlook on the market,” says Choi.

“The fund invests across a wide array of industries – it really is a cross section of the broader economy.

“The fund can invest in foreign currency bonds, but at the moment the spreads and the yields are more attractive in the Aussie market so the fund is predominantly invested in Aussie dollar bonds.”

Choi says the fund’s interest rate duration is 40 days², meaning movements in the cash rate have minimal impact on the value of the fund – and any increases in the RBA cash rate pass through to higher distributions.

Around two-thirds of the fund is rated³ investment-grade or better, with around half the portfolio invested in the senior part of the capital structure.

“That provides extra resilience to the fund and downside protection,” says Choi.

In addition to corporate loans the fund invests in consumer finance – home loans, auto loans, credit card receivables – alongside bonds from major domestic and global banks including Westpac, Lloyds and HSBC.

Transparency the key

As regulators demand greater transparency across the private credit sector, governance features are becoming an important part of successfully choosing a listed income fund.

Choi says assets held in PCI are independently valued – on a quarterly basis at a minimum – by IHS Markit, a subsidiary of S&P Global. Asset-backed warehouse investments are priced independently on a daily basis by Intercontinental Exchange, the owner of the New York Stock Exchange.

“In addition, all our compliance limits are based on external, independent ratings from S&P, Fitch and Moody’s and not based on our own internal ratings.”

PCI's running yield as of December was 6.2 per cent, below the historical range of 7 to 8 per cent⁴.

"We completed a \$268 million capital raise in December last year, and we have deployed a significant portion of that. We also had the RBA cash rate increase in February," says Choi.

"We would anticipate very soon the yield will return to the running yields that we've observed in the recent past."

1. ASX Hybrids Monthly Report

2. As at end of January 2026

3. At end of January 2026 IG exposure was 64.5 per cent

4. Perpetual analytics

About Thomas Choi and Perpetual's Credit and Fixed Income team

Thomas is a senior portfolio manager with Perpetual's respected Credit & Fixed Income team.

He focuses on the management of the treasury portfolios.

Thomas has more than 20 years of investing experience and has worked with us since 2010. He has a Bachelor of Economics from Sydney University and is a Chartered Financial Analyst.

Perpetual offers a range of cash, credit and fixed-income solutions. We are specialists in investing in quality debt.

We take a highly active approach to buying and selling credit and fixed income securities and invest extensively across industries, maturities and the capital structure.

[Find out more about Perpetual's Credit and Fixed Income capabilities](#)

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