

# Perpetual knowledge bank series: par value

---

**By Perpetual Asset Management**

10 November 2021



Par value is the nominal or face value of a bond, meaning it is a static value determined at the time of issuance and, unlike market value, doesn't fluctuate. In other words, par value is the term used to describe the principal amount lent to the bond issuer, which they commit to repay to investors when the bond matures.

For the company issuing a bond, the par value serves as a benchmark for pricing. When the bond is traded, the market price of the bond may be above or below par value, depending on factors such as the level of interest rates and the bond's credit status. It should be noted that issuers do not always issue bonds at par value. It could be at a discount (below par) or a premium (above par). The par value remains the same and is not affected by the issue price. Moreover, the redemption of bonds on maturity could be at par value or a premium, in line with the terms of issue.

As mentioned, factors such as interest rate prevailing in the market and the credit status of the bond affect the market price of the bond. If it is trading above par, then the bond is trading at a premium as it offers a higher interest rate than the current market rate and an investor would pay more as they expect a higher return. However, a bond trading below par has a lower interest rate than the market rate.

This analysis has been prepared by [Perpetual Investment Management Limited \(PIML\)](#) ABN 18 000 866 535, AFSL 234426. 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.

The information is believed to be accurate at the time of compilation and is provided in good faith. This document may contain information contributed by third parties. PIML does not warrant the accuracy or completeness of any information contributed by a third party. Any views expressed in this document are opinions of the author at the time of writing and do not constitute a recommendation to act.

The product disclosure statement(PDS) for the Perpetual Diversified Income Fund issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website <http://www.perpetual.com.au> .

No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Past performance is not indicative of future performance.