

"Young Manager Series" - S01 E01

Interview with Rukun Tarachandani, Executive Vice President & Fund Manager - Equity, PPFAS Mutual Fund



This is the debut discussion of the "Young Manager Series" launched by CFA Society India. This initiative aims to learn more about the young fund managers, who would be future leaders in the Asset Management industry.

We aim to look beyond the normal market outlook and dive deep into the "how" and "why" of the journey of fund managers.


For our debut edition, we are interacting with Rukun Tarachandani, an Equity Fund Manager at PPFAS Mutual Fund. Rukun brings a unique multidisciplinary perspective, having transitioned from a B.Tech in IT to a career in finance. He holds an MBA from MDI, a Master's in Data Science from Northwestern University, and is a CQF holder. Before joining PPFAS, Rukun honed his skills at Goldman Sachs and Kotak Mutual Fund.

Kshitiz Jain, CFA interacted with Rukun Tarachandani, on behalf of the CFA Society India. Kshitiz Jain is a volunteer and Co-Chair with Research Advocacy Committee of CFA Society India. He leads the India Insights initiative.

The Transition from Engineering to Investing

Kshitiz: You started your educational journey as an engineer. Was there a specific moment, book, or experience that sparked your interest in analyzing businesses and pursuing a career as an equity fund manager?

Rukun: Looking back, while I was good at Tech and coding during my undergrad in IT engineering, I realized it was putting me in a silo. I wanted to understand the broader picture of how businesses operate, which led me to pursue an MBA. At that point, I didn't have clarity on entering investments; I just wanted to learn about business.



Two things happened during my MBA that changed my path. First, I joined UNNATI, the Investment Management club at MDI, almost by serendipity. My roommate was taking their entrance test and encouraged me to join him. I did very well, which made me realize this was something I could do. However, what truly clicked was Professor Sanjay Bakshi's course on behavioral finance and business valuation. He introduced us to the teachings of Warren Buffett, Charlie Munger, and Benjamin Graham. Their philosophy felt intuitive to me. I began reading the classics, like *Security Analysis* and *Margin of Safety*, and that is when I knew this was what I wanted to do.

Also, I used to read very widely across both fiction and non-fiction. I also stayed well-aware of general markets through business newspapers. I realized later that this broad reading gave me a wider perspective that helped me immensely, even when I wasn't specifically preparing for a career in finance.

Merging Data Science with Value Investing


Kshitiz: You have a strong background in data science and quantitative investing. In our industry, people often see "quant" and "value" as polar opposites. How do you combine these two, and how has data science supported your value investing process?

Rukun: I started with pure value investing, but as I progressed, I noticed the market is constantly evolving. For example, "Quality at Any Price" became a very popular concept for a while. I wanted a "lab" where I could test these ideas against historical context to see what actually worked over time. Data science provided that. It allowed me to see how value investing performed during the dot-com bubble and what happened subsequently.

I also found that many value principles are actually similar to "factor investing." Benjamin Graham's approach of buying a large group of cheap stocks is essentially value factor investing. Finally, data science provides an objective view. If a stock is down 30% and the fundamentals have deteriorated, an analyst might have a bias to stick to their original "buy" recommendation. A quantitative model acts as an objective input, helping us decide if a stock truly belongs in the portfolio based on the data.

Global Investing and Circle of Competence

Kshitiz: PPFAS invests both in India and globally. Most value investors advocate for staying within one's "circle of competence." How do you maintain that circle when looking at global markets?



Rukun: We believe investing is increasingly a global endeavor. For example, you cannot fully understand the Indian auto sector without analyzing Tesla's impact on electric vehicles or trends in the Chinese EV space. Similarly, an Indian IT analyst must know what Accenture or Capgemini are doing.

We maintain our circle of competence by having sector-specific analysts who develop in-depth expertise. However, that understanding is incomplete without the global picture. Our auto analyst covers Indian, US, European, and Japanese auto stocks. This ensures we understand the entire global landscape of the sectors we invest in.

The Discipline of Holding Cash

Kshitiz: PPFAS is known for being contrarian and often holds higher cash balances. How do you handle the pressure from clients or the market when you are holding cash during a booming market?


Rukun: It starts with being upfront. We are extremely clear with our investors: they should only invest if they have a five-year time horizon. We only deploy capital when we find bottom-up opportunities that justify the risk-return trade-off. If we can't find them, we stay in cash. Our CIO often says we are fine losing half our clients, but we are not fine losing half of our clients' money.

Holding cash is like playing defense. When markets are expensive, that 20–30% cash balance allows you to be aggressive when a correction occurs. If you are fully deployed during a crash, you have to decide what to sell at depressed valuations to buy something else. Having cash, as we did during COVID, allows you to buy bargain valuations aggressively.

Personally, it is easier to manage because the entire organization is aligned. If sales or leadership were applying short-term performance pressure, it would be difficult. But since we are all aligned for the long term, the pressure is much lower.

Learning from Mistakes

Kshitiz: Can you share an example of a mistake or a "value trap" that fundamentally changed how you look at companies?



Rukun: Early in my career, my biggest mistakes came from focusing too much on the narrative of a business or sector rather than the balance sheet and cash flows. I've since developed a checklist. No matter how rosy the future looks, if the P&L doesn't translate into cash profits or if the balance sheet is weak, I am happy to let the opportunity go.

I've also become much more cognizant of corporate governance and management incentives. As a young analyst, you feel like you can't miss any opportunity. Over time, you realize that many opportunities will come by. It is okay to miss a few good ones as long as you avoid the really big errors.

The Role of AI in Research

Kshitiz: As someone with a quantitative background, how do you see AI impacting research and fund management? Does it risk eroding alpha?

Rukun: AI is collapsing the "informational edge." Analyzing news or parsing 20 transcripts used to take an analyst a week; now it takes two days. This increases productivity, but it also means that being the fastest to parse data is no longer a sustainable edge.

However, the "judgment edge" remains. AI is excellent at interpreting history, but it struggles with longer-term interpretation, predicting how things will evolve over the next five years. For a short-term trader, AI might take away the alpha quickly. But for long-term investing, human judgment and the ability to ask the right questions are still essential. I haven't seen an LLM yet that can tell me whether to invest in a firm on a five-year basis.

Advice for Young Analysts

Kshitiz: If you were building a research team from scratch, what characteristics would you look for?

Rukun: Curiosity, a willingness to learn, basic financial knowledge (accounting and valuation), and diligence. I don't believe an analyst necessarily needs to know how to code today because AI tools are becoming so intuitive. If an analyst is curious, they will find the right tools to be productive.



Kshitiz: What three things should an analyst do outside of reading annual reports and building Excel models to grow in this profession?

Rukun:

- Read widely: In your early years, read different style i.e. Buffett, Munger, but also George Soros. You need to figure out what style fits your own mental wiring.
- Develop second-order thinking: Investing is competitive. "This sector is growing, so this stock is a buy" is first-order thinking. You must ask what the market is missing and what could go wrong.
- Understand absolute valuation: Many analysts rely on relative valuation (e.g., this stock is at 40x while the sector is at 50x). If the sector derates, you'll lose conviction. You need an absolute valuation framework to stick through market volatility.
- Do ground work: As Excel modeling becomes commoditized, your edge will come from talking to competitors and channel partners to understand a firm's true competitive advantage. That on-the-ground research is something AI cannot yet replicate.

Daily Habits and Final Thoughts

Kshitiz : PPFAS often says investing should be "boring." How can a young analyst tone down the urge to act on every opportunity?

Rukun: Use a checklist. It moves you from "System 1" (instinctive) thinking to "System 2" (deliberate) thinking. Also, try not to make decisions during trading hours. If a stock is down 10%, you don't have to buy it today. Wait for the calm of the evening to think through why it is down and if a purchase is justified.

Finally, learn from history. I was heavily influenced by reading about the dot-com bubble and the 2007 crisis, even though I wasn't investing then. A book I recommend is *The Bull*, which describes the dot-com era vividly. Reading about historical market events—whether in India or the US—teaches you that human behavior doesn't change and that new opportunities will always come again.

