

CIO Profile: Tatjana Puhan

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Author: Maha Khan Phillips

Tatjana Puhan is Deputy Chief Investment Officer at TOBAM. She talks to Professional Investor about working in academia while also being an investment practitioner, the philosophy of maximum diversification, the rise of Bitcoin, and how the decentralisation of finance will revolutionise the industry

Tatjana Puhan became interested in financial markets as a teenager, when she started reading financial journals and looking at stock market information online. “At the beginning I didn’t understand much, but I found it super exciting, and I decided I wanted to study finance,” explains the deputy chief investment officer of TOBAM, the \$10.2 billion boutique asset manager.

Wanting to delve deep into financial topics, she began her career in academia – Puhan has a masters’ degree in Finance and Business Administration from the University of Hamburg, and gained her PhD in Finance from the Swiss Financial Institute at the University of Zurich, with research fellow appointments at the University of Zurich, University of Hamburg, and the Kellogg Business School at Northwestern University.

In 2014, she joined Swiss Life Asset Managers, initially in portfolio management, focused on multi-asset, balanced, and single equity funds, as well as structured product solutions, asset allocation research and quantitative investment strategies. She became head of equity and asset allocation a year later. “I feel like, sometimes when you are only working in academia, you are missing the direct impact of the work you are doing. I am someone who needs to see that impact,” she says.

Puhan moved to TOBAM in January last year to take up the role as deputy chief investment officer, but has remained in academia as well, retaining research and lecturer positions. “In the job I am doing now, I still have the ability to do research, but I can work on projects that I personally find relevant without having to think about whether this will be published in an A+ academic journal. At the same time, I am working in a business and thinking about how to move that business forward. My parents are entrepreneurs and I grew up in that spirit,” she says.

TOBAM is a quant house, and makes investment decisions based on modelling. At its heart is the principle of maximum diversification, with the aim to provide investors with diversified core exposure, both in equity and fixed income markets. Puhan argues that investors allocate to cap-weighted indices thinking they are invested in a neutral and unbiased market portfolio, but in reality, they are invested in something that is a dynamic risk allocator.

As stocks appreciate, the greater their representation, and so, conversely, the greater the imbalance, and the greater the impact of changes in price. “It’s not just sector risk, it’s also highly idiosyncratic risk because there are potentially very few stocks driving this market concentration as it is currently the case in the US markets,” she says. Issuer-weighted corporate bond indices do not provide a neutral risk allocation either, she suggests.

The firm’s approach is to create portfolios which have equal and lowest possible correlation with its constituent holdings. Research is a key component. “Half of our people are really involved in research. As a quant manager, this is where our performance engine comes from. It’s really important for us to be rigorous in what we do,” says Puhan.

Rise of Bitcoin

In 2017, TOBAM became the first European asset manager to launch a bitcoin fund. “From an investment point of view, we are thinking about how we can use crypto to overcome issues of inflation and money devaluation. It’s a diversification idea we are working on at the moment,” she says.

But the firm will currently not be diversifying within crypto currencies themselves. “We are not confident in many of the crypto assets that exist today, but we do believe Bitcoin sets apart from the crowd, and has the potential to become a new standard of value.

She believes decentralised finance will revolutionise the industry. “Many things are happening here. It’s important to understand what will survive and what will not survive. We are always evaluating what our investors can get exposure to, and what things we don’t want to propose to our clients.”

The GameStop trading frenzy that took place in January is an example of this change, Puhan suggests. “Retail investors become much more engaged in these online brokerages, which allows them to trade directly in equities and derivatives, whereas previously they were buying mutual funds. There was a steep rise in 2020, with people at home because of Covid. This has had a direct impact. You can see

that the gaming mentality has started around certain stocks. This has definitely changed the landscape and increased volatility in certain stocks and certain themes and has contributed to market concentration,” she says.

Puhan believes regulators will step in however, though finding the right balance between regulation and innovation will be important. “The regulator wants to protect investors, but it’s about to what extent we want to regulate things. Sometimes, regulation goes too far.”

When she’s not working, Puhan is an avid mountaineer. “I’m a work and mountain addict, I always need enough of both to be happy.” The last mountain she climbed was Flüela Wisshorn, which is close to Davos. “I am someone who really loves my work, and I like to work a lot. But I am strongly convinced that you need time off, and need to do other stuff. I think spirit and body go together, so you need to get your body to move, and get out somewhere to get new and fresh ideas. Mountain sports help you learn to be very focused. It gives you a very different view of the world,” she says, smiling.

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