

How Arup Datta uses AI to help track volatile emerging markets

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Arup Datta, lead of Global Quantitative Equity at Mackenzie Investments.

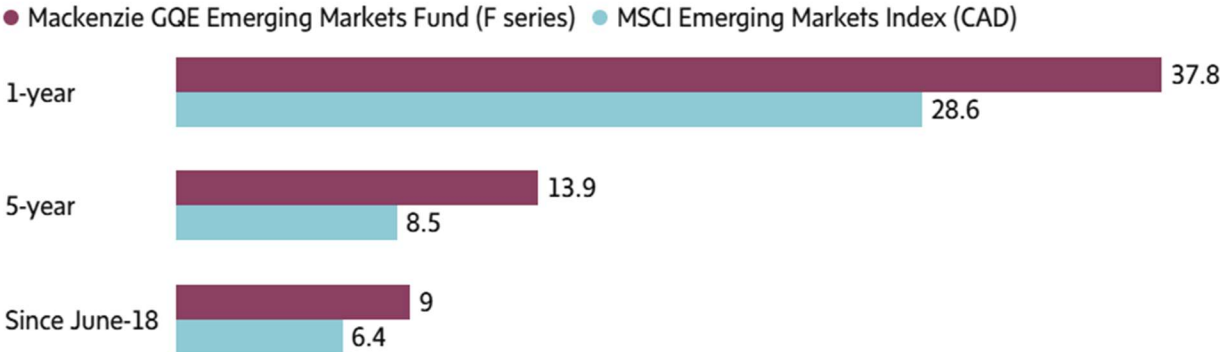
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Arup Datta always had strong math skills and figured his future lay in numbers. He earned an engineering degree in India but didn't find that field appealing. After travelling to the U.S. to get an MBA from Cornell University, he found his passion in quantitative investing, an investment approach using math models and data to analyze securities.

He spent more than 20 years at Boston-based Man Numeric, where he started as a quant analyst and later became head of portfolio management. He also founded a quant shop, which merged with another firm, before joining Mackenzie Investments in 2017.

His team runs US\$16.8 billion in assets, including the \$1.2-billion Mackenzie GQE Emerging Markets Fund, which has outpaced the MSCI Emerging Markets Index in Canadian dollars since 2018. We asked Datta how he uses artificial intelligence to pick stocks and why he likes Taiwan Semiconductor Manufacturing.

Arup Datta's fund for Smart Money



THE GLOBE AND MAIL, SOURCE: MORNINGSTAR DIRECT: RETURNS TO OCTOBER 31, 2025

What's your investment strategy to outperform?

We take an all-weather approach to try to beat markets independent of value, growth or quality stock cycles. Our portfolio is cheaper, growthier and higher-quality than the benchmark. We try to be nimble, with part of the portfolio trading daily.

How does AI figure in your approach?

Our models include traditional metrics, such as price to cash flow and free cash-flow margin for stocks. But we also use parts of AI, such as non-linear machine learning, which can come up with a revenue and earnings estimate for every company. If this model forecasts higher numbers than the Street's consensus estimate, we will favour it. We also use natural language processing in their native tongues, which can read text like financial statements and make inferences.

Emerging markets lagged developed markets for most of the past decade but are outpacing this year. What's your outlook?

Emerging markets look very attractive. They're very cheap compared with developed markets, especially U.S. large caps. But value alone doesn't move markets. China and South Korea, which were very cheap markets at the start of the year, are catalysts leading the charge this year.

Some investors gave up on the Chinese market in recent years following a regulatory crackdown on tech giants and a property slump. What's your view?



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I'm bullish on China, but there may still be hiccups. Its hardline approach to its tech companies, like Alibaba, seems to be behind us. It's also working through excesses in the real estate market. Still, it's the only country that can compete with the U.S. in areas like AI and health care. Lots of the new drug discoveries will come from China, whereas they used to almost all come from the U.S. or Western world. The Chinese market is also cheap compared with its potential. We like drug maker Sino Biopharmaceutical, whose earnings have been strong. It's been very innovative and does a lot of work around ophthalmia (inflammation of the eye). And Pop Mart International, whose Labubu dolls have been a hit worldwide, is still a compelling growth story.

Taiwan Semiconductor is a top holding. Why?

The company, which makes chips for Nvidia, is a dominant global player. It is very profitable and has had blow-out earnings, which have beaten expectations due to AI demand. Our machine learning model believes it will continue to come ahead of the Street's expectations for revenue and earnings. The valuation is average, so it's not expensive. The Chinese threat to invade Taiwan is a concern, but we're more focused on it as a huge-growth tech play.

What's your outlook for the Indian market? It's been under pressure partly due to steep U.S. tariffs.

It's a better entry point now that some of the valuation premium has come off versus its emerging-market peers. Indian information service providers sending workers to the U.S. are affected by the fee hike for H-1B visas, but we'll see how it plays out. However, inflation is under control, and interest rates are lower. Retail money is moving into the market, so it's not just driven by foreign investors. One name we like is aluminum and copper manufacturer Hindalco Industries.

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