

**Realized profitability = what happened**

Positive

Negative

True positive

False positive  
= Type I error

**Predicted  
Profitability**

Positive

**You invested in a  
strategy that worked!**

**You invested in a strategy  
that did not work!**

=

what the  
model  
told you

Negative

False negative  
= Type II error

True negative

**You did not invest in  
a strategy that worked...**

**You did not invest in a  
strategy that did not work...**