

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...**