

The [Mathematical Finance Group](#) at Imperial College London
is pleased to invite you to

The London Quantitative Finance Seminar

Thursday October 10th, 2013 at 6:00 PM

for a presentation by

[Marcos LOPEZ DE PRADO \(Hess Corp.\)](#)

[Backtesting the performance of trading strategies:
pitfalls and solutions](#)

Many quantitative investment strategies are adopted based on a simulation of historical performance (also called *backtest*). We show that high performance is easily achievable in backtests involving a relatively small number of alternative strategy configurations, a practice we denote “backtest overfitting”. The higher the number of configurations tried, the greater is the probability that the backtest is overfit. Because financial analysts rarely report the number of configurations tried for a given backtest, investors cannot evaluate the degree of overfitting in most investment proposals. The implication is that investors can be easily misled into allocating capital to strategies that appear to be mathematically sound and empirically supported by an outstanding backtest. This practice is particularly pernicious because backtest overfitting has a detrimental effect on the strategy’s performance.

The [London Quantitative Finance Seminar](#), organized by the [Mathematical Finance Group](#) at Imperial College London and sponsored by **BNP Paribas** and **SEBA International**, is a monthly research seminar focused on disseminating new ideas on quantitative modeling in finance and risk management to a broad audience of academic researchers, industry professionals and regulators. Attendance is open to students, academics, risk managers, finance professionals and regulators.

Venue: [Clare Lecture Theatre, Imperial College, 180 Queen’s Gate, London SW7 2RH.](#)

[Online registration](#) is required: register online at

<http://www3.imperial.ac.uk/mathfin/events/lqfseminars/registration>

The seminar will be followed by a buffet reception, open to all participants.