

# QUANTPEDIA

## “Quantpedia Insights”: Bespoke Backtesting for Hedge Funds and Individuals



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## BACKGROUND & OBJECTIVE

Three clients needing backtesting expertise faced similar challenges:

**The first client** is a fundamental hedge fund specializing in short and long equities. The hedge fund manager, who experienced the problem directly and was the decision maker, asked Quantpedia for help. They needed a solution to perform bi-weekly backtesting and generate performance reports.

**The second client** is a mid-sized hedge fund with a sizable research department and multiple portfolio managers. The head of research, who contacted Quantpedia, required a solution that could backtest various strategies efficiently. The goal was to systematically test their investment ideas while minimizing the need to use internal resources.

**Third**, an independent High-net-worth individual (“HNWI”) managing his personal portfolio faced a similar challenge due to a complete lack of backtesting infrastructure. He contacted Quantpedia for a solution that would include analysis and improvement recommendations.

All three clients had benefited from recently favorable market conditions, and were therefore able to allocate some limited, additional resources to strategy R&D. However, to consistently outperform, they needed a way to gain, improve, and scale their strategy backtesting expertise and capabilities while remaining within their time and budget constraints.

## CHALLENGES

To effectively perform backtesting, all three clients faced common challenges related to the lack of specialized staff—[quants](#), coders who use quantitative analysis to backtest trading strategies. Additionally, they wanted a solution that would not involve a time-consuming and resource-intensive hiring process, including recruitment, training, and waiting months for results.

Despite facing similar backtesting problems, each client had different needs regarding the scale and scope of the solution, which needed to be tailored to address their unique circumstances:

- **Fundamental fund:** Required regular bi-weekly backtesting. The scale of work was relatively manageable but needed consistent updates. The client’s R&D process included bi-weekly backtesting of consistent, fine adjustments to a small set of trading strategies
- **Mid-sized fund:** As a larger asset management company, they required systematic testing of a broader range of strategies with greater complexity.
- **HNWI:** Needed personal investment strategy backtesting with disinterested (or unbiased) third party opinion.

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## SOLUTIONS

All 3 clients fit the general pattern of a client frequently submitting a list of ideas for systematic backtesting, e.g. on a bi-weekly basis. In all 3 cases, Quantpedia was able to efficiently meet the backtesting requirements, due to their experienced in-house quantitative staff that built Quantpedia’s library of 1000’s of algorithmic and quantitative trading strategies, curated from tens of thousands of academic papers.

Only the clients' lists of strategies were needed. Even in the cases where clients submitted completely new strategy ideas, Quantpedia’s quant staff handled all the research required to develop the concepts into backtested strategies.

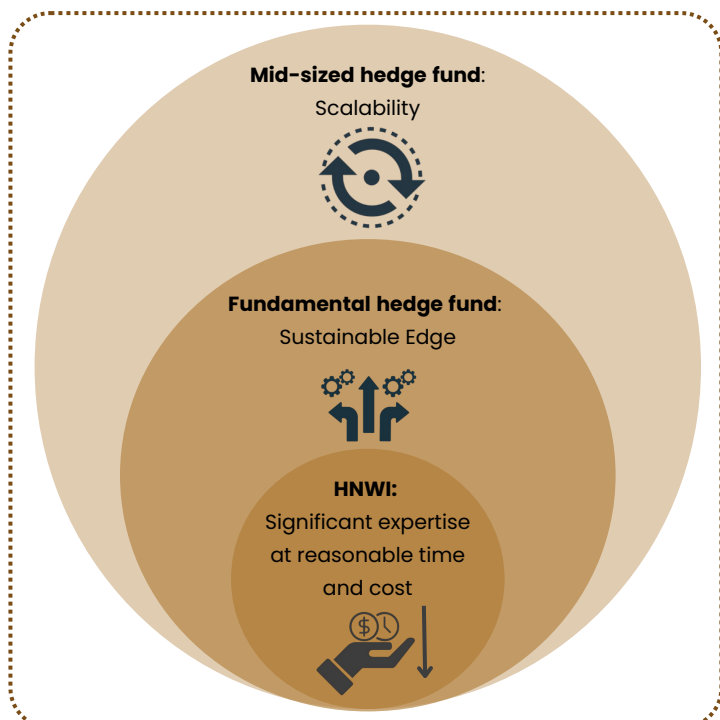
Quantpedia then reported the backtesting results to each client, with detailed feedback and suggestions for improvement (as was crucially important to the third client, the HNWI).

In each case, Quantpedia also fit the number of hours spent on backtesting to the client's budget by distributing the workload across the team supporting multiple clients.

## OUTCOME

All three clients implemented the backtesting solution successfully, but realized different additional benefits from the solution:

- Client 1 – Sustainable edge: The hedge fund manager was pleased with the performance reports and the added value of the strategy feedback. Quantpedia's expertise allowed the fund to remain competitive.



- Client 2 – Scalability: The head of research highlighted Quantpedia’s flexibility in hours and the ability to test a wide range of strategies without involving internal resources.
- Client 3 – Significant expertise at reasonable time and cost: The HNWI found Quantpedia’s backtesting and feedback valuable for improving the strategies in his personal portfolio. The client also mentioned that, thanks to Quantpedia, he could save a significant amount of time and even suggested raising the hourly rate due to the high quality of work.