



Why Hold a Melissinos Investment

May 13, 2025

It's been a few years since we've seen many substantial trends in the markets we trade. The few we have — cocoa, coffee and gold — have been largely outnumbered by whipsaws.

Following our strong 2019-22 period, currencies, bonds and commodities have been chopping sideways since. This has made it very difficult for us to make money. These periods never feel good, but ironically they're part of what makes trend-following systems like ours work over the long run.

Hell, even the good times can sometimes be challenging. My recent essay on [2008 performance](#) speaks to this.

During drawdown periods for trend-following, people might wonder why they should even hold such an investment especially when stock markets are humming along just fine. When every dip seems to shoot right back up to new highs and how sustained bear markets just don't happen like the old days anymore.

How quickly we forget.

We don't need to look back that far when stocks actually lost money over a decade while trend-following firms delivered stellar returns. From August 2000 to August 2011, the SP500 (plus dividends) declined -26% while a popular trend-following index — the BTOP 50 — gained +112%. It would've been a mistake to throw your stocks away in favor of trend-following in the summer of 2011.

I believe it's now a mistake to throw away trend-following in favor of stocks.

A key reason to hold a trend-following investment like us is the tremendous diversification benefits. Historically, it produces a near zero correlation to stocks while at the same time generating solid returns. I'd call that a win-win. The advantage of holding a diverse basket of

investments is to smooth out the **overall** performance, not to optimize any single component.

Trying to predict the future returns of any asset class doesn't work despite the anecdotal story you hear every now and again. Periodically re-balancing to your desired weighting in each asset-class might be a more sustainable approach.

As of April 30, 2025, our trend-following strategy sits in a -50% peak-to-trough drawdown (-42% YTD). While painful, it's not unexpected given the combination of our aggressiveness and the tremendous whipsawing volatility we've seen in the markets lately. Other aggressive trend-followers are experiencing similar returns.

Historically, drawdowns — especially of this magnitude — present tremendous opportunities to allocate to trend-following. I believe when we get good markets again — which could come at any time — our fund will deliver some of the best returns in our 14-year history.

While no one can guarantee any investment will make money in the future, ours included, we can guarantee that balanced diversification offers tremendous benefits over the long run. An long-term investment in Melissinos Trading, and trend-following in general, will provide tremendous diversification to your traditional assets.

This is why you invest in us. This is why you invest in trend-following.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Melissinos", followed by a long horizontal flourish.

Michael Melissinos
Founder