SYSTEMATIC TRADER | RISK-CONTROLLED TREND FOLLOWING

Larry Hite Made Survival the Edge in Systematic Trend Following

Larry Hite's career is defined by systematic trend following, strict risk limits, and the belief that survival is the foundation of compounding.

The Mint co-founder helped turn trend following from a trader's craft into a risk-controlled institutional business, proving that the first rule of compounding is staying in the game.

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In brief

Larry Hite built his reputation by putting risk ahead of prediction. As co-founder of Mint Investment Management, he helped move managed futures toward systematic, statistically tested trend following, strict position limits, diversification across global markets, and an institutional language of survival. His record at Mint made him a central figure in Jack Schwager's Market Wizards and helped persuade allocators that futures trading could be organized as a disciplined investment program rather than a gambler's arena. Hite's legacy is not a magic formula. It is a durable framework for handling uncertainty: define the loss before entering the trade, diversify the sources of opportunity, follow the system when ego resists, and accept that markets reward patience only after testing it.

- Larry Hite's importance rests on making risk control the center of a systematic trading business, not on public forecasts or discretionary market calls.
- Mint Investment Management, founded in 1981 by Hite, Michael Delman, and Peter Matthews, became one of the early quantitative managed-futures firms to scale with institutional capital.
- Schwager reported that Mint compounded at more than 30% annually from April 1981 through mid-1988, with unusually controlled losses for a futures fund of that era.
- Hite's best-known operating principle was to limit the risk on any single trade, a rule that reflected a broader philosophy of survival before optimization.
- Trend following remains supported by a large body of practitioner and academic evidence, but it can still suffer whipsaws, crowding, leverage stress, and long periods of investor impatience.

Performance markers

Mint early compounded return	More than 30% annually Reported by Jack Schwager for the period from Mint's April 1981 trading inception through mid-1988.
Mint starting capital	$2 million Reported by Schwager as the amount Mint began trading with in April 1981.

Mint assets by Schwager interview period	More than $800 million Reported in Market Wizards for the period through mid-1988, before later accounts described the firm approaching $1 billion by the end of the decade.
Reported early annual return range	Worst above 13%, best above 60% Schwager highlighted the unusual consistency of Mint's early annual outcomes for a leveraged futures program.
Reported largest six-month loss	15% Schwager reported 15% as Mint's largest loss over any six-month period in the early record he examined.
Man Group stake in Mint	50% Institutional Investor and Risk.net reported that Man Group bought a 50% stake in Mint in 1983.

Charts and timelines

Risk	
Leverage risk	Potential loss beyond initial margin
Whipsaw risk	Repeated small losses
Turnaround lag	Giveback before exit
Crowding and patience risk	Returns can be episodic

Timeline	
Mint begins trading	$2 million initial trading capital
Man Group partnership	50% stake acquired by Man Group
Mint early record	More than 30% annualized compound return
Scale by late decade	Nearly $1 billion in assets by end of decade
ISAM alliance	Hite Capital aligns with ISAM

Philosophy	
Survival first	Limit single-trade risk
Trend over forecast	Follow price movement rather than predict news
Diversification	Many markets, long and short
Know the player	Self-knowledge before position size

Performance	
Compounded return	>30% per year
Annual low	>13%
Annual high	>60%
Six-month drawdown	15% maximum loss
AUM growth	$2 million to nearly $1 billion

The trader who made the loss column the lead story

Larry Hite became famous in a field that usually rewards the loudest prediction by refusing to make prediction the center of the craft. His subject was not whether coffee, currencies, bonds, or stock indexes would rise next week. It was what could be lost if the market did something inconvenient, humiliating, or entirely unexpected. In an industry that likes to celebrate nerve, he built a career around the less glamorous discipline of staying alive.

That is why Hite's chapter in Jack Schwager's Market Wizards still reads less like a trophy case than a warning label. The striking part of the Mint Investment Management story was not only that the firm made large returns. It was that its record, at least through the period Schwager examined, paired high compounding with unusually tight damage control for a futures operation. Hite's method made an old trading maxim institutional: cut losses, let winners run, and do not let any one bet become existential.

By the late 1980s, Mint had become one of the symbols of a new managed-futures business. It used statistical work, computerized systems, and diversification to pursue trends across markets. Hite was not the only pioneer of systematic trading, and he did not pretend the method was effortless. His contribution was sharper and more enduring. He showed that a trader could build an enterprise around the premise that the market was unknowable, yet risk could still be designed.

Why Hite matters

Hite matters because he arrived before systematic trading became a polished institutional category. Futures trading had long carried a reputation for speed, leverage, and ruin. The commodity trading advisor business was growing, but the sales challenge was obvious: investors could understand equities, bonds, and real estate. A diversified futures program that could go long or short cotton, currencies, interest rates, or energy looked strange, even suspect, to many allocators.

Mint helped change that perception. Institutional Investor described the firm as one of the earliest in the United States to apply statistical analysis to markets, founded in 1981 by Michael Delman, Lawrence Hite, and Peter Matthews. In that context, Hite's work belonged to the first wave of financial engineers who treated price series not as stories to be narrated but as data to be tested. The approach did not eliminate judgment. It moved judgment upstream into research, risk limits, model design, and portfolio construction.

The timing gave Hite unusual influence. The early 1980s brought expanding futures markets, better computing, and investors willing to look beyond traditional long-only portfolios. A manager who could explain futures trading in the language of probability and risk had an opening. Hite's genius was editorial as much as mathematical: he framed the business in terms investors could understand. He did not sell omniscience. He sold process.

A Brooklyn education in odds

The conventional Wall Street biography is built around pedigree. Hite's is built around constraints. In The Rule, he presents himself as a working-class Brooklyn kid who was dyslexic, partially blind, and far from the image of a future quantitative money manager. The point of that story is not sentimentality. It helps explain why he became suspicious of elegance for its own sake. Markets, like life, were games in which the rules mattered, but self-knowledge mattered more.

His later trading philosophy kept returning to the same premise: before choosing a strategy, know what kind of loss you can survive. Hite's education moved through failure, odd jobs, music promotion, and a fascination with gambling logic. The table of contents of his memoir is revealing because it places pork bellies and blackjack next to chapters on trend following, losing money, and the Mint fund. He understood speculation as an odds problem before it became a capital-markets problem.

That distinction shaped his career. Many traders begin with an opinion about value. Hite began with probability, asymmetry, and the behavior of flawed people under stress. He read markets through the lens of games, not because markets were orderly casinos, but because both domains punished people who confused a favorable setup with a guaranteed outcome. The market did not have to be fair for a disciplined trader to seek an edge.

From broker to system builder

Hite entered finance in a period when much of trading still depended on voice, instinct, relationships, and floor knowledge. The dominant image of the trader was not a coder testing signals across data sets. It was a person with a phone, a price, and a view. Hite's path cut against that image. He became interested in the possibility that speculative decisions could be organized by rules that reduced the trader's ability to rationalize a bad position.

Institutional Investor later described Hite as an exponent of game theory in trading futures and noted that Michael Delman, a computer scientist, wrote a program to implement Hite's ideas. That combination was crucial. Hite had the market intuition and the obsession with risk. Delman and Matthews supplied technical and statistical discipline. Mint was not the product of a lone market prophet. It was the product of a small team that turned trading principles into a repeatable system.

This is one of the reasons Hite remains important to the history of quantitative investing. He bridged an older trader's understanding of fear and trend with a newer reliance on computers and testing. The lesson was not that machines would remove uncertainty. It was that machines could force consistency on rules that human beings were tempted to bend precisely when the rules were most needed.

Making Mint

Mint Investment Management began trading in April 1981 with a design that was simple in spirit and difficult in execution. The program would follow trends, control losses, and diversify across markets. Its edge, if it had one, would not come from knowing the weather, central-bank decisions, crop reports, or political shocks in advance. It would come from responding to price behavior in a disciplined way after the market began to move.

The founding trio mattered. Hite supplied the philosophy and the appetite to build a business around it. Matthews brought statistical training. Delman brought computer-systems expertise. Institutional Investor places Mint among the earliest firms to apply statistical analysis to markets in the United States. That should not be read as a minor operational detail. In an era when data handling was expensive and clumsy by current standards, the decision to systematize was itself a statement about where the business was going.

The result was a firm with a clear message: the system would trade many markets, accept that most individual trades could be wrong, and rely on the minority of large winners to pay for the many small losses. That approach can sound obvious after decades of trend-following literature. At the time, it helped move the managed-futures business toward institutional form. Mint was not merely a trading account. It was a prototype for a scalable systematic manager.

The rule before the trade

The most famous Hite rule was a position-risk rule. Schwager reported that Mint would not risk more than 1% of total equity on any single trade. The number is less important than the hierarchy it reveals. Hite did not begin by asking how much a position might make. He began by asking what damage the trade could inflict if it failed. In a leveraged futures portfolio, that question is not a footnote. It is the central operating fact.

This was not merely conservatism. It was a compounding strategy. A trader who loses 50% must double capital simply to return to even. A manager who avoids catastrophic drawdowns preserves the ability to exploit the next trend. Hite's risk limits therefore served two purposes at once: they limited the immediate damage of being wrong and protected the future opportunity set. Survival was not the absence of ambition. It was the condition that made ambition rational.

The rule also constrained ego. If each trade is small enough to be survivable, the trader has less reason to argue with the market. There is no need to turn a losing position into a philosophical campaign. A stop can be hit, a signal can fail, and the portfolio can continue. Hite's discipline was psychologically sophisticated because it recognized a truth every trading desk eventually learns: large losses usually begin as small losses defended too long.

Trend following without prophecy

Hite's method belonged to the family of trend-following strategies that seek to own markets that are rising and short markets that are falling. The idea is old, but Hite's implementation was modern for its time because it was systematic and diversified. The system did not need a narrative for why a trend existed. It needed a rule for entering, sizing, exiting, and moving on.

Academic evidence later gave formal language to what practitioners such as Hite had been doing. Moskowitz, Ooi, and Pedersen documented time-series momentum across equity index, currency, commodity, and bond futures, finding that an instrument's own past 12-month excess return had predictive power for its future return across 58 liquid instruments. That does not prove any single manager's edge. It does show that Hite's basic intuition sat inside a broader, measurable return pattern.

The phrase cut losses and let winners run can sound like folklore, but the machinery behind it is rigorous. Trend following accepts a low hit rate in exchange for positive skew. The trader expects many losses to be small and a smaller number of gains to be large. Hite's version emphasized that the mathematics only work if the losses remain contained. A trend follower who cannot take small losses becomes a leveraged macro tourist with a model attached.

Diversification as humility

Hite's portfolio logic depended on refusing to fall in love with any single market. Futures made that refusal practical. A managed-futures program could range across commodities, financial futures, currencies, and later equity indexes. If one market was dull or hostile, another might be trending. Diversification was not decoration. It was the mechanism that gave the system enough independent chances to let probability work.

This is where Hite's philosophy differed from the heroic image of the trader with one brilliant call. A concentrated discretionary investor may need to understand a company, a credit, or a macro imbalance better than the crowd. Hite needed a broad enough set of instruments, rules that could be applied consistently, and risk budgets that kept any one market from dominating the portfolio. The trade was the unit of execution, but the portfolio was the unit of survival.

Later research on trend following echoed this structure. Time-series momentum studies examined strategies across multiple asset classes, and Greyserman and Kaminski's historical work emphasized the importance of broad market availability and the ability to go both long and short. Hite did not invent diversification, but he treated it as an admission of ignorance. Since no one knows where the next great trend will appear, the system must be prepared to find it in places the trader would not have chosen by story alone.

The record that made allocators listen

The numbers associated with Mint's early record explain why Hite became more than a cult figure among traders. Schwager reported that from the start of trading in April 1981 through mid-1988, Mint produced an average annual compounded return of more than 30%. He also reported a range of annual outcomes from a worst year of more than 13% to a best year of more than 60%, with the largest six-month loss at 15% and the largest 12-month loss under 1% over the period he examined.

The asset growth was equally important. Schwager's account put Mint at $2 million at inception and more than $800 million by the time of his interview. Institutional Investor later wrote that Man Group bought 50% of Mint in 1983 after recognizing the importance of managed-futures advisers to its business. Another Institutional Investor account said Mint grew to nearly $1 billion in assets by the end of the decade. For a futures manager of that era, scale itself was part of the proof.

Performance data from private funds and CTAs should always be handled with care. They can be period-specific, fee-specific, and shaped by survivorship in the broader industry. Even so, the Mint record matters because it paired return, risk control, and asset growth in a way that made systematic managed futures harder to dismiss. Hite's reputation was built on the combination, not on a single spectacular year.

Man Group and the institutional bridge

The 1983 Man Group investment in Mint was a signal that Hite's approach had moved beyond the realm of an interesting trading operation. Man was a commodities house with deep roots and a growing interest in investment management. Institutional Investor reported that Man bought a 50% stake in Mint in 1983, and Risk.net later described the transaction as a 50/50 partnership negotiated by Stanley Fink. The deal connected a New York systematic CTA with a distribution and product platform that understood futures.

The relationship also foreshadowed the broader rise of systematic alternatives. Man's later growth through AHL would make trend-following and quantitative futures strategies central to its identity. Man's own corporate materials now describe an active investment manager with systematic capabilities including Man AHL and Man Numeric, and reported group assets of $253.6 billion as of June 30, 2026. Hite's Mint was not AHL, but it was part of the chain of events that helped make systematic futures a mainstream institutional category.

The more subtle achievement was packaging. Investors who feared the raw volatility of futures needed vehicles, reporting, risk controls, and institutional framing. Hite's insistence on defined risk made the conversation possible. He could explain that the danger was real, but that danger was precisely why the program needed rules. In that sense, Mint did not domesticate futures. It taught allocators a way to underwrite them.

The human discipline inside the machine

Hite is often classified as a systematic trader, which is accurate but incomplete. The system was mechanical at the point of execution, yet the philosophy behind it was deeply human. He understood that the largest trading errors are often failures of temperament: revenge, denial, boredom, panic, and the need to be right. The machine was useful because it reduced the room for those impulses to govern the portfolio.

His public persona reinforced the point. Hite spoke in plain rules rather than ornate theory. That made him easy to quote but also easy to underestimate. The simplicity was not anti-intellectual. It was protective. A rule that cannot be followed under pressure is not a rule; it is a slogan. Hite's language worked because it was designed for moments when sophistication becomes an excuse to delay action.

The team around him also complicates the myth of the solitary trader. Matthews and Delman were essential to the mathematical and technical foundations of Mint. Later, Alex Greyserman, who had served as research director at Mint and worked with Hite at Hite Capital Management, became part of the continuing systematic lineage. Hite's career shows that systematic trading is not a war between humans and models. It is a discipline in which humans decide what the model is allowed to do, then build procedures to stop themselves from sabotaging it.

Where the method breaks, bends, and bores investors

Trend following has obvious failure modes. It can be late at turning points, lose repeatedly in range-bound markets, and give back open profits when trends reverse sharply. A system designed to wait for confirmation will never buy the exact low or sell the exact high. That is not a flaw in implementation. It is the cost of avoiding prophecy. Investors who expect smooth returns from a strategy built on accepting small losses have misunderstood the bargain.

There is also leverage risk. Futures require margin, and adverse moves can force additional funds on short notice. The standard commodity-futures risk disclosure warns that customers can lose the initial margin funds and additional funds deposited to maintain a position. Hite's small-risk-per-trade rule was designed in recognition of that reality, not in denial of it. Futures are efficient instruments for diversification, but efficiency cuts both ways when losses accelerate.

Finally, there is the risk that success invites imitation. As more capital pursues similar signals, trades can become crowded, correlations can rise, and exits can become less forgiving. Research on time-series momentum finds robust long-run evidence, but no anomaly is exempt from changing market structure. Hite's method remains useful only if investors remember the original spirit: test, diversify, size modestly, and assume the next market environment will expose whatever the last one rewarded.

The long evidence and the crisis-alpha argument

Hite's record stands inside a larger argument for trend following as a diversifier. Greyserman and Kaminski's historical work, excerpted by CME Group, describes trend following across centuries and emphasizes its tendency to perform during periods of market divergence. Their analysis reports low correlations to traditional stock and bond proxies and discusses crisis alpha as a key characteristic of the strategy. That is the institutional version of Hite's practical insight: the big money often comes when markets move far enough to punish consensus.

AQR's Hurst, Ooi, and Pedersen extended the evidence across global markets since 1880 and found positive average returns in each decade, low correlations to traditional asset classes, and strong performance in 8 of the 10 largest crisis periods for a 60/40 stock-bond portfolio. The finding does not mean trend following is a hedge for every selloff. It means the strategy has historically benefited from some of the same dislocations that hurt conventional portfolios.

This is why Hite's continuing relevance is strongest at the portfolio level. He did not offer investors a smoother version of equities. He offered a different return engine, one that could be uncomfortable for long stretches and valuable in episodes when other assumptions failed. The danger is marketing the strategy as crisis insurance. The better framing is more modest and more faithful to Hite: trend following is a disciplined way to pay many small insurance premiums in the hope that a few large trends will matter when they arrive.

The second act: Hite Capital and ISAM

After Mint, Hite remained associated with systematic trading through Hite Capital Management and later through a strategic alliance with International Standard Asset Management. Opalesque reported in February 2010 that ISAM formed an alliance with Hite Capital and that Hite, Alex Greyserman, and Gilbert Lee would join ISAM as shareholders and directors. The announcement positioned the alliance as a step toward building a platform of liquid hedge fund strategies and launching ISAM Systematic.

Risk.net's 2011 interview with Stanley Fink and Hite framed the venture as a reunion of sorts. Fink had been tied to the Man-Mint partnership decades earlier, and ISAM's strategy drew on Hite's systematic lineage. For Hite, the later chapter mattered because it showed that the principles he had championed were not trapped in an early-1980s futures shop. They could be reworked for a more mature hedge fund world with more data, more competition, and more demanding allocators.

Greyserman's career underscores that continuity. He had worked with Hite since 1989, served as research director at Mint, later held the chief investment role alongside Hite at Hite Capital Management, and was part of the 2010 move into ISAM. Hite's legacy therefore runs not only through sayings and interviews, but through people, systems, and institutions that carried the risk-first approach into later generations of quantitative management.

Criticism, myth, and the danger of simplifying Hite

The easiest way to misuse Hite is to turn him into a bumper sticker. Risk 1% per trade. Follow the trend. Cut losses. The phrases are sound, but they are incomplete. The hard questions begin after the slogan: how is risk measured, how are correlations handled, what happens when volatility shifts, how are signals tested, which markets are liquid enough, and how does the manager behave after a long flat period? Hite's career answered those questions with organization, not just advice.

There is also a broader critique of systematic trading culture. Backtests can seduce. Clean rules can hide messy assumptions. A model that worked on one set of markets can decay when execution costs, participant behavior, or policy regimes change. Hite's own philosophy is a partial defense against that critique because it begins with the possibility of being wrong. Still, a risk-first system can fail if the risk model is too narrow or if the trader confuses historical loss with possible loss.

The final myth is that Hite made trading easy. He did the opposite. He made it less theatrical and more demanding. A discretionary trader can always say tomorrow will be different. A systematic trader must live with rules during the very periods when they feel foolish. That is a demanding form of humility. Hite's real lesson is not that a simple rule solves markets. It is that a simple rule, honestly enforced, can save a trader from the most expensive parts of himself.

What remains of Larry Hite's edge

Hite's edge was never a secret indicator. It was a hierarchy of attention. First, define the loss. Second, diversify the opportunities. Third, follow the trend only when the system says there is one. Fourth, accept that being wrong is routine and that survival is the only way to be present for the rare trade that pays for the rest. This hierarchy remains useful precisely because it is emotionally difficult.

The modern market is faster, more crowded, and more quantitative than the one in which Mint began. Data are cheaper, execution is more automated, and allocators have more ways to access managed futures. Those changes reduce the mystique around Hite's methods, but they do not reduce the importance of his central warning. Leverage still magnifies mistakes. Crowds still chase comfort. Investors still abandon diversifiers after they disappoint and rediscover them after the crisis has already begun.

Hite belongs in the financial canon because he made risk control feel like a source of power rather than a brake on ambition. His career offers a counterweight to the cult of conviction. Markets do not owe traders clarity, and the future does not become safer because a model is elegant. The trader's job is to build a method that can be wrong repeatedly without disappearing. Larry Hite did not teach Wall Street how to know the future. He taught it how to keep trading when the future refused to cooperate.

Disclosure

Educational financial journalism and market research only. Not financial, investment, trading, tax, or legal advice. Market data and analysis may be delayed, incomplete, or inaccurate.

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