



ALL EARS!!

The Litchfield Fund Weekly Newsletter

“We just don’t hear it on the street, we have our ears spread across all the fields!!!!”



Litchfield

In 1962 DC Comics raised its prices an unheard of 20%! A 10¢ comic book now cost 12¢! The price hike went unnoticed by a 3-year old learning to read by memorizing the bubble words of Lois Lane, Jimmy Olsen, Clark Kent & The Man of Steel while looking over his older sister’s shoulder as she read the stories out loud. Who needed *McGuffey* when we had *Siegel & Shuster*! We would never have imagined a comic book industry so large as to have worldwide Comic-con events! So let’s not be surprised that this week fermented drink lovers gathered in Long Beach for the 3rd annual *KombuchaKon*!

KombuchaKon: Unfortunately, **The Litchfield Fund** was unable to attend KombuchaKon this week. If we had, it would have been fun to show up in costume! Perhaps dressed as the colorful & favorite *GT’s Third Eye Chai* or a *Kevita Master Brew Kombucha Ginger*! Or how about dressed as our favorite Superhero Probiotic – *Ganeden Biotech’s BC30*!

All kidding aside, we are excited to see the fermented drink industry continue to develop. *All Ears!!* has more than once commented on the importance of fermented drinks both today & throughout history. Consumers continue to recognize the benefits of fermented & probiotic drinks & this industry has a huge upside potential. We *Marvel* (they also raised their comic book prices in 1962) at the number of new brewers we constantly see. A growing industry needs the opportunity to connect, learn, develop standards, and broadly market its segment. We cheer Kombucha Brewers International for bringing together the industry this week!

Industry News: *Fortune Magazine* reported that actress Jessica Alba’s *The Honest Company*, maker of home, baby & bath products, may be ready for an IPO. The company has recently been hit by social media claims that its sun-block may be ineffective. *Vitamin World’s* 380 stores were purchased by Cedar Lane Partners for an undisclosed amount. *Unilever*, which recently dropped its *Mayonaming* lawsuit against plant-based *Just Mayo* announced that its *Hellman’s* brand will begin to produce a vegan mayo. Several airlines announced the reinstatement of snacks on flights with healthier food options.

Earnings News: Hain Celestial (**HAIN**) reported 2nd QTR sales of \$752.6M with an EPS of 55¢, besting analyst estimates. Sales grew by 8% and EPS grew by 28%. Foreign currency exchange rates impacted earnings & diluted EPS grew by just 6%. Operating cash flow grew by 82% to \$93M. Sales set a record in the quarter however U.S. & U.K. sales declined while foreign joint venture sales grew more rapidly. Tea sales are down due to warmer winter weather & MaraNatha Nut Butters is still recovering from its voluntary recall. **HAIN** confirmed full year

guidance. **HAIN** will be pursuing \$100M in cost savings while repackaging some of its longer-term brands, increasing household penetration, revising store placement & pricing and working toward doubling in size over the next few years. William Blair reaffirmed an OUTPERFORM rating for **HAIN** while SunTrust increased **HAIN**'s earnings outlook.

Portfolio News: ConAgra (**CAG**) & Treehouse Foods completed the deal for **CAG**'s private label business. Whitewave Foods (**WWAV**) will source 100% certified sustainable cacao by the end of 2016. Lifeway Foods (**LWAY**) received a \$14 target price & a consensus BUY from analysts covering the stock. RBC Capital upgraded United Natural Foods (**UNFI**) to SECTOR PERFORM & Natural Grocers by Vitamin Cottage (**NGVC**) to OUTPERFORM. **GNC** announced an 11% increase in its dividend. Sprouts Farmers Market (**SFM**) will be added to the S&P Mid-Cap 400. General Mills (**GIS**) announced that *Annie's* will begin to offer whole milk yogurts.

Market News: The 'is it a Bear or is it a Bull' mentality continued this week. Oil and the Chinese economy continue to drag stocks down. A slower, less than expected job growth number on Friday sent the market tumbling despite a decrease in unemployment rate & some wage growth. The 3-month average for job growth remains strong easing some analysts' fears of a pending recession. Several indexes hint at the possibility of inflation lending credence to the Fed raising rates and certainly helped to vex markets this week. Along with the slight wage growth & a stable labor participation rate, the dollar reacted to the possibility of another rate hike. Investor sentiment is running more bearish with each week.

Meanwhile some solidly 1960s thinking emerged as The White House suggested adding a tax to low oil prices. While prices have recovered from late January lows many analysts still believe the price will stay around the \$30 per barrel level through the end of the year. Non-OPEC member Russia & Saudi Arabia discussing possible supply cuts helped to prop up February prices. Many analysts believe this relationship is not strong enough to impact supply or prices.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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