



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

The saxophone! It is the soulful lament of Tommy Cardinale's (AKA *Alto Reed*) opening saxophone solo in the *Bob Seger & The Silver Bullet Band's* rock classic *Turn the Page* that immediately drags the listener down into the depths of despair of the struggling on-the-road musician. Once the saxophone made its way from classical music & brass, marching & military bands, it arrived on the shores of American jazz, blues & rock'n'roll! The sax can make us want to dance or it tugs our heartstrings! Poet Carl Sandberg wrote, "*Drum on your drums, batter on your banjos, sob on the long cool winding saxophones. Go to it, O jazzmen.*"

Saxophone: Adolphe Sax, born 214 year ago this week, invented the saxophone in 1840. His parents were instrument designers. He was an accident-prone child who miraculously survived & began tinkering with existing horns at an early age. But it was American jazz & blues, combined with a piano or the legendary *Hammond B3* organ, an electric or bass guitar & drums, that made the saxophone iconic. Here, the great saxophonists were born: Charlie Parker, Gerry Mulligan, John Coltrane, Coleman Hawkins, Lester Young, Art Pepper, Joe Henderson & Benny Carter. Our personal favorite will always be '*The Sound*', Stan Getz, the nickname derived from his warm lyrical tenor sax solos with Woody Herman's *Thundering Herd*. It was in the early 1960s that Mr. Getz introduced a whole new musical genre to the American public. Teamed with João Gilberto & Antônio Carlos Jobim, with the whispering vocals of Astrud Gilberto, Mr. Getz led the *Bossa Nova* craze. His recording of *The Girl from Ipanema* rose to the top of the charts, breaking a chart stranglehold by those British Invaders, *The Beatles!* Mr. Getz took a chance, broke the mold of his own success, won a Grammy for the song, which became the second most recorded song of all time just behind *The Beatles standard, Yesterday!*

Industry News: VMG & Asia-based *Hillhouse Capital* will each allocate \$100M to co-invest in consumer brands seeking global outreach, especially in China. *Vive Organic*, wellness shots, obtained \$7M in funding led by *Powerplant Ventures*, with *Blueberry Ventures*, Bill Moses & Christopher Hunter involved. *Saputo* purchased cheese maker *F&A Dairy Products* for \$85M. Fast casual restaurant *Sweetgreen* is looking to raise about \$200M with a \$1B valuation. *Fidelity Investments* is leading the transaction. *Clear Labs*, with its food safety testing platform, closed a \$21M round led by *Menlo Ventures*. *PepsiCo* acquired plant-based snack bar *Health Warrior*, the first brand that will be part of *The Hive*, its emerging brand innovation arm.

New stores drove sales at *Sprouts Farmers Market* for 3rd QTR with 10% revenue growth & EPS of 27¢, a 17% increase. Comparables were up 1.5%, slower than a year ago. *Coca-Cola* beat analyst 3rd QTR estimates for revenue & earnings, with EPS jumping 33% from last year. The beverage giant saw double-digit growth in its traditional products. Apparently, *Coca-Cola* will

not pursue a cannabis drink acquisition. *Amazon's* 3rd QTR earnings from last week indicated that sales at physical store locations, primarily *Whole Foods*, were shrinking. Retail cooperative *Wakefern* finished 4th QTR with a 1.6% increase in sales, helped by new store locations. *Mondelez's* net revenue fell 3.7% to \$6.3B as North American sales slowed & missed analyst estimates. Net income rose to \$1.19B from \$992M. *Mondelez* announced a new business development unit, *SnackFutures*. *B&G Foods* missed 3rd QTR forecasts though net sales rose 4.1% to \$422.6M, with *Green Giant* frozen food sales rising 14%. Gross profit fell almost 5%. *Kellogg* had a net sales increase of 7% to \$3.5B for 3rd QTR & net income leapt 33% due to *RXBAR* sales, restructuring programs & supply chain efficiencies. Operating profit fell due to shipping costs. *Treehouse Foods* saw a 10% drop in 3rd QTR net sales as net income dropped significantly, citing hurricane crop damage.

Farmstead, digital grocer, has begun a pilot delivering fresh foods from farm to fridge in 60 minutes via *Udelv* autonomous vans in the Bay Area. *Blue Apron* will offer 4 meal kits on *Walmart's Jet.com* in NYC & parts of New Jersey. *Raley's* will offer internally designed meal kits with a subscription-free service. *Meijer* is adding a pick-up option to its home delivery. *Albertsons* will build a 10K sqft, AI-automated ecommerce micro fulfillment center with *Takeoff Technologies*, in an existing store. *Dollar General* is going urban & millennial with an updated concept, *DGX*. *Schnucks* will roll out its *Simbe Robotics' Tally* shelf-scanning robot pilot to 15 stores to capture real-time shelf data. *Keurig Dr. Pepper* will eliminate 500 jobs as a result of their merger. *Keurig Dr Pepper* will sell, distribute & merchandise Evian in the USA in an agreement with *Danone Waters of America*. *Danone's* leadership plans to reach €5B in plant-based sales by 2025. *US Foods* will build a 355K sqft. distribution center for \$71.6M to more efficiently serve its NorCal restaurant customers. Per *KPMG's 2018 Grocery Retail Consumer Perception Survey*, 59% of USA consumers will shop online for groceries next year & spend more. *Coco-Cola* launched a global ventures group to oversee its worldwide ventures & partnerships. Mark Schiller, formerly of *Pinnacle Foods*, is the new president/CEO of *Hain Celestial*, succeeding founder Irwin Simon. Phoenix-based *Spinato's Pizza* will offer a new frozen pizza with a broccoli crust. *Teton Waters Ranch* will launch *Blended Beef*, a frozen hamburger patty made from grass-fed beef & mushrooms. Gwyneth Paltrow's lifestyle brand, *Goop*, having just settled USA consumer charges, may face legal action in the UK.

Market News: Stocks rallied this week. In October, the USA added 250K new jobs, compensation rose 3.1%, the fastest in 9 years & well outpaced CPI growth. Jobless claims fell again. The *Conference Board's* CCI was at 137.9 in October, the highest level in 18 years. In August, the USA outpaced both Russia & Saudi Arabia to become the world's largest oil producer!

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund – *Tom Malenka*

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