



# 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**

**Saturday morning at the Farmers’ Market!!** We can’t wait to see what treats await us! Will we find the freshest kale & tomatoes? The heartiest of cucumbers & carrots? A new whole grain we have never before tried? Or something we did not expect? Perhaps a new organic soap, a locally made organic chocolate bar or a locally made granola bar. Maybe even some vegetables pickled to perfection! And the fresh bread smells wonderful! Did you see the quail eggs? Wait, let’s not get overwhelmed! Remember our mission!! We came to the Farmers’ Market just to get some fresh veggies for a nice raw dinner salad!

**Staying true to our mission:** The farmers’ market is indeed a Plato-inspired allegory for the current phase of **The Litchfield Fund’s** investment process. It is easy to become overwhelmed by the many new, delicious products we are finding & the passionate, excited company founders & industry leaders we are meeting. We will continue to look for products that are unique, offering something different but that remain healthy & tasty. We seek products that are creating, disrupting or redefining a product segment. And we will look for companies moving past the angel investment stage & seeking partners such as **The Litchfield Fund** who can offer advice & assistance that can help them grow! So let’s not be overwhelmed! We will take the process in stride & be detailed, focused, thorough & thoughtful! Most importantly, we will not take ourselves too seriously! Let’s remember what E.B. White said about the farmer: “A good farmer is nothing more nor less than a handy man with a sense of humor.”

**Portfolio News:** This week, analysts from both Cowen & Co. & Stern Agee stated that specialty food grocers such as Whole Foods (**WFM**) & Sprouts Farmers Market (**SFM**) should not be concerned about market erosion caused by traditional grocers & other retail outlets. Stern Agee raised its EPS guidance for **WFM**. They feel indications from a variety sources, including United Natural Foods (**UNFI**) & Nieman Marcus, demonstrate spending increases by higher income/asset consumers. On a side note, Costco reported that sales of Natural & Organic products doubled at its stores in 2014, but that as a whole this category is less than 2% of its total sales, indicating a tremendous upside for the industry as a whole. Cowen & Co. initiated coverage on **SFM** with an OUTPERFORM, Bank of America/Merrill Lynch rated **SFM** at a BUY, & Wedbush initiated coverage this week at NEUTRAL.

Despite these positive market trends on consumer spending, there may be some troubling signs. SPDR Consumer Staples Select (**XLP**) ETF was the 4<sup>th</sup> best performing SPDR sector in 2014, outperforming the Consumer Discretionary segment. Historically, staples outperforming discretionary has been a troubling sign for the market as a whole, and has preceded downturns and flat markets since the early 1990s.

Hain Celestial (**HAIN**) received a BUY rating from Cannacord this week. In **HAIN**'s upcoming earnings report we will watch for continued market share growth, sales growth, and if **HAIN** can maintain a greater EPS growth than sales growth rate. These have all been hallmarks of **HAIN**'s ability to quickly integrate new companies & new products. **HAIN** introduced Coconut Dream yogurt made from real coconut containing live cultures in different flavors. Also this week, General Mills (**GIS**) filed an international patent for a new pancake & waffle mix made from whole grain wheat, brown rice, & millet.

ConAgra (**CAG**) continues not to comment on rumors of a possible buyout of the company by a private equity firm. Meanwhile, quite a few **CAG** executives exercised options in January at **CAG**'s record high stock price. Rumors also rose that Lifeway Foods (**LWAY**) was seeking a buyer. Danone owns 21.9% of **LWAY** and has the right to match any offer for the company, but cannot stop a sale. Danone is reportedly not interested in a takeover of **LWAY**.

United Natural Foods (**UNFI**) has an average 1-year target price of \$80.30 from 10 analysts covering the stock. **UNFI** closed this week at \$78.58. Boulder Brands (**BDBD**) got a short term price target from 9 analysts covering the stock of \$14.67. Hershey (**HSY**) reached a 52-week high during the week despite downgrades to NEUTRAL & HOLD from JP Morgan & Deutsche Bank, respectively. Credit Suisse lowered Whitewave Foods' (**WWAV**) 1-year target price to \$39 from \$41, as **WWAV** went below its 200-day average. **GNC** received a BUY rating from Goldman Sachs and a price target increase to \$49 from \$44. The Vitamin Shoppe (**VSI**) has an average HOLD rating from 15 analysts covering the stock.

**Seeds, Sprouts, Grow, Harvest!**

**The Litchfield Fund**

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