



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

Mayday, Mayday, Mayday: The international distress signal! As first quarter continues the last several quarters’ earnings contraction, investors may well heed the old adage of ‘Sell in May & Go Away’. Academics *may* scoff at such investor superstition, but the ‘Halloween Effect’ has a basis in reality. Equity markets tend to perform better from November to April, interest rate based investments outperform between May & October. Since the ancient Roman festivals, *May Day’s* pagan celebrants have sought fertility for livestock, crops & people. Perhaps investors would be wise to don a flower crown & dance around the Maypole!

Save Our Stocks: The S.O.S. signal is said to stand for Save Our Ship, Save Our Souls or Send Out Succour. It meant none of those originally as it was devised in Germany. The only nine-digit element in Morse Code, the simple 3 dot, 3 dash, 3 dot signal was easy to transmit & understand. Standardized in 1905, it was replaced in the 1920s by *Mayday!* As radio & telephone transmission became prevalent the ‘ess’ sound was not distinguishable. *Mayday* was developed from the French *m’aider - Help Me!* With dire predictions of a 2016 stock market crash, a dance around the Maypole might be in order to save our stocks & souls!

Earnings News: Hain Celestial (**HAIN**) reported 3rd QTR performance with a 9% YOY earnings increase & a 49¢ EPS. Net sales increased 13% to \$750M. **HAIN’s** results were better than analyst estimates. Performance showed strength in all sectors & management was pleased with U.S. sales numbers. Gross Profit grew 9.8% YOY & operating income rose 3.8%. **HAIN** announced they would optimize supply & production to attain \$100M in cost savings over the next 2 years. **HAIN** will create 5 U.S. strategic platforms: Fresh Living, Better for You Beverages, Better for You Snacking, Better for You Protein & Pure Personal Care. **HAIN** will also look to sell some \$30M in brands that do not fit their strategy. **HAIN** will also begin to invest in start-up brands. A new COO position has been created to lead the cost savings effort. **HAIN** narrowed its range for 2016 earnings. For the week, the stock rose 11.8%.

Retail earnings were in the news this week. Vitamin Shoppe (**VSI**) reported a 67¢ EPS, besting analyst projections by 2¢ for the 1st QTR. **VSI** was about 1% off from revenue projections. Growth was 6.4% & Wedbush gave **VSI** a \$39 price target. E-commerce & private label sales led the strong performance. Sprouts Farmers Market (**SFM**) reported performance which suggests its strategic actions are on track. Revenue for 1st QTR was up 16% to \$993M. Net Income came in at \$46.2M with an EPS of 30¢, both up 20%. The chain opened up 11 of its 36 planned new stores this year although bad weather delayed an on time opening for several locations. Strategic initiatives have included expanded deli & fresh food offerings.

On the path to opening its first 365 store, Whole Food reported EPS of 44¢, besting analyst projections of 41¢. Revenue of \$3.7B bested same QTR last year revenue of \$3.6B but missed slightly on analyst projections of \$3.74B. Comparable same store sales continue to lag coming in lower than analyst expectations. Natural Grocers by Vitamin Cottage (**NGVC**) reported 2nd QTR performance in line with their 2nd QTR revised preliminary results & analyst projections. **NGVC** posted a 16¢ EPS on \$177M revenue. YOY growth was 12.5%. **NGVC** remains on track to meet its new store opening plans. New stores have a 20% growth rate. **NGVC** announced a \$10M stock repurchase plan.

Portfolio News: Kroger (**KR**) may be interested in Minnesota based Cub Foods as it digests its Roundy's acquisition. Cub Foods is part of SuperValu, who is scaling back its retail presence. General Mills (**GIS**) will plant 3300 acres of habitat for bees as part of its effort to save pollinators. **GNC** announced an operational review to maximize value. Under review will be accelerating the sale of owned stores to better performing franchisees & possibly seeking a sale of the company or a strategic investment partner. The stock rose 6.5% this week. Whitewave Foods (**WWAV**) is expected to post a strong 1st QTR with 11% growth.

Industry News: *Clorox*, owner of *Burt Bees*, purchased supplement maker *Renew Life*. Could *Clorox* be researching probiotic kitchen cleaners? *Pilgrims' Pride* will start marketing organic chicken. Steve Hughes' *Sunrise Strategic Partners* invested in grass fed beef producer *Teton Waters Ranch*. *RangeMe*, providing an on-line communication channel between distributors & CPG brands, raised \$4M.

Market News: The market recovered from a horrendous April jobs report that showed only 150K new jobs created, well below the 200K forecast. The poor job performance & lagging world growth gave investors expectation that interests will remain constant until 2017. Oil prices in the mid \$40 also fueled investor optimism. At a macro level, the market will likely move in a narrow band until the November election as this administration remains on track to extend its 7-year record to become the first in history to never exceed a 3% growth rate.

Seeds, Sprouts, Grow, Harvest!

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