



# 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!!!!!"



**The spider weaves the web** to trap the fly! The ancient hunter sets a snare to trap a small animal or digs a deep pit to catch the mighty lion! The wolf pack chases the fox, working together as a unit, to trap its prey! The mouse sniffs the cheese & snaps the mousetrap! The fish sees a tasty worm or a bright fly, only to be caught on a fisherman's hook. The offensive line moves to the right, pushing the defense in that direction, but the star running back goes to the left into an unguarded field, the classic trap play! But detective novelist Raymond Chandler once wisely pointed out, "*There is no trap so deadly as the trap you set for yourself.*"

**Traps:** My favorite undergraduate Economics professor, whose classes I always took, was schooled at the University of Chicago. On our assignments & tests she would give us economic questions to answer & problems to solve that had been assigned to her by her favorite professor! These problems were expertly designed, with a set of premises & a variety of paths that seemingly would lead to the solution! But then we would find ourselves in a trap, wasting a tremendous amount of time headed down a rabbit hole. These problems were ingenious & clever; *shall we say devious*; providing deep insight into how this professor's mind worked! A curious class finally asked, who was this professor, how was he able to design these intricate, calculated problems & set such cunning traps? The revealing answer? *He had once been a tank commander in the Israeli Army!* From then on, we labeled these problems 'ITC' (Israeli Tank Commander) problems, approaching them carefully & warily, learning a great lesson in business & life. There are many traps in business! A young brand sees the lure of a big investor, unaware that the investor has their own plans for the brand. Or perhaps there is a chance to really grow the brand with the huge retailer! Then the young brand learns that the necessary volume cannot be produced at a low enough unit cost to make the relationship profitable. Investors are not immune from traps, often fueled by the *fear of missing out* (FOMO), perhaps jumping too soon into a hot market that could easily get overcrowded & quickly thin out; or putting more money into a favorite but bad investment! In life, often because of emotion - love, hate, anger, prejudice, bias, fear, stubbornness - people find themselves in traps (as Mr. Chandler points out) of their own doing. While being wary & cautious helps, it is just as important to always grow, learn, expand your knowledge, explore other viewpoints & most importantly, to think for yourself. Baseball Hall of Famer, Pittsburgh Pirates' slugger Willie Stargell understood this, saying, "*Judgment traps you within the limitations of your comparisons. It inhibits freedom.*" The always practical Niccolò Machiavelli had a great lesson for avoiding life's traps: "*The lion cannot protect himself from traps & the fox cannot defend himself from wolves. One must therefore be a fox to recognize traps & a lion to frighten wolves!*"

**Industry News:** WeWork took the lead in a \$32M funding round for *Laird Superfoods*, MCT enhanced dairy creamers. Vertical farming start-up, *80 Acres Farms*, raised \$40M from *Virgo Investment Group*. In the UK, Portsmouth-based *Small Robot Company* has raised more than £1M with an online crowdfunding campaign, attracting over 1,000 investors, many small farmers. *TemperPack*, sustainable packaging, closed a \$22.5M funding round led by billionaire Steve Case's *Revolution Growth*. *TemperPak* has now raised almost \$40M.

*Albertsons* reported a 1.8% revenue increase in 3<sup>rd</sup> QTR with a 1.9% uptick in identical-store sales & a 73% gain in ecommerce. Net earnings were \$45.6M compared to a \$32.4M net loss one quarter earlier & \$339M a year ago, which reflected a tax gain. *Walmart* continues to add last-mile delivery partners. *Point Pickup*, *Skipcart*, *AxleHire* & *Roadie* will start delivery service in metropolitan areas across four states. Also, *Walmart* will hire 2K additional tech employees this year to fuel its digital needs & has added 30K grocery sector workers to support new ecommerce & delivery initiatives. *Ahold Delhaize* said it will bring *Marty*, its shelf-scanning robot, to almost 500 *Giant/Martin's* & *Stop & Shop* stores. Additionally, *Ahold Delhaize* will use *Robomart's* self-driving technology at its Boston *Stop & Shop* stores to pilot driverless vehicles that bring consumers app-ordered groceries. *Walgreens* will partner with *Microsoft* to explore new ways to deliver healthcare & will move a majority of its tech infrastructure to *Microsoft* platforms. *Whole Foods* will stop expansion of its lower priced 365 concept with 12 stores now open. Per *Edge by Asciental*, *Amazon's* grocery sales dropped 25% YOY as perishable in its *Amazon Fresh* & *Prime Pantry* struggled, though coffee & cold drinks performed well. Per *Retail Dive*, *Brandless* will begin offering a subscription plan for reordering basic essentials. *Kraft Heinz* will begin use of non-rbST sourced milk for its *Kraft Natural Cheese*. *Nestlé*, to meet its sustainability goals, will partner with *Danimer Scientific* to develop biodegradable water bottles. Retired *PepsiCo* head Indra Nooyi is rumored to be in consideration to lead the World Bank.

A study from *Zion & Zion* shows that *Grubhub*, at 37.8%, was the most used restaurant delivery service, followed by *Uber Eats* (36%) & *DoorDash* (19.9%). People in the 18-29 age group (63%) & with income less than \$10K (51.6%) were the most frequent users. In an *IoT & SOTI* survey, 73% of consumers prefer retail self-service technologies like self-checkout. Also, 76% thought that in-store self-service technology or technology enabled associates helped increase speed & customer experience. Per *Mood Media* & *Walnut Unlimited*, 75% of consumers stay longer in stores with appealing music, sights & smells; 90% will revisit those stores. The choice of music has a positive impact on 85% of shoppers. In a study from the University of Colorado, Washington University, the University of Toronto & Penn, consumers most adamant about non-GMO were the least knowledgeable about GMOs. A study from Tuft's *Friedman School of Nutrition Science & Policy* found food labels reduce consumer intake of calories by 6.6% & fat by 10.6%, increased vegetable consumption by 13.5% & indirectly caused producers to reduce trans-fats by 64.3% & sodium by 8.9%. In a study from *Culinary Visions*, consumers indicated that they have trust & traceability issues with cannabis products. Baked goods, candy/gummies, snacks & non-alcoholic beverages topped the list of products they would like to try.

**Market News:** Markets continued on their post 12/21/18 rise as economic news, including progress with China on trade, created positive energy! Industrial production rose 0.3% in December, per the FED. Manufacturing output rose 1.1% in December, a 10-month high! Gains were across segments, with a 4.7% increase in the output of motor vehicles & parts. The Producer Price Index once again fell in December (the experts predicted an increase) as tariffs continue to have no impact on inflation. Weekly initial jobless claims fell again to 213K. Veteran unemployment reached an 18-year low.

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

The Litchfield Fund – *Tom Malanga*

V5issue31.01.19.19

The Litchfield Fund is a family owned & operated limited liability corporation. We do not solicit or accept investment from outside individuals or entities. Opinions contained in *All Ears!!* are ours & should not be considered investment advice or recommendations.