



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

Dearly Beloved; we are gathered here today to get through this thing called life. This week brought news of one more amazingly talented music icon leaving us! We have seen too many artists that shaped the musical experience of our youth pass away this year. Just after the new year we wrote about David Bowie. With news of Glenn Frey’s passing we felt blessed that we made a stop last fall in Winslow, AZ to visit the ‘Standing on the Corner’ park. What 1970s teenage boy heard that song & didn’t picture himself on that lonely desert street corner? We weren’t *driving a flat-bed Ford*, but by my side was *my sweet love who saved me!*

Purple Bananas: Besides Prince & Messrs. Bowie & Frey, 2016 has seen Merle Haggard, Keith Emerson (ELP), Maurice White (Earth, Wind & Fire), Paul Kantner & Signe Tole Anderson (original Jefferson Airplane members who died on the same day), & Jimmy Bain (Mott the Hoople) taking their talents to Alan O’Day’s *Rock ‘n’ Roll Heaven*. Look at this list of musicians & think of the influence they had on their genre of music: Country, Country/Rock, Symphonic Rock, Rhythm & Blues, Glam Rock & Haight Ashbury psychedelic rock. Not to mention legendary music executives George Martin (The Beatles) & Robert Stigwood (Cream & The Bee Gees) who developed acts that defined decades of music from psychedelic pop/rock to the much maligned disco sound. We rejoice that their music lives with us forever and remember that *if the elevator tries to bring us down, let’s go crazy & punch a higher floor!*

Market News: The market’s rally this week seemed to once again be tied to oil prices and energy stocks. Despite tech giants MSFT, GOOG & APPL having poor weeks both the DOW & S&P moved higher & the Nasdaq shed slightly. This is now the 12th longest ‘no new high’ stretch in history but the DOW is within percentage points of last May’s all-time high. Varying opinions on the sustainability of this rally exist. Yellen’s policies have weakened the dollar, giving investors hope that future earnings of global companies will improve. Meanwhile, most analysts believe that there will be no additional rate hikes in 2016. But there is also a feeling that money that was off the table has already re-entered the investment pool and the rally has no legs to continue. Earnings, in our opinion, have not been strong enough to suggest attractive valuations at current prices. We conclude that oil & the dollar must be the drivers, and oil does have a ceiling, we feel, as higher prices seem to have moved supply control discussion to the wayside. With China growth experiencing some stabilization/comeback speculators have moved oil prices higher. But for the near future we think China’s growth may be more stable than growing, hence creating an oil price ceiling.

We thought this President's interference in sovereign British decisions concerning Brexit might disrupt today's market but clearly no one was listening or perhaps no one cared. This is interesting when considering that a certain mere presidential candidate's comments have been reported as being responsible for increasing events of global terror and the possibility of starting trade wars. Sovereignty allows Britain to act as best for its people, and deal with consequences as they arise.

Portfolio News: Kroger (**KR**) announced a \$250M expansion in the Nashville area that will result in 2,000 new jobs. The expansion follows a consolidation after **KR** purchased Harris Teeter. **GNC** received positive reports citing the company's strong retail sales & significant cash position. Reports on Zoe's Kitchen (**ZOES**) suggest positive stock price movement if **ZOES** continues to demonstrate strong same store sales growth and maintains its store expansion strategy. General Mills (**GIS**) followed through on its South American divestiture by selling its Argentina facilities to Grupo Bimbo. Lifeway Foods (**LWAY**) has announced Carli Lloyd, a member of the FIFA champion 2015 women's soccer team, as spokesperson. When Whitewave Foods (**WWAV**) reports for 1st QTR on May 10 analysts expect a 26¢ EPS on \$1.02B in revenue.

Natural Grocers by Vitamin Cottage (**NGVC**) announced preliminary 2nd QTR results prior to reporting on May 5th. Analysts were expecting \$184.4M in revenue with an EPS of 26¢. Preliminary results put revenue near \$177M & EPS at 16¢. Besides increased competition **NGVC** cited impacts of gas/oil industry cutbacks, in-market new store expansion cannibalizing sales (Whole Foods beware) & adverse Easter season weather. **NGVC's** stock price fell 32%.

Industry News: Nestle announced plans to use only non-GMO ingredients and to remove artificial ingredients from their products. Cheribundi, the cherry juice recovery drink, obtained \$5M in capital infusion to fund growth this year to reach \$15M to \$16M in sales.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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