



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

Change is inevitable! Heraclitus said this circa 500 B.C. but it has been re-quoted by everyone from Benjamin Disraeli to Bob Dylan. Oppositely, Thoreau thought nothing changes, only we change. Gandhi wanted us to BE the change we wanted to see. Deist William Cullen Bryant envisioned a world that did not change, weeping. Progressive Woodrow Wilson thought the easiest way to make enemies was to make change. Churchill thought that *perfection* was the result of *constant* change. And C.S. Lewis imagined that if an egg did not change -- hatch & become a bird -- we might enjoy the sight of flying eggs!

But sometimes it takes a petition & scientific evidence: This week Kraft announced changes to its classic lunch & dinner staple for American children, Kraft Macaroni & Cheese. Due to consumer activism & pressure from the Center for Science in the Public Interest, Kraft will change this time-honored product beginning in January, 2016. Kraft will replace yellow dye #5 & yellow dye #6 with dyes made from natural sources such as annatto, paprika, & turmeric.

Since we at **The Litchfield Fund** believe much like our patron saint, *Mr. Wonderful* -- that money is the only thing that matters -- Kraft has more likely seen its Mr. Peanut lunchbox slammed to the ground by new playground Mac-n-Cheese bullies Amy’s, Annie’s Homegrown (General Mills), and Horizon (Whitewave Foods). Kraft has a long way to go. Many of its products need to be changed to meet consumers’ new tastes, expectations, & standards. Appropriately, President Ronald Reagan once said, “All great change in America begins at the dinner table.”

Earnings News: Hershey (**HSY**) stock price fell 5.62% this week after lower than expected 1st QTR results & a revised outlook for the year. **HSY** posted earnings of \$1.10 while analysts expected \$1.16, along with a slight miss on revenue. **HSY** revised its annual sales growth range from 5.5% to 7.5% to 4.5% to 5.5%. Slower growth in China & the strong dollar were among the reasons cited. **HSY** purchased a leading Chinese confectionary (Golden Monkey) last year to gain traction in the China market & offset reduced U.S. growth among health conscious consumers. **HSY** also acquired KRAVE Jerky last year to expand away from chocolate into the growing protein snack food industry.

Portfolio News: Currency issues, which impacted **HSY** earnings, may be the reason for Hain Celestial’s (**HAIN**) stumble this week, the stock falling more than 4% to close at \$61.33. Whisper numbers for 3rd QTR EPS are at 45¢, well below the 53¢ analyst estimate. This would be **HAIN**’s first miss in numerous quarters.

Wedbush & Bank of America initiated coverage on Boulder Brands (**BDBD**) this week with a NEUTRAL rating. General Mills (**GIS**) received an upgrade from Goldman Sachs. With **GIS** recently raising its annual dividend, its payout is just about 3%. Analysts at Stifel gave **GIS** & Whitewave Foods (**WWAV**) their Top Pick ratings!

United Natural Foods (**UNFI**) announced that it will open a new distribution center in Gilroy, CA. Gilroy is the garlic capital of the world, and hosts a Garlic Festival every July. **UNFI** holds an average BUY rating, an average 1-year target of \$84.45 & analysts are expecting an 86¢ EPS when **UNFI** reports results in early June. Technicals suggest that **UNFI** has entered oversold territory perhaps due to profit taking by investors.

Bank of America Merrill Lynch confirmed its bullish stance on **GNC** citing the new management team's ability to stabilize growth & drive EBIT. **GNC** has good cash flow, and there has been an uptick in supplement purchases with better spring weather. BOA Merrill Lynch's target price for **GNC** is over 10% higher than Friday's close, which was up over 4% for the week.

The Vitamin Shoppe (**VSI**) rose 11.4% this week as an SEC filing revealed that hedge fund Carlson Capital Management has a 5.34% stake in the company. Carlson Capital is the 4th largest holder of **VSI** stock. Carlson Capital also stated they have had talks with & will continue to work with **VSI** to increase shareholder value.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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