



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

The biggest trend at Natural Products Expo East, is, well, *trendspotting*.

Everyone is looking for the next big thing! And everyone wants your opinion: “What trends did *you* see?” Of course the trick is spotting a trend, *not a fad*. America is known for its fads – séances, pole-sitting, goldfish swallowing, marathon dances, streaking, planking . Not that you can’t make money from a fad. Gary Dahl dreamed up the perfect pet in a bar & sold \$6M worth of Pet Rocks! Who knows how much WHAM-O has made on Hula Hoops & Super Balls! But a trend has staying power, it has *legs*, legs not wrapped in *leg-warmers*!

The Bandwagon Effect: In 1848 a circus clown named Dan Rice ran for office & used his bandwagon & music in his political speeches, encouraging people to *jump on the bandwagon*. This was the beginning of two notable trends: clowns running for office and the Bandwagon Effect. We will forego the former and speak to the latter. Psychologically, the Bandwagon Effect has been studied in marketing, advertising, politics, & international relations. Everyone wants to be part of the trend, to not miss out, to enjoy the excitement & the ride!

Here are some trends we saw at Expo East:

It’s Alive: Colin Clive would have loved the Expo, with probiotic cultures appearing in almost every type of product. Probiotics are definitely a trend with staying power. Even conventional doctors understand the role of a healthy gut. Whether added or fermented, probiotics are appearing in much more than yogurts & beverages!

Made for Shade: If you have a beverage line, you best have a matcha flavor. Matcha is the shade-stressed highest nutrient green tea available, adding many times the antioxidants & nutrients of regular green tea!

The windmills of your mind: Okay, Noel Harrison wasn’t really singing about windmills or clean organic energy drinks, but we were short a catchy intro. Clean energy; less artificial Gatorade-laced dyes, flavors, chemicals, sugars & caffeine; is a trend. Lower-sugar beverages powered by natural caffeine from guayusa & yerba mate have rock stars, athletes & moms are jumping on board.

I can see clearly now: Sticking with the easy listening theme, consumers want easy to understand labels with simple, transparent, ingredients sustainably sourced. More than once

we heard someone who was looking at a product's ingredient label say *'There's a lot in this!'* and it wasn't a compliment

Portfolio News: It was a very light news week for stocks in **The Litchfield Fund** portfolio. Zacks gave Boulder Brands (**BDBD**) a BUY rating & Sprouts Farmers Market (**SFM**) a SELL rating. Twenty analysts gave Hain Celestial (**HAIN**) a BUY rating and a \$69.23 1-year target price, 30% higher than Friday's close. Cal-Maine Foods (**CALM**) received a BUY from TheStreet based on expected strong 1st QTR earnings. **CALM** is expected to report on Monday almost \$600M in revenue with a \$3.14 EPS. **CALM** continues to project a high growth rate, a low debt/equity ratio, & expected upward earnings revisions.

Earnings News: ConAgra (**CAG**) & General Mills (**GIS**) posted good 1st QTR earnings this week. **CAG** posted comparable year-over-year EPS of 45¢ versus 39¢. In its consumer foods division, **CAG** posted a 250 basis point margin improvement. However, **CAG** took an additional \$1.95B write down in its private label division, clearly indicating the potential sale (buyer still not decided) will be significantly lower than the book value. **CAG** indicated that it will continue with strong budget controls, cost-cutting & lay-offs. However, analyst Jim Cramer has a positive view of **CAG** at this time. **GIS** beat analyst estimates by 10¢ with an EPS of 79¢ for 1st QTR. EPS increased more than 30% YOY despite revenue being down 1% due to the strong dollar. With both cost-cutting & innovation moves, **GIS** has increased gross margin by 290 basis points & operating margin by 390 basis points.

Market news: The FED did nothing to help the markets this week, as the continued confusion & delay in interest rate hikes seems to add to investors' concerns that the economic data suggests a coming recession. This administration's unrealistic employment calculation coupled with weak wage growth give a strong indication of a pending recession that a growing housing market does not seem to offset. The failed attempt to raise rates in the Eurozone & China's growth issues only add to investors' qualms.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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