



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

Descartes, Einstein & Turing all thought that intuition was as important to scientific breakthrough as intelligence & deduction. So when we just know something in our bones, when our gut is speaking to us, is it our *intuition* or merely an opinion? George Bernard Shaw said the vacant corners of our mind are filled with the opinions of others. But isn’t intuition just the summation of all we have learned, read, heard & experienced, leading us to quickly act? And what brave soul would disregard a woman’s intuition? Marilyn Monroe (born 90 years ago on June 1st) said, “A woman knows by intuition, or instinct, what is best for herself.”

A Marilyn Economy: While we want to compliment the FED on maintaining (very slow) growth, avoiding economic bubbles & a recession we know in our gut, our *intuition* tells us, that the economy can do better. From a purely selfish view of our own Natural & Organic industry, we remain frustrated with the handling of the economy. Part-time jobs & high healthcare costs preclude real growth in consumer spending power, which we feel is always the engine for sustained economic growth. Yes, bubbling growth can lead to eventual bubble bursting, but 2% growth for 7 years (during a recovery period) has barely outpaced inflation. The interest rate environment has hurt Americans who have retired or are working hard to build their nest egg.

There is no doubt that every problem requires that data to be used with intuition & ingenuity to achieve a breakthrough. But no matter whose data you use, too many Americans are out of work, on food stamps, struggling to pay bills & see little upward opportunity. We believe the way forward is through middle class job growth. Real jobs, making goods & offering services, help people improve their economic status & their lives. Well-paying middle class jobs provide the spending power for upward mobility, education, better living conditions & self-sufficiency, curing many economic & social issues for Americans. Our gut, *our intuition*, tells us this. We need ingenious leaders to create economic breakthrough domestically & internationally. Following traditional paths that include too much government involvement & oversight and too much wasteful & unnecessary government spending won’t make growth happen. We know that people of all ages & walks of life *intuitively* understand the benefits of healthy, clean eating & lifestyles, but today they see it as a sometime luxury & not a way of life. A thriving economy, based on job growth & spending power, could change the entire paradigm of our industry. Like Marilyn, *our intuition* tells us that this is best for our industry, the economy & the country.

Portfolio News: General Mills (**GIS**) recalled 10M pounds of flour over e coli concerns. **GIS** will be adding flavors to its Liberté whole milk yogurt line attempting to make yogurt a craveable non-meal time snack. ConAgra (**CAG**) sold its Spicetec Flavors & Seasonings division for \$340M. Analysts predict a favorable stock price increase as **CAG** sheds business units, removes some

debt & moves forward with its coming split between Lamb Weston & ConAgra's food brands. Suggestions of a possible buyout are in the wind. Whitewave Foods (**WWAV**) continues to be targeted as a possible acquisition candidate & activist investors have quietly been accumulating shares. Lifeway Foods (**LWAY**) may be considering adding non-dairy milk products to match the changing consumer trends.

Although egg production appears to be ready to pick up in 2017 (après the recent 'bird flu' issues) & drive down egg prices, Cal Maine Foods (**CALM**), which has tested recent lows, appears able to continue positive growth. Analysts cite good ratios & the strong dividend. Analysts predict a lower EPS but revenue growth for United Natural Foods (**UNFI**) when they report 3rd QTR earnings on June 6.

Whole Foods Market (**WFM**) launched its first 365 store concept. Aimed at millennials with lower product price points, the much debated concept will test **WFM**'s overall market strategy. The stock price may presently be a good entry point but it remains to be seen what impact 365 has on **WFM**'s performance. Amazon will partner with Sprouts Farmers Market (**SFM**) in Dallas for fast delivery service.

Earnings News: Zoe's Kitchen (**ZOES**) reported that 1st QTR earnings increased 27.6% YOY with a 7¢ EPS. **ZOES** opened 11 new stores in the quarter. **ZOES** also increased its full year guidance. Comparable restaurant sales grew a healthy 8.1% for the quarter. Management also increased guidance for full year same store growth.

Market News: A weak May jobs number, just 38,000 jobs added, may lead to the FED sidelining a June rate hike. The possibility of Brexit also has many analysts thinking that the FED will have enough concern to hold off on the next rate hike. Yet the FED seems committed to perhaps two more increases this year, with some analysts looking forward to a more normalized monetary policy. The weaker dollar did not provide much of a rise to oil prices which ended the week below \$50 a barrel. Saudi Arabia's warning of \$60 prices will still keep oil in a sweet spot for both growth & profits.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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