



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

In the late 1930s a young singer/songwriter contacted the widow of the late Jimmie Rodgers to obtain his idol’s autograph. A friendship ensued & Mr. Rodgers’ widow introduced the young singer to people at RCA Records. While the RCA relationship failed for several reasons (including a tonsillectomy for the singer) in 1941, working with Decca records, Earnest Tubb, the *Texas Troubadour*, recorded the million-selling record *Walking the Floor Over You*, the song launching the entire genre of Honky Tonk music! Making contacts & walking the floor definitely describes **The Litchfield Fund’s** Expo East week!

Walking the floor: We certainly did chalk-up the miles at another terrific Natural Products Expo East in host-city Baltimore. We are constantly amazed by the number of exciting, new, segment defining products. Creativity & innovation are not lacking on the tradeshow floor. Neither is the passion & commitment of the founders & entrepreneurs! Making contacts is another purpose of Expo East! For young companies, it is finding retailers, distributors & investors. For larger companies, it is getting new products out in front of the media. For investors like us, it is about meeting other investors, entrepreneurs, & looking for the next *big thing*! Did we find it? There are lots of possibilities: new trends, new products, & products with a twist following on the heels of current trends! Of course, we see products that we believe could break out if properly operated & funded, & others for which we may not see a market or a possible investment. But we certainly respect each entrepreneur & the risk they take to follow their passions & dreams! And we enjoyed meeting up with two of our current investments, *B’More Organic* & *Harvest Soul*, who had great shows!

Market news: We imagine the FED was walking the floor this week while determining what to do about interest rates. Frankly, we were surprised that the FED didn’t initiate rate hikes, despite so many market indices indicating that growth, both domestically & internationally, is standing on shaky legs. Certainly raising rates at the risk of halting what little growth can be seen is risky, but at some point the FED will need to begin this process. The real question is that once the process starts can the FED contain itself and move at a proper pace.

Portfolio News: Hain Celestial (**HAIN**) was added to Nasdaq’s Q-50 list, stocks being considered for inclusion in the Nasdaq 100. HAIN received a price target update from JP Morgan of \$66. Cal-Maine Foods (**CALM**) also holds a \$66 price target accompanied by several analyst reports suggesting a price breakout for the stock. When ConAgra (**CAG**) reports 1st QTR 2016 earnings

Tuesday 9/22 analysts expect the company to post a year-over-year increase in earnings per share, but a year-over-year decline in revenue. Analysts have estimated earnings of 40 cents per share on \$3.68 billion in revenue for the quarter. Annie's Homegrown, since being purchased by General Mills (**GIS**) last year has launched 54 new products & increased distribution by 11%.

Whitewave Foods (**WWAV**) has a new price target of \$54.57 from 14 analysts covering the stock. **WWAV** signed 3 New York Giants players to help tout their plant-based meatless foods. Barron's analyst David Englander sees a potential 40% rally for Vitamin Shoppe (**VSI**) based on moving its production in-house, cash flow, & low debt.

Analysts continue to question Whole Foods Market's (**WFM**) strategies. They are concerned about **WFM** running 2 brands, having high gross margin stores in lower-income demographics & large stores in low population density areas. While the 2 store brand based on different demographics may be correct, accomplishing this while larger and smaller retailers are squeezing from both ends may prove very difficult. RBC Capital reiterated their OUTPERFORM rating for Sprouts Farmers Market (**SFM**) with a \$35 target price. Kroger (**KR**) has had more than 20 million households purchase one of its more than 2600 Simple Truth brand products. Kroger will continue to challenge for its percentage of the Natural & Organic market, as 78% of consumer purchase these products at conventional outlets. **KR**'s success across the board in the competitive grocery market is likely the reason Albertson's is pushing forward quickly with its IPO.

Earnings News: United Natural Foods (**UNFI**) reported earnings that were right in line with analyst estimates. **UNFI** also projected single digit EPS & revenue targets for 2016 better than analysts expected.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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