



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 stock market is not like the plot of a classic movie! That ‘Master of Suspense’ Alfred Hitchcock kept his audience on the edge of their seats, awaiting *the moment* – attacking birds, hidden bodies in the apartment, mother in a rocking chair, or a blonde hanging from a president’s granite nose. Sir Alfred wove the movie-goer through a maze of deception, the sweet, sweet agony of waiting, for as he said, “There is no terror in the bang, only in the anticipation of it.” However the markets, always in terror, sit down to watch the opening credits & jerk in surprise, popcorn flying into the air & soda spilling in its lap!

Anticipation, but no one is waiting: Carly Simon may have been waiting, but the markets sure didn’t this week. Anticipating next week’s Federal Reserve statement, traders believe Chairman Janet Yellen may no longer be ‘patient’ (her previous wording) towards the first interest rate hike in many years. The strong February jobs report make many believe that hike will come in June. Coupled with the strong dollar, traders backed off this week, leaving no popcorn or soda to spill next week!

More movie plots: If it were the 1950’s, the movie may have starred Dirk Bogarde, Luis Jordon, & Brigitte Bardot. Set along the Seine on a rainy Parisian night, meeting in darkened stairwells & smoke filled cabarets, Bogarde & Jordon would discuss a major international plot that would confound the nations of Europe and bring multinational companies begging to their doorstep! Bardot, an innocent, would be sucked into the intrigue, delivering messages to unwitting accomplices across France! If they could only fix the price of *yogurt*, the world & its fortunes would be theirs! Yes, in the arena of international intrigue, General Mills (**GIS**) stepped forward to reveal a six-year yogurt price-fixing scheme by French dairies. **GIS** (Yoplait) was not fined as they stepped forward to help the investigation.

Portfolio News: **GIS** also announced an 8% increase in its annual dividend. **GIS** will be seeking a buyer for its Green Giant brand of frozen & canned foods. Hershey (**HSY**) was named one of the world’s most ethical companies by the Ethisphere Institute. ConAgra (**CAG**) announced cost savings of over \$70M due to company & employee projects that eliminated 58,700 tons of waste, optimized packaging using 15 million pounds less material, conserved 97 million gallons of water, & reduced greenhouse gasses by over 11,500 metric tons. **CAG** has a NEUTRAL rating from Zack’s & other firms.

Wolfe Research gave Hain Celestial (**HAIN**) an OUTPERFORM rating & raised 2015 & 2016 EPS estimates. **HAIN** has a 96 (out of a possible 99) Investor’s Business Daily Composite Rating & is

the top stock in IBD's food-packaged goods industry group. Whitewave Foods (**WWAV**) has a 94 IBD Composite Rating. **WWAV** received a BUY rating from First Call and a price target of \$48. Boulder Brands (**BDBD**) has a consensus BUY from nine analysts who cover the stock, with a short term target of \$14.78. Analysts see a bottom of \$9 on the stock with an upside to \$19. Our own 'sight test' verifies the increase of **BDBD** products in grocer freezers, part of the recovery plan outlined in last week's *All Ears!!* A class action suit is being raised against **BDBD** concerning misrepresentation of gross margin by company executives.

Kroger announced earnings that included sales for its Simple Truth brand, which offers organic & healthy food choices. The Simple Truth brand in just two years has reached \$1.2B in sales with 2,700 products. This will continue to stress Whole Foods (**WFM**), Sprouts (**SFM**), & other retailers in the natural & organic retail space. Kroger, along with Walmart & others, will continue to bring price pressure on the more specialized retailers. Kroger also announced cost cutting of \$3.5B, mostly to compete against Walmart. The Simple Truth brand is only about 1% of Kroger's annual sales.

The New York Attorney General announced a widening of his investigation of the supplement industry. However, **GNC** reported independent testing results that showed their supplements to be safe & properly labeled. **GNC** received an OVERWEIGHT rating from Morgan Stanley and a \$56 price target. First Call found a consensus BUY on Vitamin Shoppe (**VSI**) and a \$45 price target.

Earnings News: United Natural Foods (**UNFI**) saw a price drop of almost 6% this week following its earnings announcement. EPS at 65¢ missed analyst estimates by 2¢. Gross Margin shrunk 145 basis points. Currency headwinds and lower supermarket distribution were offset by gains in *Tony's Fine Foods*. **UNFI** narrowed 2015 EPS from \$2.88 to \$3.01 to \$2.90 to \$2.99. However, **UNFI** retains BUY ratings and price targets with a 15% to 20% upside.

Seeds, Sprouts, Grow, Harvest!

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