



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

Since the days of the Robin Hood there has been a fascination in newspapers, books, dime novels, songs & movies with the *criminal folk hero*. In America, we have Jesse James, Billy the Kid, Bonnie & Clyde, John Dillinger, Ma Barker, DB Cooper & lots of rappers. No criminal was more *infamously famous* in the 20th century than Willie Sutton, the dapper bank robber. He dressed well, carried an unloaded gun & would not rob a bank if a baby was crying! Several times he escaped the penitentiary using clever schemes. When once asked why he robbed banks, his legendary answer: “Because that’s where the money is!”

But not in Greece! Mr. Sutton would have had to check with the European Union & a host of creditors before robbing a bank in Greece this week! Greek banks saw more than €3B withdrawn this week. The EU continues to provide emergency funding and pressure mounts on Athens to negotiate austerity terms to satisfy its creditors. Markets will continue to fluctuate until there is a resolution, though the involvement of the strong arm of Russia’s Putin may not be the best outcome for Greece or Europe. On a side note, Mr. Sutton stole - and spent - more than \$2M in his legendary career. Perhaps he is a folk hero to the Greek leaders!!

Market news: With growth & employment numbers remaining tepid, Janet Yellen’s language continues to convince that interest rate increases will happen slowly. While the Fed decision makers heavily favorite a rate increase this year, there seems to be increased discussion that it may be Christmas & not Back-to-School! The Fed forecast still shows the possibility of interest rate increases such that rates reach 3% to 4% in 3 to 4 years. This seems unlikely with no indicators of any kind of economic breakout & this lengthy bull market eventually slowing.

This week, the FDA banned the use of trans fat as of June 2018. This is hardly unexpected but merely one step in improving the overall healthiness of the U.S. food market. **The Litchfield Fund** staple General Mills (**GIS**) has removed trans fat from over 350 products since 2008. Other food companies such as Kraft/Heinz have not made nearly as much progress.

Kroger cited improvements in same store comparable sales & increased earnings with some credit going to sales of healthier natural & organic products & its own *Simple Truth* brand. Lower milk prices & gasoline costs benefited Kroger & will continue to benefit the sector for future quarters. The consumer staples sector (**The Litchfield Fund** holds SPDR **XLP**) has received bullish reports in the past few weeks, with the month of May seeing an increase in consumer spending.

Portfolio news: ConAgra (**CAG**) rose almost 14% this week as news that activist investor Barry Rosenstein's JANA Partners has taken a 7.2% stake in the Omaha based company. **CAG** has delayed nominations for its board until July 8 upon request from JANA Partners to place 3 nominees on the board. JANA Partners has a history of bringing value to underperforming companies. Hershey (**HSY**) tempered its sales forecast based on currency exchange rates & slow growth in China. **HSY** will restructure, eliminating 300 positions.

Merrill Lynch added Hain Celestial (**HAIN**) to its very prestigious US1 list which contains its very best investment ideas. United Natural Foods (**UNFI**) received an OUTPERFORM & a \$71 target from BMO Capital. Argus has **UNFI** with a HOLD rating. Whitewave Foods (**WWAV**) has an average price target of \$52 from 12 analysts who cover the stock. Wedbush gives **WWAV** an OUTPERFORM rating. JPMorgan gives **WWAV** an OVERWEIGHT rating citing the stock is still attractive despite its 53% gain since June 18, 2014. Analysts believe **WWAV** has still not realized the full benefit of its China joint venture & that Asian revenue will explode with the increased demand for organic milk & nut milks. In Europe the United Kingdom's demand for almond milk is growing annual at almost 80%.

Analyst cite Whole Foods Market's (**WFM**) ability to focus on operating costs & operating improvements over the last five years as reasons to believe that the recent slump in the stock price is only temporary. They believe because of this focus **WFM** can maintain a gross margin near 34% to 35%. **WFM** still manages to have very little debt on its balance sheet. More than 75 **WFM** stores top \$1M in revenue weekly.

Analysts (25) covering Sprouts Farmers Market (**SFM**) are basically split BUY/HOLD in ratings & give a \$35 average target price for the stock. **GNC** has a \$49.44 average target price from 9 analysts who cover the stock.

Boulder Brands (**BDBD**) struggles to recover amid goodwill write downs, shareholders lawsuits & leadership departures. Analysts see an EPS of 1¢ this quarter. Amid downgrades, **BDBD** holds a \$10.88 target price. **The Litchfield Fund** will take a deeper look at **BDBD** and our other holdings over the next few weeks to evaluate our positions. However, from a purely empirical viewpoint, we see **BDBD** plans to expand on the grocery shelves and in freezer space happening. Grocers would not extend space to a company whose product was not selling and revenue certainly cures many ills!

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

V2issue1.06.20.15