



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

Spring break, ultimate acts of overindulgence. Whether it is college students on the beaches of Fort Lauderdale, Miami Beach, Key West, or South Padre Island or families with grandparents in tow visiting the Mouse & Duck in Disneyworld, everyone does way too much. Spending, drinking, eating, tanning – to some degree all of the Seven Deadly Sins get violated! In reality, everyone is just trying to *break* free from a cold harsh winter. And while we certainly don’t mind that many may attribute this quote to Mick Jagger or Freddie Mercury, we give credit to Ayn Rand: “If it’s worth doing, it’s worth overdoing.”

Under Pressure: While all the major banks felt that the Fed’s most recent comments would delay an interest rate hike until September, oil prices, dollar strength, & Saudi planes in Yemen continued the markets’ bumpy ride this past week. This coming (short) week is likely to be light on important news, at least until the jobs report comes out at the end of the week. Strong job growth during the abysmal winter weather could put *pressure* on the Fed to *overdo* & change their most recent view on the timing of an interest rate increase.

And More Pressure: The 3G Capital & Warren Buffett led Heinz takeover of Kraft will add pressure on consumer food companies to strategically remake themselves, including Kraft-Heinz! While only General Mills (**GIS**) has clearly communicated a strategy to provide a healthier product set going forward, the industry has seen and will continue to see company & brand acquisition. It would not be surprising to see Kraft-Heinz write down goodwill on some Kraft brands, much as ConAgra (**CAG**) & Boulder Brands (**BDBD**) have recently done. Recent **GIS** earnings cite the contribution of Annie’s to overall growth. This week, despite market reaction to Middle East unrest & this administration’s unending intent to make America less secure, companies such as Whitewave (**WWAV**), Hain Celestial (**HAIN**), & Lifeway Foods (**LWAY**) hit or neared all time highs. This has as much to do with their actual growth prospects as their potential to be a takeover target.

Earnings: **CAG** reported 3rd QTR earnings this past week that surprised analysts. While taking a \$1.3B write off on its private label brands, **CAG** posted an adjusted EPS of 59¢ compared to analyst estimates of 56¢ per share. Revenue was slightly lower than the year ago quarter. But **CAG** raised its full year (ending in May) EPS estimate to the \$2.15 to \$2.19 range. This gave analysts confidence that **CAG**’s issues may be behind them. In fact, analysts comments show confidence that **CAG**’s earnings will average 6% over the next several years.

Portfolio News: Both **HAIN** & **WWAV** were on The Investor's Business Daily's list of Top 50 takeover candidates. This week after the Kraft acquisition even **GIS** received mention as a takeover target, clear indication of the expected trend. For **BDBD**, an average HOLD rating from nine analysts included an average target price of \$16.14. **GNC** has 8 BUY ratings & nine HOLD ratings with an average target price of \$47.26. Whole Foods (**WFM**) continues to have a wide range of analyst ratings & target prices, averaging a target price of \$51.15.

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Important dates

Tuesday, April 28

Friday, May 1

The Hershey Company Annual Meeting

Sprouts Farmers Market Annual Meeting

Seeds, Sprouts, Grow, Harvest!

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