



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 movie *anti-hero* fights both the bad guys & the establishment! He lives by his own code; one he refuses to violate. The anti-hero or rebel character certainly hit a peak from the ‘50s to the ‘70s with McQueen, Brando, Dean, Newman, Eastwood, Pacino & De Niro, but Humphrey Bogart’s iconic characterizations of Sam Spade, Rick Blaine, Gloves Donahue & Roy Earle set the original standard. Yes, Dirty Harry & the Cooler King had their own codes but Sam Spade sent the woman he loved to the gallows! The ‘60s saw ensemble anti-hero casts in blockbuster movies like *The Magnificent Seven*, *Kelly’s Heroes* & of course, *The Dirty Dozen*!

The Dirty Dozen: There certainly must be something in the male genetic make-up that makes guys sit & watch these movies repeatedly! The appeal of fighting the system & authority while beating the bad guys is just irresistible to men. *The Dirty Dozen* is replete with ignoble characters who under Lee Marvin’s command, and the set of codes they develop, fight & beat the Nazi’s! Like Messrs. Hanks & Garber we cried when Trini Lopez broke his neck, *God how I love that movie!* This week EWG (Environmental Working Group) released its latest Dirty Dozen (<https://www.ewg.org/foodnews/list.php>) fighting the battle against AgriChem! Strawberries top the list followed by apples. The types & amounts of pesticides remaining on our fruit & vegetables is more frightening than parachuting behind enemy lines with 12 murderers sentenced to death! We certainly hope Mr. Lopez was singing about an organic *Lemon Tree*!

Industry News: *The Fairway Market* appears to be completing its move toward Chapter 11 bankruptcy. *Triscuit* has taken a different approach from other legacy brands in funding start-ups by working with crowdfunding site *Indiegogo*. The *Triscuit Maker Fund* will be funding food & beverage campaigns on *Indiegogo*. Longtime leader of *Coca-Cola’s* pioneering venture unit *VEB*, Rebecca Messina, has left to head global marketing for spirit-maker Beam Suntory.

Market News: While Friday’s market indices were down the week as a whole continued the trend of the market recovering from a dismal out-of-the-gate beginning of the year performance. Bank & financial company earnings seemed to give the market hope that the earnings season will be at least as good as the sour 1st QTR projections of this earnings recession. While sources use different data, there is little dispute that earnings growth has been on the decline through most or all of 2015 & that another quarter will impede this recovery cycle. Stock buyback trends of late 2015 certainly could help give the appearance of better 1st QTR results. Bearish analyst projections have helped a good majority of the early reporting companies beat analyst estimates. The S&P is up 2% since the start of the year but still 3% below mid 2015 highs.

How solid is this recovery? January's plummet to recent lows was unleashed by low oil prices, FED rate hike fears & concern that slower growth was moving beyond China to the Euromarket. This recovery has come about with a recovery in oil prices, China's seeming to stabilize at a lower growth rate (6% to 7%) but still registering positive growth & the FED exercising caution & patience with rate hikes. The upcoming Doha summit may do little to help or even stabilize oil prices, with many countries opting out & some refusing to make deals without partners at the table. We still believe the biggest impact comes from Saudi Arabia, producing at record levels, and willing to increase production by more than a million barrels a day. The Saudis appear to be unwilling to make a deal stabilizing output if Iran is not participating in the summit. To us, the rationale here is simple, if oil prices are low Iran will have less money to feed their terrorist actions & the Saudis have the capability to keep oil prices low & enough money in the bank to not be impacted financially. Russia also seems willing to glut the market & maintain a low price / high volume model.

China & Europe's growth fears have eased but both continents are a concern. Europe's easy money attitude, a slightly weaker dollar & the FED's rate hike patience helped this V-shaped recovery. But stocks will remain expensive even after 1st QTR reporting & that is especially true for stocks in our specific segment. These Consumer Discretionary holdings are impacted by stagnant wage growth, workforce nonparticipation, minimum wage hikes & the strong dollar. For various reasons, stocks such as **CAG**, **CALM**, **GIS**, **GNC**, **WWAV** & **ZOES** have a *slight* opportunity to perform under the market conditions we expect to see over the remainder of the year with perhaps higher than S&P average earnings growth (in some cases with dividends) driving investors to these stocks & prices up. If **HAIN**, **UNFI**, **KR** & **SFM** can stabilize EPS growth they too may begin to look like cheaper alternatives in a pricey market.

Portfolio News: It was a light news week for our holdings. General Mills (**GIS**) reported terrific progress toward meeting its healthier product & sustainability goals.

Seeds, Sprouts, Grow, Harvest!

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