



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 Oracle at Delphi was a portal to the sage counsel and wisdom of the gods. At the spot where Apollo defeated the monster Python, the priestess Pythia offered her Apollo-inspired prophecies on the slopes of Mount Parnassus. As gaseous vapors rose from the ground, the Oracle omitted gibberish, which was interpreted by the priests. The Oracle was located where Zeus found the belly button of the goddess Gaia, ‘Grandmother Earth’. The Oracle had prestige, power & authority. If we adhere to the prophesy of today’s most prestigious oracle, that *button* will be on a *belly* growing fatter & fatter. Gibberish, indeed!

Buffett’s junk-food buffet: This week, the Oracle of Omaha, dissed the health conscious consumer & the entire natural & organic food & health industry. His ‘no smiles’ at Whole Foods comment certainly made it clear that he believes the brands & the companies he owns will continue to prosper. And yes, he is right that being happy is part of good health, but he seems to think that the path to that happiness is through his fatty, sugary, salty, GMO –laden investments such as Burger King, Tim Horton’s, Mars, Coca-Cola, Dairy Queen, Kraft-Heinz, to name just a few.

Who are we here at **The Litchfield Fund** to disagree with the 20th century’s greatest investor & the 3rd wealthiest man in the world? But while Mr. Buffett is guzzling his daily six-pack of Coca-Cola, we have to wonder again, if the 84 year-old sage is out of touch. *Skinny Pop* was up for sale this week with a market valuation of \$300M, double what it was purchased for less than a year ago. *Chipotle* (finally, after years of preaching) finalized the removal of all GMO products from its menu. McDonald’s sales keep slipping.

For today’s consumer, millennials & young families, *happiness* appears to be somewhat differently defined than it was by Mr. Buffett’s (and frankly **The Litchfield Fund’s**) generation. There is so much more emphasis on social good & sustainability & defining happiness in a broader sense of community & sharing. This social change is happening and will continue for the foreseeable future. As generations pass it will likely become even a more prevalent definition of happiness. Being more respectful of personal health, social responsibility & environmental sustainability will be the drivers of consumer behavior.

With Mr. Buffett’s preference for quick, salty food outlets & caloric, sugary treats **The Litchfield Fund** wonders if Berkshire-Hathaway should perhaps hedge their investment bets by purchasing a movie production company? The first release could be next summer, a sequel to this year’s most recent blockbuster hit, *Furious 7!* The title? *Fast & Furiously Fat Red Dye #8!*

Earnings News: Analysts expected an EPS of 81¢ when **GNC** announced 1st QTR results. **GNC** fell short, posting an EPS of 75¢ & revenue falling short at \$670M, below estimates of \$695.4M. **GNC** lowered full year EPS estimates to \$3.00 to \$3.15 from \$3.10 to \$3.15. CEO Mike Archbold said the company lost customer focus & engagement by reducing sales campaigns & coupon offerings. **GNC's** wounds seem to be self inflicted & correctable. The stock remains cheap at 13X EPS & 14X cash flow. **GNC** stock gave back most of its recent price increase!

Portfolio News: **The Litchfield Fund** attended Sprouts Farmers Market (**SFM**) annual meeting at the JW Marriott Desert Ridge in Phoenix on Friday, May 1. The meeting was uneventful; save one shareholder's concern for green space in Albany, CA which **SFM** execs duly took note to review. After the meeting, we did get the opportunity to meet a few board members and have a short conversation with **SFM** CEO Doug Sanders! **SFM** received a MARKET OUTPERFORM rating from RBC Capital this week.

Performance: Earnings reports will be in focus for the next few weeks for the stocks in **The Litchfield Fund** portfolio. Recent market volatility has found the Consumer Staples Sector generally experiencing most of the downside & much less of the upside. While our fund is outperforming the market, our gain is much more in line with overall market performance. Earnings fears in the Sector are based on the terrible winter weather, slowing Asian market growth, and the continuing strength of the dollar. Stock prices have been impacted by a flow of money and investors toward the recovering energy & oil markets. Hain Celestial (**HAIN**), for the first time in over two years, will likely report only single digit earnings growth. Whole Foods (**WFM**) & **SFM** may show better results.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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