



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

This week had The Litchfield Fund humming Sinatra. And it was not the earnings report filled week that made us start thinking about the “Chairman of the Board”! (That nickname was given to Mr. Sinatra after he founded Reprise Records. Supposedly, he hated it!) No, just like a 1940’s bobby-soxer listening to *Ol’ Blue Eyes*, **The Litchfield Fund** has swooned more than 6% in the last month. We found ourselves humming the Mr. Sinatra standard, *That’s Life*, and its appropriate lyrics– “You’re ridin’ high in April, shot down in May; But I know I’m gonna change that tune; When I’m back on top, back on top in June!”

A most American life: The kid from Hoboken certainly led an American life! The son of Italian immigrants, his father was a boxer & his mother ran an illegal abortion clinic. He dropped out of high school & worked as a singing waiter & delivery boy. He was arrested for seduction & adultery. Finally getting a singing contract in 1939 with Harry James, Sinatra’s career skyrocketed in the 1940s, with the Tommy Dorsey Band, radio & movies. But in the early ‘50s he was dropped by MGM & MCA, ruptured his vocal cords, & failed at television. His role in *From Here to Eternity*, signing with Columbia Records, & starring in the fledgling Las Vegas nightclub scene put Mr. Sinatra “Back on Top”.

But he was no longer the melodic boy singer of *I’ll Never Smile Again*. He was hurt & vulnerable when he wanted to be (*One for my Baby*) or the ultimate cool playboy (*Fly me to the Moon*)! But in the early ‘50s, Rat Pack in tow, Mr. Sinatra invented *COOL*. His best work came on Columbia & Reprise, featuring his unique phrasing, singing on the downbeat, and the heartbeat rhythm that was neither jazz nor swing! He hated rock’n’roll, but thought George Harrison’s *Something* was the greatest love song ever written & used it all his shows. Even as late as the 1970s, he had a mega hit about *his* city that never slept at night, which became the New York City anthem!

Yes, a true American life! He was all those things he sang about -- a puppet, a pauper, a pirate, a poet, a pawn and a king-- and he was --up and down and over and out! But he changed with the times, restarted his career, and is a symbol of the uncompromising, optimistic American dream! The epitaph on his tombstone is just one more example, the title from one of his many hit records — *The Best is yet to Come!*

Saying Something Stupid? Six **Litchfield Fund** holdings reported earnings this week. But it appears to be Whole Foods’ (**WFM**) announcement that they will look to open a new franchise of lower priced retail stores aimed at millennials that hit our sector the hardest. **WFM** seemed to be validating Mr. Buffett’s ‘no smiles’ comment. Even though many of our companies this

week reported sales growth that would be the envy of other sectors, the rates were slower than quarters past. **WFM**'s announcement indicated to investors that premium pricing & gross margins have a top side, that pressure from Kroger, Target, Costco, etc. is growing, & that millennial social-conscious buying power has limits. Investors reacted accordingly, despite just a good enough jobs report that supported both economic growth and a delayed *See you In September* FRB rate hike that otherwise sent the market upward.

Earnings News: **WFM** posted another record quarter but \$3.65B in sales missed analyst projections of \$3.71B. EPS was 44¢, beating projections of 42¢. WFM has \$1.1B in cash & cash equivalents on its balance sheet, but same store comparables came in at just 3.6%, well below analysts' 5.4% estimate, and behind Kroger & Costco. **WFM**'s stock price fell 11.6% this week. Net sales at Sprouts Farmers Market (**SFM**) were up almost 19% this quarter & earnings were up 11%! But EPS at 25¢ was 2¢ lower than estimates, & revenue missed by 1.5%. **SFM**'s stock slipped 14% this week. Whitewave Foods (**WWAV**) had a record 1st QTR with a 24¢ EPS that beat analyst estimates. **WWAV** increased full year earnings estimates despite taking a 6¢ foreign currency exchange hit. Jim Cramer has a \$50 target price on **WWAV** & believes a buyout of the company is just "a matter of time." Hain Celestial (**HAIN**) also took a Foreign Exchange hit but still managed to 'eke' out its 18th consecutive quarter of double digit sales growth at 18.9%. But since **HAIN**'s normal sales growth has been around 30%, analysts & investors were unimpressed with this good quarter. Boulder Brands (**BDBD**) bounced back with a decent 1st QTR report posting a net income of \$1.8M after a negative 2014. **BDBD** saw 5% sales growth, projected 6% to 8% growth for the year, and slightly raised full year estimates. The Vitamin Shoppe (**VSI**) clearly missed EPS & revenue targets, despite an almost 10% sales growth. With a new CEO holding his first earnings call, **VSI** price fell almost 7% this week. **The Litchfield Fund** will continue to review our portfolio holdings for soundness & future growth.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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