



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

For many millennia authors, philosophers & poets have pondered youth & aging.

Whole Foods’ announcement of a new chain aimed at millennial consumers – lower cost, more convenient – rattled the industry. Yes, Whole Foods was a darling when it was young - edgy, trendy, different, & *successful!!* But now finds itself middle-aged; needing to conform to Wall Street standards & expectations. Can Whole Foods produce the margins & earnings that have come to be expected? Will they live up to the expectations of *their* youth? Or will Whole Foods be a victim of their own success, hoisted by their own petard?

Philosophiam millenia: Just a few weeks ago (*All Ears!!* volume 44) we discussed the tastes & buying power of the millennial consumer. But it was not just the Whole Foods announcement that brought the under 35 generation to mind again this week. Several media commentators questioned the experience of young entrepreneurs, specifically, their ability to run businesses with companies made up entirely of millennials & still please Wall Street. Certainly, this is a valid question. There has not been another generation whose opinion about corporate America has soured so quickly, or has moved so fast to create & start their own businesses. When the Great Recession hit the first of the millennials had less than 5 years experience in the working world. Many had just left graduate business programs. They were among the first to go in the downsizing that came about, along with their middle-aged parents who had the 30 years experience! Why wouldn’t this particular generation sense that a struggle to return to corporate America would simply be a waste of time, energy, & focus.

George Bernard Shaw thought youth was wasted on the young. It is easy for us of an older generation to dismiss youth as spoiled, pandered, entitled, & egotistically. *And they are*, but that is what youth is for! When else is the time to be impetuous, adventurous, to try, fail, & try again? And youth drives our culture, music, media, technology and now, health, wellness, & sustainability. Knowledge comes from schools, *learning* from experience. Liberal icon Timothy Leary encouraged the youth of the sixties, *today’s aging baby boomers*, to ‘turn on, tune in, & drop out’. But he also had criticisms: “We are dealing with the best-educated generation in history. But they’ve got a brain dressed up with nowhere to go.” Not quite so today, as this millennial generation seems to know what they want -- to be their own bosses, drive technology, culture & make the world a better place, *while making money!* As investors, we need to look at these start-ups & remove the wheat from the chaff by judging not just the product, market & potential, but also the people. Can they take a good idea, start a business, grow, & make a business successful though all the economic cycles? Both generations have their role, for as Jonathan Swift said “Invention is the talent of youth, as judgment is of age.”

And Whole Foods? Other retailers like Walmart & Target have found success creating express stores in a smaller footprint near millennials on college campuses & in urban settings. Yes, analysts worry that **WFM** may just be cannibalizing its own sales at a higher operating cost. Yet analysts agreed that **WFM**'s stock price has been impacted more by Wall Street expectations than financials with numbers (despite weaker than expected comparable same store sales) the envy of other companies. Yes, that petard may be exploding too soon!

Portfolio News: ConAgra (**CAG**) agreed to purchase Blake's All Natural, adding to its natural & organic brand labels. Blake's sales have increased 4X in recent years. Vitamin Shoppe (**VSI**) has a 12% upside from its most current close based on analysts' 1-year target. A **GNC/VSI** merger possibility seems to hold analyst interest. Gregg Engles, CEO of Whitewave (**WWAV**), another possible takeover target, spoke this week on the need for more organic farmland to increase supply & reduce cost. Boulder Brands (**BDBD**), United Natural Foods (**UNFI**) & Hain Celestial (**HAIN**) gathered BUY recommendations, based mostly on recent price pullbacks.

Sprouts Farmers Market (**SFM**) picked up good press based on its strong quarterly report, despite missing EPS expectations. A five year 20% plus growth rate & comparable same store sales growth of 4.8% were the main reasons cited. Sprouts' growth plan also received good reviews, emphasizing growing deli offerings, improving training, expanding private label & specialty item offerings, & enhancing their digital presence. WFM partnered with Cravy for delivery services in South Florida. Sterling Capital added 1.2M shares of General Mills (**GIS**) to their holdings.

Bull or Bear? Analysts continue to feel there will be no Fed rush to raise rates. Historically, consumer staple stocks have not done well in rising rate environments. Peter Schiff sees a 300% upside in the price of gold. As the S&P closed at new record highs Jonathan Krinsky, MKM Partners, sees repeated bottom resistance for the S&P, but a top side up to 2200!

Seeds, Sprouts, Grow, Harvest!

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