



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

“Everybody complains about the weather, but nobody *does* anything about it!”

This phrase is often incorrectly attributed to Mark Twain because he used it at a lecture. But he was actually quoting his good friend the editor, author & social scientist Charles Dudley Warner. Together, it was Twain & Warner who named *The Gilded Age*, a book they co-authored. Of course, no one can accurately predict long-term weather conditions or do anything about it! Predicting disasters like earthquakes, volcanic eruptions, hurricanes, tornadoes or gales is very nearly impossible. But in 1868 a Royal Navy Lieutenant did do that!

The Saxby Gale: This week, scientists predicted that there could be a large California earthquake during the first week of October (with a significant 1% increase in the possibility) due to seismic activity around the Salton Sea. We will have to wait to see if their predictions hold true! In 1868, Lt. Stephen Martin Saxby predicted extremely high tides for early October 1869. As an amateur astronomer, he saw tidal & atmospheric conditions during the height of the North Atlantic hurricane season that could produce devastating results. The Bay of Fundy in Nova Scotia has some of the world’s highest tides (and best fresh lobster) & those tides, coupled with a storm, would create a natural disaster. Despite the Lieutenant publishing continued warnings in British & North American newspapers, residents along the coast were accustomed to these frequent violent storms. They chose to ignore Lt. Saxby’s warnings for a October 5, 1869 event. The storm hit on the night of October 4/5! The resulting tidal surge raced inland destroying dikes, towns & farms; leaving hundreds dead & forever changing the coastal geography! The highest tidal range ever was recorded at Burntcoat Head, Nova Scotia, that night. Up until the storm Lt. Saxby was considered a lunatic & alarmist but now he has a natural disaster named after him! We certainly are not suggesting that it is time to invest in Arizona oceanfront property, but it would be nice to get Lt. Saxby’s predictions on economic bubbles, Presidential elections & the World Series!

Industry News: Transactions took center-stage again this week as Big Food & others try to take advantage of the *good food* movement. Online grocery & delivery company *Fresh Direct* received a \$189M investment led by *J.P. Morgan Asset Management*. Previous rounds had netted *Fresh Direct* \$90M. ConAgra purchased *Frontera Foods* & will keep Chef Rick Bayless & CEO Manny Valdes on board. *Frontera’s* brands are gourmet Mexican foods with a better-for-you profile. *International Finance Corporation* invested \$40M in healthy food & beverage maker *WOW! Nutrition*. The Brazilian company will be able to increase their U.S. distribution beginning in 2017. It was announced that private label tea producer *Harris Freeman* had

acquired *Secret Squirrel* cold-brew coffee. *Nature's Path* acquired 51% of raw snack maker *Gorilly Good*. *Tropicana* announced a new line of juices with added probiotics.

The investment in the *good food* movement continues to reap reward. *Pepsi* announced quarterly earnings citing a 274% sales improvement while giving much of the credit for the increase to its better-for-you brands. *ConAgra* reported a 61¢ EPS, after allowances for losses concerning the sale for its private label business, besting analyst 48¢ estimates. Meanwhile, *ConAgra* remains on track to split its *Lamb Weston* frozen potato business from its *ConAgra Brands* segment.

Statistics continue to support the growth of the organic & better-for-you food & health industry. Among the statistics we heard & read this week are a 40% growth in grass-fed beef sales while all beef sales grew just 6.5%. Grass-fed beef makes up just 2% of the overall market. Prices range as much as 80% higher. Organic U.S. farm acreage grew by 20% with organic farms seeing a 13% growth in sales. Organic farms in France comprise 5.8% of all farmland as the organic industry there, and in Norway, record double-digit growth. From *SPINS* data we see a 124% gain in grain-free product sales in 2015. Plant-based protein foods continue to demonstrate greater usage, acceptance & sales growth.

Market News: The markets eked out some small gains in another rollercoaster week driven by data & events. Weak economic data concerning consumer spending & GDP data revisions drove markets down. News of potential oil supply caps pushed oil prices & the markets up. The market seemed to take heart that the *Deutsche Bank* stock price did not slide as much as expected. Finally, Chairman Yellen was a bit more Chairman Mao saying in the event of a market crash the FED would be prepared to jump in to purchase stocks & bonds. More government ownership of private companies is not a pleasant thought.

As investors, we seek strong economic growth that creates opportunity for individuals & businesses. For this to happen, businesses need to be freed from the burden of high taxes & constricting regulations. Well-functioning trade deals that protect American jobs need to be in place. Consumers need to feel they live in a safe, secure home & economic environment where they can spend money without fear of potential economic disaster, crime or terrorism. United States businesses need to bring back expatriated cash & invest here in the United States, its workers & their potential. These policies create for us an investment & business environment that will breed success for start-ups & entrepreneurs!

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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