



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 lust for gold. Gold’s scarcity & value were known as far back as the 4th millennium B.C. People have always lusted for this unique element, useful in so many ways besides its intrinsic value. Beyond jewelry, coin & bullion, gold is used in industry, electronics, medicine, food, drink & clothing. As important & valuable as gold is, it does make people do strange things. Who can shake the memory of Bogie’s greed driving him insane & Walter Huston cackling at the end of *The Treasure of Sierra Madre*, watching the wind blow away their gold dust? Can gold make people act crazy? We reference the U.S. Olympic swim team.

Striking gold: It was the Olympics that got us thinking about gold this week. Science tells us gold was created when the universe was formed. As the Earth cooled from a ball of gas most of the gold melted & sank to the Earth’s core. But afterward, for many millennium, the Earth’s crust was bombarded by asteroids, bringing the gold we find in the earth today. *All of the gold removed from the Earth would not quite fill four Olympic size swimming pools!* It was a big week (historically) for gold & not because of the Olympics. On August 19, 1848, *the New York Herald* broke the news that gold had been found in California. On August 16, 1896, gold was found in a tributary of the Klondike river, setting off the Klondike Gold Rush. And the Gold Standard effectively ended on August 15, 1971 when the ‘Nixon Shock’ no longer permitted the convertibility of U.S. dollars into gold by foreign investors. And while *all the gold in California may be in a bank in the middle of Beverly Hills in somebody else’s name*, it certainly wasn’t behind a locked bathroom door at a gas station in Rio! And one more important point to remember from *The Treasure of Sierra Madre*. If you are headed to the wonderful Natural Products Expo East in Baltimore next month, you will need to wear your *stinking badges* to enter the show floor!

Industry News: *First Beverage Financial* helped *Steaz Teas* complete a sale of the company to a strategic private equity buyer. The company, founded in 2002, was reportedly at sales of \$17M with a 47% CAGR. Former *Whole Foods* executive Errol Schweizer will join former *Steaz Teas* founder Eric Schnell’s *Beyond Brands* consulting group. As mentioned last week, the organic food industry is firing on many cylinders, as increased sales in protein, fiber, pulses, fermented foods, yogurts & even sweet treats are being reported.

Sprouts Farmers Market broke ground on its first North Carolina store in Raleigh. *Fresh Thyme* opens in Farmington, MI. *Earth Fare* announced plans for stores in Jacksonville, FL & Chattanooga TN. *The Fresh Market* signed a deal with *SuperValu* for *SuperValu* to be its primary wholesaler. Analysts suggest there is an overcapacity in retail; with on-line, meal delivery,

changing healthy eating habits & demographics leading to retail price deflation. It is important to mention that many retailers & food companies are shipping food & beverages to Baton Rouge & other Louisiana parishes to help with the flood relief efforts.

Hain Celestial delayed its full year 2016 reporting & announced that it will miss 2016 guidance due to improperly recording revenue. *Hain* has also been under fire for its executive compensation practices. *Hain's* stock price fell more than 30% this week. Meanwhile, *Whitewave Foods*, whose stock price climb is limited by its deal to be acquired by *Danone* before year end, reported strong 2nd QTR earnings with revenue up 14% to \$1.05B & net income up 41% to \$52M. EPS rose 38% to 29¢ a share. *Lifeway Foods's* 2nd QTR EPS came in at 14¢, 10¢ above consensus. Results were due to a lower tax rate, lower milk prices, fewer discounts, lower packaging costs & greater production efficiencies. Net revenue was up 4.4% to \$31.1M benefiting from private label kefir sales at *Kroger* & *Wegmans*. *SunOpta, Inc.* reported an increase in gross profit, but losses from recalls of frozen fruit & sunflower seeds led to a 2nd QTR loss. As *SunOpta* has become more dependent on organic foods sales, these losses had a greater impact on overall performance.

Market News: The markets showed little movement this week as some hawkish comments by FED leaders made market analysts feel the odds of a December rate hike are increasing. The FED make take the approach that a regular rate increase process is beneficial to set market expectations. The market hopes for clarification about the speed & frequency of rate hikes when Chair Janet Yellen speaks this week after Jackson Hole. With most central banks hovering near negative interest rates the FED may use the market as their gauge, not economic data. Amongst the data due out next week is durable goods orders & GDP. Many analysts believe rotation toward cyclical stocks & away from defensive stocks will continue as investors seek to understand the FED's interest rate expectations. As evidence, the Utilities & Telecom stock sectors continued on a multi-week decline as the appetite for defensive stocks may be changing. Meanwhile oil prices, which have been floating upwards into bullish territory, may be headed downward again, as no production limits seem to be on the horizon & more U.S. oil rigs continue to begin operation.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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