



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 speed at which our industry moves can seem overwhelming! New companies just appear to spring up over night, win taste awards, & find themselves on the shelves at Whole Foods! Certainly social media & internet sales help build brands quickly. Centuries old companies realize they must adapt to fast changing consumer tastes. For **The Litchfield Fund** opportunities abound in both the public stock market & in private equity. However, no need for FOMO (*Fear of Missing Out*), because we think like Arizona’s favorite wild west marshal, Wyatt Earp, who once said “Fast is fine, but accuracy is everything!”

Portfolio changes: This week brought changes to **The Litchfield Fund** portfolio of public stock holdings. Removed from the portfolio was Hershey (**HSY**). Hershey has lost ground from its recent lifetimes highs & despite a fairly inelastic demand for its product, revenue from its China expansion may lag. The lack of growth & bottom line impact from China may keep **HSY** from reviving in the near term. We do appreciate what **HSY** does as company, from sustainable sourcing & green practices to fairly treating & enhancing the lives of its suppliers & workers in third world countries. Recently, **HSY** realized the need to expand beyond chocolate with the purchase of Krave Jerky. Additionally, **The Litchfield Fund** will reduce its positions in Whole Foods (**WFM**), Sprouts Farmers Market (**SFM**), & Consumer Staples Select (**XLP**). These reductions come about to take new positions in other grocers & food staple companies, & add a holding in the restaurant category. Let’s look at our portfolio’s new holdings.

Kroger (**KR**) can seem to do no wrong. Analysts continue to report future earnings growth for the leading grocery store (2,600 stores) chain. **KR** has a decent BETA, P/E, & PEG ratio. Its dividend is small compared to **HSY**, but the dividend does add value to its 1-year price target growth of just 5%. However, we feel 1-year target estimates may be low, as the full impact of Kroger’s move to more healthy, natural, & organic products will be a bigger slice of the revenue pie. The possible Albertsons IPO may also create upward price pressure for **KR** stock.

Natural Grocers Vitamin Cottage (**NGVC**) has solid operating performance & stock performance. **NGVC** is about to open its 100th store in Scottsdale, AZ as it expands from a regional to more national grocer. Analysts predict good growth & a strong upside on price. The stock carries a low BETA & a decent PEG ratio.

Zoe’s Kitchen (**ZOES**) is a semi-fast food Mediterranean Kitchen with healthy, tasty dishes. It is **The Litchfield Fund’s** first opportunity to take a position in a healthy restaurant chain. We believe that this segment is under exploited! **ZOES** is 20 years old, started in Birmingham, AL &

is headquartered in Plano, TX. Analysts give **ZOES** a big upside on growth, & unlike Shake Shack, they are already profitable. We like that their 139 stores are company owned.

Cal Maine (**CALM**) is producer of *EggLand's Best* which includes Natural, Organic, Cage-free eggs, etc. Analysts cite fast growth & with an uptick in egg prices due to avian flu concerns there may be a tremendous upside on the stock price. **The Litchfield Fund** has been looking to expand our portfolio with ingredient/producer companies. After watching several stocks, we see growth in **CALM** for the near term.

Portfolio News: Stifel remains bullish on Whitewave Foods (**WWAV**) with a \$55 target price. Stifel believes **WWAV** remains an acquisition target & that its purchase of Vega will add value. Lifeway Foods' (**LWAY**) stock price fell 21% with no negative news. Argus maintains a BUY on Hain Celestial (**HAIN**). SFM has an average \$35.78 target price from 21 analysts who cover the stock. United Natural Foods (**UNFI**) has a \$72.08 average target price from 12 analysts.

General Mills (**GIS**) will close two more plants (impacting 620 workers) in Missouri & Illinois. CEO Ken Powell stated he wants **GIS** to function like a smaller company & move fast as consumer tastes are quickly changing. **GIS** will introduce additional healthy products this summer including soups from Annie's & Real Good Bars from Food Should Taste Good.

Market news: The markets reacted to the likelihood of a final Greek deal that will bring relief to the European situation. With a new flow of financing (backed by Greek assets for repayment) Greek banks will likely open on Monday. The Chinese fears have seemed to ease & the Volatility Index (VIX) and the Fear Index (CBOE) fell significantly this week. Per analyst Jim Strugger, the CBOE is at levels that indicate a remaining bull run. Meanwhile, June housing starts & inflation numbers give analysts an indication that a rate hike will be forthcoming, though Janet Yellin seems to indicate the FED will move slowly.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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