



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

A camel is a horse designed by a committee. Everyone knows the saying & the visual in your mind allows for no misconception as to its meaning. Still, we use committees in business, in our government, in our schools & local communities. The phrase *designed or decided by a committee of experts* makes one wonder whether that was a good or bad thing! In the next few weeks a committee will make the decision to begin hiking interest rates. Other committees will decide on *really* important things – such as who is invited to New York for the Heisman Award show & which teams play in the College Football Playoff!

Committee Comedy: That **The Litchfield Fund’s** views on committees are mostly formed by comedians should say a lot about the usefulness of committee structures. Fred Allen, the popular & most irreverent of radio age comedians said, “A committee is a group of the unprepared, appointed by the unwilling to do the unnecessary.” And Mr. Television himself, Milton Berle said, “A committee is a group that keeps minutes and loses hours.” Maybe this is why we like working with entrepreneurs who have a mission, see a vision, & can move their brands forward, making their own decisions & taking quick action! It is why Big Food is trolling for takeover targets; they cannot match the speed & flexibility of these start-up food & beverage companies. Of course, we can visualize the alternative - Gary Larson’s academics arguing in a laboratory - “*Another case of too many scientists & not enough hunchbacks!*”

Industry News: Atlantic Natural Foods purchased *neat foods*, a Lancaster, PA maker of plant-based meat & egg replacements. The family owned & managed *neat foods* began in 2011 using garbanzo beans, nuts, chia seeds, etc., in combination with water and/or eggs for use in skillet meals, meatballs, burgers, etc. Wholesome Sweeteners Inc. announced the purchase of confectioner TruSweets, maker of organic, non-GMO sweet treats like jelly beans, gummy bears, & candy canes that are free from the top allergens, artificial colors, artificial flavors and corn syrup. Wholesome Sweeteners re-launched its brand earlier this year, offering its healthier non-GMO sweeteners in Target. Wholesome, appropriately based in Sugarland, TX, may continue to look for acquisition opportunities.

Earnings News: Kroger (**KR**) reported a strong 3rd QTR, a possible indicator of the overall health of the U.S. economy. Non-fuel sales at established stores rose 5.4%. Overall, **KR** posted a 43¢ EPS compared to 36¢ for the same quarter a year ago & besting analyst projections by 4¢. **KR** missed slightly on revenue due to lower gas pump prices. The second largest grocer (by sales to Walmart) raised full year EPS guidance to \$2.02 to \$2.04 from \$1.92 to \$1.98. Also, **KR** gave indications that comparable same store growth will stay above 5%.

United Natural Foods (**UNFI**) will report 1st quarter 2016 earnings next week. **UNFI** has seen its stock price fall almost 50% from its February high. With a P/E somewhat more rationalized at an industry average 16, the stock has likely been oversold & has now bottomed out. Investors have over-weighted the long-term importance of Whole Foods Market (**WFM**) to **UNFI**'s earnings. **WFM**'s sales dips have been reflected in **UNFI**'s current earnings but increased competition in the natural/organic segment should create a significant upside to **UNFI**'s future earnings.

Portfolio News: Hain Celestial (**HAIN**) is another much oversold stock that has had no substantial negative reports. With prices this week hovering around \$40, the stock holds price targets with 50%+ upside. Cal-Maine Foods (**CALM**) has also entered oversold status with 30%+ upside price targets. Cal-Maine Foods (**CALM**) stock price fell more than 12% this week as analysts are uncomfortable with **CALM**'s earnings predictions over the past few quarters. This comes about despite **CALM**'s record quarters & a nearly 8% dividend yield! Whitewave Foods (**WWAV**) holds BUY ratings & has hefty upside price targets. Expect an upside breakout.

General Mills (**GIS**) announced that it will begin distributing 2 varieties of Annie's Homegrown Bunny Grahams snack crackers to schools beginning this January. Analyst Jim Cramer suggests that **WFM**, who is taking on debt to repurchase shares, may well consider taking the company private, something he suggested earlier in the year.

Market News: The DOW finished the tumultuous week with a 370 point bounce-back to be essentially flat. The strong jobs report that beat estimates seems to have cemented the FED's opinion that the economy is stable & ready to be tightened. Early retailer reporting indicates a strong start to the holiday shopping season. But the market fell mid-week as the European Bank fell short of investors' opinions on continued stimuli & OPEC's decisions to not stabilize oil supply. Energy stocks did not participate in the rally as it appears producing nations will continue to increase oil supplies, undercutting shale prices & keeping consumer fuel costs low.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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