



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



WHEN THE RUSSIANS SURRENDERED in WWI, the Germans moved 50 divisions from the Eastern front to the Western front. They launched three major attacks along the entire front, putting themselves in a position to change the tide of the war. On 28 May, 1918, under heavy fire, newly arrived but somewhat experienced USA troops left their trenches to attack Cantigny, a German stronghold. The troops advanced behind a rolling volley of French artillery & under French air cover, as the USA's resources had yet to arrive. The USA troops took Cantigny, then hunkered down! The Germans were experts at devastating counterattacks, but they had not met up with American boys!

(As usual, we take a step away this Armistice Day to honor those who have protected our fragile, sacred liberties.)

THE COUNTERATTACK: A counterattack can deliver a crushing blow to the enemy. The enemy, having gained a strategic spot, such as an important high ground, port, fort or stronghold; or in the case of Cantigny, a salient - a forward observation & artillery point that could observe & control the surrounding area, has been lulled into feeling confident & successful. A counterattack is psychologically shocking to the enemy, who believes they have won the battle, only to be hit with a shattering, demoralizing attack. Think of the counterpunching boxer! He takes a punch, stepping back a bit, gets his opponent to open up his defenses. The boxer then unleashes a flurry of Sugar Ray Leonard punches, catching his opponent defenseless. The Germans would give up ground purposely & slowly. As Allied forces settled into their new positions in the trenches, the Germans launched artillery fire, forcing the Allies to keep their heads down. The Germans then attacked from the flanks, entering the trenches with deadly weapons designed for trench warfare: trench knives, hand grenades, submachine guns & pump shotguns. The Americans took Cantigny the day after a major French setback at the Aisne River. At Cantigny, the Germans launched seven counterattacks in 72 hours, with a constant barrage of artillery fire raining down on the heads of the Americans, who stood strong despite more than 1,000 casualties. An infantry regiment under the command of Major Theodore Roosevelt, Jr. reinforced key positions in the American lines. (As a General in WWII, the 26th President's son, though suffering from severe arthritis, led his troops on Utah Beach. He died a month later & was awarded the Medal of Honor.) At Cantigny, the American success stopped German advances & gave the Allies confidence in the American troops. The American forces then won critical victories at Chateau-Thierry & Belleau Wood. In WW2, counterattacks helped American troops stop the advance of the Nazis at the Battle of the Bulge, especially at Bastogne & St. Vith. The Americans moved their defenses constantly, giving the Nazis an impression that while they had gained ground, the American forces were stronger than anticipated. The Americans made small attacks on the Nazi flanks, delaying the Nazis even longer. At St. Vith, General Bruce C. Clarke, a New York farm boy & West Point graduate, realized the Nazi target was Bastogne, just beyond St. Vith. He used his anti-tank guns to slow the advance, but then counterattacked with M4 Sherman tanks. (The Shermans would have been badly outgunned in a head-to-head battle with Nazi Panzers & Tiger tanks.) He gave up ground slowly, stretching Nazi supply lines & fuel, delaying their advance for 6 days, destroying their timetable. When the weather cleared, the American Army Air Corps entered & ended the fight. The guts of the Americans at Cantigny, their ingenuity at St. Vith, are just a few of the many reasons America remains free. We gratefully thank the men & women who volunteer to protect our Constitution & our sacred, fragile, precious, God-given rights, which are constantly under attack from enemies, both foreign & domestic.

INDUSTRY NEWS: Probiotic shot *So Good So You* raised \$14.5M led by *Prelude Growth Partners*. *Powerplant Ventures* led a \$5M round in Israeli food tech company *Zero Egg*. Autonomous delivery company *Nuro* raised \$500M from *Fidelity Management & Research, Baillie Gifford, SoftBank Vision Fund & Greylock*. *Mondelez's SnackFutures & Strauss Group's The Kitchen Hub* made a seed investment in Israeli food-tech startup *Torr*. *Crave Better Foods (Chipwich)* will merge with *Solero* frozen novelty business, founded by the founders of *Talenti*. *Kerry* added to its probiotic offerings by acquiring *Bio-K Plus*. *Hershey* acquired *Freshly*, in which it had previously invested, for \$950M. *Treehouse Foods* will buy a majority stake in pasta-maker *Riviana Foods* from *Ebro Foods* for \$242.5M. *Coca-Cola* acquired & rebranded *Briggo*, an app-controlled, full-service robo-barista kiosk, as *Costa Coffee BaristaBot*. Delivery service *GoPuff* will buy beverage retailer *BevMo*, for \$350M. *Acomo* will purchase the global ingredients business & assets of *SunOpta* for €330M (\$390M). *Utz* will purchase *Truco Enterprises, On The Border* tortilla chips, salsa & queso from *Insignia Capital Group* for \$480M.

Across segment growth gave *Mondelez* an impressive 3rd QTR estimate beat. *Kellogg's* 2% sales increase was spurred by strong organic sales growth with a beat on 3rd QTR earnings. A solid 3rd QTR for *Kraft Heinz* resulted in an expectation beat for earnings & sales. Despite the drop in away from home sales reducing revenue 9%, *Coco-cola* beat 3rd QTR estimates. *Unilever* reported 3rd QTR sales that rose 4.4%, much more than the 1.3% predicted by analysts. *KDP* reported in-line 3rd QTR revenue & an earnings beat. *Pilgrim's Pride* had 3rd QTR increases in sales & adjusted income, but the bottom line took a hit due to price-fixing penalty fines. In 3rd QTR *Hostess* net income rose 10¢ to 18¢ per share and sales jumped 15% on strong breakfast sales. *Flower Foods'* adjusted earnings rose 36% in 3rd QTR as sales rose, though volume dropped. Sales at *Hershey's* 3rd QTR rose 4% with a 39% net income bump. Finishing a rough year, *J&J Snacks* returned to profitability in 4th QTR after a 3rd QTR loss, though sales & income were down sharply YOY. Net income more than doubled at *Utz*, with 3rd QTR sales rising 24%.

Kroger's meal-kit SKU, *Home Chef*, added *Heat & Eat Soup & Sicilian-Style Pizza* to stores. HPP juices *Blueprint & Daily Greens* have closed operations. *Weston Foods* spent \$96M on two production lines for bagels & donuts. *Hearthside Food*, grain-based snack & baked foods, will invest \$13.6M in its facility in Michigan City, IN. *McDonald's* will begin *McPlant*, to test plant-based menu options. *Dematic*, warehouse automation technology, is *PepsiCo's* partner for a Chicago area micro-fulfillment center. With new acquisitions, *Uber* is on its way to being a \$1B grocery service. Next year, *Walmart* will launch a pilot in Scottsdale, AZ, with self-driving electric car company *Cruise*, to move to an entire fleet of all-electric delivery vehicles. *AutoStore's* technological patent dispute with *Ocado* continues to be pursued.

Acosta reports that 89% of shoppers use their smartphones while shopping, compared to 67% in 2015. *Moody's* expects food & beverage companies to see lower sales & earnings in the next 18 months as consumers move away from eating at home. *Nielson* continues to report increasing at-home beverage consumption. Per *LEK Research*, more than 60% of consumers prefer products having no artificial ingredients or preservatives & are labeled as all natural.

MARKET NEWS: Markets rose at the announcement (delayed for a month) that Operation Warp Speed resulted in a safe & viable coronavirus vaccine. Consumer sentiment dropped due to near-term economic expectations following elections & potential lockdown news.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenjo*

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