



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 bountiful harvest was just one of the many reasons for the Pilgrims’ first Thanksgiving. Farmers still celebrate the plenty of an abundant harvest with thankfulness; and also by recognizing the hard work it takes to reap such a reward. Starting a business & farming are entirely analogous -- planting seeds, watering, *organically* fertilizing & weeding until the harvest. And entrepreneurs do this because as Napoleon Hill, the creator of the 20th century personal success philosophy, once said “There would be no advantage to be gained by sowing a field of wheat if the harvest did not return more than was sown.”

Seed to Harvest: At **The Litchfield Fund** we know that building *our* business will take time & lots of hard work. We are working right alongside entrepreneurs who are doing exactly the same thing. We will plant, water and await the harvest! As Senator S.I. Hayakawa said “*Ever since man began to till the soil and learned not to eat the seed grain but to plant it and wait for the harvest, the postponement of gratification has been the basis of a higher standard of living and civilization.*” Until then, as we sow our field, we will be thankful & think of Robert Louis Stevenson “*Judge each day not by the harvest you reap but by the seeds you plant.*”

Boulder Brand Buyout: Not unexpectedly, Boulder Brands (**BDBD**) finally accepted a takeover offer from Pinnacle Foods (**PF**) in a deal valued at about \$11 per share. Pinnacle Foods has a reputation for turning brands around & **BDBD** has struggled with its spreads category while trying to build shelf space for Udi’s, Evol, & Glutino. Pinnacle Foods needed to add to its stable additional healthy brands, recently purchasing Gardein and acquiring a better understanding of the health-conscious consumer & the market segment. Pinnacle Foods also strongly believes the gluten-free market will see continued growth. Boulder Brands, with activist investors involved & reportedly not looking for a replacement after CEO Steve Hughes step aside was ripe for takeover, as mentioned in recent issues of *All Ears!!*

Portfolio News: With Hormel, Campbells, & J.M. Smucker seeing positive stock moves after their recent earnings releases, General Mills (**GIS**) benefited with a 3% stock price increase this past week. **GIS** announced that they will complete the switch to using only cage-free eggs by 2025. Technicals indicate that Cal-Maine Foods (**CALM**) is headed for a bullish run with a short term price target of \$65. Whitewave Foods (**WWAV**) made several organizational moves this week including creating a Chief Operating Officer position. The company, which reached a record \$1B in revenue in its last earnings report, seems poised for more growth, with analysts

suggesting a price target near \$52 per share. **WWAV** is almost 30% off its recent highs, and while perhaps pricy based on P/E, at a good entry point at Friday's \$41.33 close, with a 25% upside. On little news Lifeway Foods (**LWAY**) closed the week at \$11.03 moving up over 5% & closer to its 50-day moving average of \$11.29.

Stock prices for both **GNC** & Vitamin Shoppe (**VSI**) recovered slightly this week as there was no additional news concerning the supplement industry. Analysts are expecting Kroger (**KR**) earnings next week to be at 39¢ per share with over \$25B in sales. They also expect more details on cost savings & debt settlement from Kroger's recent purchase of Roundy's. The acquisition expands the grocer's Chicago area presence. Sprouts Farmers Market (**SFM**) gained almost 5% this week on little news. Whole Foods Market's (**WFM**) prospects for 2016 seem to confound analysts, investors, & media alike. Some predict near-term problems from an inability to consistently gain store traffic & maintain sales growth among strong competition while others suggest market outperformance based on a strong balance sheet & pricing. No matter what, it seems clear that **WFM** still needs to better explain their strategy & seek to maintain a consistent track record to satisfy investors.

Zoe's Kitchen (**ZOES**) has seen nearly an 8% increase in its stock price after its recent strong 3rd QTR earnings report. William Blair gave **ZOES** an OUTPERFORM rating this week. SPDR's Consumer Staples Select Sector ETF (**XLP**) has risen more than 9% (including dividends paid) since January 1 despite the stock market's overall turbulent performance.

Market News: It was light week for overall market news. OPEC meets next week as oil prices remain low, with our local gasoline pump prices below the \$2 mark. China will make news this week as in cracks down on certain brokers & there will be follow-up on the EU's announcement about continued easing. Certainly retailers will be reported their weekend sales results. Meanwhile, some analysts suggest technicals point to a long-term S&P buying opportunity.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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