

An impressionistic painting of a sky and sea. The sky is filled with thick, textured brushstrokes in various shades of blue, teal, and white, suggesting clouds. The sea below is depicted with horizontal brushstrokes in deep blues, greens, and whites, creating a sense of movement and depth. The overall style is painterly and expressive.

WALTER SCOTT

✦ BNY MELLON | INVESTMENT MANAGEMENT

SUPPLY CHAIN
RESILIENCE

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WHAT'S CAUSING THE CRUNCH?

UKRAINE WAR



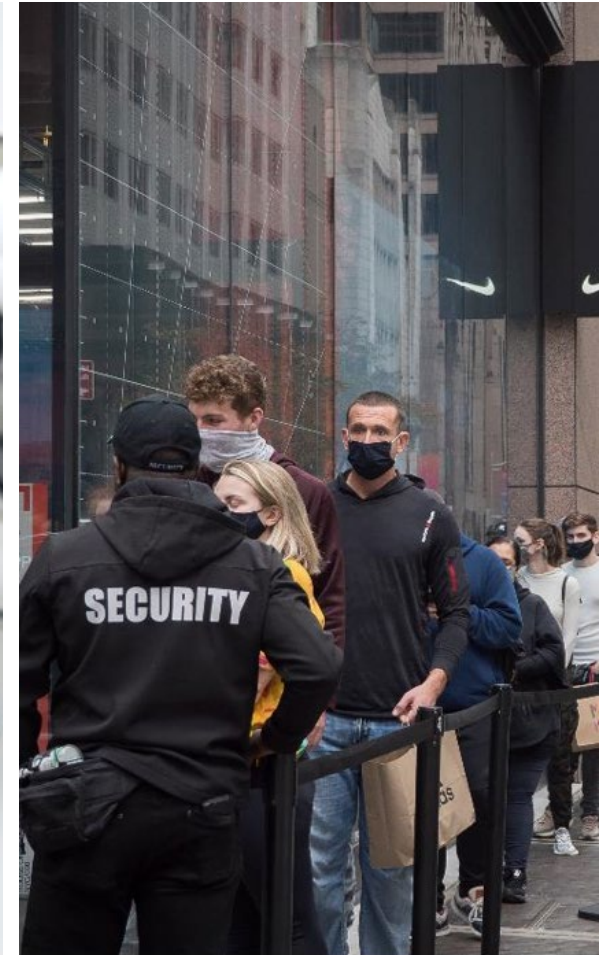
CHINA LOCKDOWN



COVID



PENT UP DEMAND



SUPPLY CHAIN WORRIES ABOUND

“...higher labour costs, higher freight costs, higher transportation demand, along with container shortages and port delays, increased demand in certain product categories, various shortages of everything from computer chips to oils and chemicals, higher commodities prices.
It's a lot of fun right now...

**COSTCO, CHIEF FINANCIAL
OFFICER RICHARD GALANT**



MANAGING THE SUPPLY CHAIN CHALLENGE

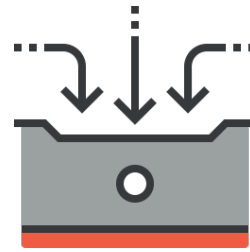
Multi-faceted approach to a multi-dimensional issue.



ADAPTING

New sources of supply

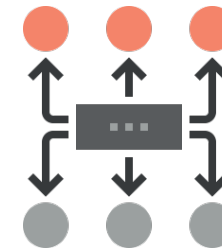
New formulations



REFINING

Productivity enhancements

Technology



FLEXING

Passing on pricing

Beneficiaries

Ultimately, the best companies are not losing sales to supply chain challenges

ADAPTING: NIKE

NIKE is one of the most recognisable brands in the world and has plenty of opportunities to expand its global presence with product innovation and active participation in digital marketing



- Nike suffered supply chain dislocations due to its Covid-related restrictions in its key sourcing markets of Vietnam and Cambodia.
- Long-term strategic partnerships = more flexibility. Move Vietnam production to Malaysia and Indonesia.
- Nike is moving forward on ‘proximity manufacturing.’ Essentially, manufacturing products closer to the market they will be sold into.
- Express lane initiative – highly automated system that can produce small batches of production for local demand

Source: Walter Scott, Nike. This information should not be considered a recommendation to purchase or sell any security. There is no assurance that any securities shown in this presentation will remain in a portfolio at the time you receive this information or that any securities sold have not been repurchased. It should not be assumed that any holdings referred to has been or will prove to be profitable or that any investment decisions made in the future will be profitable.

REFINING: COMPASS GROUP

Compass Group is the world's largest contract food service provider operating in 45 countries globally. The company serves billions of meals every year to clients operating in an extremely wide range of end markets



- Large-scale investment in technology is helping to help offset food inflation. Compass spends £8 billion on food every year, so this is hugely important.
- Tech is helping Compass cope with 7-8% product substitution caused by supply chain disruption.
- Technology also helping to reduce food waste, saving millions. Other initiatives include central kitchens, flexible labour scheduling, kitchen automation, cashier-less technology, digital pick-up and delivery, and mobile ordering.

Source: Walter Scott, Compass Group. This information should not be considered a recommendation to purchase or sell any security. There is no assurance that any securities shown in this presentation will remain in a portfolio at the time you receive this information or that any securities sold have not been repurchased. It should not be assumed that any holdings referred to has been or will prove to be profitable or that any investment decisions made in the future will be profitable.

FLEXING: FASTENAL

Fastenal distributes industrial supplies across manufacturing, non-residential construction, farming, oil exploration and railroad customers.



- Fastenal is benefiting by helping customers navigate supply chain challenges.
- Fundamentally, Fastenal offers supply chain as a service. By taking industrial suppliers' inventory onto its own balance sheet, the company helps customers manage their supply chain challenges, while also helping them retain efficiency levels.
- The company is extremely good at what it does and customers are willing to pay up for its service.
- Fastenal had its own supply chain issues with US/China trade tensions. Its response was to move supply from China to South-East Asia.

Source: Walter Scott, Fastenal. This information should not be considered a recommendation to purchase or sell any security. There is no assurance that any securities shown in this presentation will remain in a portfolio at the time you receive this information or that any securities sold have not been repurchased. It should not be assumed that any holdings referred to has been or will prove to be profitable or that any investment decisions made in the future will be profitable.

LIGHT AT THE END OF THE TUNNEL?

Challenges remain but there are reasons for optimism.



- ‘Zero Covid’ policy in China - every possibility that other local lockdowns will emerge
- War in Ukraine – pressure on energy prices and disruption in niche areas like semiconductor grade neon and wire harnesses

But...

- Some bottlenecks are easing.
- The best companies sounding increasingly optimistic - important to remain selective.
- Capitalism is ingenious at finding ways to adapt and thrive.

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On behalf of us all,

THANK YOU

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