



WEATHERING THE SUPPLY CHAIN STORM



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Small companies are particularly vulnerable to supply chain problems, but we think some are well-positioned to ride out the storm. Here are the characteristics we look for.

THE PROBLEM

Supply chain disruptions have restrained global commerce.



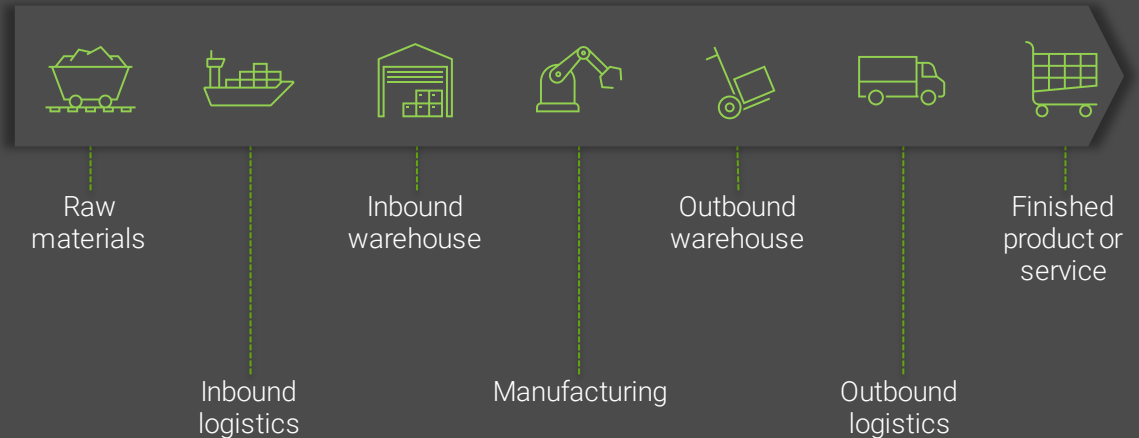
Government stimulus and rapid vaccination rollouts have fueled demand



COVID lockdowns have negatively impacted supply

Q. Exactly what is the **supply chain**?

A. The sequence of processes involved in the production and distribution of goods. The supply chain includes core activities required to convert raw materials and component parts to finished products and services.



Source: Chartered Institute of Procurement and Supply.

WHAT ARE THE CONSEQUENCES?

- Product shortages
- Inflation

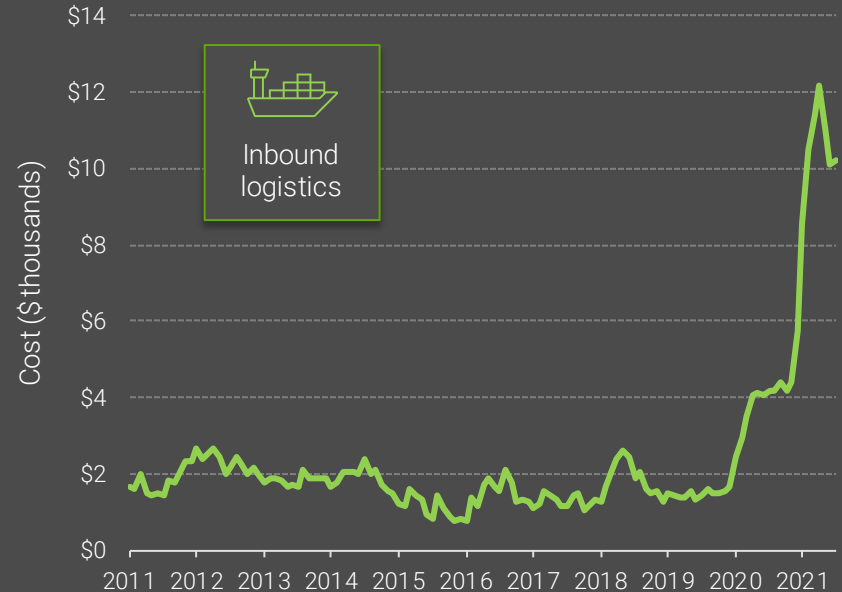
Example

Shipping costs—an indicator and a contributor to global supply chain problems—have increased significantly since the beginning of the pandemic.

THE SUPPLY CHAIN AND SMALL COMPANIES

Many small companies lack global scale, making them vulnerable to supply chain bottlenecks. Though the situation is improving, we think disruptions will create risk and opportunity in small caps for the foreseeable future.

Average Costs to Ship From Shanghai to Los Angeles Are Almost 7X Greater Than Before the Pandemic



Source: Bloomberg Drewery World Container Index, 12/31/2021.

WEATHERING THE SUPPLY CHAIN STORM



What types of companies are better positioned to weather the supply chain storm? We think those with the following distinguishing characteristics have a greater chance of success.

- Companies that offer solutions to worldwide supply chain problems
- Companies that have unique product lines that are resilient to supply chain disruptions

While these two characteristics may offer better growth prospects for small companies, we also want to know whether that growth can be sustained¹ over the long term. Will this growth last? Why?

¹ Durable, resilient or long-lasting.

SOLUTIONS TO SUPPLY CHAIN PROBLEMS

Case Study

SPS Commerce automates and optimizes supply chain management for retailers, suppliers, third-party logistics providers and partners. Its cloud-based solutions help companies manage and fulfill orders, administer sell-through performance and source new items.

Distinguishing characteristic ■ SPS offers solutions to worldwide supply chain problems.

Trends affecting the company ■ Companies are rethinking globalization, so their procurement processes must evolve. SPS Commerce offers a product that helps companies manage these processes, which are part of the supply chain.

■ The pandemic accelerated the growth of e-commerce. Retailers must manage their supply chains to offer a consistent customer experience across digital devices and stores.



RESILIENCE TO SUPPLY CHAIN DISRUPTIONS

Case Study

Sonos is an audio technology company that manufactures everything from simple portable speakers to sophisticated multi-room home theater systems.

Distinguishing characteristic

- Sonos offers unique products that are resilient to supply chain disruptions. Loyal customers are willing to wait longer times for product delivery.

Trends affecting the company

- With the shift to hybrid work, consumer behavior has changed.
 - The pandemic started the movement toward home “nesting”, and we believe it’s a long-term trend.
 - Consumer net worth increased since the start of the pandemic and remains high.
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