

# ACATIS FAIR VALUE SPECIAL

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## Sumitomo Forestry

At first glance, Japanese forestry management group Sumitomo Forestry looks like a very boring investment. But it pays to look a bit more closely, particularly as the company was discovered by our artificial intelligence and then reviewed extensively by our human fund managers.

This highly-profitable company is a subsidiary of conglomerate Sumitomo Group, which has been active in the mining sector since 1691. Almost 200 years later, the company started the reforestation of surrounding forests and its forestry operations in order to guarantee a sustainable supply of wood. Today, the company is one of the world's largest owners of forests and manages 277,000 hectares of forests with domestic tree varieties across Asia, including FSC certified varieties.

Wood as a renewable resource plays a key role in Sumitomo Forestry's operating business. Since then, the product range has been steadily expanded and developed. It ranges from simple building components and furniture to pre-fabricated timber homes. With building materials for interior and exterior construction as well as pre-fab homes, the company made a fairly easy transition into the real estate sector, particularly in the American market.

The company has also given consideration to its wood waste. Since 2011, it has been operating several biomass power plants in Japan, which support municipal electricity supplies. In December 2021, the electricity produced by the company's renewable energy facilities was enough to supply 334,000 households.

As part of its ambitious reforestation plan, Sumitomo Forestry is also involved in measures to revive forests that have been lost, by planting up to two million trees a year. By December 2022, the company had already planted 2.9 million seedlings in Japan and Indonesia.

From a sustainability point of view, the revenues from the company's aforementioned business activities contribute to a total of eight sustainable development goals (SDG). Similarly, it has also steadily improved its ESG rating (52 out of 100 theoretically possible points) in recent years. The company's strengths are primarily found in the area of environment, human rights and good business conduct. Nonetheless, there is still potential for improvement, particularly in the Human Resources and Corporate Governance segment, i.e. the non-existent women's ratio in the Management Board and the lack of variety in technical background, as well as a lack of transparency with regard to the compensation of Management Board members and executives.

Sumitomo Forestry is allocated in the top ten positions in the ACATIS Fair Value Modulor Vermögensverwaltungsfonds as well as the ACATIS Fair Value Aktien Global fund, and it generated a performance of 65.7% last year. Therefore, forestry management can be exciting after all.

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