

Spotlight

Oasis CIO Fischer Discusses Nintendo Switch, PanaHome, Activism


Seth Fischer, chief investment officer, Oasis Management Company

- "Revolutionary" Nintendo Switch will help drive sales and share price.
- Sees "real headway" in activist investing in Japan.

Interviewed by Suzy Waite on March 7. Comments have been condensed and edited. With assistance from Komaki Ito.

Q: Tell me about Oasis.

A: We are a multistrategy global fund in Hong Kong with an office in Austin, Texas. We are one of the only funds employing activist strategies in Asia. Seventy percent of our investments end up being focused in the region. I started off being focused on Japan in 1995 and it makes up 55 to 60 percent of our portfolio today.

Q: You've been invested in Nintendo for some time. Will the new console, the Switch, help the company's sales and stock price?

A: Yes and yes. Historically Nintendo was a diehard console maker and game-ware maker, making hardware and software but only packaged together. We've been engaged with them publicly since 2013 to try to get them to have a change of heart and embrace mobile gaming and monetization and use of their intellectual property in theme parks, movies, online, TV shows and elsewhere. Their shares were around 10,000 to 11,000 yen when we first invested. Now they're around 25,000 yen. The Switch is revolutionary. It gives people the possibility of bringing the gaming experience out of their living rooms. That's the theme with mobile gaming too. That is awesome and shouldn't be underestimated. If you're going to go to a public museum because of Pokemon Go, that's great. And Nintendo are the only company that has systematic partnerships with museums, such as the Louvre, by using the Nintendo 3DS to give tours for kids. On Zelda Breath of the Wild, Zelda has a massive, passionate following. Tens of millions if not hundreds of millions of people know your IP. It's a win for Nintendo and it's a win for shareholders.

Q: Any other suggestions for Nintendo's management?

A: I continue to give them gaming

suggestions and gave some as recently as two weeks ago. I'll let them work it out for now before talking about it publicly.

Q: You're increasing your pressure for Panasonic to sweeten its offer for PanaHome. What's the latest?

A: I'm in contact with them quite frequently. We have a public campaign for all shareholders to speak up. I offered to buy PanaHome at 1,050 yen per share. We have a fair value opinion that their value as a company is 1,811 yen per share. Panasonic is prepared to pay 1,000 yen per share. I think there wasn't a proper process at all. PanaHome did not 'go shop' the deal. So we're continuing to seek and protect our rights and that includes taking this as far as it needs to go, including court. In the meantime we're advising shareholders to vote against this. This is really important for all shareholders but also from a corporate governance point of view. There needs to be a real independent process to protect shareholders. ["As PanaHome announced in a press release on Feb. 28, we believe that the exchange ratio was calculated through a fair and appropriate process," Panasonic spokeswoman Kyoko Ishii said. A PanaHome spokesman declined to comment.]

At a Glance

Age: 44 (45 in April)

Hometown: New York

Professional Background: Highbridge Capital Management, Oasis

Hobbies: Running, learning, reading

Favorite Runs in Hong Kong: "Stage 2 of Hong Kong Trail is my most frequent run. Tai Lam trails in the New Territories are fun. Lantau Peak and Sunset Peak are the hardest"

Latest Departure Time From Office: 7am

Hypothetical Dinner Guests of Choice: "Depends on my mood. Ranges from King David, Rabbi Akiva, Alexis De Tocqueville, Edmund Burke, Thomas Paine, Prof. Michael Sandel and Prime Minister Abe"

Q: What about Yingde?

A: With Yingde, we just want to get the highest price and would love Air Products to buy them for the right price. This whole situation goes to new iterations every day. If you want to think of 'Days of Our Lives,' it's pretty similar.

Q: Any new positions?

A: Yes, we have a number of new positions but nothing we're prepared to talk about publicly.

Q: What's your outlook on the progress of activism in Japan?

A: We're still in the early stages of discovering what a truly collaborative relationship can unleash in terms of earnings power for companies and returns for shareholders. There has been real headway there. But three of our active positions — Panasonic /PanaHome, Katakura and Toshiba Plant — are real litmus tests. There is no doubt the government is serious but we need to see real follow-through. The Council of Experts Concerning the Stewardship Code began meeting again in January to review how to further implement adherence to the spirit of the code, including increasing disclosure of individual votes.