

University Endowment Fund: Basic Approach to Investment Policy

summarized by CSTI Working Group for Investment Policy

Tentative translation

Mission

Investment objectives Secure financial resources to **provide support stably over a long period** necessary for **building world-class research universities**.

Become a model of management to serve as guidelines for investing university endowment funds.

Investment targets The total of **long-term target of expenditure (payout) 3% and long-term inflation rate 1.38%** or higher*¹
Maximize investment return within the risk tolerance level.*²

*¹ To secure a buffer (¥ 300 billion x 2) for provision of stable support.

*² Standard deviation of reference portfolio: global equities 65%; global bonds 35%

Basics

Methods

1. **Capture long-term premium, diversify portfolio, and invest globally based on the investment theories**, and gain the fruit of growth inside and outside Japan.
2. **Respect investment disciplines even in worsening market environment** and implement rebalancing to maintain policy portfolio.

Time frame **Achieve net gains of ¥ 300 billion at the earliest possible time within 5 years** after starting investment.

Governance

1. **Investment Advisory Committee**, independent of Executive Office, **monitors investment of the funds appropriately**.
2. **The funds must be managed by experts**. Therefore, build an employment and remuneration system that enables JST to secure talented human resources with expertise.

Risk management Ensure the probability of redemption of fiscal loan funds; when valuation gain or loss reaches a given level, JST shall report the results to the government while checking the investment environment in compliance with investment disciplines.

Expectations to government

- Refrain from intervention in investment disciplines (particularly in worsening market environment)
- Review the roles of University Endowment Fund authorities and responsibilities of CSTI; examine the positioning of Investment Advisory Committee (supreme decision-making board, etc.)

University Endowment Fund: Scheme

Basic approach: Key activities

