INVESTMENT PORTFOLIO MIX OF THE TRUST FUNDS OF PRE-NEED COMPANIES

Read online (full-text search, related cases, audio case brief): https://batas.org/library/b6bc381ca6ed/

To ensure the liquidity of the trust fund to guarantee the delivery of the benefits provided for under the plan contract and likewise obtain sufficient capital growth to meet the growing actuarial reserve liabilities, all investments out of the trust funds of the pre-need companies shall be limited to the following:

1. Fixed income instruments
2. Mutual Funds
3. Equities
4. Real Estate

INVESTMENT GUIDELINES:

1. Fixed Income Instruments . — These may be classified into short term and long-term instruments. The instrument is short term if the maturity period is 365 days or less. This category includes:

- Government securities which shall not be less than 10% of the trust fund equity

- Savings/time deposits and common trust fund with a commercial bank with satisfactory examination rating as of the last examination by the Bangko Sentral ng Pilipinas.

- Commercial papers duly registered with the Securities and Exchange Commission with a credit rating of "1" for short term and "Aaa" for long term based on the rating scale of Philippine Rating Corporation or its equivalent if rated by other local credit rating agency at the time of investment. The maximum exposure to long-term commercial papers shall not exceed fifteen percent (15%) of the total trust fund equity while the exposure to each commercial paper issued shall not exceed ten percent (10%) of the allocated amount.

- Direct loans to corporations which are financially stable, making profits for the last three years and have good track record of paying their previous loans from the trust fund of pre-need companies. These loans shall be fully secured by a real estate mortgage up to the extent of 60% of the appraised value of the property at the time the loan was granted. The property shall be covered by a Transfer Certificate of Title registered in the name of the mortgagor and free from liens and encumbrances. The maximum amount to be allocated for direct loans shall not exceed 5% of the total trust fund equity while the amount to be granted to each corporate borrower shall not exceed 10% of the amount allocated. The maximum term of the loan is two years only.

2. Mutual funds duly registered with the Securities and Exchange Commission and where funds are invested only in fixed income instruments and blue chips subject to the limitations prescribed by law, rules and regulations.

3. Equities. Investments in equities shall be limited to stocks listed in the big board of the Philippine Stock Exchange. These investments shall include stocks issued by companies that are financially stable, actively traded, possess good track record of growth and have declared dividends for the past three years. The amount to be allocated for this purpose shall not exceed 25% of the total trust fund equity while the investment in any particular issue shall not exceed 10% of the allocated amount. The investment shall be recorded at the aggregate of the lower of cost or market. Existing investments which are not in accordance herewith shall be disposed within a

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

period of one and a half years from the effectivity date of this Circular.

4. Real Estate . These shall include real estate properties located in strategic areas of cities and first class municipalities. The Transfer Certificate of Title shall be in the name of the seller, free from liens and encumbrances and shall be transferred in the name of the trustee in trust for the planholders unless the seller/transferor is the pre-need company wherein an annotation to the TCT relative to the sale/transfer may be allowed. It shall be recorded at acquisition cost. However, the real estate shall be appraised every five (5) years by a licensed real estate appraiser, accredited by the Philippine Association of Real Estate Appraisers, to reflect the increase or decrease in the value of the property. In case the appraisal would result to increase in value, only 50% of the appraisal increase is allowed to be recorded in the books of the trust fund but in case of decline in value, the entire decline shall be recorded. Appraisal increment should not be used to cover up the required monthly contribution to the trust fund. The total recorded value of the real estate investment shall not exceed 25% of the total trust fund equity of the pre-need company. In the event that the existing real estate investment exceeds the aforesaid limit, the same shall be leveled off to the prescribed limit within a period of two years from the effectivity date of this circular.

RESPONSIBILITIES OF THE TRUSTEE:

The trustee is expected to exercise due diligence for the protection of the planholders guided by sound investment principles. It shall have the exclusive management and control over the funds and the right at any time to sell, convert, invest, change, transfer or otherwise change or dispose of the assets comprising the funds and shall at all times maintain a liquid reserve investment sufficient to cover the benefits due to planholders during the ensuing year but in no case less than 20% of the net asset value of the trust fund. For this purpose, the trustee shall require the trustor to submit a list of fully paid plans payable during the year every beginning of the company's fiscal year.

The trustee shall not use the fund to invest in or extend any loan or credit accommodation to the pre-need company, its directors, officers, stockholders, and related interests as well as to persons or enterprises controlling, owned or controlled by, or under common control with said company, its directors, officers, stockholders and related interest.

SEC POWERS:

The Commission may, at its discretion demand for the conversion to cash or other near cash assets the investments made by the trustee to protect the interest of the planholders.

REPEALING CLAUSE:

All circulars, rules and regulations, or parts inconsistent with the provisions of this circular are repealed or modified accordingly.

EFFECTIVITY:

This Circular takes effect immediately.

Adopted: 21 June 2000

(SGD.) LILIA R. BAUTISTA
Chairman

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.