[SEC MEMORANDUM CIRCULAR NO. 1, S. 2000, June 21, 2000]

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

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