

A Survey on the Investment Portfolios of Philippine Institutional Investors

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The study gathered data (from December 1993 to February 1994) on the profile of the investment portfolios of Philippine institutional investors, their criteria in making investment decisions and their investment decision processes and performance practices. The 179 sample firms had a total investment portfolio of approximately P600 Billion. Results of the study showed that the investment portfolios of Philippine Institutional Investors are dominated by government securities and foreign currency. Furthermore, investments in publicly listed stocks comprised a very small percentage (only 2% of the total portfolios) mostly placed in blue-chip commercial-industrial stocks. Other findings include: 1) investment portfolios are not diversified, 2) investors consider "liquidity" as an important factor in the selection of an investment instrument, and 3) the use of T-bills interest rate as a performance measurement criterion discouraged the investment in publicly listed stocks.

1. Introduction

A. Objectives and Significance of the Study

The study aims to show data on: 1) the profile of the investment portfolios of institutional investors, 2) the criteria considered by institutional investors in their investment decisions and, 3) the investment decision processes and performance measurement practices of institutional investors.

Results of the study can suggest to participants in the financial and capital markets, i.e., intermediaries, borrowers, investors and regulators, areas for potential improvements in financial design, in regulation, and in the delivery of financial services. The results of the study may also indicate desirable action programs to attract increased investment in the Philippine stock market.

B. Review of Previous Research

In 1992, Barr and Conley studied the culture of institutional investors using the anthropological method.¹ The researchers focused on nine large pension funds in the United States (three large state pension funds and six private funds.) The most significant finding of the study is that culture beliefs and practices influence investment decision-making in pension funds to the same extent as economics or finance. For example, among the state pension funds, the "civil service" culture defines public pension funds. Thus, many executives of the latter believe that the principal authority that public funds must answer to is the press and that the press is more interested in

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¹ The anthropological method depends primarily on intensive observation and open-ended interviewing.

reporting “disasters” rather than “successes”. In view of this, many public funds resorted to “indexing”, which is the practice of tying one’s own portfolio to the performance of the market as a whole either by investing in index funds or by buying and holding a collection of diverse shares. Furthermore, the authors cited in the study that several prominent political figures and a group of corporate *CEOs* have charged that pension funds have imposed counter - productive pressure on corporate managers by their demands for short-term stock performance. This was evident in the portfolios held by five funds which allotted five to 10 percent of total assets (which is in Billions of Dollars) to high turnover strategies. In private funds, the authors found that the larger the fund managed, the more people must approve to the point that multiple committees must review. This made it impossible for management to assign credit for a major success or affix blame for a major failure.

The influence of investment horizon on portfolio was studied with a sample of twelve (12) firms (Gunthorpe and Levy, 1994). The authors found that as the holding period increases, aggressive stocks disappear from the optimal portfolio and more defensive stocks enter the portfolio. Long-term investors, the authors concluded, may use the riskless asset to lever their portfolios by selecting a high proportion of defensive stocks.

A comparison of the institutional investment performance of 1,200 equity portfolios of banks, investment counselors, insurance companies and mutual funds for a variety of cumulative periods ending December 31, 1977 was undertaken and it was found that the performance of mutual funds was most superior because these were less index-oriented than banks and that mutual funds had less exposure to “growth stocks” (Bogle and Twardowski, 1980).

In the ‘50s, the general policy of most pension funds (and most institutions, e.g., banks and insurance companies) was to limit common stock selections to b-c issues representing large, financially strong companies believed to have favorable long-term growth prospects or with a well-sustained earnings and dividend paying capacity (Lambourne, 1961). In 1958-59, a veering away from the b-c investing was begun on a significant scale among large institutions. This accelerated in the ‘60s. An unusual amount of research energy has been devoted to small companies with superior growth potential or “blue chips of the future”. During this period, larger and more competent investment staffs were developed to provide more comprehensive and reliable research materials for investment decision-making. Table 1 from the study summarizes the investments of institutional funds in the ‘60s.

Table 1
Institutional Investors, United States, 1960s

Institutions	Invested in	
	Total Assets	Equities
Investment Companies	\$20B	large part
Life Insurance Firms	\$120B	4.2%
Other Insurance Firms (Non-life)	\$9B	30%
Non-Profit Foundations	\$12B	large part
Other Non-Profit Institutions (schools, etc.)	\$5B	50%
Other Institutional Investors (Banks and Trust Companies)	\$57B	Billions

Source: R. W. Lambourne, (1961)

C. Methodology

The survey instrument contained 48 questions and 13 pages with 10 major parts as follows: 1) company profile, 2) profile of investment portfolio, 3) investment policies or guidelines, 4) government securities, 5) peso time deposits, 6) commercial papers and direct loans, 7) foreign currency, 8) stocks, 9) performance measurement for investment portfolio, and 10) organizational aspects of investment decisions. Required responses included the checking of multiple choice items, filling in percentages or peso values and rankings. The questionnaire was pretested with five institutions before it was sent out to all respondents. A questionnaire was sent to all members of the Financial Executives Institute of the Philippines (*FINEX*). The survey was undertaken for the period December 1993 to February 1994.²

In addition to the usual analysis based on frequency distribution, this paper uses two statistical techniques, logistic regression and multiple correspondence analysis, to describe and depict the investment behavior of the different industry types.³

D. The Sample

Of the 600 questionnaires sent out, 179 were returned or a response rate of 29.8%. The sample firms in the survey had a total investment portfolio of P615.9 Billion of which P303 Billion was accounted for by private firms and P312 Billion by government corporations.

Table 2 shows the breakdown of the sample according to industry sector.

Table 2
Respondent Firms by Industry

Industry	Number of Firms
Manufacturing	72
Banks	22
Investment Houses/Financing Cos.	19
Insurance/Pre-Need	15
Foundations/ <i>NGOs</i>	7
<i>GOCCs/GFIs</i>	8
Not Stated	36
Total	179

² A survey questionnaire was designed for the completion of sample firms. The questionnaire is available from the authors upon request.

³ Like the usual least squares regression, logistic regression seeks to describe the relationship between a dependent or response variable and a set of independent or explanatory variables. The difference is that logistic regression is applicable in situations where the dependent variable is measured on a nominal or interval scale, whereas ordinary regression is not. Multiple correspondence analysis is a graphical procedure for plotting the category labels of the various categories in an n-way classification table.

Table 3 shows the breakdown of respondent firms by asset size.

Table 3
Firms by Asset Size

Asset Size	Number of Respondents
P 50 Million or Less	16
P 51 Million - P100 Million	13
P101 Million - P250 Million	24
P251 Million - P500 Million	21
P501 Million - P 1 Billion	27
P1.1 Billion - P 5 Billion	38
P5.1 Billion - P 10 Billion	6
Above P10 Billion	27
No response	7
Total No. of Respondents	179

2. Findings

A. Profile of Investment Portfolios

The components of the investment portfolio of the respondents (private and government) are as follows: a) 30% or 169.9 Billion in T-bills, *CB* bills, treasury notes and other government securities; b) 2% or 13.7 Billion in listed stocks; c) 5% or 28.5 Billion in unlisted stocks and long-term commercial papers; d) 2% or 13.0 Billion in money market placements; e) 14% or 82.2 Billion in direct loans; f) 30% or 175.4 Billion in foreign currency deposits; g) < 1% or 4.0 Billion in peso deposits; h) 2% or 14.9 Billion in real estate properties/holdings; and i) 14% or 84.1 Billion in other investments (See Chart A).

Survey results also indicate that investment portfolios of Philippine companies are not diversified. Only 43 companies, or 24%, had a maximum percentage of less than 50% invested in any given instrument. All other companies invested at least 50% of their portfolio in only one type of instrument (Table 4). Like the other industry types, banks and the *GFI*s and *GOCC*s tend to concentrate their investments. Pre-need and insurance companies, on the other hand, tend to diversify their investments. Nearly 60% of the companies surveyed placed their largest investments in either government securities (treasury bills, *CB* bills, treasury notes and other government securities) or commercial papers (money market placements, direct loans, long-term commercial papers). (See Table 5) Only 5% of the companies placed their largest investments in publicly listed stocks. The majority of these belong to the manufacturing sector.

Table 4
Distribution of Maximum Percentage Invested
Maximum Percentage

Industry Type	$x \leq 40\%$	$40\% < x \leq 50\%$	$50\% < x \leq 75\%$	$75\% < x \leq 100\%$	100%	Total
Banks	2	0	12	6	2	22
GFI's, GOCCs	0	1	1	4	2	8
Investment & Financing	1	4	6	4	4	19
Manufacturing	10	6	31	15	10	72
Pre-Need and Insurance	6	3	4	2	0	15
Others	4	6	13	9	11	43
Total	23 (12.8%)	20 (11.2%)	67 (37.4%)	40 (22.4%)	29 (16.2%)	179

Chart A
Composition of Investment Portfolio

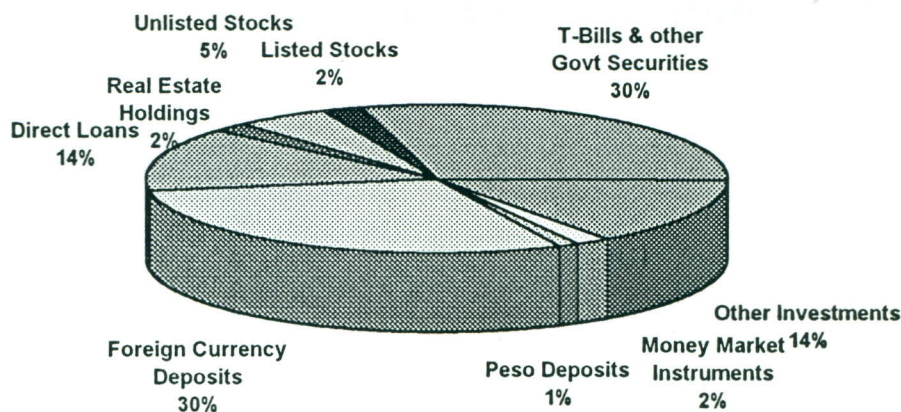


Table 5
Distribution of Maximum Percentage Invested
by Industry Type and Instrument

Industry Type	Govt Sec.	CPs	Listed Stocks	Unlisted Stocks	FI	Others	Total
Banks	9	11	0	0	0	2	22
GFI's, GOCCs	6	1	0	0	1	0	8
Investment & Financing	7	5	1	2	0	4	19
Manufacturing	19	16	5	5	5	22	72
Pre-Need & Insurance	6	3	1	0	0	5	15
Others, Not Stated	14	8	2	7	5	7	43
Total	61 (34.1%)	44 (24.6%)	9 (5.0%)	14 (7.8%)	11 (6.2%)	40 (22.3%)	179

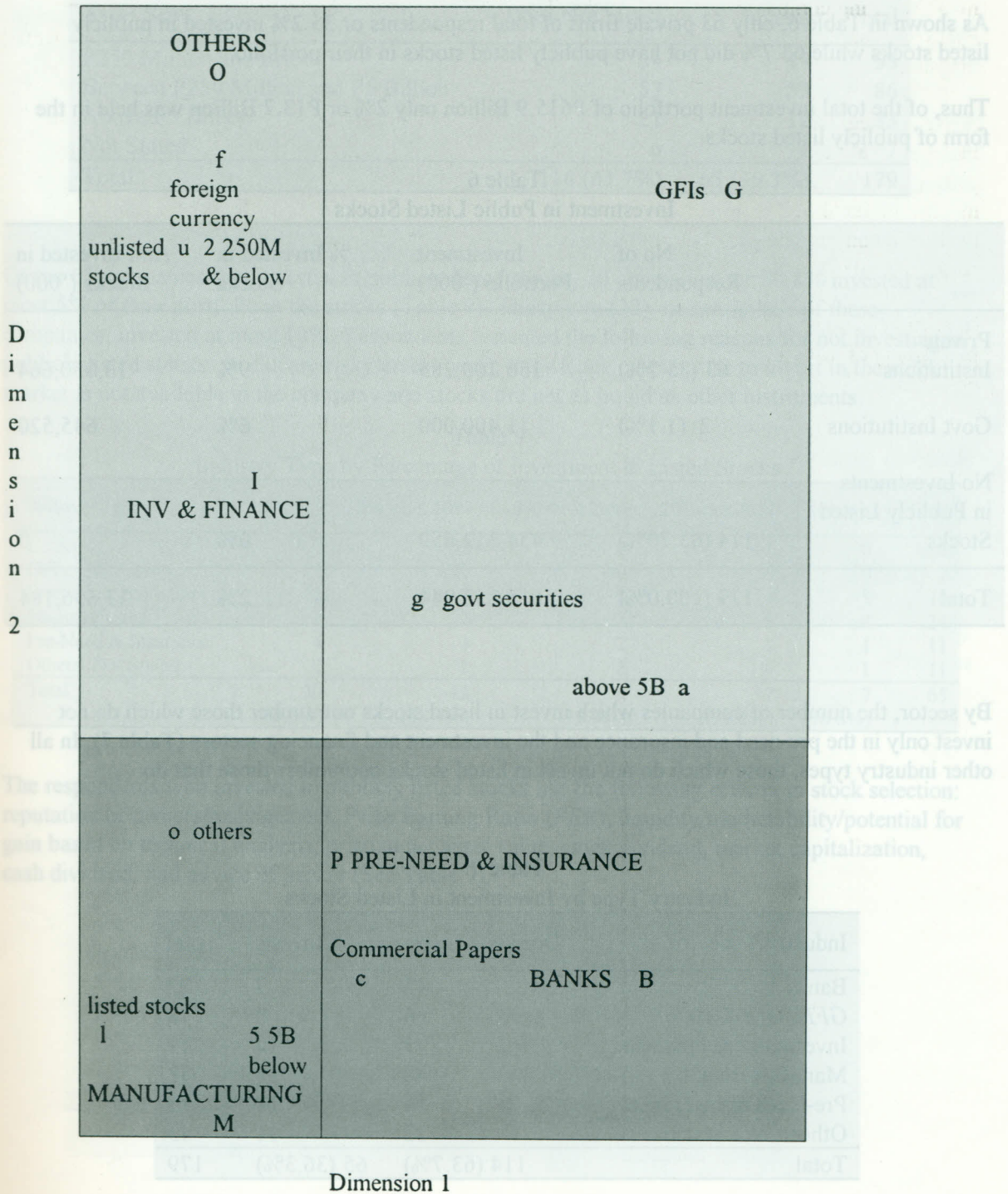
The correspondence analysis Chart⁴ (See Chart B) highlights the tendency of *GFT*'s and *GOCC*'s to place their largest investments on government securities, banks on commercial papers and the manufacturing companies on listed stocks. The chart also shows that investment and financing companies and other companies tend to be more diversified in their choices of primary investment instrument.

A logistic regression relating the percentages invested in the different instruments to asset size indicates that investment percentages in treasury bills, direct loans and long term commercial papers varied significantly (at .10 level of significance) according to asset size. The standardized maximum likelihood parameter estimates obtained (treasury bills, -0.167; direct loans, -0.132; and long term commercial papers, -0.204) indicate further that the firms tend to differ more with respect to investment in long term commercial papers.

In particular, these results reveal that, irrespective of asset size, firms do not differ with respect to percentage of investment in listed stocks. Investments in listed stocks, as a rule, constitute a small percentage of the investment portfolios of companies.

⁴ The correspondence analysis chart (Chart B) plots the industry type and the corresponding maximum investment type for the industry.

Chart B
Correspondence Analysis Plot of Category, Assets and Maximum Investment



Asset size apparently has no bearing on the decision of a company to invest in listed stocks. About 62% of the companies belonging to any asset size category do not invest in listed stocks. (Table 8)

B. Investment in Publicly Listed Stocks

As shown in Table 6, only 63 private firms of total respondents or 35.2% invested in publicly listed stocks while 63.7% did not have publicly listed stocks in their portfolio.

Thus, of the total investment portfolio of P615.9 Billion only 2% or P13.7 Billion was held in the form of publicly listed stocks.

Table 6
Investment in Public Listed Stocks

	No of Respondents	Investment Portfolio ('000)	% Invested in Stocks	Amt Invested in Stocks ('000)
Private Institutions	63 (35.2%)	150,100,285	9%	13,050,664
Govt Institutions	2 (1.1%)	11,400,000	6%	645,520
No Investments in Publicly Listed Stocks	114 (63.70%)	454,352,659	0%	0
Total	179 (100.0%)	615,852,944	2%	13,696,184

By sector, the number of companies which invest in listed stocks outnumber those which do not invest only in the pre-need and insurance and the investment and financing sectors (Table 7). In all other industry types, those which do not invest in listed stocks outnumber those that do.

Table 7
Industry Type by Investment in Listed Stocks

Industry Type	Does Not Invest	Invests	Total
Banks	15	7	22
GFI, GOCCs	6	2	8
Investment & Financing	9	10	19
Manufacturing	48	24	72
Pre-Need & Insurance	4	11	15
Others, Not Stated	32	11	43
Total	114 (63.7%)	65 (36.3%)	179

Asset size apparently has no bearing on the decision of a company to invest in listed stocks. About 62% to 64% of the companies belonging to any asset size category do not invest in listed stocks (Table 8).

Table 8
Asset Size by Investment in Listed Stocks

Asset Size	Does Not Invest	Invests	Total
P250 Million and below	34	19	53
Between P250 Million and P5 Billion	53	33	86
Above P5 Billion	21	12	33
Not Stated	6	1	7
Total	114 (63.7%)	65 (36.3%)	179

Of the 65 companies that invested in publicly listed stocks, 20 companies, or 30.8% invested at most 5% of their portfolio in the stocks (Table 9). Thirty-two (32), or nearly half of these companies, invested at most 10%. Respondents indicated the following reasons for not investing in publicly listed stocks: stocks are risky investments, knowledge or expertise to invest in the stock market is not available in the company and stocks are not as liquid as other instruments.

Table 9
Industry Type by Percentage of Investment in Listed Stocks

Industry Type	$x \leq 5\%$	$5\% < x \leq 10\%$	$10\% < x \leq 20\%$	$20\% < x \leq 40\%$	$40\% < x$	Total
Banks	4	2	0	1	0	7
GFI, GOCCs	1	1	0	0	0	2
Investment & Financing	2	2	2	3	1	10
Manufacturing	7	2	3	8	4	24
Pre-Need & Insurance	4	3	2	1	1	11
Others, Not Stated	2	2	2	4	1	11
Total	20 (30.8%)	12 (18.4%)	9 (13.8%)	17 (26.2%)	7 (10.8%)	65

The respondents who invested in publicly listed stocks use the following criteria in stock selection: reputation of owners/management, Price Earning Ratio (*PER*), liquidity/marketability/potential for gain based on technical analysis, price to net asset value, stock dividend, market capitalization, cash dividend, and advice of broker (See Table 9).

Table 10
Criteria in Selecting Stocks

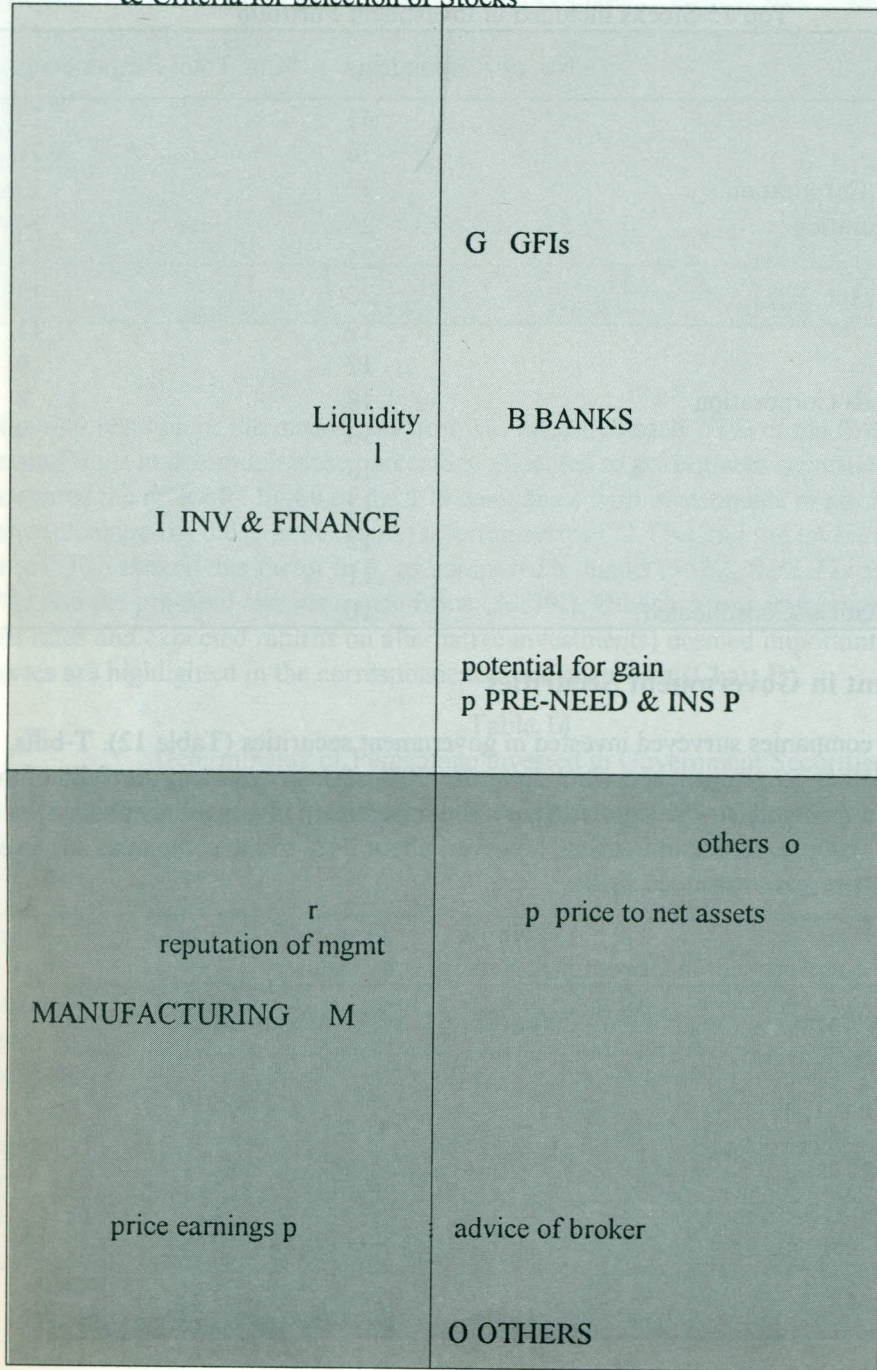
Criteria	No. of Respondents (179)	% to Total Respondents
Reputation of owners/ management	57	32
Price-Earnings Ratio (<i>PER</i>)	55	31
Marketability or Liquidity	55	31
Potential for gain based on Technical Analysis	51	28
Price to Net Asset Value	43	24
Regular Stock Dividend	37	21
Market Capitalization	35	20
Regular Cash Dividend	34	19
Advice of Broker	31	17

Based on the stock selection criteria that were given the rank of 1, the correspondence analysis (Chart C) shows that banks, *GFI*s and *GOCC*s and Pre-need and insurance companies tended to cite potential for gain as their foremost criterion for choosing stocks. Investment and finance companies tended to cite liquidity, while manufacturing companies tended to cite reputation of management.

The top 15 stocks included in the investment portfolio of surveyed firms are shown in Table 11 topped by *PLDT*, Meralco and *SMC*.

Chart C
Correspondence Analysis Plot of Category
& Criteria for Selection of Stocks

Dimension 2



Dimension 1

Table 11
Top 15 Stocks included in Investment Portfolio

Stock	No. of Respondents	% of Total Respondents
<i>PLDT</i>	41	23
Meralco	36	20
San Miguel Corporation	31	17
Ayala Corporation	25	14
Benpres	25	14
Ayala Land, Inc.	23	13
<i>ABS-CBN</i>	19	11
Filinvest	17	9
Jollibee Foods Corporation	14	8
<i>ICTSI</i>	13	7
<i>PNB</i>	13	7
<i>JG Summit</i>	12	7
<i>KUOK</i>	12	7
<i>FPH</i>	11	6
Bacnotan Cement/Consolidated	10	6

C. Investment in Government Securities

Nearly 60% of the companies surveyed invested in government securities (Table 12). T-bills, treasury notes and other government securities comprise 30% of the investment portfolio of the respondent firms. In most industry categories, those with investment in government securities outnumbered those without. In manufacturing, however, about 54% of the companies surveyed did not have investments in government securities.

Table 12
Investment in Government Securities by Industry Type

Industry Type	W/ Investment	W/O Investment	Total
Banks	20	2	22
<i>GFI</i> s, <i>GOCC</i> s	7	1	8
Investment and Finance	13	6	19
Manufacturing	33	39	72
Pre-need & Insurance	12	3	15
Others	21	22	43
Total	106	73	179
	(59.2%)	(40.8%)	(100.0%)

The distribution of investment in government securities is shown in Table 13. About 38% of the firms placed more than 60% of their investments in government securities; majority of the *GFI*s and *GOCC*s placed more than 80% of their investments in government securities.

Table 13
Distribution of Investment in Government Securities

Industry Type	$x \leq 20\%$	$20\% < x \leq 40\%$	$40\% < x \leq 60\%$	$60\% < x \leq 80\%$	$80\% < x \leq 100\%$	Total
Banks	6	5	2	2	5	20
GFI's, GOCCs	1	0	1	1	4	7
Investment & Finance	5	1	3	1	3	13
Manufacturing	11	5	5	6	6	33
Pre-need & Insurance	4	4	1	2	1	12
Others	6	1	5	4	5	21
Total	33 (31.1%)	16 (15.1%)	17 (16.0%)	16 (15.1%)	24 (22.7%)	106

The liquidity position of the respondent firm was cited by nearly 57% of the firms as the most important factor in determining the percentage allocated to government securities (Table 14). It was assigned the rank of 1 by 60 of the 106 companies with investments in government securities. Larger percentages of those in the manufacturing sector (72.7%) and the investment and financing sector (69.3%) ranked this factor as 1, as compared to banks (55%), the GFI's and GOCCs (42.9%) and the pre-need and insurance firms (33.3%). Other reasons (e.g., outlook about future interest rates and expected returns on alternative investments) deemed important by the latter categories are highlighted in the correspondence analysis Chart (Chart D).

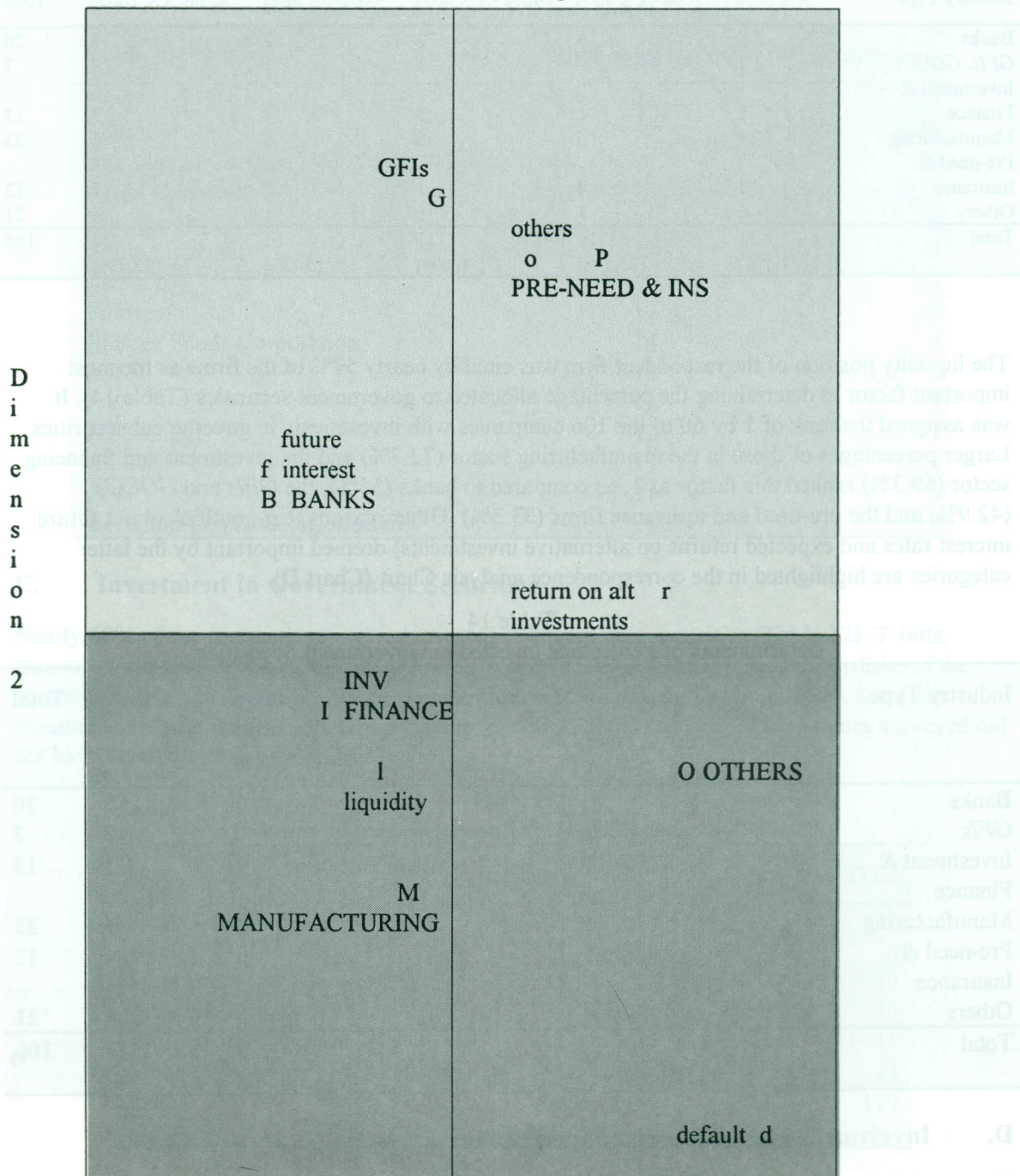
Table 14
Determinants of Percentage invested in Government Securities

Industry Type	Liquidity Position	Future Interest Rates	Return on Alternative Investment	Others	Total
Banks	11	6	0	3	20
GFI's	3	1	0	3	7
Investment & Finance	9	2	1	1	13
Manufacturing	24	3	2	4	33
Pre-need & Insurance	4	1	3	4	12
Others	9	1	3	8	21
Total	60 (56.6%)	14 (13.2%)	9 (8.5%)	23 (21.7%)	106

D. Investment in Commercial Papers/Loans

Commercial papers and direct loans together comprise 18% of the investment portfolio of 101 firms. Table 15 shows the factors that were ranked first and second by the firms in determining the portfolio share of commercial papers and direct loans.

Chart D
Correspondence Analysis Plot of Industry Type and
Determinants of Portfolio Percentage for Government Securities



Dimension 1

Table 15
Factors that Determine Portfolio Allocation to
Commercial Papers and Direct Loans

Factors	No. of Respondents
Credit worthiness of borrowers/issuers	104
Liquidity position of the respondent firm	43
Expectations about future interest rates	35
Expectations about returns on alternative investments	25

For collateral, 35% of the respondent firms required real estate properties, receivables and inventories. Twenty-three percent required guarantees only (See Table 16).

Table 16
Collateral for Direct Loans

Collateral	No. of Respondents	Percentage
Real Estate	42	23.5
Receivables/Inventories	21	11.7
Guarantees	41	22.9
None	25	14.0
Others	19	10.6
No response	31	17.3
Total	179	100.0%

About 35% of the 101 firms placed at most 20% of their investments in these commercial papers (See Table 17). Only about 20% of the firms placed more than 60% of their investments in these instruments. As expected, banks, followed by investment and financing houses, had greater percentages of their investments in commercial papers. About 73% of the banks had at least 40% of their investments in these. The corresponding percentage for investment and financing houses is 70%.

Table 17
Distribution of Percentage Invested in Commercial Papers

Industry Type	$x \leq 20\%$	$20\% < x \leq 40\%$	$40\% < x \leq 60\%$	$60\% < x \leq 80\%$	$80\% < x \leq 100\%$	Total
Banks	3	1	7	3	1	15
GFTs	4	0	0	0	1	5
Investment & Finance	3	2	2	2	1	10
Manufacturing	13	9	9	5	3	39
Pre-need and insurance	4	1	3	0	0	8
Others	8	7	4	0	5	24
Total	35 (34.65%)	20 (19.80%)	25 (24.75%)	10 (9.90%)	11 (10.89%)	101

E. Investment in Foreign Currency and Peso Time Deposits

Foreign currency deposits comprise 30% of the investment portfolio of the respondents. Most of the respondents (54%) maintained foreign currency deposits in US dollars. Primary reasons cited for the inclusion of foreign currency deposits in the investment portfolio are: 1) provision for operating expenses and foreign debts, and 2) foreign exchange receipts. Forty-three percent of the respondents generate foreign exchange receipts from their regular operations.

Peso time deposits comprise less than 1% of the investment portfolio of respondents. The main reason cited for maintaining peso time deposits in the portfolio is the need for "liquidity". Thirty percent of the respondents identified "liquidity" as their first or second reason for the inclusion of peso time deposits in the investment portfolio. In the choice of bank, "reputation and image of stability" was generally considered by the respondents as the most important factor.

3. Investment Decision Processes

Seventy-four percent of the respondents directly manage their portfolio. About sixty percent of these respondents who directly manage their portfolio indicated that investment decisions in their companies are made according to formal company investment guidelines which include the following: a) types of investment instruments allowable in the portfolio; b) ceiling prescribed for each type of instrument; c) criteria in selecting stocks; d) criteria in selecting brokers for stock portfolio; and e) criteria in selecting borrowers and issuers of commercial and other debt papers.

Table 18 shows the personnel in the organization that formulate the investment guidelines.

Table 18
Company Personnel Involved in the
Formulation of Investment Guidelines

Person	Number of Respondents
Head of Organization	13
Top Management Committee	28
Chief Finance Officer/Treasurer	25
Committees - Treasury/Credit/Trust	16
No Response	25
Total	105

The investment guidelines are implemented by one or two persons who are responsible for the day-to-day decisions on the actual trading of securities or investment instruments.

Some of the companies that did not directly manage their portfolio indicated that third party fund managers are more efficient and effective since they have the expertise in the equity market and no one in their companies has the required expertise.

4. Performance Measurement for Investment Portfolio

Seventy-eight percent or 140 respondents indicated that the performance of funds managed are evaluated. As shown in Table 19, monitoring of performance is done frequently, i.e., monthly or quarterly, by majority of respondents.

Table 19
Frequency of Performance Monitoring of Funds

Frequency	No. of Respondents	Percentage
Monthly	30	21.4
Quarterly	69	49.3
Semi-Annually	11	7.8
Annually	20	14.3
Others	10	7.2
Total	140	100.0%

The primary standard used to measure portfolio performance is interest rates of T-bills (See Table 20).

Table 20
Standard Used for Portfolio Performance Measurement

Standard	No. of Respondents	Percentage
Interest Rates of T-bills	46	32.9
Portfolio Performance of other Instruments	6	4.3
Standard Set by Management	36	25.7
Combination of Above	38	27.1
No Standard	10	7.1
No Response	4	2.8
Total	140	100.0%

These findings on the manner in which performance of funds is measured provide some explanation for the low percentage of funds invested in publicly listed stocks. For example, seventy percent of the respondent firms evaluated the performance of funds either monthly or quarterly which could be too short a time horizon for capital gains to be earned from stock transactions. Another contributory factor to the low percentage invested in stocks is the use of T-Bills interest rate as a benchmark for performance measurement. (In 1993, T-Bills weighted average interest rate for all maturities was 13% and, in the prior years, it was 17% and higher.) During periods when T-bill interest rates are high, a fund manager whose performance is compared vis-a-vis the T-bill interest rate will be led to prefer T-bills to stocks in the selection of the investment instruments comprising the portfolio that he manages.

The performance of the portfolio is measured by either of the following: 1) Top Management (CEO/General Manager/President/Board of Directors or Trustees or Executive Committee), 2) Senior Finance Officers (Treasurer/Controller/Investment Committee), and 3) Analysts. Table 21 presents the data.

Table 21

Monitoring Unit	No. of Respondents	Percentage
Top Management	69	57.5
Senior Finance Officers	49	40.8
Analysts	2	1.7
Total Respondents	120	100.0%

5. Summary and Conclusions

The investment portfolio of respondent firms in the study was found to have the following general characteristics:

- Investment portfolio mix is dominated by government securities and foreign currency which together comprised at least 60% of the total portfolios.
- Investment in publicly listed stocks comprised a very small percentage - only 2% of total portfolios. This partly explains why the volume traded at the Philippine stock market is small when foreign investors are out of the market. The reasons cited for the small percentage invested in publicly listed stocks are the following: a) stocks are risky investments, b) stocks are not liquid investments, and c) knowledge or expertise to invest in the stock market is not available in their companies. This perception implies the need to inform and educate managers and top management level personnel about the stock market.
- The top fifteen stocks included in the investment portfolios consisted mainly of blue-chips commercial-industrial stocks, e.g., *PLDT*, *SMC* and *Meralco* which were commonly held by at least 30% of the respondents. This confirms the conservative attitude of institutional investors.
- Investment portfolios are not diversified. As was shown in the study, about 75% of the respondent firms invested at least 50% of their portfolios in only one type of instrument.

The respondent firms considered "liquidity" as an important factor in the selection of an investment instrument. Consequently, high percentage of funds was allocated to government securities in the investment portfolios. This also implies that the securities included in the investment portfolios were intended to be placed with a short-term investment horizon only, discouraging the inclusion of stocks.

The performance measurement criterion of comparing investment portfolios' rate of return with T-bill interest rate might have discouraged the inclusion of stocks in the portfolios of firms and possibly explains the high percentage of funds placed in government securities.

Finally, an area for further study is the investigation of the attitudes of individual investors towards the stock market. Based on the magnitude of funds deposited with the banking system, individual investors should be an important sector to tap to develop the stock market. It should be studied how some of these funds could be shifted to the stock market.

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