

Monthly Investment review

For May 2005



This monthly investment review is produced by Eagle Star for professional Insurance Intermediaries. It covers the following: **performance of major stock markets, comment on markets, Eagle Star asset allocations, feature on selected stocks, Eagle Star's global outlook and fund performance statistics.**

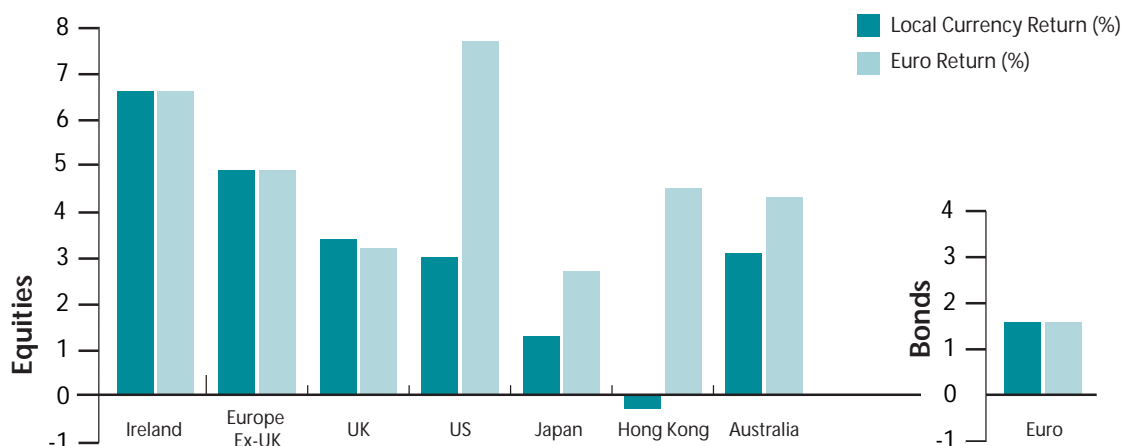
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Equity and Bond % Returns

This graph shows the performance of the major equity markets over the month of May.

The returns are shown in both local and euro currencies.

The bond index is the Merrill Lynch Over 5 Year Euro Government Bond Index.



Investment Comment

- Equity markets rebounded sharply in May due to declining short term interest rate expectations in the eurozone and the US, as well as falling bond yields in both regions – this despite a rate rise by the US Federal Reserve on 3rd May of 0.25% to 3.0% which had been widely anticipated. World equities (in euro terms) rose by over 6% in May, taking the rise for the first five months to almost 8%. Most of the major markets rose by between 3% and 7% in local currency terms although a number of the Asian markets were more subdued.
- Sectorwise, the standout feature in most international markets was a sharp rally in technology stocks from an oversold position, aided by some positive corporate news from the sector. Technology stocks have been serial underperformers for the previous year and a half, with the notable exception of a strong rally in September/October 2004. Property stocks also performed well in Europe due to their sensitivity to interest rate expectations.
- Eurozone bonds rose by 1.6%, their eleventh positive monthly return out of the last twelve months, with yields now at multi-generational lows on the back of weaker economic data and subdued inflationary pressures.
- Corporate news was relatively slack with the first quarter reporting season in the US and Europe effectively finished. Exceptions were Dell and Hewlett Packard, which rose on the back of better than expected earnings. Other technology-related news was that Intel and Apple Computers were in talks over the use by Apple of Intel semiconductor chips.
- The US dollar was significantly stronger in May against a weak euro with the €/ \$ falling back by over 4% from \$1.29 to \$1.23. The currency markets continue to focus on the differential in interest rates and economic growth between the US and Europe rather than the US current account deficit.

Eagle Star's Asset Allocation

The funds are close to neutral in bonds and slightly overweight in equities.

Equities

Countries & Markets: overweight & underweight positions

The fund managers increased the equity content back to slightly overweight versus the benchmark during May in reaction to the fall in interest rate expectations in both the eurozone and the US. Regional weightings were increased in the US (due to the rising US\$) and to a lesser extent in Europe. The funds remain overweight in Europe and the Pacific Basin and underweight (although less so) in the US. Neutral positions were maintained in the UK and Japan.

Sectors: overweight & underweight positions

The funds remained broadly neutral from a sector point of view due to the ongoing shift from cyclical sectors to more defensive areas. The main move during the period was an increase from underweight to slightly overweight in technology stocks which were seen as oversold. The funds remain overweight in non-cyclical consumer stocks, such as pharmaceuticals, and underweight in telecommunications stocks.

Bonds

Much the same story as in the previous month. Economic data from the US and eurozone was on the weaker side of expectations, pushing short rate expectations lower in both regions, albeit more so in the eurozone. Investors firmly expect the ECB not to raise rates this year and there has been some speculation – denied – that another cut could occur. Events in the corporate bond market also saw some flight to quality into government bonds, pushing prices higher.

In the eurozone, long term interest rates were driven to new lows. For the period as a whole, the Merrill Lynch Over 5 Year Eurozone Government Index rose by almost 1.6%, a gain of 5.3% for the first five months of the year.

Spotlight on Stocks

The following stocks are included (at time of going to print) in Eagle Star's funds including the 5★5 Global Fund.

Technology & Telecoms

EMC

EMC is a US technology company that provides enterprise storage systems, software, networks, and services. EMC designs, manufactures, markets and supports a range of network attached storage (NAS) products. There is very strong growth in demand for storage and it is a high priority area for IT budgets. The stock should benefit from the following factors: new products (Symmetrix) in second half of the year; and new distribution relationships with Dell and Cisco. More positive earnings revisions should be catalysts for the stock. The valuation is attractive to its history.

Resources and Infrastructure

Aker Kvaerner

Aker Kvaerner is the leading Norwegian oil service company with 30 years of experience and is among the largest listed oil service companies in Europe. It has supplied 50% of all platforms, floaters and modules on the Norwegian continental shelf and the company is now a purely focused oil & gas engineering company involved in the full life cycle of a field. The company is capturing new orders at present as high energy prices spur oil companies to increase drilling and demand rises for processing equipment from the mining, chemicals and paper industries. Aker Kvaerner is very well positioned to benefit from the upswing in the offshore spending.

Finance

Société Générale

Société Générale Group serves 16.4 million customers in France and worldwide. It attracts deposits and offers commercial, retail, investment, and private banking services. The Corporate and Investment Banking arm of the Group, is the fourth largest corporate and investment

bank in the eurozone by net banking income. The Group is pursuing a profitable growth policy based on the selective development of its core activities through a combination of organic growth and acquisitions.

Consumer

Cadbury Schweppes

Cadbury Schweppes plc is a UK-based, international manufacturer of confectionery and soft drinks. It is the market leader in the UK, Irish, Canadian, North and South African, and Australian confectionery markets, and the fourth largest in western Europe. It has smaller confectionery businesses in eastern Europe, India and China. It is the third largest soft drinks company in the US, and the second largest in France, Spain and Australia. In April 2003, it completed the acquisition of Adams, the sugar confectionery and chewing gum operation, for US\$4.2 billion, making it the world's largest confectionery group. Market share data for Cadbury so far in 2005 shows good momentum over 2004 which should help sustain Cadbury's out performance.

Healthcare

Stada Arzneimittel

Operating in the pharmaceuticals sector Stada Arzneimittel is the third-largest generic player in the German market with a 5% share. The company focuses its product portfolio on three core segments, namely Generics (75% of sales), Branded Products (17%) and Speciality Pharmaceuticals (3%) and are marketed across 49 countries. As a result of health reforms in Germany and aggressive discounting to pharmacists, 2004 was a disappointment for the company. However, with the discounts now normalised and the introduction of reference prices the company should not have any extra burden on the cards for 2005. It is expected that the generics markets will grow further with biogenerics offering even bigger upside potential.

Global Outlook

- The global economy has continued to slow from last year's robust pace, with many of the recent data disappointing expectations. Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. Fed guidance is that rates will continue to rise at a measured pace, with markets anticipating rates to rise a further 0.75% to 3.75% by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. It continues to soften its rhetoric with questions of a rate cut being less stridently dismissed. Long term eurozone interest rates are at 60 year lows after the recent strong performance from eurozone bond markets. Bonds are therefore slightly stretched at the moment but remain supported by low inflation and low short rates.
- Local currency equity market returns have been quite varied so far this year, with the European markets stronger than most. The US market remains the most sluggish of the large markets, although dollar strength has compensated for this. For 2005, global profit growth is still expected to be around 10%.

Investment Performance Report

Annualised Performance to 1st June 2005

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	0.72%	1.76%	2.51%	3.19%	4.62%	6.13%	82,956,000
Acorn Life Pension Deposit	0.64%	1.57%	1.97%	2.72%	3.97%	5.90%	4,400,000
Ark Life Pension Assured 2	0.56%	1.36%	1.57%	2.29%	Not Started	Not Started	20,601,000
Canada Life Setanta Pension Money	0.58%	1.34%	1.67%	2.48%	3.40%	5.18%	41,200,000
Friends Cash	0.55%	1.60%	2.02%	2.63%	3.47%	5.31%	43,801,000
Hibernian L&P Pension Cash	0.63%	2.01%	1.94%	Not Started	Not Started	Not Started	42,400,000
Irish Life Exempt Cash 1	0.60%	1.45%	1.81%	2.54%	3.52%	5.21%	400,000
Lifetime/BIAM Pen Security	0.43%	1.01%	1.43%	2.08%	3.20%	4.81%	9,502,000
New Ireland Pension Cash 2	0.54%	1.27%	1.68%	2.48%	3.30%	5.23%	36,065,000
Royal Liver Money Fund	0.33%	0.79%	1.11%	Not Started	Not Started	Not Started	4,248,131
Standard Cash 1 G	0.50%	1.23%	1.56%	2.30%	3.24%	5.11%	19,434,000
MoneyMate Sector Average	0.52%	1.36%	1.82%	2.59%	3.63%	5.41%	
Fixed Interest							
Eagle Star Active Fixed Income	5.46%	14.55%	10.08%	8.98%	11.70%	Not Started	53,394,000
Eagle Star Long Bond Fund	7.17%	20.33%	Not Started	Not Started	Not Started	Not Started	10,867,000
Canada Life Setanta Pen Fixed Interest	4.48%	12.38%	8.06%	7.26%	8.07%	9.21%	11,140,000
Friends Fixed Interest	4.27%	12.26%	9.06%	7.43%	8.94%	9.89%	150,783,000
Hibernian L&P Pension (Hib) H-R Gilt	3.43%	11.42%	9.95%	8.32%	9.36%	9.47%	10,000,000
Irish Life Exempt Fixed Interest 2	4.71%	12.73%	9.20%	7.49%	8.81%	9.40%	4,000,000
New Ireland Pension Gilt Edge 2	4.72%	12.32%	8.84%	7.72%	8.85%	9.33%	628,458,000
Royal Liver Fixed Interest	3.73%	11.17%	8.27%	Not Started	Not Started	Not Started	14,036,506
Standard Fixed Interest 1 G	4.70%	12.97%	8.41%	6.64%	8.03%	8.93%	4,803,000
MoneyMate Sector Average	4.27%	12.44%	8.60%	7.62%	8.98%	9.38%	
International Equity							
Eagle Star International Dynamic	10.77%	16.93%	0.35%	-4.35%	Not Started	Not Started	35,622,000
Ark Life Pension Global	5.51%	13.78%	-2.29%	Not Started	Not Started	Not Started	3,783,000
Canada Life Passive Equity 1	9.01%	9.57%	-2.78%	Not Started	Not Started	Not Started	1,980,000
Friends International	7.97%	10.44%	-1.84%	-8.00%	6.65%	5.68%	596,447,000
Hibernian L&P Pension (Hib) H-R International	8.77%	13.08%	-1.67%	-6.52%	7.42%	8.17%	17,000,000
Irish Life Fidelity Managed Intl	9.62%	7.21%	-6.46%	Not Started	Not Started	Not Started	Not Available
New Ireland Pension International 2	5.55%	7.43%	-2.93%	-4.43%	8.18%	7.61%	1,702,914,000
Royal Liver International Equity	7.37%	8.95%	-2.29%	Not Started	Not Started	Not Started	7,904,745
Standard International Equity 1 G	9.14%	12.21%	-0.67%	-5.22%	8.01%	7.45%	14,241,000
MoneyMate Sector Average	7.45%	10.36%	-2.56%	-5.93%	7.08%	7.33%	
Managed Aggressive							
Eagle Star Dynamic	7.66%	17.89%	3.69%	-0.47%	9.96%	13.43%	416,112,000
Acorn Life Pension Managed Growth	6.82%	14.88%	1.91%	-2.35%	9.95%	8.45%	171,900,000
Hib Life & Pen NU Focussed Managed D	5.28%	12.59%	4.02%	1.56%	Not Started	Not Started	12,100,000
Lifetime/BIAM Pen Opportunity	6.17%	12.22%	1.83%	1.66%	9.79%	7.49%	7,325,000
New Ireland 2016/2040 Series 3	6.31%	13.87%	2.13%	1.63%	10.70%	Not Started	613,474,000
Royal Liver Managed Fund	4.25%	13.46%	2.92%	Not Started	Not Started	Not Started	2,403,689
MoneyMate Sector Average	5.89%	13.81%	2.75%	-0.03%	10.16%	10.24%	
Managed Balanced							
Eagle Star Balanced	6.75%	16.14%	4.49%	1.13%	10.61%	13.00%	611,884,000
Eagle Star Performance	7.72%	18.01%	4.44%	0.47%	10.34%	12.44%	467,877,000
Acorn Life Pension Managed	5.72%	12.58%	3.03%	-0.11%	9.83%	9.61%	128,600,000
Ark Life Pension Managed 2	5.25%	13.60%	0.50%	-2.68%	Not Started	Not Started	338,728,000
Canada Life Setanta Pension Managed	8.39%	14.62%	4.47%	0.57%	9.31%	8.36%	251,490,000
Friends Managed	5.87%	12.88%	3.63%	-0.47%	9.43%	8.43%	789,671,000
Hibernian L&P Pension (Hib) H-R Managed	5.23%	13.60%	3.27%	0.30%	9.83%	8.63%	416,000,000
Irish Life Exempt Active Managed 2	5.88%	14.22%	3.84%	1.74%	9.12%	8.53%	588,000,000
Lifetime/BIAM Pen Growth	5.90%	13.22%	3.34%	2.96%	10.20%	9.68%	461,774,000
New Ireland Pension Managed 2	6.01%	13.51%	3.55%	2.85%	11.02%	9.83%	1,896,664,000
Standard Managed 1 G	6.27%	13.73%	3.51%	-0.39%	8.34%	8.07%	167,258,000
MoneyMate Sector Average	5.50%	12.66%	2.95%	0.60%	9.45%	9.27%	
Irish Equity*							
Eagle Star Irish Equity	-2.20%	Not Started	Not Started	Not Started	Not Started	Not Started	1,264,000
Ark Life Pension Irish	-1.09%	24.69%	5.62%	Not Started	Not Started	Not Started	1,254,000
Friends Irish Equity	-0.62%	23.43%	7.93%	7.94%	14.30%	11.35%	194,373,000
Hibernian L&P Pension Irish Equity	-0.91%	25.08%	9.14%	9.97%	Not Started	Not Started	9,000,000
New Ireland Pension Irish Equity 3	5.43%	31.40%	9.06%	12.67%	16.37%	Not Started	1,017,279,000
Royal Liver Irish Equity	-3.96%	18.16%	7.34%	Not Started	Not Started	Not Started	7,914,945
Standard Irish Equity 1 G	-1.34%	21.97%	8.72%	4.86%	12.98%	10.27%	6,599,000
MoneyMate Sector Average	-1.09%	23.11%	7.16%	7.34%	14.55%	11.01%	

Figures highlighted in orange, indicate where Eagle Star has outperformed the average.

Investment Performance Report

Annualised Performance to 1st June 2005

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Euro Equity							
Eagle Star Eurozone G	9.51%	24.01%	Not Started	Not Started	Not Started	Not Started	2,632,000
Ark Life Eurozone 2 G	6.18%	14.56%	-2.78%	Not Started	Not Started	Not Started	90,703,000
Hibernian L&P Euro Equity G	9.21%	18.56%	0.17%	Not Started	Not Started	Not Started	31,300,000
New Ireland Euroland Equity S 8	5.89%	14.41%	-2.40%	Not Started	Not Started	Not Started	5,893,000
MoneyMate Sector Average¹	6.73%	15.26%	-2.22%	N/A	N/A	N/A	
European Equities²							
Eagle Star 5★5 Europe	17.00%	38.04%	Not Started	Not Started	Not Started	Not Started	15,739,000
BOI Life - Unit Funds European Ex UK 2 G	7.29%	12.81%	-2.36%	Not Started	Not Started	Not Started	4,089,000
Canada Life /Setanta European Equity G	7.63%	17.74%	0.85%	Not Started	Not Started	Not Started	9,270,000
Friends First European Equity	7.79%	14.35%	Not Started	Not Started	Not Started	Not Started	214,382,000
Hibernian L&P European Equity G	7.18%	16.19%	-0.30%	Not Started	Not Started	Not Started	5,000,000
Irish Life Indexed Europe 1 G	5.74%	13.80%	-1.40%	Not Started	Not Started	Not Started	950,000
New Ireland European Equity S 8	7.68%	13.96%	-1.68%	Not Started	Not Started	Not Started	342,599,000
Royal Liver European Equity G	8.84%	20.14%	0.54%	Not Started	Not Started	Not Started	5,161,970
Standard Life MW European Equity 5 G	8.87%	17.52%	1.64%	Not Started	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	7.83%	17.48%	0.33%	-12.38%	N/A	N/A	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	15.82%	32.91%	Not Started	Not Started	Not Started	Not Started	12,058,000
BOI Life - Unit Funds Far East Equity 2 G	9.34%	9.55%	-2.82%	Not Started	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	10.89%	22.32%	4.43%	Not Started	Not Started	Not Started	2,100,000
Irish Life Indexed Pacific Basin 1 G	11.72%	22.41%	3.34%	Not Started	Not Started	Not Started	350,000
New Ireland Pacific Basin S 8	14.73%	22.03%	4.08%	Not Started	Not Started	Not Started	63,212,000
Standard Life MW Pacific Basin Equity 5 G	11.33%	15.67%	-0.69%	Not Started	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	12.05%	18.53%	0.62%	N/A	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	12.15%	22.04%	Not Started	Not Started	Not Started	Not Started	1,630,000
BOI Life - Unit Funds North American 3 G	2.18%	0.28%	-5.11%	Not Started	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	9.49%	6.80%	-3.39%	Not Started	Not Started	Not Started	2,700,000
Irish Life Fidelity American Growth 1 G	1.62%	-1.33%	-7.39%	Not Started	Not Started	Not Started	650,000
New Ireland North American S 8	2.85%	1.79%	-3.73%	Not Started	Not Started	Not Started	366,384,000
Standard Life MW North American Equity S 8	10.71%	7.58%	-3.43%	Not Started	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	6.96%	6.81%	-4.27%	-3.03%	N/A	N/A	
Concentrated Funds³							
Eagle Star 5★5	9.78%	19.07%	8.10%	Not Started	Not Started	Not Started	149,026,000
New Ireland Smart Stocks 15	6.04%	2.35%	-7.65%	Not Started	Not Started	Not Started	12,641,000
New Ireland Smart Stocks 35	4.88%	2.81%	-6.73%	Not Started	Not Started	Not Started	11,230,000
Canada Life/Setanta Focus 15	9.96%	9.96%	-4.34%	Not Started	Not Started	Not Started	35,360,000
Hib Life & Pens Target 20	4.84%	10.84%	-5.24%	Not Started	Not Started	Not Started	28,000,000
Average of Selected Funds	7.10%	9.01%	-3.17%	N/A	N/A	N/A	
Consensus Funds⁴							
Irish Life Exempt Consensus	6.27%	14.25%	3.58%	0.92%	Not Started	Not Started	819,000,000
Friends Individual Consensus	5.33%	12.95%	4.25%	0.62%	Not Started	Not Started	17,795,000
Canada Life Consensus Index 1	5.84%	13.11%	3.20%	-0.07%	Not Started	Not Started	54,120,000
Hib Life & Pen NU Pen Grp Consensus	5.30%	11.98%	3.37%	0.45%	Not Started	Not Started	90,100,000
BIAM (Grp) EUT Consensus Fund	8.31%	16.83%	4.58%	1.12%	Not Started	Not Started	208,730,000
Average of Selected Funds	6.21%	13.82%	3.80%	0.61%	N/A	N/A	

Figures highlighted in orange, indicate where Eagle Star has outperformed the average.

Source: MoneyMate as at 01/06/05.

Returns are based on offer/offered performance of the funds and do not represent the returns achieved by individual policies linked to the funds. Unit prices in the funds are not guaranteed and may fall as well as rise. Benefits may be affected by fluctuations in exchange rates between the currency of the underlying investment and the policy currency. Past performance may not be a reliable guide to future returns which are dependent on future investment conditions. The MoneyMate sector averages shown are the average of all funds in each of the MoneyMate sectors in the individual pensions category except where otherwise stated. The funds highlighted have been chosen to show one of each competitors' open funds. Where more than one fund is applicable the one spanning most time periods has been selected, where there are equal time periods the best performing fund has been selected.

¹ The average shown is the average of the relevant MoneyMate Irish Domestic Funds (Gross) sector. This sector has been chosen as it contains the most comprehensive selection of competitor funds.

² This MoneyMate regional sector has been chosen as a base comparison for the Eagle Star 5★5 regional fund as there is no regional concentrated fund category.

³ This is not a sector on MoneyMate but has been created to compare the performance of the 5★5 fund to that of its closest competitors in the Irish Domestic Funds (Gross) sector.

⁴ This is not a sector on MoneyMate but includes all the funds identifiable as consensus funds on MoneyMate available to group and individual pension policies.

* Irish Equity - Year to date figures taken from 1st February as this is the launch date of Eagle Star's Irish Equity Fund.