

Monthly investment review

For March 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.**

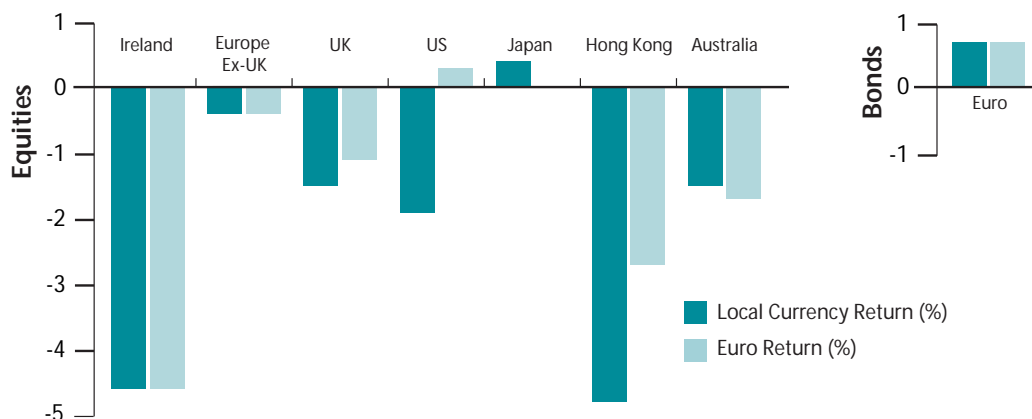
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Equity and Bond % Returns

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

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 came under pressure in March due to a resurgence in the oil price and increased concerns over rising US interest rate expectations. However, world equities (in euro terms) were almost flat on the month helped by the recent strength in the US dollar. The Federal Reserve in the US raised interest rates by 0.25% to 2.75% and further rises are expected in coming months. Eurozone rates remained on hold at 2%. The best performing markets were parts of Europe, Japan and Singapore while other markets suffered; notably Ireland (a further decline in Elan), Hong Kong (a high degree of sensitivity to rising rates) and the US.
- Sectorwise, there was a partial reversal of some long term trends with a number of more defensive sectors, such as food & beverages, healthcare and household goods out-performing, while a few of the more cyclical sectors, such as basic materials and resources, under-performed. These movements are consistent with the stage of the economic cycle that a number of the world's economies are currently entering.
- Eurozone bonds were in positive territory again after a poor month in February. Bonds rallied on the back of generally weaker than expected economic and inflation data in the eurozone region. US bonds under-performed again during the month.
- Corporate news was relatively subdued ahead of the first quarter reporting season which begins in early April. Notable features in the US were the sharp fall in the share price of GM, on the back of weak US car sales, and AIG, due to continuing regulatory investigations. In Europe, there were positive results from Adidas-Saloman and Celesio while French steel company Arcelor fell on concerns over lower demand.
- The US dollar saw further stabilization during March as the market began to focus on rising US interest rates and the relative strength of the US economy; instead of the massive US trade deficit which had previously led to dollar weakness. The euro fell to \$1.30 by month end.

Eagle Star's Asset Allocation

The funds are overweight in equities and neutral in bonds.

Equities

Countries & Markets: overweight & underweight positions

The fund managers took some profits in equities, due mainly to concerns over the US interest rate outlook, taking the equity content down somewhat but still maintaining an overweight position. There was a slight reduction in regional weighting in the Pacific Basin. The funds remain overweight in Europe and the Pacific Basin (although less so) and underweight in the US given the valuation picture and interest rate environment. Neutral positions were maintained in Japan and the UK.

Sectors: overweight & underweight positions

The funds saw the beginning of a transition from cyclical sectors into more defensive sectors based on the ongoing shift in the economic cycle. While remaining slightly overweight in cyclical areas – basic industries, financials and resource stocks have been cut back. Defensive areas such as food & beverages and pharmaceuticals have been increased correspondingly.

Bonds

Bonds in the eurozone performed strongly during March following negative developments in the previous month; the result of poor US inflation data. US bonds weakened further into March but then steadied somewhat. Meanwhile, eurozone bonds continued to out-perform their US peers despite the weakness of the euro versus a broadly stronger dollar and ECB criticisms of eurozone fiscal deficits. More influential factors were the lower than expected eurozone inflation data and, in the last few weeks, a slew of weaker economic data across the larger eurozone economies. Over the month as a whole, the funds had a broadly neutral exposure to bonds although some tactical positions were added towards the end of the period, in the US and eurozone.

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

Maxis Communications

Maxis is the largest cellular operator in Malaysia by revenue and in terms of subscribers. Its superior branding and strong management execution has enabled premium revenue per user and healthy growth over the last few years. Cash generation is also very strong. Going forward, the company still has room to grow from decent subscriber growth, the provision of additional services and greater operational efficiencies.

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 well positioned to benefit from the upswing in the offshore spending.

Finance

Goldman Sachs

Goldman Sachs is one of the world's largest investment banks. It is a consistent top-tier global player in key high-margin lines of business such as equity underwriting and mergers & acquisitions (M&A).

It is benefiting from the recent increase in initial public offerings and M&A activity. The company is exceptionally creative and aggressive and is one of two dominant Prime Brokers to the fast-growing hedge fund industry. The valuation is attractive with the stock trading below its historical price-to-book multiple.

Consumer

BMW

Bayerische Motoren Werke (BMW) AG manufactures and sells luxury cars and motorcycles worldwide including the BMW, Mini and Rolls-Royce brands. BMW has repeatedly delivered superior margins and steady high returns versus its peers over recent years. The company recently demonstrated its commitment to delivering shareholder value with the announcement of a substantial share buy-back. BMW is the world's second-largest maker of luxury cars.

Healthcare

Bausch & Lomb

Bausch & Lomb is a US company which develops, manufactures and markets healthcare products for the eye. The company's products include contact lenses, prescription pharmaceuticals for the eye, and products for cataract and refractive surgery. The company is undergoing an operational turnaround under newly installed CEO Zarella which has been successful so far. The company's franchise in eye care is very strong and Zarella is leveraging this to drive double digit earnings growth. The company is trading on 17 times forecasted 2004 earnings which is well below its historic average.

Global Outlook

- Activity in the global economy remains reasonably strong, although the forward indicators suggest some slowdown over coming months. The effects of the continued high level of oil prices seem limited to date, but policymakers remain vigilant.
- We have said for some time that inflation data will remain central to the Fed's policy actions over coming months. The Fed has heightened its inflation concerns somewhat, leading markets to now anticipate short rates at 4% by end year, from 2.75% currently.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. Recently it has voiced concerns - rising property prices, generous financial liquidity conditions and the level of government borrowings. On balance however, it is still likely that low ECB rates and well-behaved eurozone inflation can remain supportive of eurozone bonds.
- Equity market returns have been quite varied so far this year. The US market remains sluggish, continuing to lag better-performing European and Asian markets. Within most markets the technology sector has been an under-performer for a number of months. For 2005, global profit growth is expected to be around 10%, providing an underpinning to equity markets.

Investment Performance Report

Annualised Performance to 1st April 2005

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	0.42%	1.74%	2.64%	3.29%	4.69%	6.43%	80,504,000
Acorn Life Pension Deposit	0.37%	1.54%	2.04%	2.77%	4.06%	6.02%	4,100,000
Ark Life Pension Assured 2	0.36%	1.36%	1.61%	2.34%	Not Started	Not Started	20,601,000
Canada Life Setanta Pension Money	0.35%	1.30%	1.74%	2.52%	3.47%	5.30%	41,200,000
Friends Cash	0.33%	1.55%	2.09%	2.67%	3.54%	5.43%	43,801,000
Hibernian L&P Pension Cash	0.38%	1.91%	2.01%	Not Started	Not Started	Not Started	42,400,000
Irish Life Exempt Cash 1	0.35%	1.43%	1.88%	2.59%	3.59%	5.33%	335,158
Lifetime/BIAM Pen Security	0.26%	1.04%	1.52%	2.13%	3.34%	4.97%	9,502,000
New Ireland Pension Cash 2	0.33%	1.30%	1.75%	2.41%	3.38%	5.37%	36,065,000
Royal Liver Money Fund	0.20%	0.79%	1.19%	Not Started	Not Started	Not Started	3,837,983
Standard Cash 1 G	0.30%	1.21%	1.64%	2.36%	3.31%	5.21%	19,434,000
MoneyMate Sector Average	0.40%	1.44%	1.91%	2.64%	3.72%	5.55%	
Fixed Interest							
Eagle Star Active Pension	1.67%	8.78%	9.35%	8.32%	Not Started	Not Started	49,591,000
Eagle Star Long Bond Fund	2.45%	12.27%	Not Started	Not Started	Not Started	Not Started	9,809,000
Canada Life Setanta Pen Fixed Interest	1.37%	6.54%	7.33%	6.72%	8.16%	9.39%	11,140,000
Friends Fixed Interest	1.43%	7.36%	8.58%	7.06%	9.23%	10.04%	150,783,000
Hibernian L&P Pension (Hib) H-R Gilt	1.25%	7.91%	9.74%	8.13%	9.89%	9.69%	10,000,000
Irish Life Exempt Fixed Interest 2	1.28%	7.18%	8.33%	6.91%	9.18%	9.50%	4,132,003
New Ireland Pension Gilt Edge 2	1.36%	6.56%	8.02%	7.12%	9.06%	9.66%	628,458,000
Royal Liver Fixed Interest	0.28%	5.15%	7.66%	Not Started	Not Started	Not Started	8,946,048
Standard Fixed Interest 1 G	1.15%	6.97%	7.02%	5.99%	8.24%	9.01%	4,803,000
MoneyMate Sector Average	1.31%	7.25%	8.05%	7.21%	9.03%	9.57%	
International Equity							
Eagle Star International Dynamic	6.03%	7.49%	-3.53%	-6.61%	Not Started	Not Started	33,845,000
Ark Life Pension Global	2.52%	9.00%	-6.73%	Not Started	Not Started	Not Started	3,783,000
Canada Life Passive Equity 1	3.93%	3.93%	-7.35%	Not Started	Not Started	Not Started	1,980,000
Friends International	3.78%	4.90%	-5.87%	-9.81%	6.76%	5.83%	596,447,000
Hibernian L&P Pension (Hib) H-R International	4.35%	6.91%	-5.70%	-8.18%	7.37%	8.34%	17,000,000
Irish Life Fidelity Managed Intl	4.06%	-0.72%	-11.12%	Not Started	Not Started	Not Started	Not Available
New Ireland Pension International 2	2.04%	3.11%	-6.06%	-5.08%	8.39%	7.67%	1,702,914,000
Royal Liver International Equity	5.20%	3.03%	-5.78%	Not Started	Not Started	Not Started	7,428,089
Standard International Equity 1 G	5.23%	6.12%	-5.03%	-7.36%	8.00%	7.70%	14,241,000
MoneyMate Sector Average	3.90%	4.98%	-6.34%	-7.28%	7.26%	7.47%	
Managed Aggressive							
Eagle Star Dynamic	3.60%	11.72%	1.04%	-2.88%	10.19%	13.03%	393,721,000
Acorn Life Pension Managed Growth	2.99%	9.80%	-1.28%	-5.01%	10.00%	8.49%	161,800,000
Hib Life & Pen NU Focussed Managed D	2.29%	8.81%	1.99%	-0.34%	Not Started	Not Started	12,100,000
Lifetime/BIAM Pen Opportunity	3.11%	8.59%	-0.01%	0.69%	10.16%	7.60%	7,325,000
New Ireland 2016/2040 Series 3	3.36%	10.36%	0.28%	0.64%	10.87%	Not Started	613,474,000
Royal Liver Managed Fund	2.03%	9.56%	1.14%	Not Started	Not Started	Not Started	23,589,166
MoneyMate Sector Average	2.79%	9.49%	0.34%	-1.70%	10.42%	10.08%	
Managed Balanced							
Eagle Star Balanced	2.91%	10.14%	2.19%	-1.04%	10.82%	12.76%	578,591,000
Eagle Star Performance	3.53%	11.52%	1.90%	-1.94%	10.50%	12.20%	444,330,000
Acorn Life Pension Managed	2.53%	8.35%	0.45%	-2.21%	9.97%	9.65%	121,100,000
Ark Life Pension Managed 2	2.08%	8.74%	-2.38%	-3.76%	Not Started	Not Started	338,728,000
Canada Life Setanta Pension Managed	4.36%	10.36%	1.69%	-0.67%	9.34%	8.17%	251,490,000
Friends Managed	2.27%	8.31%	1.07%	-2.09%	9.62%	8.37%	789,671,000
Hibernian L&P Pension (Hib) H-R Managed	2.16%	9.35%	1.01%	-1.14%	10.07%	8.57%	416,000,000
Irish Life Exempt Active Managed 2	2.44%	10.01%	1.47%	0.70%	9.31%	8.51%	594,770,155
Lifetime/BIAM Pen Growth	2.94%	9.53%	1.78%	2.07%	10.53%	9.85%	461,774,000
New Ireland Pension Managed 2	3.01%	9.81%	1.85%	1.94%	11.28%	9.73%	1,896,664,000
Standard Managed 1 G	2.70%	8.56%	0.67%	-2.36%	8.46%	8.05%	167,258,000
MoneyMate Sector Average	2.67%	8.62%	0.79%	-0.60%	9.65%	9.21%	
Irish Equity*							
Eagle Star Irish Equity	-4.20%	Not Started	Not Started	Not Started	Not Started	Not Started	885,000
Ark Life Pension Irish	-4.18%	20.50%	5.13%	Not Started	Not Started	Not Started	1,254,000
Friends Irish Equity	-3.93%	20.91%	7.68%	4.94%	14.57%	10.98%	194,373,000
Hibernian L&P Pension Irish Equity	-4.38%	21.12%	8.91%	6.75%	Not Started	Not Started	9,000,000
New Ireland Pension Irish Equity 3	3.25%	29.63%	9.86%	9.93%	16.85%	Not Started	1,017,279,000
Royal Liver Irish Equity	-5.41%	16.97%	7.67%	Not Started	Not Started	Not Started	8,118,971
Standard Irish Equity 1 G	-4.98%	18.31%	8.43%	1.46%	13.14%	9.96%	6,599,000
MoneyMate Sector Average	-4.06%	19.88%	7.09%	4.73%	14.86%	10.66%	

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

Investment Performance Report

Annualised Performance to 1st April 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	5.62%	18.74%	Not Started	Not Started	Not Started	Not Started	2,487,000
Ark Life Eurozone 2 G	4.66%	11.67%	-6.48%	Not Started	Not Started	Not Started	90,703,000
Hibernian L&P Euro Equity G	6.39%	13.58%	-3.33%	Not Started	Not Started	Not Started	31,300,000
New Ireland Euroland Equity 8 G	4.11%	15.39%	-4.97%	Not Started	Not Started	Not Started	5,893,000
MoneyMate Sector Average¹	4.47%	11.52%	-5.54%	N/A	N/A	N/A	
European Equities²							
Eagle Star 5★5 Europe	12.13%	31.92%	Not Started	Not Started	Not Started	Not Started	13,192,000
BOI Life - Unit Funds European Ex UK 2 G	3.64%	11.38%	-5.60%	Not Started	Not Started	Not Started	4,089,000
Canada Life /Setanta European Equity G	5.69%	17.14%	-1.54%	Not Started	Not Started	Not Started	9,270,000
Friends First European Equity	3.73%	10.56%	Not Started	Not Started	Not Started	Not Started	214,382,000
Hibernian L&P European Equity G	4.40%	12.52%	-3.56%	Not Started	Not Started	Not Started	5,000,000
Irish Life Indexed Europe 1 G	3.44%	11.21%	-5.10%	Not Started	Not Started	Not Started	950,000
New Ireland European Equity 8 G	3.78%	12.41%	-4.61%	Not Started	Not Started	Not Started	342,599,000
Royal Liver European Equity G	6.67%	18.81%	-1.13%	Not Started	Not Started	Not Started	4,813,899
Standard Life MW European Equity 5 G	5.30%	12.49%	-2.29%	Not Started	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	4.90%	13.55%	-2.95%	-6.90%	N/A	N/A	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	8.63%	17.91%	Not Started	Not Started	Not Started	Not Started	10,110,000
BOI Life - Unit Funds Far East Equity 2 G	3.91%	-3.63%	-4.86%	Not Started	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	5.32%	6.81%	1.02%	Not Started	Not Started	Not Started	2,100,000
Irish Life Indexed Pacific Basin 1 G	5.74%	8.37%	0.00%	Not Started	Not Started	Not Started	350,000
New Ireland Pacific Basin 8 G	7.95%	5.87%	1.58%	Not Started	Not Started	Not Started	63,212,000
Standard Life MW Pacific Basin Equity 5 G	6.17%	2.49%	-3.83%	Not Started	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	6.02%	3.46%	-2.28%	N/A	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	8.10%	12.67%	Not Started	Not Started	Not Started	Not Started	1,328,000
BOI Life - Unit Funds North American 3 G	-0.85%	-3.86%	-8.63%	Not Started	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	3.22%	0.57%	-9.81%	Not Started	Not Started	Not Started	2,700,000
Irish Life Fidelity American Growth 1 G	-2.62%	-10.03%	-11.77%	Not Started	Not Started	Not Started	650,000
New Ireland North American 8	-0.43%	-2.37%	-7.09%	Not Started	Not Started	Not Started	366,384,000
Standard Life MW North American Equity 5 G	4.07%	0.68%	-10.18%	Not Started	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	1.58%	0.35%	-9.41%	-6.99%	N/A	N/A	
Concentrated Funds³							
Eagle Star 5★5	7.20%	14.26%	5.81%	Not Started	Not Started	Not Started	141,482,000
New Ireland Smart Stocks 15	1.91%	-2.44%	-11.65%	Not Started	Not Started	Not Started	12,641,000
New Ireland Smart Stocks 35	0.53%	-1.97%	-10.42%	Not Started	Not Started	Not Started	11,230,000
Canada Life/Setanta Focus 15	4.98%	6.22%	-9.07%	Not Started	Not Started	Not Started	35,360,000
Hib Life & Pens Target 20	1.69%	4.87%	-9.21%	Not Started	Not Started	Not Started	28,000,000
Average of Selected Funds	3.26%	4.19%	-6.91%	N/A	N/A	N/A	
Consensus Funds⁴							
Irish Life Exempt Consensus	2.52%	9.80%	0.99%	-0.58%	Not Started	Not Started	765,412,751
Friends Individual Consensus	2.03%	8.48%	1.68%	-0.94%	Not Started	Not Started	17,795,000
Canada Life Consensus Index 1	2.01%	8.26%	0.58%	-1.61%	Not Started	Not Started	54,120,000
Hib Life & Pen NU Pen Grp Consensus	1.73%	8.52%	0.95%	-0.99%	Not Started	Not Started	90,100,000
BIAM (Grp) EUT Consensus Fund	2.10%	13.03%	2.17%	-0.43%	Not Started	Not Started	208,730,000
Average of Selected Funds	2.08%	9.62%	1.27%	-0.91%	N/A	N/A	

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

Source: MoneyMate as at 01/04/05.

Returns are based on offer/offer 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.