

Monthly Investment review

For June 2005

Winner of the 2005 Investment Management Excellence Award*
Eagle Star
* Financial Services Excellence Awards

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.**

If you require further information, contact your Eagle Star Broker Consultant or your Sales Support Team.



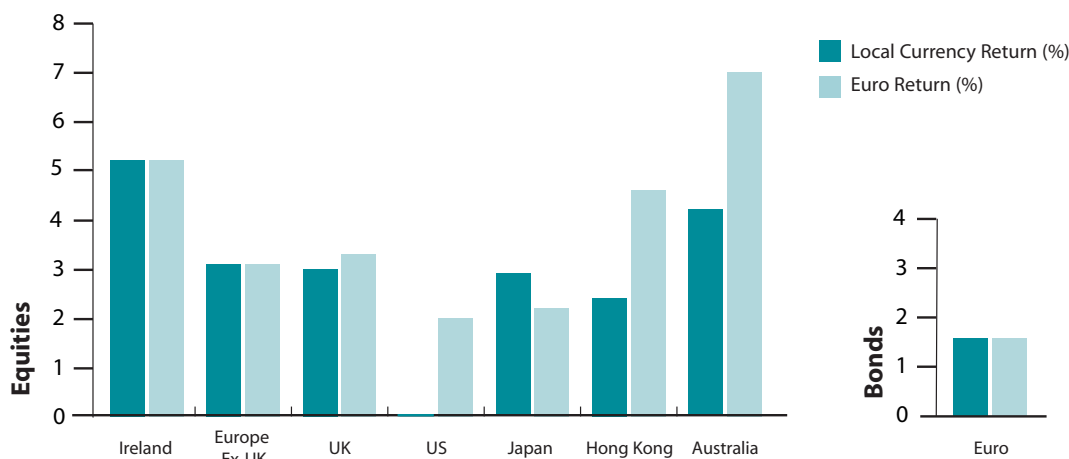
EAGLE STAR

Equity and Bond % Returns

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

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 had another strong month in June on the back of general optimism over economic growth, corporate earnings growth and the relatively low interest rate environment (despite another rate rise by the US Federal Reserve at the end of June by 0.25% to 3.25%, which again had been widely anticipated). World equities (in euro terms) rose by almost 3%, taking the rise for the first half of 2005 to almost 11%. With the exception of the US, most of the major markets rose by between 2% and 5% in local currency terms, with Australia and Ireland (led by the financials) giving the best returns.
- Sectorwise, the standout feature in most international markets was the sharp rise in oil & gas stocks on the back of the higher oil price – with the price hitting \$60 a barrel at one point. After outperforming many other sectors in the first part of the year, non-cyclical consumer stocks treaded water during June as the markets focused on some underperforming areas.
- Eurozone bonds rose by a further 1.6% in June, their twelfth positive monthly return in the last thirteen months, with yields falling to new lows on the back of a further decline in short-rate expectations. Eurozone bonds outperformed their US peers.
- Corporate news was slack ahead of the second quarter results season which starts in earnest in the US in the second week of July.
- The US dollar strengthened further in June with the \$/€ exchange rate moving from \$1.23 to \$1.21 by month end. 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 maintained the equity content at a slightly overweight position versus the benchmark during June, taking advantage of the generally positive environment for equities. Regional weightings were little changed over the period. The funds remain overweight in Europe and slightly overweight in the Pacific Basin – the former due to the more attractive valuations and the continuing low interest rate environment – while remaining underweight in the US. Neutral positions were maintained in Japan and the UK.

Sectors: overweight & underweight positions

The funds remained broadly neutral from a sector point of view with still a slight bias to cyclical areas such as European oil & gas stocks. The main moves during the period were some tactical profit-taking in non-cyclical consumer stocks, such as pharmaceuticals and household products, and an increase from underweight to neutral in telecommunications stocks with some European purchases.

Bonds

Eurozone bond prices rose further during June completing an extremely strong performance over the first half of the year. The flip-side of this is that eurozone long-term interest rates fell to levels not seen since the end of the second World War. US bonds also performed well over the month but eurozone bonds maintained their outperformance.

Market developments have been led by a further fall in short-term rate expectations in the eurozone, a continuation of the process in place since March. Continued tepid economic data and subtle shifts in ECB rhetoric were sufficient to push these expectations downward. For the period as a whole the Merrill Lynch Over 5 Year Eurozone Government Index rose 1.6% giving a return of 7% for the first six months of the year.

This review is available each month at www.eaglestarlife.ie along with other investment information.

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

SAP

SAP is a multinational software company based in Germany. The Company develops business software, including e-business and enterprise management software while it also consults on organisational usage of its applications software, and provides training services. SAP markets its products and services worldwide and the Company has continued to gain market share from its rivals.

Resources and Infrastructure

Transurban Group

Transurban Group designs, constructs and operates toll roads in Melbourne and Sydney. The Company uses 100% electronic tolling, technology it can licence to other toll road operators. It has recently bid for competitor Hills Motorway and seems likely to succeed. The combined entity would be extremely cash generative, which would be reflected in the Company's superior dividend yield.

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

Volkswagen

Volkswagen AG manufactures economy and luxury automobiles, trucks, and commercial vehicles for sale worldwide. The company is leveraged to the US dollar and is set to benefit from its recent appreciation. The new CEO of VW brand group, has planned a renewed cost-cutting and restructuring initiative of around €7bn over the next three years, streamlining the group into a more efficient and competitive business unit. A new product offering, including the new Passat, should also enhance group sales. Volkswagen is now considered relatively cheap versus its price history.

Healthcare

Baxter

Baxter develops, manufactures and markets products and technologies related to the blood and circulatory systems. It is one of the largest pure-play medical technology companies in the world with nearly \$10bn sales in 2004. Its bioscience division (37% of 2004 sales) makes equipment to collect and separate blood and blood components and also develops plasma protein therapies for such blood-related disorders as haemophilia. Its medication delivery segment (43% of sales) includes dominant positions in infusion systems and anaesthesia delivery. The company has been negatively impacted by over-supply in the plasma market in the last couple of years and it is restructuring under new management in response to this. Catalysts for the stock include completion of the restructuring program, expiration of currency hedging contracts and more self-manufacturing of some plasma products which should lead to an increase in margins. The valuation of the stock is attractive relative to its history.

Global Outlook

- The global economy will continue to slow in the second half of the year. Policymakers remain vigilant regarding the effects of high oil prices on growth and inflation. The rise in the oil price to around \$60 will only heighten this sensitivity.
- 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 around 4% by year end. However, it is quite possible that rates may peak below that level.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. Long-term eurozone interest rates are at 60 year lows after the recent strong performance from eurozone bond markets. Bonds are expensive on a historical basis but remain supported by sluggish growth, low inflation and pension fund liability matching.
- For 2005, global profit growth is still expected to be in the low double digits. Equities remain supported by strong corporate earnings, healthy balance sheets and favourable valuations relative to bonds and cash. Upside may be constrained by headwinds of rising US rates in particular, and a slowing global economy.

Investment Performance Report

Annualised Performance to 1st July 2005

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	0.87%	1.79%	2.36%	3.15%	4.57%	6.06%	89,027,000
Acorn Life Pension Deposit	0.76%	1.57%	1.94%	2.68%	3.92%	5.84%	4,400,000
Ark Life Pension Assured 2	0.67%	1.42%	1.54%	2.26%	Not Started	Not Started	20,601,000
Canada Life Setanta Pension Money	0.70%	1.34%	1.64%	2.44%	3.37%	5.13%	41,200,000
Friends Cash	0.66%	1.53%	2.00%	2.60%	3.43%	5.26%	43,801,000
Hibernian L&P Pension Cash	0.76%	1.92%	1.88%	Not Started	Not Started	Not Started	42,400,000
Irish Life Exempt Cash 1	0.72%	1.45%	1.77%	2.50%	3.47%	5.16%	400,000
Lifetime/BIAM Pen Security	0.52%	1.01%	1.40%	2.04%	3.17%	4.76%	9,502,000
New Ireland Pension Cash 2	0.66%	1.27%	1.65%	2.26%	3.27%	5.18%	36,065,000
Royal Liver Money Fund	0.38%	0.79%	1.09%	Not Started	Not Started	Not Started	4,248,131
Standard Cash 1 G	0.60%	1.23%	1.53%	2.26%	3.20%	5.04%	19,434,000
MoneyMate Sector Average	0.63%	1.34%	1.76%	2.54%	3.59%	5.36%	
Fixed Interest							
Eagle Star Active Fixed Income	7.19%	15.49%	9.79%	9.21%	11.32%	Not Started	59,577,000
Eagle Star Long Bond Fund	9.54%	21.08%	Not Started	Not Started	Not Started	Not Started	11,296,000
Canada Life Setanta Pen Fixed Interest	5.85%	12.81%	8.03%	7.49%	8.24%	9.12%	11,140,000
Friends Fixed Interest	5.67%	12.79%	8.86%	7.68%	9.33%	9.82%	150,783,000
Hibernian L&P Pension (Hib) H-R Gilt	4.71%	11.97%	9.72%	8.55%	9.90%	9.38%	10,000,000
Irish Life Exempt Fixed Interest 2	6.32%	13.91%	9.15%	7.83%	9.24%	9.41%	4,000,000
New Ireland Pension Gilt Edge 2	6.31%	13.29%	8.82%	7.97%	9.31%	9.32%	628,458,000
Royal Liver Fixed Interest	6.12%	13.40%	8.45%	Not Started	Not Started	Not Started	14,036,506
Standard Fixed Interest 1 G	6.72%	14.71%	9.11%	6.94%	8.40%	8.93%	4,803,000
MoneyMate Sector Average	5.92%	13.48%	8.66%	7.95%	9.31%	9.35%	
International Equity							
Eagle Star International Dynamic	14.82%	18.58%	5.20%	-3.63%	Not Started	Not Started	36,391,000
Ark Life Pension Global	10.09%	15.93%	1.90%	Not Started	Not Started	Not Started	3,783,000
Canada Life Passive Equity 1	11.42%	9.20%	1.81%	Not Started	Not Started	Not Started	1,980,000
Friends International	11.41%	11.82%	2.83%	-7.23%	7.13%	5.85%	596,447,000
Hibernian L&P Pension (Hib) H-R International	12.00%	13.33%	2.83%	-5.99%	7.79%	8.32%	17,000,000
Irish Life Fidelity Managed Intl	13.38%	10.07%	-0.74%	-9.88%	Not Started	Not Started	Not Available
New Ireland Pension International 2	7.59%	7.76%	0.78%	-3.90%	8.38%	7.73%	1,702,914,000
Royal Liver International Equity	12.17%	11.10%	2.92%	Not Started	Not Started	Not Started	7,904,745
Standard International Equity 1 G	12.26%	13.22%	3.89%	-4.65%	8.18%	7.64%	14,241,000
MoneyMate Sector Average	11.26%	11.87%	2.29%	-5.45%	7.52%	7.39%	
Managed Aggressive							
Eagle Star Dynamic	11.91%	20.03%	7.66%	0.13%	10.23%	13.32%	435,782,000
Acorn Life Pension Managed Growth	10.77%	15.70%	6.35%	-1.81%	10.21%	8.73%	171,900,000
Hib Life & Pen NU Focussed Managed D	7.91%	13.41%	6.64%	2.00%	Not Started	Not Started	12,100,000
Lifetime/BIAM Pen Opportunity	9.04%	12.71%	5.06%	2.29%	9.97%	8.16%	7,325,000
New Ireland 2016/2040 Series 3	9.27%	14.24%	5.52%	2.40%	10.92%	Not Started	613,474,000
Royal Liver Managed Fund	7.53%	14.49%	6.46%	Not Started	Not Started	Not Started	2,403,689
MoneyMate Sector Average	8.81%	14.21%	5.79%	0.47%	10.33%	10.42%	
Managed Balanced							
Eagle Star Balanced	10.27%	17.81%	7.69%	1.63%	10.89%	12.86%	638,058,000
Eagle Star Performance	11.85%	20.19%	8.03%	1.05%	10.63%	12.47%	487,723,000
Acorn Life Pension Managed	8.96%	13.48%	6.48%	0.47%	10.01%	9.73%	128,600,000
Ark Life Pension Managed 2	8.94%	15.23%	3.88%	-2.06%	Not Started	Not Started	338,728,000
Canada Life Setanta Pension Managed	11.45%	15.10%	7.53%	1.44%	9.50%	8.49%	251,490,000
Friends Managed	9.22%	13.94%	7.15%	0.32%	9.76%	8.62%	789,671,000
Hibernian L&P Pension (Hib) H-R Managed	8.05%	13.28%	6.54%	0.81%	10.10%	8.75%	416,000,000
Irish Life Exempt Active Managed 2	9.85%	16.28%	7.62%	2.56%	9.54%	8.77%	588,000,000
Lifetime/BIAM Pen Growth	8.64%	13.71%	6.18%	3.58%	10.41%	9.84%	461,774,000
New Ireland Pension Managed 2	8.77%	14.01%	6.41%	3.58%	11.28%	9.95%	1,896,664,000
Standard Managed 1 G	9.25%	14.70%	7.04%	0.24%	8.48%	8.25%	167,258,000
MoneyMate Sector Average	8.88%	13.84%	6.24%	1.34%	9.77%	9.40%	
Irish Equity*							
Eagle Star Irish Equity	4.10%	Not Started	Not Started	Not Started	Not Started	Not Started	1,410,000
Ark Life Pension Irish	4.43%	25.33%	10.76%	Not Started	Not Started	Not Started	1,254,000
Friends Irish Equity	4.29%	23.20%	12.91%	9.40%	14.46%	11.79%	194,373,000
Hibernian L&P Pension Irish Equity	4.32%	24.30%	14.18%	11.20%	Not Started	Not Started	9,000,000
New Ireland Pension Irish Equity 3	11.23%	31.75%	13.62%	14.57%	16.62%	Not Started	1,017,279,000
Royal Liver Irish Equity	-0.85%	17.96%	11.31%	Not Started	Not Started	Not Started	7,914,945
Standard Irish Equity 1 G	1.97%	20.91%	13.08%	6.58%	12.91%	10.59%	6,599,000
MoneyMate Sector Average	3.97%	23.24%	12.29%	8.85%	14.68%	11.41%	

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

Investment Performance Report

Annualised Performance to 1st July 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	14.56%	26.25%	Not Started	Not Started	Not Started	Not Started	2,805,000
Ark Life Eurozone 2 G	10.19%	16.21%	1.44%	Not Started	Not Started	Not Started	90,703,000
Hibernian L&P Euro Equity G	12.93%	16.69%	3.87%	Not Started	Not Started	Not Started	31,300,000
New Ireland Euroland Equity S 8	9.89%	16.08%	1.89%	Not Started	Not Started	Not Started	5,893,000
MoneyMate Sector Average¹	10.37%	16.06%	1.74%	N/A	N/A	N/A	
European Equity²							
Eagle Star 5★5 Europe	22.43%	41.38%	Not Started	Not Started	Not Started	Not Started	19,095,000
BOI Life - Unit Funds European Ex UK 2 G	10.36%	14.27%	1.02%	Not Started	Not Started	Not Started	4,089,000
Canada Life/Setanta European Equity G	12.24%	18.89%	5.37%	Not Started	Not Started	Not Started	9,270,000
Friends First European Equity	11.08%	15.06%	Not Started	Not Started	Not Started	Not Started	214,382,000
Hibernian L&P European Equity G	9.97%	15.01%	3.34%	Not Started	Not Started	Not Started	5,000,000
Irish Life Indexed Europe 1 G	9.59%	15.12%	2.32%	Not Started	Not Started	Not Started	950,000
New Ireland European Equity S 8	10.81%	15.43%	1.99%	Not Started	Not Started	Not Started	342,599,000
Royal Liver European Equity G	11.48%	19.23%	5.73%	Not Started	Not Started	Not Started	5,161,970
Standard Life MW European Equity 5 G	11.04%	16.59%	5.49%	Not Started	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	11.46%	17.87%	4.45%	-12.08%	N/A	N/A	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	21.83%	35.85%	Not Started	Not Started	Not Started	Not Started	13,456,000
BOI Life - Unit Funds Far East Equity 2 G	11.92%	9.62%	1.19%	Not Started	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	16.54%	26.47%	10.21%	Not Started	Not Started	Not Started	2,100,000
Irish Life Indexed Pacific Basin 1 G	17.79%	29.86%	9.32%	Not Started	Not Started	Not Started	350,000
New Ireland Pacific Basin S 8	18.02%	27.10%	8.14%	Not Started	Not Started	Not Started	63,212,000
Standard Life MW Pacific Basin Equity 5 G	17.73%	24.65%	5.29%	Not Started	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	16.20%	23.44%	7.07%	3.10%	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	15.10%	19.39%	Not Started	Not Started	Not Started	Not Started	1,877,000
BOI Life - Unit Funds North American 3 G	2.46%	-1.19%	-1.67%	Not Started	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	12.33%	6.98%	1.32%	Not Started	Not Started	Not Started	2,700,000
Irish Life Fidelity American Growth 1 G	5.87%	0.12%	-1.30%	Not Started	Not Started	Not Started	650,000
New Ireland North American S 8	3.20%	0.25%	-0.11%	Not Started	Not Started	Not Started	366,384,000
Standard Life MW North American Equity 5 G	12.22%	6.64%	1.09%	Not Started	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	9.07%	6.54%	0.38%	-5.18%	N/A	N/A	
Concentrated Funds³							
Eagle Star 5★5	13.55%	18.96%	12.32%	Not Started	Not Started	Not Started	156,499,000
New Ireland Smart Stocks 15	5.83%	1.01%	-4.00%	Not Started	Not Started	Not Started	12,641,000
New Ireland Smart Stocks 35	5.63%	2.16%	-3.29%	Not Started	Not Started	Not Started	11,230,000
Canada Life/Setanta Focus 15	14.20%	14.04%	0.13%	Not Started	Not Started	Not Started	35,360,000
Hib Life & Pens Target 20	7.81%	14.55%	-1.73%	Not Started	Not Started	Not Started	28,000,000
Average of Selected Funds	9.40%	10.14%	0.69%	N/A	N/A	N/A	
Property⁴							
Eagle Star Eurozone Property Fund G	17.00%	Not Started	Not Started	Not Started	Not Started	Not Started	3,205,000
BOI Life - Unit Funds Property 2 G	2.49%	11.15%	9.85%	Not Started	Not Started	Not Started	208,339,000
Canada Life/Setanta Property G	4.61%	10.27%	13.90%	Not Started	Not Started	Not Started	162,670,000
Friends First Insight Property 1 G	9.55%	61.19%	Not Started	Not Started	Not Started	Not Started	Not Available
Hibernian L&P Irish Property G	14.48%	26.05%	15.14%	Not Started	Not Started	Not Started	110,000,000
Hibernian L&P UK Property G	4.02%	22.84%	11.17%	Not Started	Not Started	Not Started	33,000,000
Irish Life Property 1	3.36%	18.00%	10.36%	Not Started	Not Started	Not Started	1,290,000
Irish Life UK Property 1	2.29%	14.31%	Not Started	Not Started	Not Started	Not Started	Not Available
New Ireland Property S 8	2.72%	12.20%	10.45%	Not Started	Not Started	Not Started	217,415,000
New Ireland UK Geared Property	3.94%	18.30%	Not Started	Not Started	Not Started	Not Started	Not Available
Standard Life MW Property 5 G	4.50%	11.99%	10.38%	Not Started	Not Started	Not Started	51,207,000
MoneyMate Sector Average¹	5.12%	17.24%	12.12%	12.98%	17.83%	13.98%	

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

Source: MoneyMate as at 01/07/05.

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.

* The Year to Date figures for these sectors are taken from the start date of the Eagle Star funds i.e. 1st February 2005 for Irish Equity & 1st April 2005 for Property.