

Monthly Investment review

For October 2005

Eagle Star
Winner of the 2005 Investment
Management Excellence Award*
* 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.



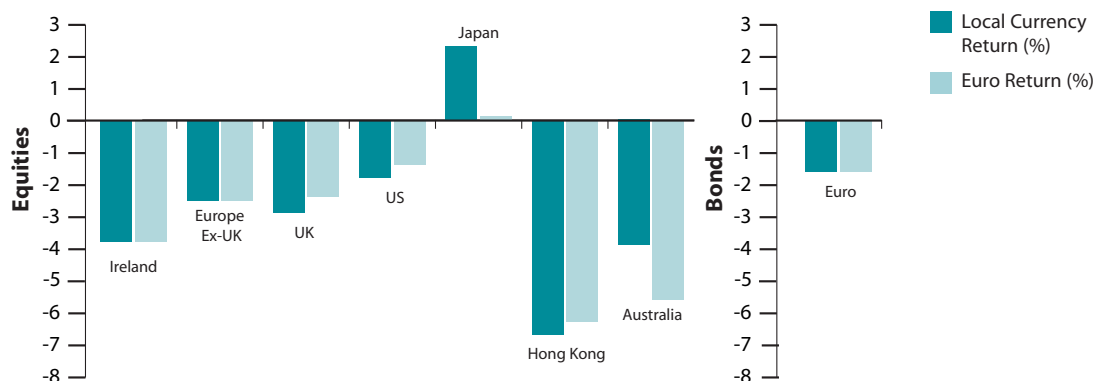
EAGLE STAR

Equity and Bond % Returns

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

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

- After a particularly strong run since early summer, equity markets finally succumbed to a bout of profit taking in October, although a rally did take place right at the end of the period. Investors were unnerved by concerns over a potential rise in inflation rates and the resultant increase in interest rate expectations, especially in the eurozone. These concerns outweighed the stronger than expected third quarter corporate results season in the US and Europe. World equities (in euro terms) fell by almost 2% in October leaving the total return for the first ten months of 2005 at a healthy 19%. With the exception of Japan, which continued its strong run, all of the major markets fell by between 2% (US) and 7% (Hong Kong) in local currency terms. Hong Kong, with its heavy weighting in financial and real estate stocks, is particularly sensitive to interest rate expectations.
- Sectorwise, the main features were the underperformance of the energy and utilities sectors, the former due to the sharp decline in the oil price, the latter due to their perceived 'bond-proxy' status. However, most sectors fell during the month, with the exception of US financials, which rallied mainly on the back of some strong corporate results.
- Eurozone bonds also had a poor month, falling by 1.6%. Despite yields hitting new generational lows during the month of September, bonds have been struggling now for a number of months. Concerns over inflation and short-term interest rates were the main reasons behind the decline in prices. US bonds also fell over the period.
- Corporate news was brisk in October as the third quarter reporting season got into full swing. Of the 400 companies in the US S&P 500 Index which have reported so far, 65% have beaten expectations, 23% have disappointed, while the remaining 12% have been in line with expectations. Standout results were recorded by ExxonMobil and Google in the US and SAP, Philips, Novartis and ABB in Europe. In addition, there has been a significant amount of M&A activity, especially in the UK, such as Telefonica's bid for O₂.
- The US dollar was unchanged against the euro at around \$1.20 over the period as rising interest rate expectations in both regions neutralised each other.

Eagle Star's Asset Allocation

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

Equities

Countries & Markets: overweight & underweight positions

The fund managers cut back the equity content further in the early part of the period to protect against the jitters which were affecting the markets. However, this tactical move was reversed towards the end of the month as equities regained their composure supported by continued good earnings results as well as M&A activity. The funds in general now have a slightly overweight position again. The only shift from a regional perspective was a reduction in the European weighting and a corresponding increase in the US weighting. The funds' main positions are overweight Europe (although less so than previously), slightly overweight in the Pacific Basin and underweight in Ireland and the US.

Sectors: overweight & underweight positions

The funds remained broadly neutral from a sector point of view, with the exception of the financial sector, which was maintained at an overweight position, and the utilities sector, where the weighting was reduced to a larger underweight position. Further profits were taken in European oil & gas, construction and technology companies while there was an increase in US non-cyclical consumer goods stocks.

Bonds

Bond prices in both the US and eurozone fell sharply during October. In the US, the Fed raised short rates as expected but their rhetoric indicates that they are clearly more concerned about future inflationary developments, raising the risks of more bond-unfriendly short rate increases. In the eurozone, the ECB similarly edged closer to its first rate hike since late 2000, warning of the possible second-round impacts of high oil prices on generalised inflation pressures. Ironically, both the Fed's and ECB's comments came in the month when oil prices fell by 10%, after a period of rapid increases. In the eurozone, the total return of over five year bonds was -1.6% in October, giving a return of just under 6.2% for the first ten 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.

Resources and Infrastructure

Sumitomo Corp

Sumitomo Corp is a Japanese based consumer oriented trading company. It has interests in such areas as steel, automobiles and cable TV. The company has been steadily improving its asset efficiency and should enjoy good earnings growth because of the growing Japanese economy. Sumitomo Corp appears undervalued relative to comparable companies.

Finance

Merrill Lynch

Merrill Lynch is a leading US investment bank. It is well positioned to benefit from an up-tick in economic growth and capital market activity. Under the direction of newly appointed President Stan O'Neal, senior executives have launched a major examination of the company's operations with a view to improving Merrill's subpar margins. This combined with the fact that Merrill is trading closer to trough valuations than the other investment banks should lead to significant out-performance by the stock.

Consumer

Opap

Opap is the largest gaming company in Greece, operating numerical lottery and sports betting games. Opap is the sole legal numerical lottery operator and bookmaker (with the exception of horse racing) in Greece, a position that has been granted by the government until 2020. The company exploits its monopoly position by taking minimal risk in all betting activities as all games are either subject to fixed payout ratios. Opap is also experiencing strong growth through the roll-out of its new game Kino which has been very successful so far. The company is highly cash flow generative and its dividend yield is 9%.

Technology and Telecoms

Samsung Electronics

Samsung Electronics is one of the world's leading electronic goods manufacturers. Its core businesses consist of semiconductor manufacturing, where it is second only to Intel; mobile handsets, an area in which it supplies mainly high-end models; and TFT-LCD panels for computer monitors and TVs, an area in which Sony recently set up a joint venture with the company. Samsung invests heavily in its businesses to maintain its technological lead and has succeeded in recent years in improving greatly its brand name. The company appears well positioned to deliver strong earnings growth over the next few years and trades at a significant valuation discount to comparable companies.

Healthcare

Novartis

Novartis is one of the world's largest pharmaceutical companies and is based in Switzerland. The company has broad therapeutic franchises in a number of areas such as hypertension, oncology, cardiovascular diseases, fungal infections and skin conditions. Novartis has a strong product pipeline and minimal patent risk over the next few years. The company also produces generic drugs and is a major player in animal nutrition, baby food and clinical nutrition products. Novartis has a very strong balance sheet and buys back its own shares annually. The company trades in line with its peers.

Global Outlook

- Global growth continues to be reasonably healthy despite high oil prices and interest rate tightening in the US. Inflation vigilance is high among the major central banks.
- For the Federal Reserve, inflation data is central to its policy of gradually raising rates. That continued in the last few weeks with the rise to 4% and investors expect a further 0.25% increase next month and further increases in 2006.
- Investors have become increasingly concerned about ECB rhetoric with markets now discounting a small rate hike before year end. Bond prices have retreated after a period of strong gains. While historically expensive, they remain supported by well-behaved inflation and pension fund liability matching.
- Equity markets remain supported by a strong earnings' background and favourable valuations relative to bonds and cash; higher US interest rates and oil prices are the constraining factors.

Investment Performance Report

Annualised Performance to 1st November 2005



	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	1.44%	1.81%	2.05%	2.95%	4.36%	5.90%	94,501,000
Acorn Life Pension Deposit	1.34%	1.62%	1.80%	2.53%	3.74%	5.65%	2,900,000
Ark Life Pension Assured 2	0.88%	1.22%	1.31%	2.09%	Not Started	Not Started	20,917,000
Canada Life Setanta Pension Money	1.15%	1.37%	1.50%	2.29%	3.23%	4.96%	41,200,000
Friends Cash	1.13%	1.36%	1.89%	2.46%	3.29%	5.07%	43,801,000
Hibernian L&P Pension Cash	1.27%	1.52%	1.66%	2.45%	Not Started	Not Started	42,400,000
Irish Life Exempt Cash 1	1.20%	1.45%	1.63%	2.33%	3.33%	4.96%	400,000
Lifetime/BIAM Pen Security	0.89%	1.04%	1.25%	1.88%	2.94%	4.56%	9,502,000
New Irl Pension Cash 2	1.11%	1.29%	1.52%	2.08%	3.13%	4.98%	36,065,000
Royal Liver Money Fund	0.63%	0.77%	0.92%	Not Started	Not Started	Not Started	4,748,460
Standard Cash 1 G	1.02%	1.24%	1.38%	2.09%	3.07%	4.86%	40,043
MoneyMate Sector Average	1.05%	1.28%	1.59%	2.37%	3.42%	5.17%	
Fixed Interest							
Eagle Star Active Fixed Income	5.95%	9.07%	7.56%	8.24%	10.51%	Not Started	70,333,000
Eagle Star Long Bond Fund	8.57%	13.33%	Not Started	Not Started	Not Started	Not Started	14,054,000
Canada Life Setanta Pen Fixed Interest	4.83%	7.11%	6.36%	6.57%	7.69%	9.03%	11,140,000
Friends Fixed Interest	4.78%	7.84%	7.24%	7.26%	8.50%	9.84%	150,783,000
Hibernian L&P Pension (Hib) H-R Gilt	5.28%	7.85%	8.30%	8.36%	9.23%	9.54%	10,000,000
Irish Life Exempt Fixed Interest 2	5.22%	8.00%	7.17%	7.17%	8.37%	9.30%	4,000,000
New Irl Pension Gilt Edge 2	5.02%	7.36%	6.84%	7.05%	8.46%	9.28%	628,458,000
Royal Liver (Fixed Interest)	4.28%	6.98%	6.37%	Not Started	Not Started	Not Started	25,432,584
Standard Fixed Interest 1 G	5.63%	8.51%	7.42%	6.48%	7.57%	8.96%	10,050
MoneyMate Sector Average	5.16%	8.00%	7.18%	7.37%	8.58%	9.34%	
International Equity							
Eagle Star International Dynamic	23.43%	29.62%	13.15%	-2.92%	Not Started	Not Started	38,694,000
Ark Life Pension Global	15.28%	20.90%	9.19%	Not Started	Not Started	Not Started	5,437,000
Canada Life Passive Equity 1	17.26%	19.53%	8.51%	Not Started	Not Started	Not Started	1,980,000
Friends International	17.96%	22.04%	9.74%	-6.55%	7.09%	7.86%	596,447,000
Hibernian L&P Pension (Hib) H-R International	18.41%	22.00%	10.27%	-5.62%	7.98%	9.84%	17,000,000
Irish Life Fidelity Managed Intl	20.30%	22.70%	6.89%	-9.60%	Not Started	Not Started	Not Available
New Irl Pension International 2	10.22%	13.85%	6.30%	-4.87%	8.10%	8.72%	1,702,914,000
Royal Liver International Equity	21.70%	24.82%	10.59%	Not Started	Not Started	Not Started	10,411,895
Standard International Equity 1 G	19.15%	22.53%	9.93%	-4.39%	8.07%	9.62%	32,558
MoneyMate Sector Average	16.45%	20.05%	8.91%	-5.37%	7.48%	9.02%	
Managed Aggressive							
Eagle Star Dynamic	18.16%	24.83%	13.69%	0.22%	10.08%	13.75%	478,404,000
Acorn Life Pension Managed Growth	15.65%	21.34%	12.51%	-2.11%	10.12%	10.49%	203,200,000
Hib Life & Pen NU Focussed Managed D	9.51%	13.32%	9.73%	1.02%	Not Started	Not Started	12,100,000
Lifetime/BIAM Pen Opportunity	9.56%	14.00%	8.70%	0.77%	9.44%	10.15%	7,325,000
New Irl 2016/2040 Series 3	10.00%	15.35%	9.51%	0.88%	10.52%	Not Started	613,474,000
Royal Liver Managed Fund	11.14%	16.60%	10.58%	Not Started	Not Started	Not Started	33,040,113
MoneyMate Sector Average	12.36%	17.23%	10.51%	-0.57%	10.05%	11.64%	
Managed Balanced							
Eagle Star Balanced	14.92%	20.58%	12.03%	1.46%	10.53%	13.50%	690,044,000
Eagle Star Performance	17.50%	23.92%	13.23%	1.08%	10.39%	13.31%	527,909,000
Acorn Life Pension Managed	13.24%	17.85%	10.85%	0.06%	9.82%	10.35%	148,300,000
Ark Life Pension Managed 2	13.05%	17.25%	9.02%	-2.47%	Not Started	Not Started	414,937,000
Canada Life Setanta Pension Managed	15.58%	19.15%	12.02%	1.21%	9.28%	9.74%	251,490,000
Friends Managed	13.28%	18.33%	11.42%	0.09%	9.51%	9.85%	789,671,000
Hibernian L&P Pension (Hib) H-R Managed	11.97%	16.22%	10.97%	0.47%	9.98%	10.34%	416,000,000
Irish Life Exempt Active Managed 2	13.99%	19.33%	12.59%	1.83%	9.39%	9.53%	588,000,000
Lifetime/BIAM Pen Growth	9.09%	13.82%	9.10%	2.19%	9.85%	10.74%	461,774,000
New Irl Pension Managed 2	9.31%	14.11%	9.30%	2.11%	10.75%	10.61%	1,896,664,000
Standard Managed 1 G	13.75%	18.30%	10.99%	-0.03%	8.26%	9.60%	488,449
MoneyMate Sector Average	11.88%	16.20%	10.22%	0.56%	9.50%	10.40%	
Irish Equity*							
Eagle Star Irish Equity	5.00%	Not Started	Not Started	Not Started	Not Started	Not Started	1,744,000
Ark Life Pension Irish	5.25%	20.77%	15.05%	Not Started	Not Started	Not Started	1,517,000
Friends Irish Equity	3.37%	17.12%	16.78%	5.87%	13.75%	13.18%	194,373,000
Hibernian L&P Pension Irish Equity	5.53%	19.14%	18.54%	7.99%	Not Started	Not Started	9,000,000
New Irl Pension Irish Equity 3	6.50%	19.89%	17.50%	10.07%	15.48%	Not Started	1,017,279,000
Royal Liver Irish Equity	0.56%	14.32%	14.49%	Not Started	Not Started	Not Started	9,894,766
Standard Irish Equity 1 G	2.82%	15.59%	17.73%	3.60%	12.52%	12.33%	6,599,000
MoneyMate Sector Average	3.35%	16.80%	16.12%	4.95%	13.59%	12.79%	

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

Investment Performance Report

Annualised Performance to 1st November 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	21.58%	28.48%	Not Started	Not Started	Not Started	Not Started	3,039,000
Ark Life Eurozone 2 G	13.68%	18.95%	10.12%	Not Started	Not Started	Not Started	116,941,000
Hibernian L&P Euro Equity G	18.28%	21.39%	13.13%	Not Started	Not Started	Not Started	31,300,000
New Ireland Euroland Equity S 8	10.56%	15.56%	9.77%	Not Started	Not Started	Not Started	14,382,000
MoneyMate Sector Average¹	14.23%	19.57%	10.64%	N/A	N/A	N/A	
European Equity²							
Eagle Star 5★5 Europe	35.20%	47.30%	Not Started	Not Started	Not Started	Not Started	32,065,000
BOI Life - Unit Funds European Ex UK 2 G	14.69%	19.31%	9.49%	Not Started	Not Started	Not Started	4,089,000
Canada Life/Setanta European Equity G	18.47%	25.63%	13.11%	Not Started	Not Started	Not Started	12,424,000
Friends First European Equity	19.41%	25.29%	13.59%	Not Started	Not Started	Not Started	214,382,000
Hibernian L&P European Equity G	17.62%	23.16%	13.06%	Not Started	Not Started	Not Started	5,000,000
Irish Life Europascope 2 G	14.22%	19.78%	11.23%	Not Started	Not Started	Not Started	16,960,000
New Ireland European Equity S 8	15.57%	20.52%	10.60%	Not Started	Not Started	Not Started	342,599,000
Royal Liver European Equity G	18.09%	24.67%	15.15%	Not Started	Not Started	Not Started	6,805,557
Standard Life MW European Equity 5 G	20.02%	25.45%	13.16%	Not Started	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	17.74%	24.33%	13.90%	-4.41%	N/A	N/A	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	31.30%	38.20%	Not Started	Not Started	Not Started	Not Started	22,664,000
BOI Life - Unit Funds Far East Equity 2 G	25.83%	30.56%	10.81%	Not Started	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	21.33%	26.72%	16.37%	Not Started	Not Started	Not Started	2,100,000
Irish Life Indexed Pacific Basin 1 G	21.50%	28.24%	14.88%	Not Started	Not Started	Not Started	350,000
New Ireland Pacific Basin S 8	21.95%	28.12%	13.41%	Not Started	Not Started	Not Started	63,212,000
Standard Life MW Pacific Basin Equity 5 G	20.70%	22.81%	12.53%	Not Started	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	22.35%	28.19%	14.92%	8.40%	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	26.15%	35.91%	Not Started	Not Started	Not Started	Not Started	3,967,000
BOI Life - Unit Funds North American 2 G	2.14%	3.48%	1.43%	Not Started	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	16.35%	17.23%	6.78%	Not Started	Not Started	Not Started	2,700,000
Irish Life Indexed US 1 G	15.21%	15.79%	5.31%	Not Started	Not Started	Not Started	330,000
New Ireland North American S 8	3.02%	4.65%	2.58%	Not Started	Not Started	Not Started	366,384,000
Standard Life MW North American Equity 5 G	12.81%	13.87%	3.61%	Not Started	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	11.34%	14.02%	4.39%	-6.55%	N/A	N/A	
Concentrated Funds³							
Eagle Star 5★5	24.01%	31.34%	19.36%	Not Started	Not Started	Not Started	183,285,000
New Ireland Smart Stocks 15	3.50%	4.05%	-2.53%	Not Started	Not Started	Not Started	11,758,000
New Ireland Smart Stocks 35	6.58%	7.84%	0.60%	Not Started	Not Started	Not Started	11,230,000
Canada Life/Setanta Focus 15	19.33%	22.19%	8.21%	Not Started	Not Started	Not Started	124,965,169
Hib Life & Pens Target 20	11.45%	20.11%	5.48%	Not Started	Not Started	Not Started	28,000,000
Average of Selected Funds	12.97%	17.11%	6.23%	N/A	N/A	N/A	
Property[*]							
Eagle Star Eurozone Property Fund G	21.50%	Not Started	Not Started	Not Started	Not Started	Not Started	11,151,000
BOI Life - Unit Funds Property 2 G	6.67%	13.05%	10.74%	Not Started	Not Started	Not Started	208,339,000
Canada Life/Setanta Property G	8.82%	13.60%	15.21%	Not Started	Not Started	Not Started	174,809,486
Friends First Property G	12.65%	17.73%	19.00%	13.03%	18.25%	14.34%	57,045,000
Hibernian L&P Irish Property G	18.96%	27.60%	16.12%	Not Started	Not Started	Not Started	110,000,000
Hibernian L&P UK Property G	6.43%	21.06%	9.99%	Not Started	Not Started	Not Started	33,000,000
Irish Life Property 1	6.71%	18.66%	10.99%	Not Started	Not Started	Not Started	1,290,000
Irish Life UK Property 1	5.17%	11.21%	Not Started	Not Started	Not Started	Not Started	Not Available
New Ireland Property S 8	7.33%	14.25%	11.32%	Not Started	Not Started	Not Started	217,415,000
New Ireland UK Geared Property	7.23%	17.33%	Not Started	Not Started	Not Started	Not Started	Not Available
Standard Life MW Property 5 G	12.40%	15.18%	11.39%	Not Started	Not Started	Not Started	51,207,000
MoneyMate Sector Average¹	8.10%	17.02%	13.23%	13.03%	18.25%	14.34%	

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

Source: MoneyMate as at 01/11/2005.

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.

* 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.