

Monthly Investment review

For May 2006

Best Investment
Manager 2006 (MoneyMate)

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.



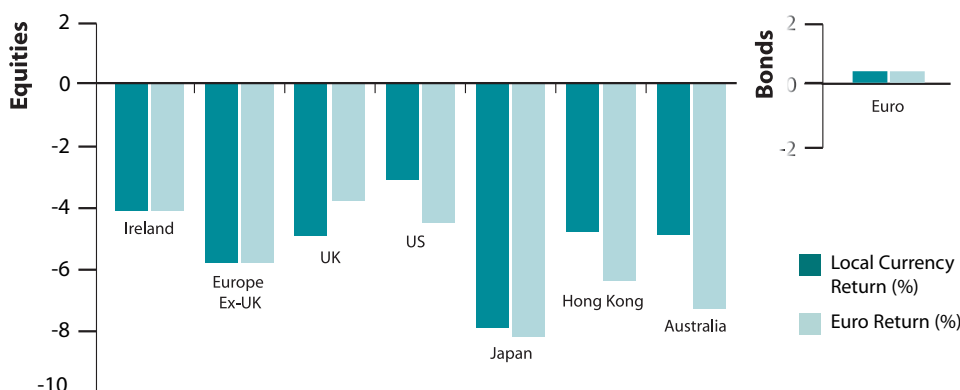
EAGLE STAR

Equity and Bond % Returns

This graph shows the performance of the major equity markets over the month of 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 suffered a sharp correction in May due to concerns over a rise in inflation expectations and increases in interest rates. The level of gearing in the markets (e.g. leveraged hedge funds) exacerbated the initial bout of profit-taking. World equities (in euro terms) were down 5.5% in May giving a total return of -2.2% for the first five months. Bond prices rose over the latter half of the month as investors sought a safe haven environment from tumultuous equity markets. Most of the major equity markets fell by between 3% (US) and 8% (Japan) in local currency terms. Commodity markets declined sharply in mid-May with metals such as gold and copper falling over 14% in ten days. However, prices rebounded somewhat at the end of the month with the main exception of gold.
- Sectorwise, the long-term theme of cyclical stocks out-performing defensive stocks reversed somewhat. Utilities, healthcare and consumer stocks were the best-performing sectors throughout May, while technology, basic materials and some financials under-performed.
- After a number of difficult months, eurozone bonds stabilised in May. Early in the month, concerns regarding interest rate rises caused bond prices to weaken. However, prices rose in the latter half of the month as investors sought a safe haven from equity markets. The Merrill Lynch Over Five Year Government Bond Index rose 0.3% in May.
- Corporate news was relatively slack with the first quarter reporting season in the US and Europe effectively finished. In the US, General Motors stock rose 18% in May, helped by a broker upgrade due to successful efforts by the carmaker to cut costs. MasterCard made a successful debut on the US market with the stock rising 15% in its first week of trading. Closer to home, the Austrian oil and gas group OMV's merger with state-controlled electricity company Verbund was cancelled.
- The US dollar was weaker against most major currencies in May with the €/£ rising from \$1.26 to \$1.28.

Eagle Star's Asset Allocation

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

Equities

Countries & Markets: Overweight & Underweight positions

The fund managers reduced weightings mid-month, given the volatile market conditions, with sales of European, Japanese and Pacific Basin equities. Towards the end of the month the overall equity content was returned to where it began the period (i.e. a slightly overweight position) with purchases of mainly US stocks. The funds' main positions at the end of May were overweight Europe, neutral the UK, Pacific Basin and Japan and underweight North America (although less so) and Ireland.

Sectors: Overweight & Underweight positions

The funds continued to have a slight bias towards cyclical sectors such as industrials, basic materials and financials at the expense of more defensive sectors. However, this overweight position was reduced during May and the position in defensives, such as telecoms and health care, was neutralised over the period.

Bonds

Bond markets stabilised during May, albeit the slightly positive return for the month masks considerable volatility. Short rate expectations in the eurozone nudged lower, helped by a stronger euro versus the dollar. In the US, rate expectations were higher as markets gave a higher probability to an additional Fed hike beyond the 5% level they reached in May. Worries over inflation expectations and US short rates seemed to have far greater impact on equity markets and, ironically, weaker equities produced some safe haven flows to bond markets in both the US and eurozone. For the month as a whole the Merrill Lynch over 5 year index rose 0.3%, for a total year-to-date performance of -4.5%.

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

CRH

CRH is a major international producer and distributor of building materials, with a diversified business profile in product and geographical terms. It operates in four main regions: the Americas, Ireland, continental Europe and the UK. CRH is a proven leader in its sector with a quality management team focused on creating long term shareholder value. This is illustrated by a 23% CAGR in EPS over the last ten years. This growth has been achieved through strong organic growth and value enhancing acquisitions. Trading on a P/E of 12x 2006f, not only are CRH's shares attractive in absolute terms but also trade on a discount to many of its peers despite its impressive track record, strong potential for acquisition development and the favourable product pricing developments in the US.

Finance

Merrill Lynch

Merrill Lynch is a leading US investment bank. It is well positioned to benefit from the buoyant mergers and acquisitions environment and strong capital markets activity. Merrill is benefiting from the increase in retail activity in the stock market due to its franchise of 15000 brokers across the U.S. The company is buying back its own stock aggressively and this will lead to an improvement in the firm's return on equity. This combined with the fact that Merrill Lynch is trading at a discount relative to its peers should lead to outperformance by the stock.

Consumer

Altria

Altria Group, Inc. is the parent company of Kraft Foods, Philip Morris International, Philip Morris USA, and Philip

Morris Capital Corporation. It is the largest tobacco company in the world. It is benefiting from price increases on some of its main tobacco brands. Its Kraft division is benefiting from declining input costs. The risks associated with the company's tobacco litigation are declining. A potential catalyst for the stock is a demerger of some or all of its divisions. The valuation of the stock is attractive as it trades at a big discount to the U.S. market.

Technology and Telecoms

Nokia

Nokia is the world's number one mobile phone handset provider and is a leading telecommunications and networking company. The company also develops, makes, and markets remote controls, digital TV receivers, and digital music players, as well as indoor and outdoor antennas and other accessories. The company has recently reiterated its dominant position in mobile phones with strong handset sales volumes and a recovery in market share lost.

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 has made some acquisitions within this area and in over-the-counter brands. It is also a major player in animal nutrition, baby food and clinical nutrition products. The company trades in line with its peers.

Global Outlook

- Growth expectations remain at high levels with global GDP now expected to expand by 3.7% in 2006, slightly above last year's figure of 3.6%. The major central banks are focused on cyclical inflation pressures and strong commodity prices.
- Investors are keenly focused on the Fed meeting at the end of June to see whether rates will change from the current 5% level. The probabilities assigned to a further hike or a pause in rate moves have jumped around over the past few weeks, as markets try to gauge the impact of new economic data on the debate within the Fed.
- Despite moderate inflation in the eurozone, rising short rates and less than expected demand from pension funds have kept bond prices under pressure so far this year. The ECB raised rates as forecast to 2.75% in the first week in June, with investors still broadly expecting two more rate increases over the course of the year.
- Equity markets still remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets or produce the type of corrections we have seen during the past few weeks. The gradual ending of super-easy money policies in Japan continues to deserve attention because of its potential negative impact on various asset classes.

Investment Performance Report

Annualised Performance as at 31st May 2006



	Year to date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	0.86%	1.91%	1.82%	2.59%	4.06%	5.68%	121,139,000
Acorn Life (Ind) Pension Deposit	0.87%	1.88%	1.71%	2.25%	3.46%	5.32%	2,700,000
Ark Life (Ind) Pension Assured 2	0.58%	1.09%	1.20%	1.71%	Not Started	Not Started	21,972,000
Canada Life (Ind) Setanta Pension Money	0.74%	1.56%	1.42%	1.98%	3.01%	4.61%	143,101,462
Friends (Ind) Cash	0.73%	1.52%	1.83%	2.15%	3.11%	4.73%	38,240,000
Hibernian L&P Pension Cash	0.76%	1.68%	1.71%	2.17%	Not Started	Not Started	1,031,500
Irish Life (Ind) Exempt Cash 1	0.74%	1.60%	1.53%	2.04%	3.16%	4.64%	750,382
Lifetime/BIAM (Ind) Pen Security	0.68%	1.32%	1.16%	1.70%	2.69%	4.09%	80,567,000
New Irl (Ind) Pension Cash 2	0.80%	1.58%	1.42%	1.80%	2.97%	4.68%	80,567,000
Royal Liver (Ind) Money Fund	0.48%	0.94%	0.84%	1.43%	Not Started	Not Started	11,625,944
Standard (Ind) Cash 1 G	0.69%	1.43%	1.30%	1.81%	2.89%	4.53%	24,598,000
MoneyMate Sector Average¹	0.69%	1.44%	1.45%	2.02%	3.20%	4.84%	
Fixed Interest							
Eagle Star Active Fixed Income	-4.33%	-2.24%	3.47%	6.82%	9.36%	Not Started	75,770,000
Eagle Star Long Bond Fund	-6.75%	-2.94%	4.70%	Not Started	Not Started	Not Started	14,523,000
Canada Life (Ind) Setanta Pen Fixed Interest	-4.33%	-2.76%	2.88%	5.34%	6.81%	7.85%	445,137,498
Friends (Ind) Fixed Interest	-5.21%	-3.28%	2.95%	5.85%	7.42%	8.56%	165,570,000
Hibernian L&P Pension (Hib) H&R Gilt	-3.92%	-0.93%	4.14%	7.12%	8.18%	8.56%	37,105,543
Irish Life (Ind) Exempt Fixed Interest 2	-4.67%	-2.82%	3.15%	5.86%	7.40%	8.21%	2,518,142
New Irl (Ind) Pension Gilt Edge 2	-4.86%	-2.93%	2.80%	5.66%	7.47%	8.12%	640,390,000
Royal Liver (Ind) Fixed Interest	-4.80%	-3.20%	2.04%	5.09%	Not Started	Not Started	26,938,004
Standard (Ind) Fixed Interest 1 G	-4.73%	0.26%	4.20%	5.57%	6.80%	8.01%	8,561,000
MoneyMate Sector Average¹	-4.28%	-2.13%	3.18%	6.02%	7.54%	8.24%	
International Equity							
Eagle Star (Ind) International Equity	-0.21%	20.77%	17.51%	1.29%	Not Started	Not Started	41,271,000
Ark Life (Ind) Pension Global	0.80%	19.06%	15.38%	Not Started	Not Started	Not Started	6,867,000
Canada Life (Ind) Passive Equity 1	-1.01%	13.97%	13.55%	Not Started	Not Started	Not Started	4,342,977
Friends (Ind) International	0.15%	18.13%	15.97%	-1.87%	6.27%	7.03%	825,750,000
Hibernian L&P Pension (Hib) H&R International	-0.90%	17.37%	16.13%	-1.50%	7.26%	9.52%	17,472,369
Irish Life (Ind) Fidelity Managed Intl	-4.56%	14.95%	13.06%	-6.28%	Not Started	Not Started	21,931,222
New Irl (Ind) Pension International 2	-2.28%	10.06%	11.51%	-2.88%	7.21%	8.08%	2,802,158,000
Royal Liver (Ind) International Equity	-4.37%	20.15%	16.94%	-2.06%	Not Started	Not Started	13,305,857
Standard (Ind) International Equity 1 G	-0.05%	18.42%	15.89%	-0.97%	7.31%	8.63%	22,134,000
MoneyMate Sector Average¹	-0.67%	16.49%	15.21%	-1.02%	6.67%	8.22%	
Managed Aggressive							
Eagle Star (Ind) Dynamic	3.31%	23.20%	19.21%	4.16%	9.47%	13.19%	609,972,000
Acorn Life (Ind) Pension Managed Growth	0.94%	19.54%	18.33%	1.08%	9.41%	10.07%	220,200,000
Hib Life & Pen NU (Ind) Focussed Managed D	-0.29%	10.29%	12.24%	2.66%	Not Started	Not Started	12,100,000
Lifetime/BIAM (Ind) Pen Opportunity	-1.18%	10.31%	12.34%	1.37%	8.94%	10.06%	79,613,000
New Irl (Ind) 2016/2040 Series 3	-0.41%	11.86%	13.66%	2.31%	9.94%	Not Started	1,057,016,000
Royal Liver (Ind) Managed Fund	-0.73%	15.00%	14.55%	1.67%	Not Started	Not Started	48,044,227
MoneyMate Sector Average¹	0.58%	15.69%	14.83%	2.06%	9.44%	11.25%	
Managed Balanced							
Eagle Star (Ind) Balanced	1.99%	17.80%	15.70%	4.49%	9.86%	12.13%	826,211,000
Eagle Star (Ind) Performance	2.67%	21.27%	17.83%	4.64%	9.74%	12.69%	624,206,000
Acorn Life (Ind) Pension Managed	0.65%	15.48%	14.49%	2.19%	9.06%	10.06%	160,100,000
Ark Life (Ind) Pension Managed 2	1.06%	15.69%	13.01%	0.07%	Not Started	Not Started	470,261,000
Canada Life (Ind) Setanta Pension Managed	1.26%	13.92%	13.81%	2.96%	8.52%	9.26%	981,423,372
Friends (Ind) Managed	0.64%	15.99%	14.87%	2.82%	8.89%	9.53%	366,115,000
Hibernian L&P Pension (Hib) H&R Managed	0.91%	15.38%	14.54%	3.04%	9.56%	10.28%	204,049,324
Irish Life (Ind) Exempt Active Managed 2	0.74%	16.78%	15.80%	3.45%	8.93%	9.24%	588,000,000
Lifetime/BIAM (Ind) Pen Growth	-0.80%	9.98%	11.95%	2.76%	9.37%	10.25%	2,382,667,000
New Irl (Ind) Pension Managed 2	-0.70%	10.25%	12.24%	3.33%	10.14%	10.33%	2,382,667,000
Standard (Ind) Managed 1 G	0.66%	16.79%	14.75%	2.57%	7.70%	9.23%	223,567,000
MoneyMate Sector Average¹	0.23%	13.56%	13.39%	2.44%	9.03%	10.01%	
Irish Equity							
Eagle Star (Ind) Irish Equity	4.91%	22.91%	Not Started	Not Started	Not Started	Not Started	5,521,000
Ark Life (Ind) Pension Irish	1.92%	20.81%	19.20%	Not Started	Not Started	Not Started	2,374,000
Friends (Ind) Irish Equity	4.21%	21.48%	22.48%	7.40%	13.58%	13.67%	250,670,000
Hibernian L&P Pension Irish Equity	3.69%	23.06%	23.73%	8.98%	Not Started	Not Started	17,657,826
New Irl (Ind) Pension Irish Equity 3	4.23%	17.93%	22.44%	11.19%	15.36%	Not Started	1,480,376,000
Royal Liver (Ind) Irish Equity	2.67%	21.85%	22.95%	5.38%	Not Started	Not Started	14,559,029
Standard (Ind) Irish Equity 1 G	4.80%	23.04%	23.18%	5.69%	12.34%	12.86%	11,863,000
MoneyMate Sector Average¹	4.02%	21.82%	22.02%	6.45%	13.54%	13.41%	
Euro Equity²							
Eagle Star Eurozone G	5.89%	28.98%	25.64%	Not Started	Not Started	Not Started	6,020,000
Ark Life Eurozone 2 G	2.00%	18.86%	16.60%	-2.37%	Not Started	Not Started	140,359,000
Hibernian L&P Euro Equity G	3.21%	21.74%	19.70%	-0.16%	Not Started	Not Started	42,723,795
New Ireland Euroland Equity S 8 G	3.63%	18.39%	17.22%	-2.62%	Not Started	Not Started	17,688,000
MoneyMate Sector Average¹	3.66%	20.69%	18.48	-1.75%	N/A	N/A	

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

Investment Performance Report

Annualised Performance as at 31st May 2006



	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
European Equity²							
Eagle Star 5★5 Europe	14.12%	43.32%	Not Started	Not Started	Not Started	Not Started	77,567,000
BOI Life - Unit Funds European Ex UK 2 G	0.55%	16.67%	16.74%	-1.89%	Not Started	Not Started	1,487,047,000
Canada Life/Setanta European Equity G	4.57%	23.25%	19.61%	0.79%	Not Started	Not Started	16,757,466
Friends First European Equity G	4.58%	24.56%	19.44%	Not Started	Not Started	Not Started	326,268,000
Hibernian L&P European Equity G	3.04%	22.99%	19.87%	0.20%	Not Started	Not Started	9,110,243
Irish Life Europascope 2 G	2.91%	19.76%	17.76%	-2.63%	Not Started	Not Started	24,362,967
New Ireland European Equity S 8 G	0.37%	16.09%	16.14%	-2.25%	Not Started	Not Started	477,353,000
Royal Liver European Equity G	5.44%	23.83%	22.07%	1.00%	Not Started	Not Started	9,051,872
Standard Life MW European Equity 5 G	5.66%	26.24%	19.91%	1.66%	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	4.29%	24.30%	21.06%	1.26%	15.88%	12.25%	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	1.41%	26.15%	Not Started	Not Started	Not Started	Not Started	43,379,000
BOI Life - Unit Funds Far East Equity 2 G	-3.08%	23.37%	17.85%	0.30%	Not Started	Not Started	1,724,000
Hibernian L&P Pacific Basin Equity G	-2.32%	19.73%	22.25%	5.80%	Not Started	Not Started	4,648,322
Irish Life Indexed Pacific Basin 1 G	-1.82%	20.69%	24.16%	5.60%	Not Started	Not Started	670,148
New Ireland Pacific Basin S 8 G	0.51%	21.13%	21.77%	4.57%	Not Started	Not Started	94,831,000
Standard Life MW Pacific Basin Equity 5 G	-0.81%	20.00%	19.96%	3.51%	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	-0.12%	25.29%	23.42%	5.89%	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	-5.58%	15.27%	Not Started	Not Started	Not Started	Not Started	7,875,000
BOI Life - Unit Funds North American 2 G	-7.27%	-1.72%	3.42%	-4.91%	Not Started	Not Started	1,158,080,000
Hibernian L&P US Equity G	-5.54%	7.15%	10.30%	-5.70%	Not Started	Not Started	4,774,430
Irish Life Indexed US 1 G	-6.15%	4.81%	7.92%	-6.32%	Not Started	Not Started	691,323
New Ireland North American S 8	-7.47%	-2.15%	2.95%	-5.43%	Not Started	Not Started	365,535,000
Standard Life MW North American Equity 5 G	-8.25%	-0.63%	6.29%	-7.12%	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	-5.88%	4.95%	7.29%	-5.64%	4.82%	N/A	
Concentrated Funds³							
Eagle Star 5★5	2.72%	26.95%	20.86%	8.87%	Not Started	Not Started	238,370,000
New Ireland Smart Stocks 15	-5.11%	-1.50%	3.36%	-6.83%	Not Started	Not Started	10,590,000
New Ireland Smart Stocks 35	-5.35%	3.95%	5.77%	-5.67%	Not Started	Not Started	10,181,000
Canada Life/Setanta Focus 15	0.24%	13.45%	12.79%	-6.03%	Not Started	Not Started	129,598,632
Hib Life & Pens Target 20	-2.40%	12.24%	12.11%	-6.86%	Not Started	Not Started	65,305,952
Average of Selected Funds¹	-1.98%	11.02%	10.98%	-3.30%	N/A	N/A	
Property³							
Eagle Star Eurozone Property Fund G	12.71%	22.84%	Not Started	Not Started	Not Started	Not Started	30,902,000
BOI Life - Unit Funds Property 2 G	6.20%	19.09%	13.43%	10.47%	Not Started	Not Started	746,825,000
Canada Life/Setanta Property G	9.55%	25.83%	19.72%	10.94%	Not Started	Not Started	222,033,662
Friends First Property G	4.25%	22.64%	17.58%	12.67%	18.42%	14.92%	177,888,000
Hibernian L&P Irish Property G	5.00%	28.88%	18.15%	10.31%	Not Started	Not Started	28,264,680
Irish Life Property 1 G	6.03%	16.15%	14.36%	7.96%	Not Started	Not Started	1,719,743
New Ireland Property S 8 G	5.95%	18.51%	12.85%	9.23%	Not Started	Not Started	202,207,449
Standard Life MW Property 5 G	6.06%	22.76%	13.97%	11.27%	Not Started	Not Started	51,207,000
MoneyMate Sector Average¹	6.14%	19.59%	13.47%	10.60%	18.42%	14.92%	
Specialist Funds³							
Eagle Star Dividend Growth	3.16%	Not Started	Not Started	Not Started	Not Started	Not Started	58,547,000
Hibernian L&P High Yield G	2.38%	14.92%	15.28%	Not Started	Not Started	Not Started	30,302,610
Canada Life All Eq Non-distributing G	2.08%	15.01%	16.25%	Not Started	Not Started	Not Started	216,637,185
Blokhams High Yield 2 G	3.36%	15.60%	17.78%	Not Started	Not Started	Not Started	151,418,055
Average of Selected Funds	2.74%	15.18%	16.44%	N/A	N/A	N/A	

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

Source: MoneyMate as on 31/05/2006.

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 Eagle Star fund to that of its closest competitors in the Irish Domestic Funds (Gross) sector.

* For Specialist Funds the 1 Year figures are taken from the start date of the Eagle Star fund, 1st July 2005.