

Monthly Investment Review

For June 2004



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.**

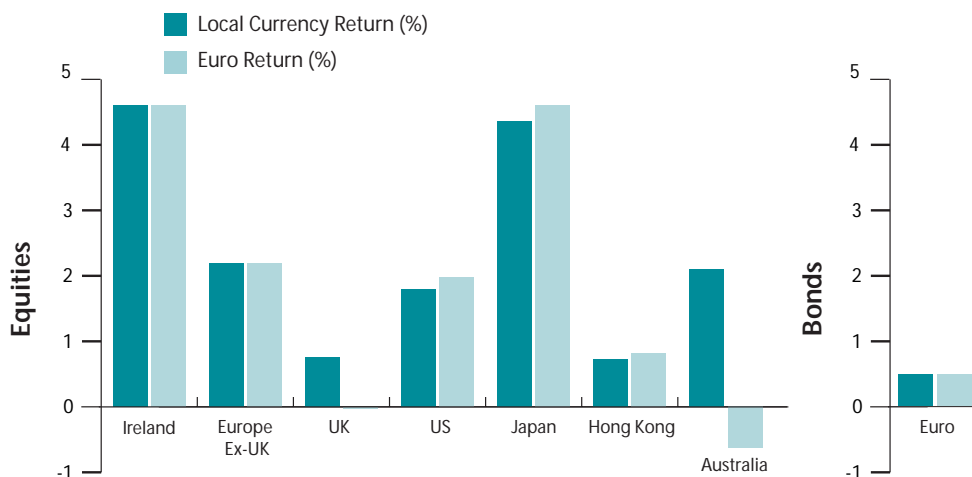
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Equity and Bond % Returns

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

- World equities (in euro terms) had a good month, rising over 2%, with most of the gains achieved in the first half of the period. The best performing regions were Japan, Ireland and Europe. Although giving positive returns, the US and the UK underperformed slightly, while Hong Kong continued to experience significant volatility. Equities rallied on the back of continued positive economic growth, lower oil prices and lessening of concerns over a hard-landing for the Chinese economy.
- Markets became relatively subdued in the second half of June on lower volumes, as investors awaited an anticipated rise in US short term interest rates. The Fed Funds rate was raised by 0.25% on 30th June – the start of a series of expected rises.
- On balance, global economic data remained strong although the German IFO Survey of business confidence was weaker than expected. A softening of oil prices to \$37 a barrel and less aggressive talk by the US Federal Reserve regarding the pace of interest rate rises pushed US and European bond markets ahead.
- Corporate news was sparse – ahead of the start of the second quarter earnings results season in July. Bank of Ireland announced the appointment of a new CEO which was taken well by the market, while Ryanair rose after announcing a slightly less than expected drop in profits. Grafton Group made a rejected bid for Heiton. In the UK, Marks & Spencer rejected a bid for the company from retailer Philip Green. In the US banking sector, Wachovia agreed a takeover of Alabama-based South Trust, creating the fourth largest US bank by assets.
- The US dollar ended the period virtually unchanged at 1.22 against the euro.

Eagle Star's Asset Allocation

The funds are broadly neutral in both equities and bonds.

Equities

Countries & Markets: overweight & underweight positions

The fund managers increased equity weightings slightly over the period as the markets became more comfortable with the Federal Reserve's 'measured' interest rate increase comments. Positions were increased in Japan and the Pacific Region - with the latter being brought back to neutral from underweight - with small reductions in positions in the UK and the US. The funds are currently overweight in Europe and underweight in the UK and the US.

Sectors:

overweight & underweight positions

The funds again remained broadly stable in their sectoral positions in June. An overweight position was maintained in economically sensitive sectors such as general industrial and basic industries - both of which were increased slightly over the period. The funds remain underweight in utilities, financial stocks and telecommunications.

Bonds

Bond prices rose during June, the first time in three months. The balance of economic data in both the Eurozone and the US was broadly consistent with the general trends in both regions. The markets took some comfort from Fed rhetoric that rate increases would be at a 'measured pace' so when US rates were raised for the first time in four years (from 1% to 1.25%) there was no negative impact on bond markets. The ECB maintained its neutral stance throughout the period allowing eurozone bonds to take their general direction from the US bond market. The over five year euro government index returned 0.50% for the period. Bond exposures were broadly neutral at the start of the period, although positions were reduced somewhat during the month.

Spotlight on Stocks

The following stocks are included (at time of going to print) in Eagle Star's funds including the 5★5 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% Compound Annual Growth Rate in Earnings Per Share over the last ten years. This growth has been achieved through strong organic growth and value enhancing acquisitions. Evidence of recovery in construction coupled with improving economic data leaves the company well positioned for earnings upgrades, while trading at a discount to its peer group.

Healthcare

Celesio

Celesio is Europe's largest pharmaceutical distributor. The majority of its sales are achieved as a pharmaceutical wholesaler, while it also has a sizeable pharmaceutical retail network. Celesio's businesses are benefiting from the ageing demographic trend in Europe. The 2004 German healthcare reform should improve pharmaceutical wholesale margins significantly, thereby improving group profitability. The company has reduced its acquisition activity and with profits rising, the group should start to cover its cost of capital.

Technology & Telecom

Samsung Electronics

Samsung Electronics is one of the worlds 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.

Consumer

RR Donnelley

RR Donnelley is the largest commercial printer in the US. It attained this position following its recent merger with Moore Wallace. The cost savings from this merger should be around \$100m over the next year. The company's financial services division is benefiting from the increase in initial and secondary public offerings in the US. Catalysts for the stock include increased coverage by sell side analysts and execution on the cost savings. The valuation is attractive with the stock trading on a prospective free cash flow yield of over 8%.

Financial

Assicurazioni Generali

Assicurazioni Generali is the largest insurance company in Italy and one of the largest in Europe. The company has the number three position in Germany through its subsidiary AMB. Life assurance accounts for over 60% of premium income, distributing through various channels such as agents and banks. The general insurance business is geared to individuals. Upcoming pension reform in Italy should provide a significant revenue growth driver for the group. Generali has a strong balance sheet and has a low exposure to equity investments. The company trades at a similar valuation to its European peers.

Global Outlook

- Activity levels in the global economy remain high. The eurozone has continued to be a laggard because of weak consumption in Germany. Japan is the fastest-growing G7 economy according to first quarter data. The much-watched Chinese economy is slowing from a period of torrid growth.
- The Fed has commenced its well-flagged tightening cycle, beginning with a 0.25% increase to 1.25%. Rates will be raised further at a 'measured pace' according to Fed statements. Price pressures will be closely watched by both eurozone and US central banks in coming months, although the ECB's official stance is that it has no bias as to the next change in rates.
- Bond markets have taken some comfort from the Fed's 'measured pace' rhetoric. In addition, global growth indicators are now anticipating a slight loss of momentum in the pace of economic expansion.
- Strong profits and earnings' revisions have validated last year's strong price gains; this year's overall performance for global equities has been more muted. Nevertheless, underlying profit strength and lower valuations than last year offer support to equity markets - although the current US second quarter earnings season will give investors a clearer picture.

Investment Performance Report

Annualised Performance to 1st July 2004

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Fund Size (€)
Cash						
Eagle Star Secure	0.86%	1.73%	2.98%	3.42%	4.93%	70,932,000
Acorn Life Pension Deposit	0.77%	1.62%	2.52%	3.00%	4.46%	4,400,000
Ark Life Pension Assured 2	0.56%	1.13%	1.95%	2.41%	Not Started	18,924,000
Canada Life Setanta Pension Money	0.65%	1.34%	2.27%	2.66%	3.74%	33,360,000
Friends Cash	0.69%	2.41%	2.49%	2.72%	3.81%	73,063,900
Hibernian L&P Pension Cash	0.60%	1.50%	2.30%	Not Started	Not Started	44,700,000
Irish Life Exempt Cash 1	0.71%	1.52%	2.31%	2.72%	3.87%	300,000
Lifetime/BIAM Pen Security	0.55%	1.14%	1.96%	2.23%	3.59%	9,502,000
New Ireland Pension Cash 2	0.70%	1.41%	2.01%	2.53%	3.66%	41,503,000
Royal Liver Money Fund	0.37%	0.78%	1.72%	Not Started	Not Started	200,000
Standard Cash 1 G	0.55%	1.22%	2.07%	2.49%	3.58%	18,673,000
MoneyMate Sector Average	0.66%	1.50%	2.35%	2.75%	3.99%	
Fixed Interest						
Eagle Star Active Pension	2.70%	0.42%	7.44%	6.84%	Not Started	37,764,000
Eagle Star Long Bond Fund	2.89%	0.78%	Not Started	Not Started	Not Started	8,431,000
Canada Life Setanta Pen Fixed Interest	1.87%	0.80%	5.97%	5.23%	8.09%	8,830,000
Friends Fixed Interest	1.60%	2.13%	7.04%	5.17%	9.07%	159,226,900
Hibernian L&P Pension (Hib) H-R Gilt	3.00%	3.00%	8.40%	6.10%	Not available	11,400,000
Irish Life Exempt Fixed Interest 2	1.85%	0.82%	6.63%	5.25%	8.73%	4,200,000
New Ireland Pension Gilt Edge 2	1.64%	0.59%	6.50%	5.37%	8.78%	504,273,000
Royal Liver Fixed Interest	0.71%	-0.51%	5.47%	Not Started	Not Started	200,000
Standard Fixed Interest 1 G	1.54%	0.71%	4.83%	3.98%	7.91%	6,718,000
MoneyMate Sector Average	1.60%	0.85%	6.72%	5.41%	8.76%	
International Equity						
Eagle Star International Dynamic	2.93%	13.81%	-7.56%	-1.16%	Not Started	33,148,000
Ark Life Pension Global	3.45%	13.07%	Not Started	Not Started	Not Started	2,874,000
Canada Life Passive Equity 2	6.47%	16.14%	Not Started	Not Started	Not Started	1,610,000
Friends International Equity 2	5.24%	15.39%	-10.94%	-5.25%	6.95%	618,585,000
Hibernian L&P Pension (Hib) H-R International	5.50%	17.40%	-9.50%	-4.20%	Not available	13,800,000
Irish Life Fidelity Managed Intl	4.26%	12.30%	-15.32%	Not Started	Not Started	Not available
New Ireland Pension International 2	5.23%	15.33%	-8.57%	-1.65%	7.77%	1,518,370,000
Royal Liver International Equity	5.47%	20.75%	-9.30%	Not Started	Not Started	200,000
Standard International Equity 1 G	5.33%	15.88%	-8.90%	-2.89%	7.41%	14,029,000
MoneyMate Sector Average	5.32%	15.19%	-9.36%	-3.85%	6.55%	
Managed Aggressive						
Eagle Star Dynamic	5.21%	16.52%	-4.28%	-1.20%	9.87%	323,281,000
Acorn Life Pension Managed Growth	6.20%	19.65%	-6.67%	-0.79%	9.18%	140,500,000
Hib Life & Pen NU Focussed Managed E	5.20%	16.10%	-3.70%	1.20%	Not Started	14,000,000
Lifetime/BIAM Pen Opportunity	5.06%	14.72%	-4.21%	2.12%	9.83%	7,325,000
New Ireland 2016/2040 Series 3	5.24%	15.63%	-2.88%	1.74%	10.41%	461,633,000
Royal Liver Managed Fund	6.02%	16.07%	-4.41%	Not Started	Not Started	500,000
MoneyMate Sector Average	4.95%	15.03%	-4.30%	0.53%	9.95%	
Managed Balanced						
Eagle Star Balanced	4.83%	13.32%	-2.12%	0.60%	10.36%	486,927,000
Eagle Star Performance	4.75%	14.38%	-3.20%	-0.31%	10.03%	369,651,000
Acorn Life Pension Managed	5.14%	14.66%	-3.88%	0.73%	9.65%	105,900,000
Ark Life Pension Managed 2	3.18%	9.98%	-7.37%	-3.00%	Not Started	288,902,000
Canada Life Setanta Pension Managed	5.77%	13.76%	-2.81%	0.40%	9.02%	240,580,000
Friends Managed	5.30%	15.53%	-3.04%	-0.08%	9.35%	715,475,400
Hibernian L&P Pension (Hib) H-R Managed	6.20%	15.60%	-2.60%	1.00%	Not available	161,200,000
Irish Life Exempt Active Managed 2	5.95%	15.36%	-2.91%	1.37%	8.79%	510,600,000
Lifetime/BIAM Pen Growth	4.67%	13.19%	-2.25%	2.92%	10.18%	461,774,000
New Ireland Pension Managed 2	4.79%	13.48%	-0.96%	2.91%	10.83%	1,721,239,000
Standard Managed 1 G	5.69%	14.05%	-4.08%	-0.52%	8.17%	129,899,000
MoneyMate Sector Average	4.65%	13.20%	-3.29%	0.84%	9.27%	

Investment Performance Report

Annualised Performance to 1st July 2004

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Fund Size (€)
Euro Equity						
Eagle Star Eurozone G	4.64%	23.35%	Not Started	Not Started	Not Started	1,704,000
Ark Life Eurozone 2 G	1.85%	15.84%	-11.72%	Not Started	Not Started	76,895,000
Hibernian L&P Euro Equity G	4.90%	21.00%	-9.00%	Not Started	Not Started	800,000
New Ireland Euroland Equity 9 G	4.94%	17.44%	-11.96%	Not Started	Not Started	5,279,000
MoneyMate Sector Average¹	3.21%	17.60%	-10.94%	N/A	N/A	
European Equities²						
Eagle Star 5*5 Europe	8.50%	Not Started	Not Started	Not Started	Not Started	2,065,000
BOI Life - Unit Funds European Ex UK 2 G	5.47%	17.94%	-10.66%	Not Started	Not Started	4,089,000
Canada Life /Setanta European Equity G	5.52%	17.51%	-8.50%	Not Started	Not Started	7,930,000
Friends First European Equity	4.07%	17.48%	Not Started	Not Started	Not Started	210,348,000
Hibernian L&P European Equity G	5.00%	21.50%	-8.40%	Not Started	Not Started	2,400,000
Irish Life Europascope 2 G	3.36%	17.82%	-11.85%	Not Started	Not Started	16,960,000
New Ireland European Equity 8 G	5.84%	19.03%	-9.51%	Not Started	Not Started	5,279,000
Royal Liver European Equity G	8.53%	22.98%	-7.81%	Not Started	Not Started	3,800,000
Standard Life MW European Equity 5 G	4.14%	18.12%	-7.40%	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	5.07%	19.71%	-9.25%	-3.66%	N/A	
Far East Equity²						
Eagle Star 5*5 Asia Pacific	6.00%	Not Started	Not Started	Not Started	Not Started	4,171,000
BOI Life - Unit Funds Far East Equity 2 G	4.69%	15.91%	-8.49%	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	2.80%	19.80%	-2.60%	Not Started	Not Started	500,000
Irish Life Indexed Pacific Basin 1 G	4.18%	19.49%	-4.26%	Not Started	Not Started	350,000
New Ireland Pacific Basin 8 G	0.24%	17.54%	-4.02%	Not Started	Not Started	96,826,000
Standard Life MW Pacific Basin Equity 5 G	-0.17%	16.25%	-4.78%	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	2.00%	18.09%	-6.29%	N/A	N/A	
American Equity²						
Eagle Star 5*5 Americas	4.70%	Not Started	Not Started	Not Started	Not Started	880,000
BOI Life - Unit Funds North American 3 G	4.39%	10.94%	-6.96%	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	7.50%	16.60%	-11.60%	Not Started	Not Started	1,100,000
Irish Life Fidelity American Growth 1 G	1.80%	9.43%	-13.22%	Not Started	Not Started	650,000
New Ireland North American 8	5.11%	12.56%	-5.34%	Not Started	Not Started	380,083,000
Standard Life MW North American Equity 5 G	5.98%	10.65%	-12.14%	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	5.59%	11.37%	-11.59%	-0.17%	N/A	
Concentrated Funds³						
Eagle Star 5*5	8.37%	20.06%	1.71%	Not Started	Not Started	103,189,000
New Ireland Smart Stocks 15	3.46%	7.74%	-10.48%	Not Started	Not Started	13,583,000
New Ireland Smart Stocks 35	4.28%	9.56%	-10.15%	Not Started	Not Started	11,524,000
Canada Life /Setanta Focus 15	6.05%	12.13%	-15.21%	Not Started	Not Started	37,460,000
Hib Life & Pens Target 20	0.00%	9.80%	-16.70%	Not Started	Not Started	28,400,000
Average of Selected Funds	4.43%	11.86%	-10.17%	N/A	N/A	
Consensus Funds⁴						
Irish Life Exempt Consensus	6.51%	15.06%	-3.31%	0.66%	Not Started	619,100,000
Friends Individual Consensus	6.55%	15.82%	-3.12%	0.34%	Not Started	14,694,900
Canada Life Consensus Index 1	6.03%	15.93%	-4.22%	0.19%	Not Started	32,160,000
Hib Life & Pen NU Pen Grp Consensus	5.00%	14.20%	-3.70%	0.50%	Not Started	90,100,000
BIAM (Grp) EUT Consensus Fund	6.76%	15.09%	-3.67%	Not Started	Not Started	Not available
Average of Selected Funds	6.17%	15.22%	-3.61%	0.42%	N/A	

Source: MoneyMate as at 01/07/04.

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.

Prices for Hibernian as at 12/07/04 are not available on MoneyMate. Performance Figures taken from HIM.ie. No figures are available for annualised 10 years performance.

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 & individual pension policies.