

Monthly Investment Review

For October 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.



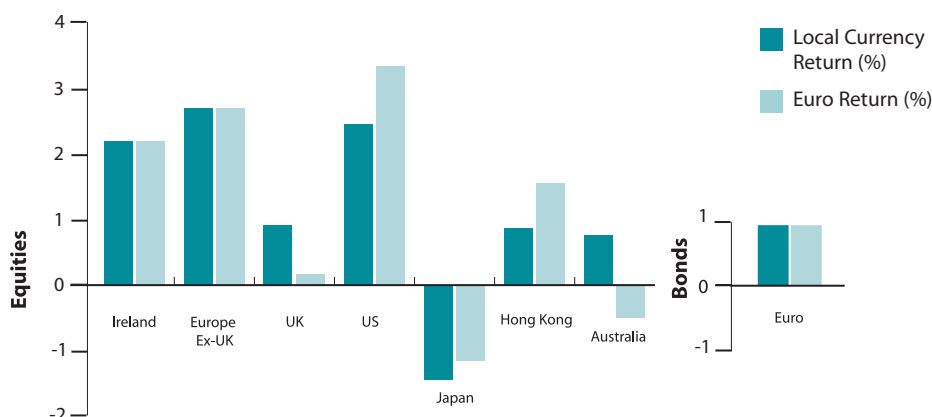
EAGLE STAR

Equity and Bond % Returns

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

- Equity markets had a good month again in October - the fifth month in a row of positive returns. World equities (in euro terms) were up 2.9% in October, giving a total return of almost 6.9% for the first ten months of 2006. In dollar terms, the world market is up a more impressive 15.7% reflecting the weakness of the US currency. Markets were up across the board with Ireland +5% and Australia +4% providing the best returns. Markets were underpinned by excellent third quarter corporate earnings reports and the perception that US interest rates have peaked due to less hawkish rhetoric from the Fed.
- Equities remain supported by a generally positive economic growth and corporate earnings backdrop, as well as relatively benign inflation and reasonable valuations. The sharp fall in energy prices may also help underpin positive sentiment in the near term. US earnings growth was over 15% for the third quarter making it the thirteenth successive quarter of double digit growth. The key to the direction of the markets is the degree of slowdown in the US economy during 2007 and the impact of this on future corporate earnings expectations.
- Sector-wise, cyclical sectors outperformed over the month with basic materials and industrials doing well. Defensive sectors such as consumer staples and healthcare stocks were among the weaker sectors. The exception among defensives was European telecoms stocks which performed strongly on the back of excellent corporate earnings.
- Eurozone bonds performed well for the third month in a row despite a rise over the month in European interest rate expectations for 2007. Benign inflation data offered support and the total return in October was 0.4%.
- On the corporate front, the earnings season surprised on the upside yet again with 74% of US companies beating expectations. Online search engine Google hit an all time high, underpinned by a 92% rise in third quarter profit. European auto stocks such as Daimler Chrysler and Renault also delivered strong results.
- The US dollar was volatile during October strengthening to 1.25 against the euro initially on upbeat US economic data. However, the currency eased back to end the month where it began at 1.27 against the euro due to pared back interest rate expectations and weaker economic data. The €//\$ rate has been trading in a range of 1.29 to 1.25 since the end of April 2006.

Eagle Star's Asset Allocation

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

Equities

Countries & Markets: Overweight & Underweight positions

The fund managers maintained an overweight position in equities in October. Regional positions have been rebalanced over the last few months with the US position being increased from underweight to slightly underweight, while the overweight Europe position was reduced. The funds' main positions at the end of October were overweight Europe and the Pacific Basin, underweight Ireland and the US and more neutral in the other regions.

Sectors: Overweight & Underweight positions

Due to ongoing changes in the economic environment, consumer goods and services positions were reduced to slightly underweight during October while industrial stocks were increased to overweight from slightly overweight. With the exception of the overweight position in industrials (mainly European construction stocks) the funds currently have pretty balanced sectoral positions.

Bonds

Bond markets in the US and eurozone were quite volatile over the course of the month, with prices falling for most of the month before a sharp rally in the last few days. The ECB rate hike earlier in the month was well flagged but investors were still concerned by the continued hawkish tone of the ECB commentary and generally stronger economic data coming from the eurozone, leading to 2007 rate expectations being raised slightly further during the month. The market sees the ECB raising its key rate to 3.5% in December with a further hike around mid-2007 to 3.75%. Another feature of the month was the greater support for longer dated bonds, a trend that has been present in the market for some time. For October as a whole the Merrill Lynch over 5 year EMU Government Bond Index rose 0.4%, bringing the year to date performance to -0.3%.

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

JP Morgan Chase

JP Morgan Chase is a global financial services firm with assets of \$1.3 trillion (as of June 30, 2006) and operations in more than 50 countries. The firm's business segments are investment banking, retail banking, credit cards, commercial banking, financial transaction processing and asset and wealth management. The company has a very well regarded CEO in Jaime Dimon who has successfully overseen the merger with Bank One and is improving profitability and returns. The valuation of the stock is attractive relative to peers, especially on a price-to-book basis. Catalysts for the stock include more positive earnings surprises and analyst estimate revisions.

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

IBM

IBM is the world's largest information technology company in terms of sales and is a significant player in virtually every major segment of the IT industry, including services, servers, storage, semiconductors, and software. The company's earnings are split roughly evenly between software, services, and hardware. In software, the company is benefiting from very strong sales of its websphere middleware product. The services division is benefiting from headcount reductions and the hardware division is benefiting from several strong product cycles. This has led to positive recent earnings surprises and analyst estimate revisions. The company has also been increasing its dividend and reducing its share count through aggressive share repurchases. The valuation is attractive relative to peers.

Healthcare

Roche

Roche is the second largest pharmaceutical company in Switzerland after Novartis and number three in Europe. The company has strong franchises in oncology (cancers) and virology (Hepatitis C, HIV etc.), from which it is deriving strong revenue growth. Financial income as a source of earnings growth has been downsized, enabling better quality profits going forward. Roche has a majority stake in Genentech (US biotechnology company) which has a strong product profile and pipeline. The company trades historically at a premium to its peers but has superior earnings potential given its greater exposure to newer drugs.

Global Outlook

- Growth expectations remain at high levels with global GDP forecast to expand robustly again in 2006, although leading indicators suggest some growth moderation in 2007. The major central banks continue to focus on cyclical inflation pressures stemming from strong growth and high oil prices.
- As expected, the Fed left rates unchanged at 5.25% at its meeting last month. Investors now believe that interest rates have peaked for this cycle. However, this expectation remains dependent on a slowing in the growth rate and no further acceleration in inflation. Market expectations for early rate cuts may have to be pared back further, given the cautious Fed comments in this regard.
- As expected, the ECB recently raised rates to 3.25% and confirmed market expectations of a further rise to 3.5% before year end. It gave little indication of its plans for 2007 although the tone of ECB rhetoric continues to be hawkish overall. Bonds had performed well on the back of better inflation data and some indications that global growth might peak this year, but may suffer a little from ongoing ECB hawkishness.
- Equity markets still remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds; tighter liquidity conditions from higher interest rates continue to be a concern and periods of volatility are likely. The sharp fall in energy prices from their summer peaks may help underpin positive sentiment in the near term. The gradual ending of super-easy money policies in Japan deserves attention because of its potential negative impact on various asset classes.

Investment Performance Report

Annualised Performance as at 31st October 2006



EAGLE STAR

	Year to date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	1.98%	2.31%	1.95%	2.42%	3.88%	5.42%	115,945,000
Acorn Life (Ind) Pension Deposit	1.80%	2.11%	1.76%	2.10%	3.33%	5.10%	2,700,000
Ark Life (Ind) Pension Assured 2	1.45%	1.67%	1.34%	1.64%	Not Started	Not Started	21,972,000
Canada Life (Ind) Setanta Pension Money	1.70%	1.95%	1.54%	1.82%	2.92%	4.39%	142,968,302
Friends (Ind) Cash	1.64%	1.87%	1.95%	2.02%	3.01%	4.52%	55,928,000
Hibernian L&P Pension Cash	1.87%	2.13%	1.78%	2.06%	Not Started	Not Started	1,031,500
Irish Life (Ind) Exempt Cash 1	1.72%	1.98%	1.62%	1.92%	3.06%	4.44%	750,382
Lifetime/BIAM (Ind) Pen Security	1.51%	1.68%	1.28%	1.58%	2.57%	3.92%	80,508,000
New Irl (Ind) Pension Cash 2	1.72%	1.93%	1.52%	1.77%	2.86%	4.47%	80,508,000
Royal Liver (Ind) Money Fund	1.15%	1.31%	0.95%	1.25%	Not Started	Not Started	6,771,031
Standard (Ind) Cash 1 G	1.54%	1.78%	1.41%	1.69%	2.79%	4.33%	33,896,000
MoneyMate Sector Average	1.57%	1.81%	1.52%	1.90%	3.08%	4.59%	
Fixed Interest							
Eagle Star Active Fixed Income	-0.03%	1.68%	6.43%	5.80%	8.97%	Not Started	80,890,000
Eagle Star Long Bond Fund	-0.55%	2.18%	8.53%	Not Started	Not Started	Not Started	17,226,000
Canada Life (Ind) Setanta Pen Fixed Interest	-0.81%	0.48%	4.92%	4.58%	6.58%	7.95%	464,681,388
Friends (Ind) Fixed Interest	-1.20%	0.31%	5.17%	5.00%	7.03%	8.68%	156,365,000
Hibernian L&P Pension (Hib) HR Gilt	0.56%	1.59%	6.19%	6.32%	7.81%	8.71%	37,105,543
Irish Life (Ind) Exempt Fixed Interest 2	-0.93%	0.51%	5.53%	5.13%	7.12%	8.32%	2,518,142
New Irl (Ind) Pension Gilt Edge 2	-1.40%	0.32%	4.82%	5.11%	7.13%	8.29%	747,883,000
Royal Liver (Ind) Fixed Interest	-2.37%	-1.26%	3.91%	4.14%	Not Started	Not Started	25,612,746
Standard (Ind) Fixed Interest 1 G	-0.70%	3.23%	6.43%	4.95%	6.56%	8.15%	18,762,000
MoneyMate Sector Average	-0.61%	0.82%	5.13%	5.15%	7.21%	8.38%	
International Equity							
Eagle Star (Ind) International Equity	7.20%	16.44%	15.29%	6.42%	Not Started	Not Started	47,491,000
Ark Life (Ind) Pension Global	8.22%	16.58%	14.02%	2.76%	Not Started	Not Started	6,867,000
Canada Life (Ind) Passive Equity 1	6.75%	12.99%	11.17%	Not Started	Not Started	Not Started	4,342,977
Friends (Ind) International	7.75%	16.33%	13.84%	3.92%	6.98%	7.75%	817,158,000
Hibernian L&P Pension (Hib) HR International	7.34%	16.03%	14.20%	3.82%	8.03%	9.60%	17,472,369
Irish Life (Ind) Fidelity Managed Intl	2.62%	12.63%	10.66%	0.42%	Not Started	Not Started	21,931,222
New Irl (Ind) Pension International 2	5.25%	13.51%	10.24%	2.33%	7.90%	8.55%	2,709,121,000
Royal Liver (Ind) International Equity	3.11%	14.30%	13.80%	3.55%	Not Started	Not Started	11,959,882
Standard (Ind) International Equity 1 G	9.32%	19.20%	14.39%	5.15%	8.37%	9.43%	36,990,000
MoneyMate Sector Average	7.20%	16.65%	13.23%	4.35%	7.40%	8.91%	
Managed Aggressive							
Eagle Star (Ind) Dynamic	13.01%	22.79%	18.65%	9.39%	10.19%	13.78%	719,470,000
Acorn Life (Ind) Pension Managed Growth	12.14%	22.65%	16.81%	7.69%	10.37%	10.67%	220,200,000
Hib Life & Pen NU (Ind) Focussed Managed D	8.10%	14.96%	12.14%	6.67%	Not Started	Not Started	12,100,000
Lifetime/BIAM (Ind) Pen Opportunity	6.61%	15.33%	11.82%	6.22%	9.08%	10.63%	79,416,000
New Irl (Ind) 2016/2040 Series 3	8.08%	17.31%	13.16%	6.98%	10.32%	Not Started	1,036,878,000
Royal Liver (Ind) Managed Fund	8.21%	17.58%	15.01%	6.56%	Not Started	Not Started	44,779,224
MoneyMate Sector Average	9.93%	19.16%	14.63%	7.04%	10.00%	11.84%	
Managed Balanced							
Eagle Star (Ind) Balanced	10.48%	18.53%	15.76%	8.47%	10.30%	12.75%	949,357,000
Eagle Star (Ind) Performance	11.99%	21.26%	17.73%	9.32%	10.38%	13.03%	715,464,000
Acorn Life (Ind) Pension Managed	9.50%	17.28%	13.71%	6.96%	9.57%	10.51%	160,100,000
Ark Life (Ind) Pension Managed 2	8.28%	15.50%	12.97%	4.33%	Not Started	Not Started	470,261,000
Canada Life (Ind) Setanta Pension Managed	7.12%	13.02%	13.50%	6.82%	8.70%	9.60%	949,622,008
Friends (Ind) Managed	9.09%	17.51%	14.37%	7.22%	9.28%	10.06%	1,004,599,000
Hibernian L&P Pension (Hib) HR Managed	10.37%	17.83%	14.38%	7.16%	10.02%	10.68%	204,049,324
Irish Life (Ind) Exempt Active Managed 2	6.26%	14.43%	13.91%	7.29%	9.17%	9.56%	588,000,000
Lifetime/BIAM (Ind) Pen Growth	7.10%	15.26%	11.96%	6.98%	9.51%	10.75%	2,442,410,000
New Irl (Ind) Pension Managed 2	7.33%	15.56%	12.25%	7.09%	10.49%	10.81%	2,442,410,000
Standard (Ind) Managed 1 G	9.67%	19.39%	14.93%	7.29%	8.28%	9.93%	474,505,000
MoneyMate Sector Average	8.29%	15.86%	13.16%	6.63%	9.44%	10.43%	
Irish Equity							
Eagle Star (Ind) Irish Equity	23.69%	36.76%	Not Started	Not Started	Not Started	Not Started	9,613,000
Ark Life (Ind) Pension Irish	16.68%	28.93%	20.30%	10.85%	Not Started	Not Started	2,374,000
Friends (Ind) Irish Equity	19.19%	33.58%	23.36%	14.04%	14.29%	14.53%	240,365,000
New Irl (Ind) Pension Irish Equity 3	16.61%	30.61%	21.91%	17.03%	15.79%	Not Started	1,468,118,000
Royal Liver (Ind) Irish Equity	18.34%	34.14%	23.71%	12.02%	Not Started	Not Started	13,577,371
Standard (Ind) Irish Equity 1 G	18.24%	34.35%	23.66%	13.20%	12.98%	14.05%	23,940,000
MoneyMate Sector Average	18.46%	33.56%	22.56%	13.00%	14.15%	14.64%	
Euro Equity²							
Eagle Star Eurozone G	18.77%	30.30%	24.26%	Not Started	Not Started	Not Started	7,735,000
Ark Life Eurozone 2 G	11.06%	19.86%	15.60%	3.55%	Not Started	Not Started	140,359,000
Hibernian L&P Euro Equity G	14.65%	23.61%	18.61%	6.42%	Not Started	Not Started	42,723,795
New Ireland Euroland Equity S 9 G	13.84%	25.41%	16.98%	3.08%	Not Started	Not Started	17,657,000
MoneyMate Sector Average¹	14.46%	24.76%	17.55%	4.35%	N/A	N/A	

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

Investment Performance Report

Annualised Performance as at 31st October 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	20.91%	31.41%	Not Started	Not Started	Not Started	Not Started	97,780,000
BOI Life - Unit Funds European Ex UK 2 G	8.78%	18.07%	16.36%	3.43%	Not Started	Not Started	1,535,100,000
Canada Life/Setanta European Equity G	13.89%	21.94%	19.18%	6.81%	Not Started	Not Started	15,308,572
Friends First European Equity G	14.39%	22.99%	18.54%	Not Started	Not Started	Not Started	311,025,000
Hibernian L&P European Equity G	13.59%	22.37%	18.43%	6.32%	Not Started	Not Started	9,110,243
Irish Life Europascope 2 G	13.68%	22.44%	17.58%	4.20%	Not Started	Not Started	24,362,967
New Ireland European Equity S 9 G	8.44%	17.61%	15.81%	2.93%	Not Started	Not Started	493,634,000
Royal Liver European Equity G	12.50%	21.78%	20.60%	8.27%	Not Started	Not Started	7,631,054
Standard Life MW European Equity 5 G	15.91%	27.41%	19.96%	8.35%	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	14.83%	25.32%	18.57%	7.37%	N/A	N/A	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	11.16%	21.97%	Not Started	Not Started	Not Started	Not Started	50,926,000
BOI Life - Unit Funds Far East Equity 2 G	1.03%	11.74%	11.37%	6.10%	Not Started	Not Started	1,594,000
Hibernian L&P Pacific Basin Equity G	5.72%	18.86%	15.89%	12.08%	Not Started	Not Started	4,648,322
Irish Life Indexed Pacific Basin 1 G	7.30%	21.29%	17.30%	12.29%	Not Started	Not Started	670,148
New Ireland Pacific Basin S 9 G	9.70%	25.14%	14.97%	10.52%	Not Started	Not Started	75,415,000
Standard Life MW Pacific Basin Equity 5 G	8.51%	21.36%	13.35%	10.23%	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	8.30%	22.47%	15.05%	10.31%	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	1.48%	10.15%	Not Started	Not Started	Not Started	Not Started	9,177,000
BOI Life - Unit Funds North American 2 G	0.34%	6.64%	3.11%	-0.81%	Not Started	Not Started	1,194,428,000
Hibernian L&P US Equity G	1.25%	7.21%	8.41%	-0.53%	Not Started	Not Started	4,774,430
Irish Life Indexed US 1 G	2.36%	8.12%	7.42%	-0.85%	Not Started	Not Started	691,323
New Ireland North American S 9	-0.08%	6.13%	2.60%	-1.13%	Not Started	Not Started	358,818,000
Standard Life MW North American Equity 5 G	2.94%	8.57%	6.26%	-0.79%	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	1.06%	7.73%	6.18%	-0.08%	7.36%	N/A	
Concentrated Funds³							
Eagle Star 5★5	7.90%	18.05%	18.13%	13.23%	Not Started	Not Started	251,460,000
New Ireland Smart Stocks 15	1.73%	8.20%	3.41%	-3.01%	Not Started	Not Started	9,209,000
New Ireland Smart Stocks 35	2.67%	10.96%	5.94%	-1.14%	Not Started	Not Started	9,322,000
Canada Life/Setanta Focus 15	9.88%	14.60%	13.21%	0.57%	Not Started	Not Started	122,095,303
Hib Life & Pens Target 20	2.88%	10.20%	9.61%	-1.68%	Not Started	Not Started	65,305,952
Average of Selected Funds	5.01%	12.40%	10.06%	1.59%	N/A	N/A	
Property³							
Eagle Star Eurozone Property Fund G	35.31%	34.98%	Not Started	Not Started	Not Started	Not Started	59,607,000
BOI Life - Unit Funds Property 2 G	15.53%	23.31%	15.06%	11.60%	Not Started	Not Started	831,714,000
Canada Life/Setanta Property G	16.24%	25.11%	20.05%	14.14%	Not Started	Not Started	230,406,719
Friends First Property G	12.88%	20.44%	16.66%	15.59%	18.55%	15.28%	213,859,000
Hibernian L&P Irish Property G	14.74%	18.84%	19.67%	14.91%	Not Started	Not Started	28,264,680
Irish Life Property 1 G	17.59%	22.61%	16.36%	11.50%	Not Started	Not Started	1,719,743
New Ireland Property S 9 G	15.03%	22.72%	14.47%	10.55%	Not Started	Not Started	209,248,000
Standard Life MW Property 5 G	12.02%	17.37%	15.02%	11.76%	Not Started	Not Started	51,207,000
MoneyMate Sector Average¹	15.13%	21.32%	16.65%	12.94%	18.55%	15.28%	
Specialist Funds³							
Eagle Star Dividend Growth	15.10%	25.14%	Not Started	Not Started	Not Started	Not Started	106,951,000
Hibernian L&P High Yield G	21.64%	29.94%	17.85%	Not Started	Not Started	Not Started	30,302,610
Canada Life All Eq Non-distributing G	11.19%	17.85%	16.02%	Not Started	Not Started	Not Started	223,534,429
Bloxxams High Yield 2 G	15.59%	23.30%	18.22%	Not Started	Not Started	Not Started	151,418,055
Average of Selected Funds	15.88%	24.06%	17.36%	N/A	N/A	N/A	

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

Warnings: The income you get from this investment may go down as well as up. The Value of your investment may go down as well as up. This benefit may be affected by changes in currency exchange rates. Past performance is not a reliable guide to future performance.

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.

Source: MoneyMate as on 31/10/2006.

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.