

Monthly Investment Review

For December 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.



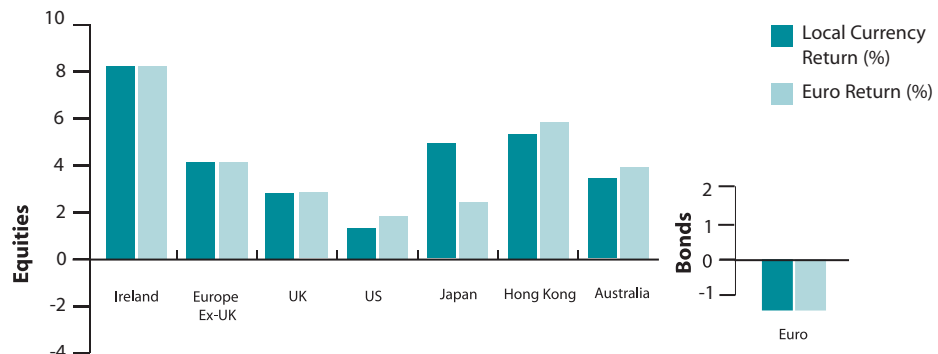
EAGLE STAR

Equity and Bond % Returns

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

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 finished the year with a flourish producing a strong year-end rally. World equities (in euro terms) rose by close to 3% in December, giving a total return of 8.6% for 2006. In dollar terms, markets were up a more impressive 21.5% during the year, reflecting the significant weakness of the US currency. All of the major indices were in positive territory in December with the best returns in local currency terms coming from Ireland (8%), Hong Kong (5%), Japan (5%) and Europe (4%). The US lagged again, rising by only 1%. Overall, 2006 was another good year for equity markets, following on from positive returns of 28.3% in 2005, 7.7% in 2004 and 11.4% in 2003. The only poor features in 2006 were the flattish performance of Japan and the weakness of the dollar, which eroded gains for eurozone investors.
- Equities remain supported by the generally positive economic growth and corporate earnings backdrop, as well as relatively benign inflation and reasonable valuations (especially against other assets). The key to the direction of the markets remains the degree of slowdown in the US economy during 2007 and the impact of this on future corporate earnings and interest rate expectations.
- Sector-wise, there was no clear distinction between cyclicals and defensives over the month. Financial stocks, in general, outperformed while the main underperformer was the oil & gas sector. For the year as a whole, financials and a number of the cyclical areas were the strongest performers, while healthcare and technology stocks, although giving positive returns, underperformed.
- Eurozone bonds performed poorly in December (-2.1%), hindered by stronger-than-expected economic data in the US and rising interest rate expectations in both the eurozone and the US. Eurozone bonds gave a return of -1.8% for the year as a whole, the first negative return since 1999.
- Corporate news was relatively muted ahead of the fourth quarter reporting season which begins in earnest in the second week of January. The three previous quarterly results seasons showed profits well ahead of expectations and this was one of the main reasons for the strength in equity markets during 2006.
- The US dollar was fairly flat against the euro during December, with the €//\$ ending the period at 1.32. This followed a sharp fall in the value of the dollar in November.

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 December. Regional positions have been rebalanced over the last six 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 December were overweight the Pacific Basin and Europe, underweight Ireland and the US and more neutral in the other regions.

Sectors: Overweight & Underweight positions

The fund managers maintained an overweight position in industrial stocks and a slightly underweight position in oil & gas stocks during December. Other positions continue to be pretty balanced.

Bonds

Bond prices fell sharply throughout December, resulting in the second worst monthly performance by bonds in 2006, and bringing returns on European bonds negative for the year. US economic data was stronger with a firm employment report, strong retail sales and consumer confidence helping to allay fears of a broad-based consumer slowdown following the housing market downturn. The scale of expected US rate cuts in 2007 diminished as a result, to one or possible two 0.25% cuts, from three at the start of the month. The ECB, as expected raised rates for the euro area to 3.5% at its early December meeting. In its revised forecasts it projected a stronger growth for 2007 and 2008 and revised down its inflation forecast to recognise the recent easing of inflation pressures. The market chose to focus on growth prospects and pushed long-term interest rates higher by 0.25%. The Merrill Lynch over 5 year EMU Government Bond Index fell 2.1% during December for a total 2006 return of -1.8%.

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

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. CRH has grown aggressively over the past three decades, both organically and by a proven acquisition strategy.

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 15,000 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 out-performance by the stock.

Consumer

Altria

Altria Group Inc. is the parent company of Philip Morris International (PMI), Philip Morris USA, and Philip Morris Capital Corporation. It also owns a majority stake in the food company Kraft. It is the largest tobacco company in the world. It is benefiting from price increases on some of its main tobacco brands. The risks associated with the company's tobacco litigation are declining. A potential catalyst for the stock is the expected spin off of its

remaining stake in Kraft to shareholders and a possible subsequent demerger of PMI. The valuation of the stock is attractive as it trades at a big discount to the US market.

Technology and Telecoms

Accenture

Accenture Ltd. is a management consulting, technology services and outsourcing company with more than 110 offices in 48 countries. The company's business is structured around five operating groups, which together, are comprised of 18 industry groups serving clients in every major industry. Its operating groups are Communications and High Tech, Financial Services, Government, Products and Resources. Investment positives include its market position (intellectual leadership), broad portfolio of contracts (diverse geographically and by industry), strong management team and strong balance sheet and cash flow, as evidenced by the high stock repurchases. The company is benefiting from the healthy consulting market at the moment. The valuation is attractive, especially on a free cash flow basis.

Healthcare

Fresenius

Fresenius AG is a German medical equipment company. The company owns 37% of the total capital of Fresenius Medical Care (FMC), the largest fully integrated dialysis company worldwide. Kabi is the division involved in manufacturing interventional solutions and has started to see an improvement in its core profitability through self-help. In addition, the company owns a division providing healthcare facilities called ProServe. Fresenius AG's current share price values its non-FMC businesses at a discount to their fair value.

Global Outlook

- Leading indicators continue to suggest some growth moderation in 2007 from the robust levels of 2006. The major central banks will likely remain focused on the cyclical inflation pressures stemming from strong growth.
- As expected, the Fed left rates unchanged at 5.25% at its meeting in mid-December. In recent months investors have begun to factor in a modest easing in rates during 2007, but the latest official Fed comment continued to give few clues in that regard.
- The ECB, as fully expected, raised rates to 3.5% at its meeting in December. The new set of ECB economic forecasts, released alongside the interest rate decision, suggest lower inflation risks going into the next year, but bond markets have been more focused on the hawkish tone of ECB rhetoric. No change is expected at this month's meeting but the statement and press conference will be scrutinised for clues into policy moves this year.
- 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. In the recent period, positive sentiment towards equities has been boosted by the surge in merger & acquisition activity in Europe and the US.

Investment Performance Report

Annualised Performance as at 31st December 2006



	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash						
Eagle Star Secure	2.5%	2.0%	2.4%	3.8%	5.3%	119,868,000
Acorn Life (Ind) Pension Deposit	2.3%	1.8%	2.1%	3.3%	5.0%	2,700,000
Ark Life (Ind) Pension Assured 2	1.9%	1.4%	1.6%	2.6%	Not Started	21,972,000
Canada Life (Ind) Setanta Pension Money*	2.1%	1.6%	1.8%	2.9%	4.3%	142,968,302
Friends (Ind) Cash	2.1%	1.7%	2.0%	3.0%	4.4%	55,928,000
Hibernian L&P Pension Cash	2.2%	1.9%	2.0%	Not Started	Not Started	1,031,500
Irish Life (Ind) Exempt Cash 1	2.2%	1.7%	1.9%	3.0%	4.4%	750,382
Lifetime/BIAM (Ind) Pen Security	1.9%	1.3%	1.6%	2.6%	3.9%	80,508,000
New Irl (Ind) Pension Cash 2*	2.2%	1.6%	1.8%	2.8%	4.4%	80,508,000
Royal Liver (Ind) Money Fund	1.5%	1.0%	1.2%	Not Started	Not Started	6,829,476
Standard (Ind) Cash 1	2.0%	1.5%	1.7%	2.7%	4.2%	34,288,000
MoneyMate Sector Average	2.0%	1.5%	1.8%	3.1%	4.5%	
Fixed Interest						
Eagle Star Active Fixed Income	-1.6%	5.5%	6.3%	8.5%	Not Started	79,044,000
Eagle Star Long Bond Fund	-3.0%	7.2%	Not Started	Not Started	Not Started	17,139,000
Canada Life (Ind) Setanta Pen Fixed Interest*	-2.2%	4.1%	4.7%	6.3%	7.6%	464,681,388
Friends (Ind) Fixed Interest	-2.4%	4.0%	5.4%	6.6%	8.4%	156,365,000
Hibernian L&P Pension (Hib) HRR Gilt	-0.7%	5.3%	6.7%	7.4%	8.4%	37,105,543
Irish Life (Ind) Exempt Fixed Interest 2	-2.5%	4.3%	5.4%	6.8%	7.9%	2,518,142
New Irl (Ind) Pension Gilt Edge 2*	-2.7%	4.0%	5.2%	6.7%	8.0%	747,883,000
Royal Liver (Ind) Fixed Interest	-3.7%	3.0%	4.4%	Not Started	Not Started	23,062,018
Standard (Ind) Fixed Interest 1	-2.0%	5.6%	5.3%	6.6%	7.9%	16,485,000
MoneyMate Sector Average	-1.7%	4.3%	5.2%	6.8%	8.1%	
International Equity						
Eagle Star (Ind) International Equity	10.4%	16.3%	5.1%	13.4%	Not Started	50,107,000
Ark Life (Ind) Pension Global	8.3%	13.5%	1.8%	Not Started	Not Started	6,867,000
Canada Life (Ind) Passive Equity 2	5.8%	11.1%	Not Started	Not Started	Not Started	5,157,973
Friends (Ind) International	10.6%	14.1%	2.7%	7.0%	8.5%	817,158,000
Hibernian L&P Pension (Hib) HRR International	9.0%	14.4%	2.8%	8.1%	10.0%	17,472,369
Irish Life (Ind) Fidelity Managed Intl*	4.1%	11.6%	-1.2%	Not Started	Not Started	21,931,222
New Irl (Ind) Pension International 2*	7.1%	10.3%	1.2%	8.0%	9.2%	2,709,121,000
Royal Liver (Ind) International Equity	5.4%	14.1%	2.9%	Not Started	Not Started	11,995,926
Standard (Ind) International Equity 1	12.9%	15.7%	3.9%	8.4%	10.1%	30,701,000
MoneyMate Sector Average	10.4%	13.9%	2.9%	8.1%	9.4%	
Managed Aggressive						
Eagle Star (Ind) Dynamic	17.9%	19.5%	8.8%	10.5%	14.3%	773,457,000
Acorn Life (Ind) Pension Managed Growth	17.1%	18.0%	6.8%	10.6%	11.3%	231,200,000
Hib Life & Pen NU (Ind) Focussed Managed I	14.7%	15.6%	6.4%	Not Started	Not Started	900,000
Lifetime/BIAM (Ind) Pen Opportunity	10.5%	12.5%	5.7%	9.2%	11.2%	79,416,000
New Irl (Ind) 2016/2040 Series 3*	12.2%	13.8%	6.3%	10.5%	Not Started	1,036,878,000
Royal Liver (Ind) Managed Fund	12.6%	15.3%	6.4%	Not Started	Not Started	48,714,425
MoneyMate Sector Average	13.6%	15.2%	6.5%	10.2%	12.4%	
Managed Balanced						
Eagle Star (Ind) Balanced	14.4%	16.4%	8.1%	10.4%	13.3%	1,006,326,000
Eagle Star (Ind) Performance	16.5%	18.6%	8.9%	10.6%	13.6%	757,050,000
Acorn Life (Ind) Pension Managed	13.6%	14.7%	6.5%	9.7%	10.9%	161,200,000
Ark Life (Ind) Pension Managed 2	11.7%	13.6%	4.3%	7.4%	Not Started	470,261,000
Canada Life (Ind) Setanta Pension Managed*	9.3%	13.3%	6.1%	8.6%	9.9%	991,268,761
Friends (Ind) Managed	13.2%	14.9%	6.9%	9.5%	10.6%	1,004,599,000
Hibernian L&P Pension (Hib) HRR Managed	13.3%	14.9%	6.8%	10.1%	10.9%	204,049,324
Irish Life Exempt Managed 1	13.2%	15.9%	7.6%	9.8%	10.2%	35,117,135
Lifetime/BIAM (Ind) Pen Growth	10.7%	12.5%	6.6%	9.6%	11.1%	2,442,410,000
New Irl (Ind) Pension Managed 3	10.4%	12.6%	6.8%	10.7%	11.3%	2,442,410,000
Standard (Ind) Managed 1	14.0%	16.0%	6.8%	8.5%	10.3%	309,414,000
MoneyMate Sector Average	12.5%	13.5%	6.1%	9.6%	10.8%	
Irish Equity						
Eagle Star (Ind) Irish Equity	36.3%	Not Started	Not Started	Not Started	Not Started	11,266,000
Ark Life (Ind) Pension Irish	23.4%	21.6%	10.6%	Not Started	Not Started	2,374,000
Friends (Ind) Irish Equity	31.0%	25.5%	14.3%	15.2%	15.6%	240,365,000
Hib Life & Pen NU (Ind) Irish Equity*	31.4%	26.5%	15.6%	Not Started	Not Started	3,641,378
New Irl (Ind) Pension Irish Equity 3*	28.7%	24.5%	16.9%	16.7%	Not Started	1,468,118,000
Royal Liver (Ind) Irish Equity	30.8%	25.3%	12.2%	Not Started	Not Started	15,226,101
Standard (Ind) Irish Equity 1	30.6%	26.0%	13.4%	13.8%	15.0%	17,855,000
MoneyMate Sector Average	31.3%	25.0%	13.1%	14.9%	15.5%	
Euro Equity						
Eagle Star Eurozone	24.1%	24.0%	Not Started	Not Started	Not Started	9,848,000
Ark Life Eurozone 2	12.8%	14.1%	2.4%	Not Started	Not Started	140,359,000
Hibernian L&P Euro Equity	18.9%	18.3%	5.6%	Not Started	Not Started	42,723,795
New Ireland Euroland Equity S 9	18.5%	16.2%	2.7%	Not Started	Not Started	17,657,000
MoneyMate Sector Average¹	18.8%	16.6%	3.3%	N/A	N/A	

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

Investment Performance Report

Annualised Performance as at 31st December 2006



	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
European Equity²						
Eagle Star 5★5 Europe	26.3%	32.4%	Not Started	Not Started	Not Started	113,416,000
BOI Life - Unit Funds European Ex UK 2	12.4%	15.2%	2.9%	Not Started	Not Started	1,535,100,000
Canada Life/Setanta European Equity	17.1%	18.4%	6.0%	Not Started	Not Started	15,308,572
Friends First European Equity	19.7%	18.3%	Not Started	Not Started	Not Started	311,025,000
Hibernian L&P European Equity	16.8%	17.9%	5.4%	Not Started	Not Started	9,110,243
Irish Life Europascope 2	17.1%	16.0%	3.0%	Not Started	Not Started	24,362,967
New Ireland European Equity S 9	12.0%	14.6%	2.4%	Not Started	Not Started	493,634,000
Royal Liver European Equity	16.5%	20.0%	7.8%	Not Started	Not Started	7,631,054
Standard Life MW European Equity 5*	22.5%	20.3%	7.3%	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	20.1%	19.2%	6.6%	N/A	N/A	
Far East Equity²						
Eagle Star 5★5 Asia Pacific	20.8%	27.2%	Not Started	Not Started	Not Started	58,821,000
BOI Life - Unit Funds Far East Equity 2	0.8%	12.9%	3.9%	Not Started	Not Started	1,594,000
Hibernian L&P Pacific Basin Equity	13.2%	19.7%	10.4%	Not Started	Not Started	4,648,322
Irish Life Indexed Pacific Basin 1	13.2%	21.3%	9.8%	Not Started	Not Started	670,148
New Ireland Pacific Basin S 9	16.0%	19.2%	9.2%	Not Started	Not Started	75,415,000
Standard Life MW Pacific Basin Equity 5*	16.1%	18.2%	7.6%	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	15.1%	19.8%	8.1%	N/A	N/A	
American Equity²						
Eagle Star 5★5 Americas	3.1%	15.3%	Not Started	Not Started	Not Started	10,620,000
BOI Life - Unit Funds North American 2	1.7%	3.7%	-1.9%	Not Started	Not Started	1,194,428,000
Hibernian L&P US Equity	0.1%	8.3%	-2.1%	Not Started	Not Started	4,774,430
Irish Life Indexed US 1	2.0%	8.2%	-2.7%	Not Started	Not Started	691,323
New Ireland North American S 9	1.1%	3.2%	-2.3%	Not Started	Not Started	358,818,000
Standard Life MW North American Equity 5*	1.9%	7.2%	-3.0%	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	1.0%	7.3%	-1.8%	6.8%	N/A	
Concentrated Funds³						
Eagle Star 5★5	10.9%	19.5%	11.2%	Not Started	Not Started	262,867,000
New Ireland Smart Stocks 15	3.2%	3.9%	-3.9%	Not Started	Not Started	9,209,000
New Ireland Smart Stocks 35	4.3%	6.6%	-2.0%	Not Started	Not Started	9,322,000
Canada Life/Setanta Focus 15	14.6%	14.7%	-0.5%	Not Started	Not Started	122,844,575
Hib Life & Pens Target 20	4.0%	10.0%	-3.1%	Not Started	Not Started	65,305,952
Average of Selected Funds	7.4%	10.9%	0.3%	N/A	N/A	
Property³						
Eagle Star Eurozone Property	50.3%	Not Started	Not Started	Not Started	Not Started	80,699,000
BOI Life - Unit Funds Property 2	18.1%	14.8%	11.9%	Not Started	Not Started	831,714,000
Canada Life/Setanta Property	19.6%	15.2%	14.5%	Not Started	Not Started	244,638,831
Friends First Property	18.5%	17.2%	16.9%	18.8%	15.7%	213,859,000
Hibernian L&P Irish Property	17.8%	19.0%	15.2%	Not Started	Not Started	28,264,680
Irish Life Property 1	22.1%	17.0%	12.4%	Not Started	Not Started	1,719,743
New Ireland Property S 9	17.5%	14.3%	10.9%	Not Started	Not Started	209,248,000
Standard Life MW Property 5*	14.6%	15.5%	12.1%	Not Started	Not Started	51,207,000
MoneyMate Sector Average¹	20.5%	16.9%	13.5%	18.8%	15.7%	
Specialist Funds³						
Eagle Star Dividend Growth	19.6%	Not Started	Not Started	Not Started	Not Started	136,570,000
Hibernian L&P High Yield	19.1%	16.3%	7.1%	Not Started	Not Started	30,302,610
Canada Life CL/Set Equity Div Non Dis	15.1%	15.8%	Not Started	Not Started	Not Started	223,534,429
Blokhams High Yield 2	19.4%	18.8%	Not Started	Not Started	Not Started	255,244,615
Average of Selected Funds	18.3%	16.9%	7.1%	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 31/12/2006.

- 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.

* Note that this fund is no longer open to New Business.