

Monthly Investment Review



For July 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.**

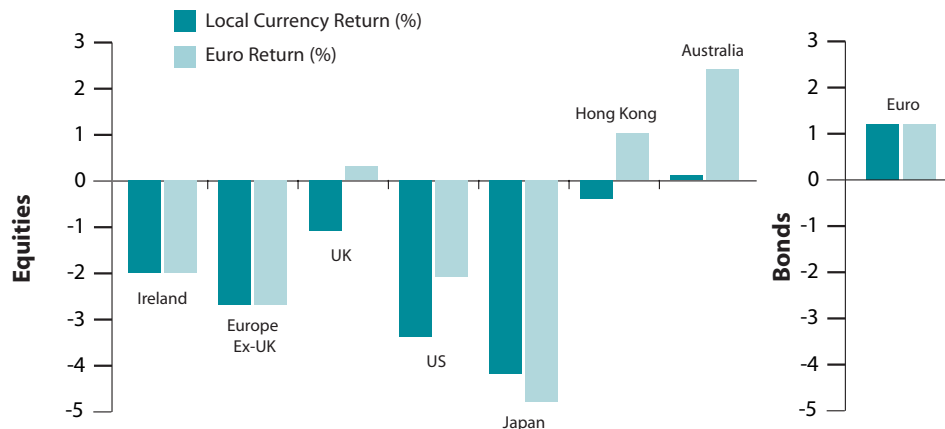
If you require further information, contact your Eagle Star Broker Consultant or your Sales Support Team.

Equity and Bond % Returns

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

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 poor month, falling by over 2%, leaving year-to-date performance up just under 4%. Parts of Asia ex-Japan held up well during July as investors became less concerned about the likely effects of government moves to slow down Chinese economic growth, although Taiwan and Korea fell heavily. Equities, in general, however, were hit by a further rise in oil prices, somewhat subdued US economic data and concerns over the outlook for some corporate earnings, especially in the technology sector.
- Bonds, conversely, had a positive month rising by over 1%, helped initially by US economic data which was somewhat weaker than expected, e.g. US payrolls, retail sales and the consumer price index. Eurozone and US bonds performed broadly in line.
- A slew of second quarter corporate earnings results were announced during the period. On balance, results were strong with a majority coming in ahead of market expectations. Where there was disappointment was in the outlook for the remainder of the year for a number of technology companies. Positive surprises, however, were announced by McDonald's, General Electric, Verizon and IBM. In Europe, good results were announced by Novartis, Ericsson and Renault, while companies to disappoint included Nokia, Swiss reinsurer Convergium and UK food retailer Sainsbury.
- Other major corporate news was the rejection of the final bid from Philip Green for Marks & Spencer, the announcement by Abbey National that it is in bid talks with Banco Santander Central Hispano and, in a most unusual development in the normally clubby world of Japanese banking, a possible takeover battle for UFJ (Japan's fourth largest bank by assets).
- The US dollar finished the period slightly stronger at 1.20 against the euro but this hides some significant volatility, with the dollar weakening to above 1.24 on the back of generally weaker than expected US economic data before strengthening to 1.20 following Fed Chairman Greenspan's more sanguine testimony to Congress.

Eagle Star's Asset Allocation

The funds are overweight in equities and neutral in bonds.

Equities

Countries & Markets: overweight & underweight positions

The fund managers maintained the equity weighting at an overweight position during the period based on the prospect that recent weakness in markets is temporary, exacerbated by the summer lull in trading volumes. Positions were marginally increased in Europe at the expense of the UK. The funds are currently significantly overweight in Europe and underweight in the US, the UK and Ireland. The European position is based on the good earnings picture, more attractive valuations and the fact that the Eurozone is not at an advanced stage along the economic cycle.

Sectors: overweight & underweight positions

The funds remained broadly stable in their sectoral positions in July. Overweight positions were maintained in economically sensitive sectors such as general industrials and basic industries. The main change during the month was a reduction in non-cyclical consumer goods stocks (mainly US pharmaceuticals). Financials were increased slightly due to a reduction in short-rate expectations, while the technology weighting fell back due to natural attrition.

Bonds

Bond prices followed June's modest gains with a stronger performance in July. There was little adverse impact from the Fed's first rate hike in four years as it was heavily discounted by investors. Subsequently, there was some weaker US economic data which pushed bond prices higher, although the official Fed view is that any June weakness was temporary. In the Eurozone, the economic data has actually been better than forecast of late. The ECB has maintained its neutral stance while continuing to worry about the impact of rising oil prices on inflation and wage setting behaviour. For the month as a whole, the over five year euro government index returned 1.2%. Bond positions were slightly underweight at the start of the period but had returned to a neutral position by the end of the period.

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

St. Gobain

St. Gobain is a leading French based building materials group. The company has leading manufacturing positions in a number of areas such as flat glass, insulation and high performance materials. In addition, the company is a major building distribution entity. The majority of its profits are earned in Europe. St. Gobain has a policy of investing for organic growth in emerging markets and of making bolt-on acquisitions. St. Gobain runs its various businesses on a strict free cash flow generation criterion. The company trades at a discount to its peers despite superior end market exposures.

Healthcare

Johnson & Johnson

Johnson & Johnson (JNJ) is a leading global healthcare company operating in pharmaceuticals (JNJ's largest segment), consumer, and medical technology divisions. Pharmaceutical sales continue to be led by Risperdal (an antipsychotic), Procrit (for anaemia), Duragesic (pain management) and Remicade (rheumatoid arthritis). JNJ's consumer products segment makes OTC (over the counter) drugs, and products for skin and hair care, baby care, oral care, first aid, and women's health and nutrition. JNJ's medical technology division includes products such as surgical equipment, medical monitoring devices and disposable contact lenses. The stock has historically outperformed when the profits cycle is decelerating in the US. The valuation of the stock is attractive relative to its history.

Technology & Telecom

Software AG

Software AG is Germany's second largest software firm. The majority of the company's licence revenues

come from its mainframe database management business. The company has increasingly been shifting its focus to the e-business software segment, which includes middleware software and native XML software. A new management team is now running the company and they have focussed on cash and revenue generation. To date the results have been good, with evidence of improving licence revenues. The company trades at a significant valuation discount to its peers.

Consumer

PSA Peugeot Citroën

PSA Peugeot Citroën manufactures automobiles and light commercial vehicles under the Peugeot and Citroën names. The company, through subsidiaries, also manufactures automobile components, wheeled light-armoured vehicles, and components for the aerospace and military sectors. The management is still very focused on growth, with the addition of 500,000 units of new capacity by the end of 2005. The company is experiencing a product cycle renewal following the introduction of the 407 and additional replacement models in the near future. Peugeot is currently one of the cheapest stocks in the sector.

Financial

Goldman Sachs

Goldman Sachs is one of the world's largest investment banks. It is a consistent top-tier global player in key high-margin lines of business such as equity underwriting, mergers and acquisitions (M&A). It is benefiting from the recent increase in initial public offerings and M&A activity. The company is exceptionally creative and aggressive and is one of two dominant Prime Brokers to the fast-growing hedge fund industry. The valuation is attractive with the stock trading below its historical price-to-book multiple.

Global Outlook

- Activity levels in the global economy remain high, although there has been some softness in recent US data. The eurozone has been a laggard but is improving. Japan is the fastest-growing G7 economy according to recent data. The much-watched Chinese economy is slowing from a period of torrid growth. A high and sustained oil price is a growth negative but also boosts inflation.
- 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 loss of momentum in the pace of economic expansion, albeit from high levels.
- 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. Underlying profit strength and lower valuations than last year offer support to equity markets, although recent earnings' guidance from US companies has been a bit disappointing.

Investment Performance Report

Annualised Performance to 3rd August 2004

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Fund Size (€)
Cash						
Eagle Star Secure	0.98%	1.70%	2.85%	3.42%	4.89%	70,422,000
Acorn Life Pension Deposit	0.90%	1.59%	2.45%	2.98%	4.41%	4,500,000
Ark Life Pension Assured 2	0.69%	1.13%	1.90%	2.40%	Not Started	18,924,000
Canada Life Setanta Pension Money	0.76%	1.33%	2.20%	2.64%	3.70%	33,360,000
Friends Cash	0.82%	2.44%	2.43%	2.71%	3.77%	73,063,900
Hibernian L&P Pension Cash	1.15%	1.66%	2.37%	Not Started	Not Started	44,700,000
Irish Life Exempt Cash 1	0.84%	1.50%	2.24%	2.72%	3.84%	300,000
Lifetime/BIAM Pen Security	0.64%	1.14%	1.90%	2.24%	3.55%	9,502,000
New Ireland Pension Cash 2	0.79%	1.38%	1.94%	2.50%	3.63%	38,398,000
Royal Liver Money Fund	0.44%	0.78%	1.61%	Not Started	Not Started	3,109,751
Standard Cash 1 G	0.65%	1.20%	1.98%	2.48%	3.54%	18,673,000
MoneyMate Sector Average	0.82%	1.52%	2.29%	2.76%	3.96%	
Fixed Interest						
Eagle Star Active Pension	3.89%	4.87%	7.13%	7.36%	Not Started	37,143,000
Eagle Star Long Bond Fund	4.28%	5.86%	Not Started	Not Started	Not Started	8,507,000
Canada Life Setanta Pen Fixed Interest	2.96%	4.14%	5.75%	5.92%	8.08%	8,830,000
Friends Fixed Interest	2.60%	4.47%	6.70%	5.72%	8.92%	159,226,900
Hibernian L&P Pension (Hib) H-R Gilt	4.26%	6.39%	8.24%	6.78%	9.42%	11,400,000
Irish Life Exempt Fixed Interest 2	2.93%	4.32%	6.33%	5.85%	8.72%	4,000,000
New Ireland Pension Gilt Edge 2	2.30%	3.38%	6.36%	5.82%	8.58%	532,336,000
Royal Liver Fixed Interest	1.85%	2.28%	5.49%	Not Started	Not Started	6,194,105
Standard Fixed Interest 1 G	2.86%	3.85%	4.79%	4.73%	7.86%	6,718,000
MoneyMate Sector Average	2.85%	4.13%	6.61%	6.07%	8.68%	
International Equity						
Eagle Star International Dynamic	1.19%	7.27%	-6.90%	-0.80%	Not Started	32,477,000
Ark Life Pension Global	1.79%	7.09%	Not Started	Not Started	Not Started	2,874,000
Canada Life Passive Equity 2	2.77%	7.16%	Not Started	Not Started	Not Started	1,610,000
Friends International Equity 2	2.99%	8.35%	-9.02%	-5.21%	6.33%	618,585,000
Hibernian L&P Pension (Hib) H-R International	3.13%	10.03%	-9.05%	-4.08%	5.89%	13,800,000
Irish Life Fidelity Managed Intl	0.15%	5.28%	-14.48%	Not Started	Not Started	Not available
New Ireland Pension International 2	2.80%	9.28%	-8.22%	-1.48%	7.04%	1,557,840,000
Royal Liver International Equity	2.21%	11.71%	-8.93%	Not Started	Not Started	5,992,237
Standard International Equity 1 G	2.62%	8.43%	-8.76%	-3.23%	6.58%	14,029,000
MoneyMate Sector Average	2.78%	8.67%	-8.92%	-3.67%	5.90%	
Managed Aggressive						
Eagle Star Dynamic	3.94%	11.63%	-3.56%	-1.36%	8.94%	322,452,000
Acorn Life Pension Managed Growth	3.48%	12.52%	-6.11%	-1.30%	8.39%	146,900,000
Hib Life & Pen NU Focussed Managed E	4.59%	12.06%	-2.81%	0.83%	Not Started	14,000,000
Lifetime/BIAM Pen Opportunity	3.61%	10.28%	-4.30%	1.92%	9.24%	7,325,000
New Ireland 2016/2040 Series 3	3.92%	10.96%	-2.47%	1.64%	9.88%	491,249,000
Royal Liver Managed Fund	4.62%	13.40%	-3.68%	Not Started	Not Started	16,068,141
MoneyMate Sector Average	3.67%	10.71%	-3.70%	0.24%	9.28%	
Managed Balanced						
Eagle Star Balanced	3.92%	10.03%	-1.58%	0.53%	9.65%	487,769,000
Eagle Star Performance	3.71%	10.40%	-2.57%	-0.43%	9.23%	368,925,000
Acorn Life Pension Managed	3.38%	10.05%	-3.29%	0.46%	8.96%	110,800,000
Ark Life Pension Managed 2	2.16%	6.52%	-6.50%	-2.85%	Not Started	288,902,000
Canada Life Setanta Pension Managed	4.80%	11.61%	-2.23%	0.48%	8.44%	240,580,000
Friends Managed	4.03%	10.52%	-2.56%	-0.03%	8.67%	715,475,400
Hibernian L&P Pension (Hib) H-R Managed	5.00%	11.75%	-2.15%	0.91%	9.01%	161,200,000
Irish Life Exempt Active Managed 2	4.93%	12.09%	-2.24%	1.30%	8.32%	530,000,000
Lifetime/BIAM Pen Growth	3.69%	9.80%	-2.30%	2.87%	9.69%	461,774,000
New Ireland Pension Managed 2	3.84%	10.07%	-0.68%	2.80%	10.17%	1,777,938,000
Standard Managed 1 G	4.14%	10.19%	-3.74%	-0.69%	7.49%	129,899,000
MoneyMate Sector Average	3.81%	10.18%	-2.62%	0.83%	8.73%	

Investment Performance Report

Annualised Performance to 3rd August 2004

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Fund Size (€)
Euro Equity						
Eagle Star Eurozone G	3.61%	15.71%	Not Started	Not Started	Not Started	1,694,000
Ark Life Eurozone 2 G	-1.38%	7.96%	-11.33%	Not Started	Not Started	76,895,000
Hibernian L&P Euro Equity G	1.56%	11.92%	-9.02%	Not Started	Not Started	800,000
New Ireland Euroland Equity 9 G	2.34%	11.14%	-11.81%	Not Started	Not Started	5,415,000
MoneyMate Sector Average¹	0.26%	10.07%	-11.01%	N/A	N/A	
European Equities²						
Eagle Star 5★5 Europe	8.50%	Not Started	Not Started	Not Started	Not Started	2,125,000
BOI Life - Unit Funds European Ex UK 2 G	2.74%	11.02%	-10.48%	Not Started	Not Started	4,089,000
Canada Life /Setanta European Equity G	3.12%	11.99%	-7.89%	Not Started	Not Started	7,930,000
Friends First European Equity	0.54%	8.23%	Not Started	Not Started	Not Started	210,348,000
Hibernian L&P European Equity G	1.91%	11.94%	-9.78%	Not Started	Not Started	2,400,000
Irish Life Europascope 2 G	0.00%	9.41%	-11.63%	Not Started	Not Started	16,960,000
New Ireland European Equity 8 G	3.22%	12.18%	-9.36%	Not Started	Not Started	5,415,000
Royal Liver European Equity G	5.96%	16.89%	-6.78%	Not Started	Not Started	3,783,064
Standard Life MW European Equity 5 G	0.71%	10.52%	-7.93%	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	2.57%	11.77%	-8.87%	-3.62%	N/A	
Far East Equity²						
Eagle Star 5★5 Asia Pacific	5.40%	Not Started	Not Started	Not Started	Not Started	4,441,000
BOI Life - Unit Funds Far East Equity 2 G	1.27%	5.28%	-7.67%	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	1.58%	9.87%	-1.42%	Not Started	Not Started	500,000
Irish Life Indexed Pacific Basin 1 G	2.79%	9.71%	-2.44%	Not Started	Not Started	350,000
New Ireland Pacific Basin 8 G	-1.42%	5.83%	-2.90%	Not Started	Not Started	87,813,000
Standard Life MW Pacific Basin Equity 5 G	-0.91%	3.90%	-3.72%	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	0.11%	7.64%	-4.97%	N/A	N/A	
American Equity²						
Eagle Star 5★5 Americas	2.40%	Not Started	Not Started	Not Started	Not Started	896,000
BOI Life - Unit Funds North American 3 G	2.48%	6.75%	-6.80%	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	4.71%	9.01%	-11.49%	Not Started	Not Started	1,100,000
Irish Life Fidelity American Growth 1 G	-3.49%	2.29%	-11.54%	Not Started	Not Started	650,000
New Ireland North American 8	3.35%	8.42%	-5.13%	Not Started	Not Started	378,946,000
Standard Life MW North American Equity 5 G	3.40%	2.44%	-11.69%	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	3.03%	5.27%	-10.96%	0.71%	N/A	
Concentrated Funds³						
Eagle Star 5★5	6.23%	10.65%	2.15%	Not Started	Not Started	103,681,000
New Ireland Smart Stocks 15	1.88%	5.30%	-9.61%	Not Started	Not Started	13,497,000
New Ireland Smart Stocks 35	2.36%	5.64%	-9.65%	Not Started	Not Started	11,513,000
Canada Life /Setanta Focus 15	2.79%	5.74%	-14.74%	Not Started	Not Started	37,460,000
Hib Life & Pens Target 20	-2.78%	2.39%	-16.63%	Not Started	Not Started	28,400,000
Average of Selected Funds	2.10%	5.94%	-9.70%	N/A	N/A	
Consensus Funds⁴						
Irish Life Exempt Consensus	5.17%	11.29%	-2.86%	0.52%	Not Started	680,900,000
Friends Individual Consensus	4.88%	11.10%	-2.72%	0.66%	Not Started	14,694,900
Canada Life Consensus Index 1	4.02%	11.12%	-3.93%	-0.05%	Not Started	32,160,000
Hib Life & Pen NU Pen Grp Consensus	5.02%	11.70%	-2.76%	0.47%	Not Started	90,100,000
BIAM (Grp) EUT Consensus Fund	8.79%	14.92%	-2.03%	Not Started	Not Started	Not Available
Average of Selected Funds	5.58%	12.02%	-2.86%	0.40%	N/A	

Source: MoneyMate as at 10/08/04.

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.

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.