Monthly investment review

Best Investment Manager 2006 (MoneyMate)

For August 2006

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.

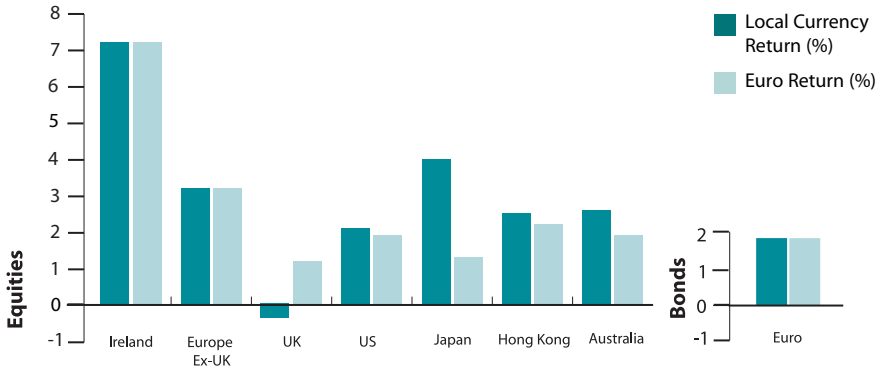
EAGLE STAR

Equity and Bond % Returns

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

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 in August - the third month in a row of positive returns. Indices have now regained much of the losses sustained during the sharp correction in May. World equities (in euro terms) were up 2.3% in August, giving a total return of 1.5% for the first eight months of 2006. In dollar terms, the world market is up a more impressive 10% reflecting the weakness of the US currency especially against the euro, sterling and the Swiss franc. With the exception of the UK (which experienced an unexpected 0.25% rise in interest rates) markets were strong across the board with Ireland +7%, Japan +4% and Europe +3% providing the best returns. The catalyst was the reduction in future interest rate expectations in both the US and Europe. Investors now expect no more rate rises in the US while euro rates are now forecast to rise to 3.75% rather than the previous estimate of 4.0%.
- Equities remain supported by a generally positive economic growth and corporate earnings backdrop as well as relatively benign inflation and resonable valuations. 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.
- Sectorwise, there was no clear picture in August between the cyclical and defensive segments of the markets. The exception to this was the technology sector which rose by close to 8% during the month. However this was mainly a technical situation as these stocks have been serial underperformers and remain the worst performing sector so far this year.
- Eurozone bonds performed strongly for the second month in a row, with a total return of 1.8% in August. Eurozone bonds followed their US counterparts which were positively affected by more benign economic data and a reduction in US interest rate expectations.
- Corporate news was slack following the second quarter reporting season in July which saw better than expected results. The main features in August were strong earnings figures from a number of European financials including AIB, UBS and Munich Re. In the US there were mixed results with Hewlett Packard and Proctor & Gamble declaring strong figures while Dell and Analog Devices disappointed.
- The US dollar was little change in August against the euro with the €/$ rate ending the period at 1.28.

Eagle Star's Asset Allocation

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

Equities

Countries & Markets: Overweight & Underweight positions

The fund mangers maintained a slightly overweight position in equities in August. 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 August were overweight Europe, underweight Ireland and the US and more neutral in the other regions.

Sectors: Overweight & Underweight positions

Due to ongoing changes in the economic environment, the cyclical bias of the portfolio has been reduced to neutral over the last few months. A corresponding increase in defensive stocks, such as US pharmaceuticals, has also taken place. The funds currently have pretty balanced sectoral positions.

Bonds

US and eurozone bond markets recorded further gains during August adding to the strong performance during July. The US was the lead market, aided by a pause in Fed rate hikes and bond-friendly economic data, both of which helped to lower future interest rate expectations and leaving investors thinking firmly of a near term peak in the rate hiking cycle. This environment helped bond prices in the eurozone also. This despite strong rhetoric from ECB members following the well flagged 0.25% rate hike to 3% earlier in the month. Thoughts of a peak in the US rate cycle, strong bond prices in the US plus some softer eurozone economic data were all taken positively by eurozone bond markets. For August as a whole the Merrill Lynch Over 5 Year Government Bond Index rose 1.8% paring back the year to date negative performance to -1.7%.

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

Holcim

Holcim is one of the world's leading suppliers of cement, as well as aggregates (sand and gravel), and readymix concrete. The company has a strategy of broad geographical diversification worldwide, with a strong presence in the emerging markets allowing it a strong organic sales growth profile. In addition, themanagement are focussed on improving cost efficiency in well established production processes. Holcim invests organically and via acquisition. Holcim trades at a valuation in line with its peers despite a more favourable geographical sales profile.

Finance

ING Group

ING Group is a global financial institution offering banking, insurance and asset management. Based on market capitalisation, ING is one of the 20 largest financial institutions worldwide and ranked in the top 10 in Europe. The company has operations in the Americas, the Netherlands and Central and Eastern Europe. ING is in a strong and quite unique position where strong earnings can fund growth in banking and insurance, as well as sustaining a high dividend yield.

Consumer

Volkswagen AG

Volkswagen is the largest car maker in Europe. Mr Bernhard, the CEO of VW brand group, is implementing a restructuring plan to lift profit margins via cost cuts. In addition, the company has now better capital expenditure discipline, which combined with a strong sales from recent model introductions is leading to excellent cash flow and profit growth. Volkswagen trades in line with its high volume peers despite having material exposure to more luxury sales through the strongly performing Audi division.

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 basis.

Healthcare

Novartis AG

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 its strategy of diversification into generic drugs and into consumer health care serves to cushion the impact of setbacks in the more risky pharmaceuticals division. The company has recently entered the vaccines market through its acquisition of Chiron and integration is reported to be progressing rapidly. Novartis has a very strong balance sheet and buys back its own shares annually. The company trades in line with its peers.

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 have been focused all year on cyclical inflation pressures and strong commodity prices and short rates globally have risen further.
- The Fed paused in its policy of raising US interest rates at its last meeting, leaving them unchanged at 5.25%. Investors now believe that interest rates have peaked for this cycle. This expectation remains dependent on a slowing in the growth rate and no further acceleration in inflation.
- The ECB increased rates to 3% last month, as fully expected by the market. Investors still expect rates to end this year between 3.25% and 3.5%. Bond prices have taken some comfort of late from well-behaved underlying inflation data and the thought that growth might peak in 2006.
- 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 continue to be a concern and periods of volatility are likely. 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 August 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	***1.51%***	***2.11%***	***1.88%***	***2.46%***	***3.98%***	***5.59%***	***119,437,000***
Acorn Life (Ind) Pension Deposit	1.47%	2.05%	1.74%	2.15%	3.39%	5.19%	2,700,000
Ark Life (Ind) Pension Assured 2	1.07%	1.33%	1.27%	1.63%	Not Started	Not Started	21,972,000
Canada Life (Ind) Setanta Pension Money	1.30%	1.78%	1.49%	1.90%	2.96%	4.47%	142,968,302
Friends (Ind) Cash	1.24%	1.69%	1.89%	2.05%	3.05%	4.60%	39,786,000
Hibernian L&P Pension Cash	1.41%	1.92%	1.70%	2.09%	Not Started	Not Started	1,031,500
Irish Life (Ind) Exempt Cash 1	1.30%	1.80%	1.57%	1.96%	3.10%	4.52%	750,382
Lifetime/BIAM (Ind) Pen Security	1.11%	1.48%	1.21%	1.63%	2.65%	3.99%	77,807,000
New Irl (Ind) Pension Cash 2	1.27%	1.73%	1.45%	1.75%	2.90%	4.53%	77,807,000
Royal Liver (Ind) Money Fund	0.84%	1.12%	0.90%	1.28%	Not Started	Not Started	7,492,170
Standard (Ind) Cash 1 G	1.16%	1.61%	1.35%	1.72%	2.82%	4.41%	33,896,000
MoneyMate Sector Average[1]	***1.18%***	***1.62%***	***1.46%***	***1.93%***	***3.14%***	***4.70%***	
Fixed Interest							
Eagle Star Active Fixed Income	***-1.55%***	***-1.53%***	***5.66%***	***6.49%***	***9.38%***	***Not Started***	***79,819,000***
Eagle Star Long Bond Fund	***-3.06%***	***-2.22%***	***7.20%***	***Not Started***	***Not Started***	***Not Started***	***15,764,000***
Canada Life (Ind) Setanta Pen Fixed Interest	-1.98%	-2.27%	4.40%	5.14%	6.91%	8.06%	464,681,388
Friends (Ind) Fixed Interest	-2.58%	-2.81%	4.76%	5.58%	7.48%	8.72%	156,038,000
Hibernian L&P Pension (Hib) H-R Gilt	-0.68%	-0.54%	5.72%	6.93%	8.26%	8.78%	37,105,543
Irish Life (Ind) Exempt Fixed Interest 2	-2.07%	-2.32%	4.80%	5.75%	7.48%	8.38%	2,518,142
New Irl (Ind) Pension Gilt Edge 2	-2.54%	-2.79%	4.38%	5.66%	7.52%	8.34%	686,499,000
Royal Liver (Ind) Fixed Interest	-3.11%	-3.74%	3.48%	4.71%	Not Started	Not Started	25,675,323
Standard (Ind) Fixed Interest 1 G	-2.15%	-0.01%	5.75%	5.28%	6.87%	8.15%	18,762,000
MoneyMate Sector Average[1]	***-1.76%***	***-1.80%***	***4.61%***	***5.77%***	***7.61%***	***8.41%***	
International Equity							
Eagle Star (Ind) International Equity	***1.77%***	***14.58%***	***13.87%***	***4.23%***	***Not Started***	***Not Started***	***43,505,000***
Ark Life (Ind) Pension Global	4.55%	15.43%	12.70%	Not Started	Not Started	Not Started	6,867,000
Canada Life (Ind) Passive Equity 1	1.74%	9.94%	9.29%	Not Started	Not Started	Not Started	4,342,977
Friends (Ind) International	3.01%	14.08%	12.52%	1.85%	6.85%	7.35%	809,062,000
Hibernian L&P Pension (Hib) H-R International	3.11%	14.85%	13.20%	2.07%	7.98%	9.63%	17,472,369
Irish Life (Ind) Fidelity Managed Intl	-1.71%	10.64%	9.29%	-2.42%	Not Started	Not Started	21,931,222
New Irl (Ind) Pension International 2	0.76%	9.41%	9.01%	0.49%	7.83%	8.16%	2,681,054,000
Royal Liver (Ind) International Equity	-3.98%	10.01%	10.94%	1.37%	Not Started	Not Started	11,925,913
Standard (Ind) International Equity 1 G	3.40%	15.78%	12.72%	2.90%	8.02%	8.95%	36,990,000
MoneyMate Sector Average[1]	***2.33%***	***12.91%***	***11.96%***	***2.27%***	***7.28%***	***8.38%***	
Managed Aggressive							
Eagle Star (Ind) Dynamic	***7.02%***	***18.70%***	***17.24%***	***6.99%***	***10.02%***	***13.26%***	***654,348,000***
Acorn Life (Ind) Pension Managed Growth	5.80%	17.28%	15.28%	4.86%	10.00%	10.18%	220,200,000
Hib Life & Pen NU (Ind) Focussed Managed D	4.48%	10.99%	11.32%	5.13%	Not Started	Not Started	12,100,000
Lifetime/BIAM (Ind) Pen Opportunity	2.30%	9.84%	10.77%	3.18%	9.32%	10.13%	76,667,000
New Irl (Ind) 2016/2040 Series 3	3.54%	11.68%	12.07%	5.08%	10.37%	Not Started	983,493,000
Royal Liver (Ind) Managed Fund	1.00%	10.00%	12.60%	4.25%	Not Started	Not Started	43,678,745
MoneyMate Sector Average[1]	***4.96%***	***14.37%***	***13.39%***	***4.94%***	***9.93%***	***11.33%***	
Managed Balanced							
Eagle Star (Ind) Balanced	***5.32%***	***14.72%***	***14.43%***	***6.69%***	***10.25%***	***12.50%***	***876,790,000***
Eagle Star (Ind) Performance	***6.17%***	***16.83%***	***16.25%***	***7.14%***	***10.24%***	***12.71%***	***668,865,000***
Acorn Life (Ind) Pension Managed	4.49%	13.37%	12.46%	4.93%	9.42%	10.18%	160,100,000
Ark Life (Ind) Pension Managed 2	4.48%	13.36%	11.66%	2.75%	Not Started	Not Started	470,261,000
Canada Life (Ind) Setanta Pension Managed	3.98%	10.64%	12.80%	5.11%	8.87%	9.39%	949,622,008
Friends (Ind) Managed	4.15%	13.69%	13.10%	5.37%	9.31%	9.71%	1,014,399,000
Hibernian L&P Pension (Hib) H-R Managed	5.69%	14.81%	13.31%	5.56%	10.02%	10.49%	204,049,324
Irish Life (Ind) Exempt Active Managed 2	4.26%	13.79%	14.07%	5.85%	9.46%	9.36%	588,000,000
Lifetime/BIAM (Ind) Pen Growth	2.99%	9.96%	10.96%	4.38%	9.77%	10.34%	2,310,452,000
New Irl (Ind) Pension Managed 2	3.17%	10.23%	11.24%	5.57%	10.57%	10.47%	2,310,452,000
Standard (Ind) Managed 1 G	4.28%	14.99%	13.49%	5.32%	8.19%	9.54%	474,505,000
MoneyMate Sector Average[1]	***3.92%***	***12.11%***	***12.11%***	***4.89%***	***9.48%***	***10.08%***	
Irish Equity							
Eagle Star (Ind) Irish Equity	***13.26%***	***24.53%***	***Not Started***	***Not Started***	***Not Started***	***Not Started***	***6,482,000***
Ark Life (Ind) Pension Irish	9.62%	20.55%	18.61%	Not Started	Not Started	Not Started	2,374,000
Friends (Ind) Irish Equity	10.60%	22.45%	21.58%	10.36%	14.20%	13.86%	254,499,000
Hibernian L&P Pension Irish Equity	11.02%	22.22%	22.45%	11.96%	Not Started	Not Started	17,657,826
New Irl (Ind) Pension Irish Equity 3	10.25%	18.14%	20.69%	13.49%	15.87%	Not Started	1,361,595,000
Royal Liver (Ind) Irish Equity	6.73%	19.63%	20.84%	7.95%	Not Started	Not Started	13,452,683
Standard (Ind) Irish Equity 1 G	9.85%	22.72%	22.19%	8.90%	12.92%	13.34%	23,940,000
MoneyMate Sector Average[1]	***10.19%***	***21.82%***	***21.15%***	***9.35%***	***14.07%***	***13.69%***	
Euro Equity[2]							
Eagle Star Eurozone G	***11.25%***	***23.62%***	***22.87%***	***Not Started***	***Not Started***	***Not Started***	***6,377,000***
Ark Life Eurozone 2 G	7.32%	16.62%	14.20%	1.02%	Not Started	Not Started	140,359,000
Hibernian L&P Euro Equity G	8.94%	18.69%	17.27%	3.48%	Not Started	Not Started	42,723,795
New Ireland Euroland Equity S 9 G	9.22%	17.78%	15.29%	0.55%	Not Started	Not Started	17,118,000
MoneyMate Sector Average[1]	***8.90%***	***18.89%***	***16.10%***	***2.35%***	***N/A***	***N/A***	

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

Investment Performance Report

Annualised Performance as at 31st August 2006

EAGLE STAR

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
European Equity[2]							
Eagle Star 5★5 Europe	***12.66%***	***20.51%***	***Not Started***	***Not Started***	***Not Started***	***Not Started***	***82,605,000***
BOI Life - Unit Funds European Ex UK 2 G	5.67%	15.04%	15.06%	1.25%	Not Started	Not Started	1,535,100,000
Canada Life/Setanta European Equity G	9.14%	20.13%	18.16%	4.14%	Not Started	Not Started	15,308,572
Friends First European Equity G	8.87%	20.45%	16.68%	Not Started	Not Started	Not Started	307,573,000
Hibernian L&P European Equity G	7.88%	16.61%	17.12%	2.08%	Not Started	Not Started	9,110,243
Irish Life Europascope 2 G	8.33%	18.49%	15.93%	1.59%	Not Started	Not Started	24,362,967
New Ireland European Equity S 9 G	5.38%	14.52%	14.47%	0.91%	Not Started	Not Started	477,353,000
Royal Liver European Equity G	5.76%	14.47%	18.15%	4.30%	Not Started	Not Started	7,898,384
Standard Life MW European Equity 5 G	10.17%	23.44%	18.44%	5.83%	Not Started	Not Started	12,044,000
MoneyMate Sector Average[1]	***8.72%***	***19.50%***	***17.65%***	***4.77%***	***N/A***	***N/A***	
Far East Equity[2]							
Eagle Star 5★5 Asia Pacific	***2.23%***	***16.53%***	***Not Started***	***Not Started***	***Not Started***	***Not Started***	***44,622,000***
BOI Life - Unit Funds Far East Equity 2 G	-1.85%	14.64%	9.57%	4.26%	Not Started	Not Started	1,594,000
Hibernian L&P Pacific Basin Equity G	-0.32%	15.40%	14.92%	9.32%	Not Started	Not Started	4,648,322
Irish Life Indexed Pacific Basin 1 G	1.41%	16.58%	16.26%	9.33%	Not Started	Not Started	670,148
New Ireland Pacific Basin S 9 G	2.54%	13.12%	13.55%	7.78%	Not Started	Not Started	94,831,000
Standard Life MW Pacific Basin Equity 5 G	1.79%	15.34%	12.23%	7.17%	Not Started	Not Started	2,237,000
MoneyMate Sector Average[1]	***-0.91%***	***16.14%***	***13.59%***	***7.17%***	***N/A***	***N/A***	
American Equity[2]							
Eagle Star 5★5 Americas	***-3.56%***	***12.82%***	***Not Started***	***Not Started***	***Not Started***	***Not Started***	***8,369,000***
BOI Life - Unit Funds North American 2 G	-5.99%	0.00%	1.53%	-2.45%	Not Started	Not Started	1,194,428,000
Hibernian L&P US Equity G	-2.65%	5.83%	6.94%	-2.03%	Not Started	Not Started	4,774,430
Irish Life Indexed US 1 G	-3.28%	3.85%	4.93%	-3.10%	Not Started	Not Started	691,323
New Ireland North American S 9	-6.37%	-0.54%	1.05%	-2.76%	Not Started	Not Started	365,535,000
Standard Life MW North American Equity 5 G	-3.91%	2.40%	3.33%	-2.92%	Not Started	Not Started	7,383,000
MoneyMate Sector Average[1]	***-4.80%***	***2.72%***	***4.35%***	***-2.50%***	***6.51%***	***N/A***	
Concentrated Funds[3]							
Eagle Star 5★5	***2.59%***	***15.68%***	***16.43%***	***10.96%***	***Not Started***	***Not Started***	***236,754,000***
New Ireland Smart Stocks 15	-1.35%	4.07%	2.42%	-3.67%	Not Started	Not Started	9,167,000
New Ireland Smart Stocks 35	-1.84%	6.82%	4.43%	-2.56%	Not Started	Not Started	9,286,000
Canada Life/Setanta Focus 15	4.24%	12.01%	11.04%	-1.95%	Not Started	Not Started	122,095,303
Hib Life & Pens Target 20	-1.97%	6.99%	8.26%	-4.46%	Not Started	Not Started	65,305,952
Average of Selected Funds[1]	***0.33%***	***9.11%***	***8.51%***	***-0.33%***	***N/A***	***N/A***	
Property[3]							
Eagle Star Eurozone Property Fund G	***22.19%***	***20.70%***	***Not Started***	***Not Started***	***Not Started***	***Not Started***	***43,919,000***
BOI Life - Unit Funds Property 2 G	14.00%	23.43%	15.25%	11.84%	Not Started	Not Started	831,714,000
Canada Life/Setanta Property G	14.76%	27.08%	20.20%	14.01%	Not Started	Not Started	230,406,719
Friends First Property G	8.37%	19.42%	15.72%	13.14%	18.46%	15.05%	201,497,000
Hibernian L&P Irish Property G	12.45%	20.47%	19.67%	14.04%	Not Started	Not Started	28,264,680
Irish Life Property 1 G	14.29%	21.40%	16.30%	11.04%	Not Started	Not Started	1,719,743
New Ireland Property S 9 G	13.62%	22.86%	14.68%	10.46%	Not Started	Not Started	202,207,449
Standard Life MW Property 5 G	10.48%	20.53%	14.83%	11.82%	Not Started	Not Started	51,207,000
MoneyMate Sector Average[1]	***11.72%***	***20.82%***	***16.19%***	***12.25%***	***18.46%***	***15.05%***	
Specialist Funds[3*]							
Eagle Star Dividend Growth	***8.62%***	***23.59%***	***Not Started***	***Not Started***	***Not Started***	***Not Started***	***74,985,000***
Hibernian L&P High Yield G	9.00%	17.10%	13.51%	Not Started	Not Started	Not Started	30,302,610
Canada Life All Eq Non-distributing G	6.34%	12.78%	15.00%	Not Started	Not Started	Not Started	223,534,429
Bloxhams High Yield 2 G	9.28%	17.72%	16.43%	Not Started	Not Started	Not Started	151,418,055
Average of Selected Funds	***8.31%***	***17.80%***	***14.98%***	***N/A***	***N/A***	***N/A***	

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

Source: MoneyMate as on 31/08/2006.
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.