



EAGLE STAR

*A member of the  Zurich Group*

# Diversified Assets Fund



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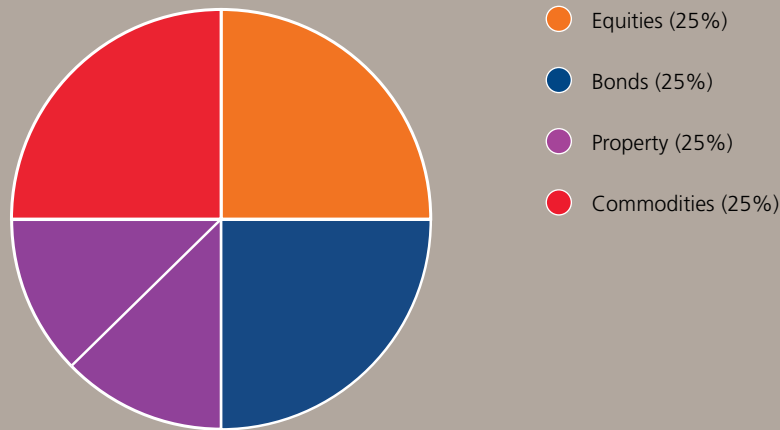
Eagle Star is pleased to introduce a new strategy fund as part of the Matrix range of funds. This fund has been designed to make investing easy for you by offering access to the performance of four asset classes with low historic correlations.

The fund's four components are equities, bonds, property and commodities, two of which are actively managed by Eagle Star's award winning investment team (*Best Investment Fund Manager 2007, MoneyMate*).

## Investment objective

The Diversified Assets Fund aims to reduce the volatility of investment returns by investing in a combination of asset classes with low correlations, while maintaining the potential to deliver strong returns. Within the Matrix range of funds, this is a medium risk fund.

### Fund Allocation at Launch



International Equity Fund\*

Active Fixed Income Fund\*

European (Ex-UK) Property Fund\*\* and Australasia Property Fund\*\*

Global Commodities Fund\*\*

\* Matrix Eagle Star Actively Managed Fund

\*\* Matrix Index Tracker/Exchange Traded Fund





# Why invest in the Diversified Assets Fund



- The fund provides exposure to diverse investments and therefore, reduced risk while maintaining the potential for strong returns.
- The fund gives you the opportunity to gain exposure to more diversified assets than a typical managed fund.
- The fund gives you access to award-winning active fund management with initially 50% of the assets in the fund actively managed by Eagle Star.
- The fund offers access to the performance of equities, bonds, property and commodities without incurring large costs or the administrative difficulties of dealing directly in these asset classes.
- Low entry and exit charges – Eagle Star's standard product charges apply, with no additional charges for this fund\*.
- Available for both pension and investment clients (excluding PRSAs).

\* Some of the component funds of the Diversified Assets Fund invest in Exchange Traded Funds (ETFs). The performance of these funds will reflect the management and other fees deducted by the ETF fund manager.

# Why diversification as a strategy



## The power of diversification

To demonstrate the power of diversification, let us look at an example:

### Strategy 1

Suppose you make an investment of €50,000 in one sector over a 10-year period with a 9 out of 10 chance that you will get a return of €100,000. The table below indicates that you have a 90% chance of receiving €100,000 and a 10% chance of receiving nothing.

Table 1

Invest €50,000 in only 1 sector

Chance	Return
90%	€100,000
10%	€0

### Strategy 2

Now, say you take your investment of €50,000 and instead you decide to split it evenly between four independent sectors, each with a 9 out of 10 chance that you will get a return of €100,000. The chance of ending up with nothing falls from 10% in Table 1, to 1 in 10,000 in this example. In return for this reduction in risk, you now have a 94% chance of a return of €75,000 or greater compared with a 90% chance of a return of €100,000 in Strategy 1.

Table 2

Invest 25% in each of 4 sectors

Chance	Return
65.6%	€100,000
29.1%	€75,000
4.9%	€50,000
0.4%	€25,000
1/10,000	€0

This simplified example illustrates that a diversified portfolio reduces the risk of poor returns while maintaining the potential to deliver strong portfolio returns.

# Correlation of asset classes

Diversification as a strategy for reducing risk only works if the assets have a low correlation. Eagle Star has selected four diverse asset classes for the Diversified Assets Fund. The table below shows the historic correlation between the various component funds. Correlation is a statistical measure of how closely linked the returns on different funds have been in the past. The correlation between two funds will be a number between -1 and 1. A correlation close to 1 means that the returns between two funds are very closely linked. A correlation of -1 means that returns are negatively linked (i.e. if one fund rises, the other will fall). Values close to zero indicate little or no correlation.

Correlation between assets	(A)	(B)	(C)	(D)	(E)
Active Fixed Income (A)	1.00				
Global Commodities (B)	-0.01	1.00			
International Equity (C)	-0.28	0.01	1.00		
European (Ex-UK) Property (D)	0.01	0.05	0.17	1.00	
Australasia Property (E)	-0.01	0.03	0.24	0.20	1.00

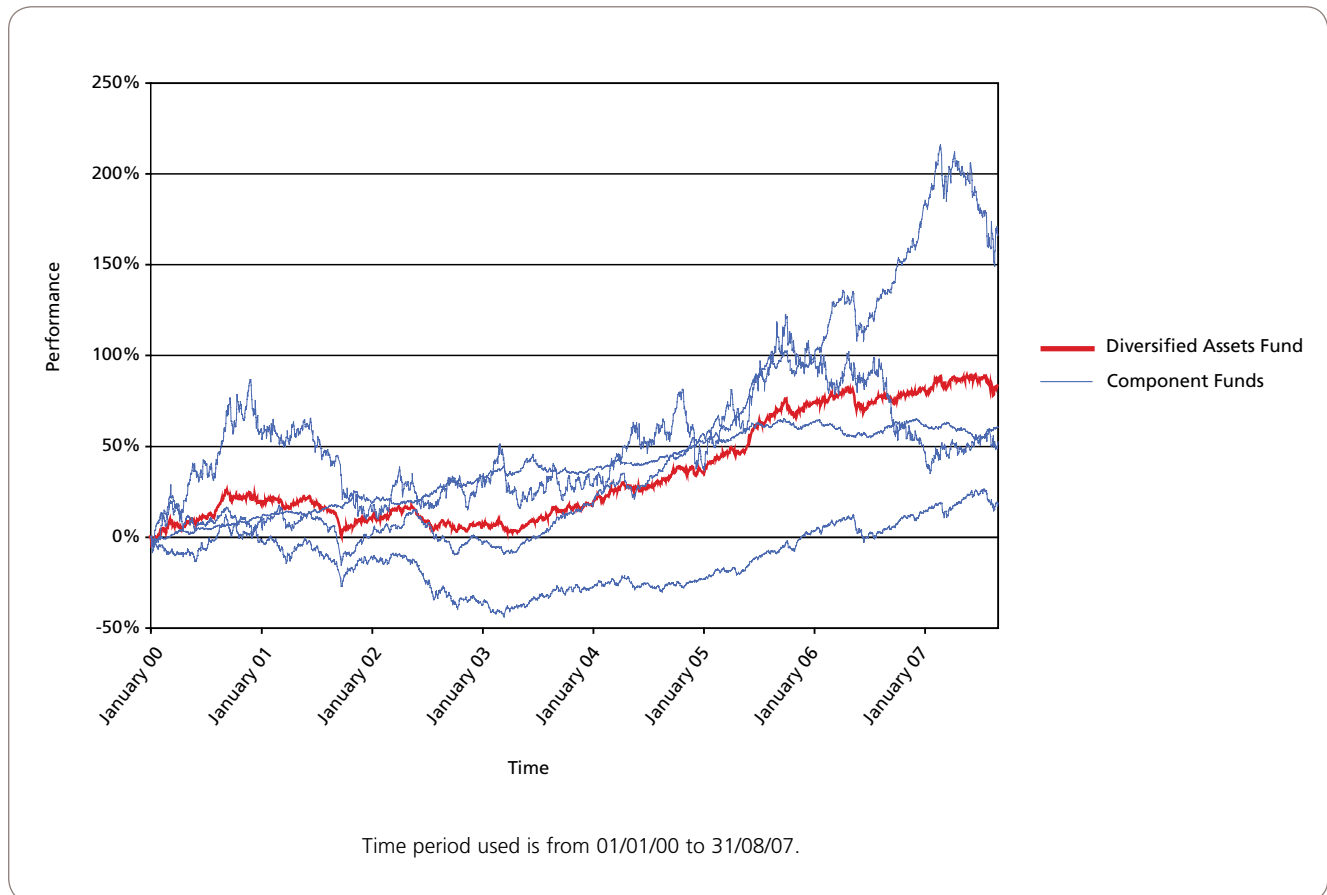
Based on data from 01/01/00 to 31/08/07.



# Correlation and volatility

The chart below illustrates how combining assets with low correlations reduces overall volatility. You can clearly see the less volatile performance of the Diversified Assets Fund relative to the individual asset classes over a period of time from 01/01/00 to 31/08/07.

## Diversified Assets Fund vs Asset Class



## Fund Performance

The above illustration of how the Diversified Assets Fund would have performed in the past is based on a simulation of the historic performance of its component funds.

The average annualised return over the period from 01/01/00 to 31/08/07, based on simulated performance, would have been **8.2% per annum**.

The simulated performance shown reflects the fact that the constituents of the fund have been selected with the benefit of hindsight. In the case of the Global Commodities, European (Ex-UK) Property and Australasia Property Funds, the ETFs in which the funds invest were not available throughout the period shown. Where the ETFs were not available, we have simulated the performance of these funds using the underlying indices which the ETFs aim to track.

**Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment. The value of your investment may go down as well as up. Benefits may be affected by changes in currency exchange rates.**

# How does the Diversified Assets Fund work



The Diversified Assets Fund is a unit-linked fund initially made up of the following component funds:

Asset Class	Eagle Star Fund <small>(see back of brochure for further details)</small>
Equities	International Equity Fund
Bonds	Active Fixed Income Fund
Property	1. European (Ex-UK) Property Fund 2. Australasia Property Fund
Commodities	Global Commodities Fund

Each of the asset classes shown above will initially make up 25% of the fund. Over time the relative percentages will change with market movements. In order to maintain a balanced portfolio, the fund is monitored and rebalanced if any asset class moves significantly outside its guideline exposure (see table below).

Exposure to each asset class will be reset to 25% on rebalancing.

## Asset Class Guideline Exposure

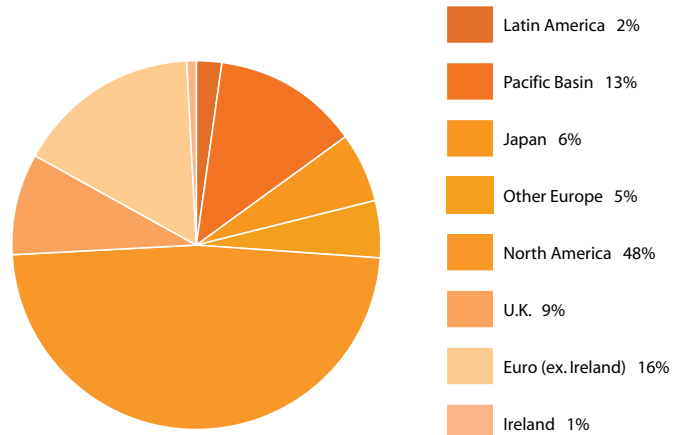
Asset Class	Guideline Exposure
Equities	20-30%
Bonds	20-30%
Property	20-30%
Commodities	20-30%

# What does the fund invest in

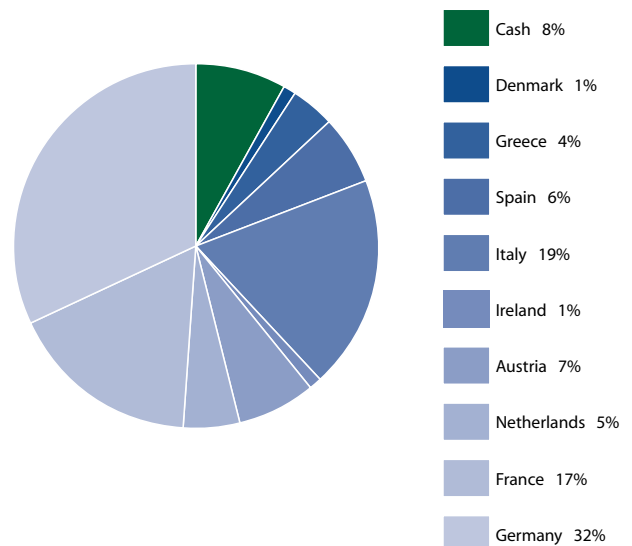


## Diversified Assets Fund - Distributions of Individual Component Funds as at 30/09/07

International Equity Fund (%)  
Geographic Asset Distribution

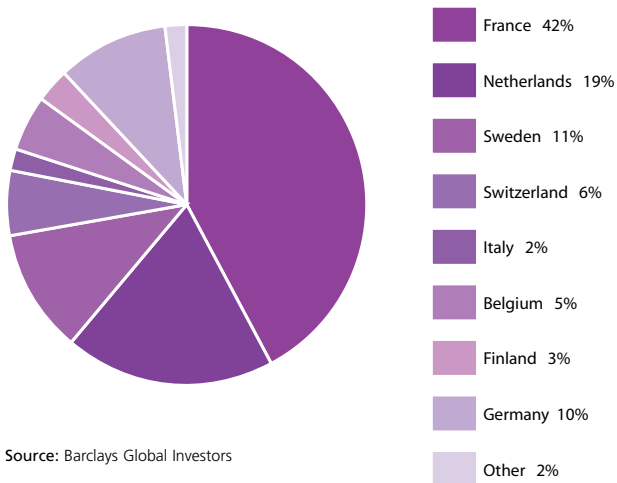


Active Fixed Income Fund (%)  
Geographic Asset Distribution



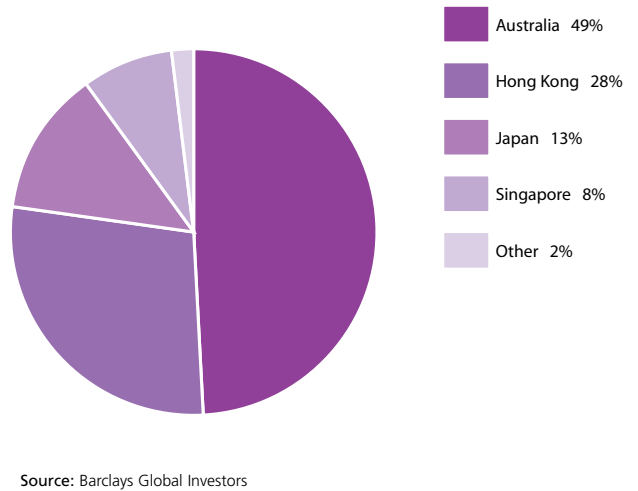


**European (Ex-UK) Property Fund (%)\***  
Geographic Asset Distribution



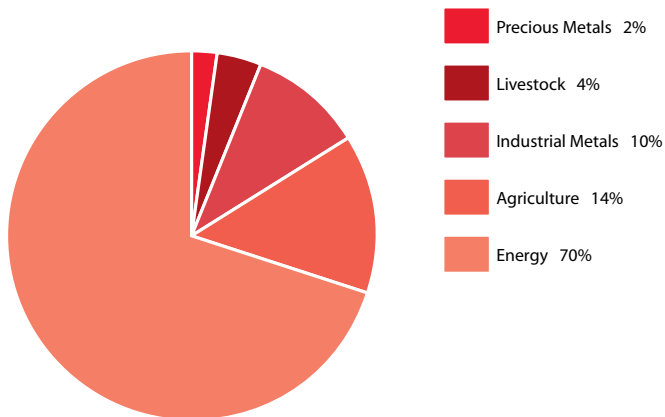
Source: Barclays Global Investors

**Australasia Property Fund (%)†**  
Geographic Asset Distribution



Source: Barclays Global Investors

**Global Commodities Fund (%)**  
Asset Distribution



Source: Goldman Sachs

By choosing these Eagle Star funds, each of which is diversified in its own right, the **Diversified Assets Fund** offers an excellent spread of investments. These pie charts illustrate the geographical or sectoral spread of each fund.

\* This chart shows the location of the property companies which make up the FTSE EPRA/NAREIT Europe ex UK Dividend + Index. It does not necessarily give an indication of the location of the properties held by the property companies e.g. Unibail Rodamco is a French company and is part of the 'France' holding in the chart above, however, it also has properties in other countries.

† This chart shows the location of the property companies which make up the FTSE EPRA/NAREIT Asia Dividend + Index. It does not necessarily give an indication of the location of the properties held by the property companies eg Westfield Group is an Australian company and is part of the 'Australia' holding in the chart above, however, it has properties in Australia and other countries.

# Component fund descriptions



## International Equity Fund

This fund seeks to maximise growth through capital gains and income from a portfolio of international equities and equity-based financial instruments. For tactical reasons, the fund may also invest in cash or international bonds issued by governments, supranational bodies, other investment grade corporate and non-sovereign bonds and bond-based financial instruments. The fund is benchmarked against the FTSE World Index. In terms of currency, the fund is managed from the point of view of a eurozone investor. This fund is actively managed by Eagle Star.



## Active Fixed Income Fund

This fund is an actively managed bond fund. It primarily invests in bonds issued by eurozone governments and bond-based financial instruments. It may also invest in supranational bonds and other investment grade corporate and non-sovereign bonds. The investment parameters allow for up to 30% of the fund to be invested overseas with the core invested in eurozone bonds. In terms of currency, the fund is managed from the point of view of a eurozone investor. This fund is actively managed by Eagle Star.



## European (Ex-UK) and Australasia Property Funds

These unit-linked funds give you the opportunity to share in the performance of some of Europe's and Australasia's leading real estate companies.

The European (Ex-UK) Property Fund currently invests in the shares of the FTSE EPRA/NAREIT Europe ex UK Dividend + Index via an Exchange Traded Fund (ETF). The FTSE EPRA/NAREIT Europe ex UK Dividend + Index covers property companies that pay a large percentage of their profits as income. The index covers companies listed in European countries (except for the UK). A currency risk arises for a euro investor, as some of the underlying companies operate outside the eurozone.

The Australasia Property Fund currently invests in the shares of the FTSE EPRA/NAREIT Asia Dividend + Index via an ETF. The FTSE EPRA/NAREIT Asia Dividend + Index covers property companies and Real Estate Investment Trusts (REITs) that pay a large percentage of their profits as income. A currency risk arises for a euro investor, as the underlying companies operate outside the eurozone.



## Global Commodities Fund

This unit-linked fund gives you the opportunity to gain exposure to commodity returns. The fund aims to track the performance of the Goldman Sachs Commodities Index – Total Return (GSCI). It does this by investing in an ETF. The GSCI is a commodity index weighted by world production and covers all the major commodity sectors with energy (oil and gas) making up the majority of the index. Other sectors included are industrial metals, precious metals, agriculture and livestock. The ETF is priced in euro. However, the vast bulk of commodities are denominated and transacted in US\$.



For more  
information  
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