Weekly
investment news

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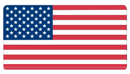
EAGLE STAR

Global Overview

- Equity markets delivered a mixed performance last week due to rising oil prices and US dollar volatility.
- News that South Korea planned to diversify the currencies in which it invests caused the US dollar to weaken against the euro and sterling. The Korean authorities later clarified its intention not to sell existing dollar assets. Japan, which has the world's largest reserves, said it has no plans to diversify away from the US dollar. The dollar finished the week 0.75% weaker against other currencies with the euro rising from $1.3070 to $1.3230.
- Oil prices surged by 6.5% despite better than expected inventory data from the US. Prices rose to $51 per barrel due to freezing weather in the US and Europe.
- Commodities such as aluminium, copper and zinc traded at ten year highs due to continued strong demand and supply shortages. Prices eased as the week progressed due to profit taking.
- Economic news included inflation in the U.S. as measured by the consumer price index, which was lower than expected in January. U.S. durable goods orders excluding transport were stronger than expected for the same month. In Europe, the German Ifo index showed an unexpected decline in business confidence.
- Asian markets excluding Japan closed at their highest levels since early 2000. Stronger economic conditions and high liquidity continue to support these markets.

Market	Index	Year to Date Return 31.12.04 to 25.02.05		1 Week Return 18.02.05 to 25.02.05	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S & P 500	-0.1	2.4	0.8	-0.4
US	NASDAQ	-5.1	-2.7	0.3	-0.8
Europe	FT/S&P Europe Ex. U.K.	4.6	4.6	0.0	0.0
Ireland	ISEQ	7.6	7.6	-1.7	-1.7
UK	FTSE 100	4.0	6.7	-1.0	-0.9
Japan	Topix	1.5	1.4	0.1	-0.6
Hong Kong	Hang Seng	-0.5	1.6	0.5	-0.7
Australia	S&P/ASX 200	2.0	5.1	-0.8	-2.1
Bonds	Merrill Lynch Euro over 5 year Govt.	0.8	0.8	-0.4	-0.4

Equities



USA

- In the US, equity markets held up reasonably well last week. Energy stocks were the best performers as oil prices broke through the $50 per barrel level.
- Fourth quarter gross domestic product growth in the US was revised upward which helped to underpin markets.
- In corporate news, shares in Google and Yahoo retreated due to broker downgrades. Shares in Home Depot also slipped despite an announcement of a 10% rise in earnings.

Europe

- European markets declined for most of the week before recovering on Friday. Technology, healthcare and oil & gas stocks outperformed over the week while utilities and real estate underperformed.
- The Swiss pharmaceutical company, Novartis, announced the acquisition of German generic drugs group, Hexel and its US affiliate Eon Labs for €6.3 billion. Novartis is now the world's biggest maker of generic drugs.
- In the UK, mining stocks moved ahead due to upgrades from a number of brokers. BHP Billiton and RIO Tinto stock both climbed on the week. Rio Tinto announced that they had agreed price increases of 72% in iron ore contracts with Nippon Steel.

Ireland

- AIB was the focus of investor attention on the Irish market last week. The bank posted a 40% increase in pre-tax profit to a record €1.4 billion last year. It also stated the outlook for 2005 is buoyant.
- Other financial stocks also gained on the back of AIB's results. However, the weak dollar and rising oil price exerted downward pressure on industrial stocks such as CRH and Grafton Group.
- Ryanair announced that it had placed an order for 70 new Boeing 737-800s with an option to buy 70 more in the future.

Pacific Basin

- Asian equities produced mixed returns last week. A rise in the oil price helped energy stocks to move higher while mining companies such as Rio Tinto gained on news of large iron-ore price increases.
- Hong Kong fashion retailer Esprit jumped over 20% after reporting better than expected results.
- The share prices of some exporters, such as Japanese automakers, declined after the dollar fell in response to comments from Korea's central bank that it intended to diversify its reserves. Though the bank later denied that it intended to take any action, the dollar failed to recover.

Eurozone Bonds

- Consumer price inflation data from the US came in lower than expected last week helping to ease the tensions of the previous week where an unexpected rise in US producer prices had had a negative impact on both US and eurozone bond prices. The unexpected decline in business confidence in Germany was also bond positive. The sale by France of the first eurozone fifty year bond also weighed on the market during the week but this pressure was tempered by the large demand for the bonds. The increase in the oil price to over $50 per barrel has little immediate impact on bond markets. The Merrill Lynch Euro government over 5 year bond index fell 0.4% on the week.

Global Outlook

- Activity in the global economy remains reasonably strong, although the forward indicators suggest some slowdown over coming months. The effects of the continued high level of oil prices seem limited to date, but policymakers will remain vigilant during 2005.
- The Federal Reserve has raised rates to 2.5% and investors expect further 'measured pace' increases over the rest of the year, consistent with a year end rate of 3.75%. Inflation data will remain central to the Fed's policy actions over coming months.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. Recently it seems to be worrying again about rising property prices and generous financial liquidity conditions. Overall, it is still likely that low ECB rates and well-behaved eurozone inflation can remain supportive of eurozone bonds, notwithstanding the type of profit-taking correction witnessed during February.
- Equities have improved recently following a sluggish start to the year. While technology sector earnings have disappointed somewhat, other sectors have been better than expected. Corporate profit growth globally for 2005 is expected to be in the order of 10% and this is likely to underpin equity markets.
- Currently, the funds are neutral bonds and overweight equities versus the manager average. Sector-wise the funds remain overweight basic industries, resources and financials, while underweight some of the more defensive sectors. In geographical terms, the funds continue to be neutral the UK and Japan, underweight the US, while overweight Europe and the Pacific Basin.