Weekly
# investment news

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EAGLE STAR

## Global Overview

- Global equity markets recorded further gains last week with Japan setting the pace, delivering a 2.5% rise on the week.
- Interest rate developments were top of the agenda as Jean Claude Trichet, the president of the European Central Bank, indicated that eurozone interest rates are likely to rise in December.
- On commodities markets, oil prices fell back to $55 per barrel due to lower forecasted demand. Gold rose to its highest level in almost 18 years while copper prices also rose due to continued demand from China.
- The US dollar declined marginally against the euro to $1.17, as speculation regarding Eurozone interest rate increases intensified. However, the dollar was supported by news of record buying of US assets by foreign investors in September. This helped to allay concerns relating to the record trade deficit announced two weeks ago.
- In the UK, the Bank of England revised down growth and inflation projections leading to speculation that there may be additional interest rate cuts.

| Market | Index | Year to Date Return 31.12.04 to 18.11.05 | | 1 Week Return 11.11.05 to 18.11.05 | |
|---|---|---|---|---|---|
| | | Local Currency % | Euro % | Local Currency % | Euro % |
| US | S & P 500 | 3.0 | 18.8 | 1.1 | 0.7 |
| US | NASDAQ | 2.4 | 18.1 | 1.1 | 0.7 |
| Europe | FT/S&P Europe Ex. U.K. | 17.4 | 17.4 | 0.6 | 0.6 |
| Ireland | ISEQ | 9.8 | 9.8 | 0.3 | 0.3 |
| UK | FTSE 100 | 14.2 | 18.0 | 0.6 | -1.1 |
| Japan | Topix | 33.2 | 32.1 | 2.5 | 1.0 |
| Hong Kong | Hang Seng | 4.6 | 21.0 | 1.0 | 0.6 |
| Australia | S&P/ASX 200 | 15.3 | 24.5 | 2.1 | 1.9 |
| Bonds | Merrill Lynch Euro over 5 year Govt. | 5.0 | 5.0 | -0.2 | -0.2 |

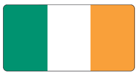
## Equities

### USA

- The US market ended the week in positive territory helped by good earnings numbers and mergers and acquisitions activity.
- Paper products were in the news with Koch Industries' $13.2 billion bid for Georgia Pacific. Georgia-Pacific's shares jumped 36% on the week.
- General Electric announced that it has agreed to sell most of its insurance division to Swiss Re for $8.5 billion.
- The market was also helped by better than expected earnings numbers from Hewlett Packard.

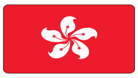
### Europe

- Zurich Financial Services was the star performer in Europe last week. It reported a 21% rise in net income and was upgraded by numerous investment houses. The stock rose 10% on the week.
- European oil and gas sectors continued to perform well despite a fall in the oil price.
- Saint Gobain rose 5% when it announced that that it is to take over UK plasterboard group,BPB.



## Ireland

- On the Irish market, there was positive news for Elan. The FDA has granted priority status on its multiple sclerosis drug, Tysabri, which could mean that the drug may be relaunched in 2006.
- Paddy Power disappointed the market when it reduced its earning guidance for the year, citing a structural decline in gross win margins.



## Pacific Basin

- Asian markets had an excellent week with markets such as Japan and Australia delivering particularly good returns.
- In Japan, property stocks outperformed due to robust demand for both commercial and residential property in Japanese cities. Hong Kong property stocks also benefited from expectations of increased demand.
- The Australian market continued to be supported by high global commodity prices.

# Eurozone Bonds

- Eurozone bonds fell 0.2% on the week, as measured by the Merrill Lynch Eurozone Government > 5 year Index.
- Eurozone bond prices fell marginally due to comments from the president of the ECB, Jean Claude Trichet. He stated that the bank is ready to "moderately augment "interest rates. Interest rates in the eurozone have remained at the historically low level of 2% since June 2003.

# Global Outlook

- Global growth continues to be reasonably healthy despite high oil prices and interest rate tightening in the US. Inflation vigilance is high among the major central banks.
- For the Federal Reserve, inflation data is central to its policy of gradually raising rates. That continued in the last few weeks with the rise to 4% and investors expect a further 0.25% increase next month and further increases in 2006.
- The ECB essentially pre-announced a December rate hike last week. Markets are now attempting to gauge the size of the move and the extent of further moves. Bond prices will remain under pressure in this environment notwithstanding moderate inflation and pension fund liability matching which continue to support longer dated bonds.
- Equity markets remain supported by a strong earnings' background and favourable valuations relative to bonds and cash; high oil prices and tighter liquidity conditions from higher interest rates should constrain the upside to markets.
- Currently, the funds are close to neutral in bonds and slightly overweight in equities versus the manager average. Sectorwise, the funds are overweight financials and technology while underweight some of the more defensive areas like food and telecoms. Other sectors are broadly neutral. Geographically the funds remain underweight Ireland and the UK, overweight the Pacific Basin and are now neutral in the US , Europe as well as Japan.