Weekly investment news

2nd April 2007

EAGLE STAR

Global Overview

US and European equities retreat
European, US and Japanese equities declined last week as geopolitical concerns intensified and uncertainty regarding the US economy came to the fore.

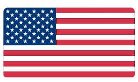
Economic news
There was ample economic data for investors to digest last week. In the US, new home sales and durable goods orders were weaker than expected. Ben Bernanke, Federal Reserve chairman, warned that inflation remained "uncomfortably high", dampening expectations of an interest rate cut in the near future. On the positive side, there were lower-than-expected jobless claims and income growth and consumer spending rose more than expected.

Currencies
The US dollar came under pressure from a number of angles last week. Weaker economic data, combined with the news that the US is to impose duties on imports of coated paper from China, weighed on the currency. The euro was boosted by better data from Germany. There was an unexpected rise in the Ifo index of business sentiment and a drop in the German unemployment rate. The dollar fell 0.8% to $1.33 against the euro over the week.

Oil prices rise on geopolitical concerns
Oil prices rose more then 8% last week to $66 per barrel due to tensions between Iran and the west following the capture of British navy personnel last week.

Market	Index	Year to Date Return 31.12.06 to 30.03.07		1 Week Return 23.03.07 to 30.03.07	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	0.2	-1.2	-1.1	-1.7
US	NASDAQ	0.3	-1.1	-1.1	-1.7
Europe	FT/S&P Europe Ex. U.K.	3.1	3.1	-0.4	-0.4
Ireland	ISEQ	-0.4	-0.4	-1.5	-1.5
UK	FTSE 100	1.4	0.6	-0.5	-0.8
Japan	Topix	1.9	1.8	-1.6	-1.9
Hong Kong	Hang Seng	-0.8	-2.6	0.6	-0.1
Australia	S&P/ASX 200	5.7	7.2	0.7	0.7
Bonds	Merrill Lynch Euro over 5 year Govt.	-0.1	-0.1	-0.4	-0.4

Global Equities



USA

Overview
US stocks ended the week in the red, held back by mixed economic data and geopolitical concerns.

Key Movers
Steel Sector – Steel stocks rose across the board last week as US Steel's bid to buy Lone Star Technologies prompted conjecture regarding further mergers & acquisitions activity in the sector.

Dell – The computer giant announced that it is to delay the release of its annual report until an investigation into the firm's accounting practices is completed.

Altria – The tobacco and food company rose by 1.5% last week on speculation that it may sell off its Philip Morris cigarette division.

Europe

Overview

There was profit-taking in evidence on European markets last week following hefty gains the week before. However, M&A activity helped to cushion equities against major losses.

Steel Sector – The European steel sector mirrored the strong performance of its US counterpart with Vallourec, the French steel maker, up 10% amid rumours that Arcelor Mittal is preparing an offer.

Endesa – The Spanish utility company gained 5% over the week as Eon raised its bid to €40 a share.

Ireland

Ryanair – The low–cost airline saw its share price drop almost 6% last week due to the sharp rise in oil prices.

Banking Sector – Evidence of a slowdown in the housing sector resulted in weakness in the banking sector with AIB down 3% and Bank of Ireland down 2.6%.

Asia Pacific

China – Chinese stocks raced ahead again last week with the Shanghai index setting another all time high. The Hong Kong market benefited from the optimism in Shanghai and rose 0.6% over the week.

Australia – Australian stocks had a good week due to renewed strength on commodities markets.

Bonds

Eurozone bonds declined marginally on the week as strong employment and confidence data from Germany calmed investor jitters regarding equities. The Merrill Lynch >5 year bond index dropped 0.4% over the week.

Global Outlook

- Forecasters continue to expect some moderation in growth in 2007, from the robust levels of 2006. The major central banks will likely remain focused on the cyclical inflation pressures stemming from strong growth. They will clearly take note of any volatility in financial markets but a policy response is highly unlikely in the US.
- At its recent meeting the Fed held rates at 5.25% for the sixth consecutive meeting with the minutes dropping any reference to additional increases. Investors continue to expect rates to be reduced by around 0.40% by year end but the Fed remains firmly on hold for now, waiting to see how inflation and economic growth develop over the coming quarter. It would be more concerned about a spill-over of problems from the sub-prime mortgage market to the broader financial system (it sees none of this yet) than general volatility in financial markets.
- The ECB hiked rates to 3.75% at its recent meeting, as fully anticipated. ECB comments since then have suggested that rates are now closer to a desired level (they were described as "moderate" after the hike rather than "low" after the previous increase). Bonds have been over-shadowed by the return of calm to equity markets but have reached levels where they main gain support in the short term.
- As long as global risk appetite remains at high levels, equity markets will remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds. As recent experience shows, it is likely that tighter liquidity conditions from higher interest rates will be a concern during the year and periods of volatility are likely.
- Currently, the funds are close to neutral in bonds and closer to neutral in equities versus the manager average. Sectorwise, the funds are overweight industrials while other positions continue to be pretty balanced. Geographically, the funds are overweight in Europe and the Pacific Basin, underweight Ireland and the US and more neutral in other regions.

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