

# Monthly investment review

For January 2005



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.**

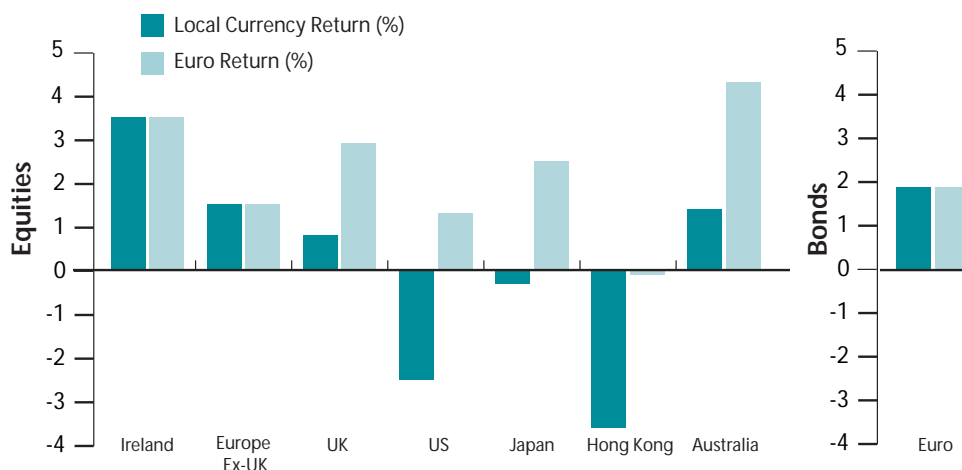
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## Equity and Bond % Returns

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

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, although mixed, ended the first month of 2005 in positive territory with world equities (in euro terms) up almost 2%. In local currency terms Europe and parts of the Pacific Basin performed best while the US market was weak, hurt in part by some high profile earnings disappointments in the technology arena - notably eBay and Advanced Micro Devices - as well as some profit taking. Overall, however, the fourth quarter earnings season in both the US and Europe was strongly positive. Another significant feature was the partial reversal of the long-standing trend of US\$ weakness which resulted in a positive return from US equities in euro terms.

Sectorwise, the main features were the out-performance of energy stocks, on the back of a rising oil price, and the under-performance of technology and pharmaceutical stocks.

- Eurozone bonds continued in a strong vein, rising for the eighth straight month, helped by the lack of any strong European economic data, as well as asset allocation shifts into bonds. US bond prices also rose in January.
- Corporate news was brisk with the fourth quarter earnings season in full swing. In the US, of the 363 companies in the S&P500 which have reported, 65% have beaten expectations, 16% reported in-line and 19% below expectations. Notable performers were ExxonMobil, TimeWarner, Boeing and Apple (iPod). The major M&A news was the mega-takeover of Gillette by Procter & Gamble. European results were also strong with positive surprises from Elan, Wolseley, Nokia and Ryanair. Grafton Group rose strongly following the approval of its takeover of Heitons. In the Pacific Basin, BHP Billiton and Rio Tinto rose on expectations of further strong demand from China for its products.
- After a four month bout of weakness, the US\$ finally saw some strength, rising by 4% against the euro, as the €/£ rate fell from 1.36 to 1.30. The euro also weakened against sterling and the Australian dollar. The US dollar move was on the back of profit taking in the euro as well as some comments from US officials on the possible reduction of the budget deficit.

## Eagle Star's Asset Allocation

The funds are overweight in equities and bonds, and underweight cash.

### Equities

#### Countries & Markets: overweight & underweight positions

The fund managers maintained an overweight position in equities during the period. The previous month's only move was reversed with a further increase in the overweight position in Europe and a corresponding increase in the underweight position in the US. European equities are currently more attractive given their better valuations and the expectation that eurozone interest rates will remain at low levels for some time. Neutral positions were maintained in Ireland, Japan and the UK, while the funds continue to be overweight in the Pacific Basin region.

#### Sectors: overweight & underweight positions

The fund continues to have a bias towards economically sensitive sectors such as basic industries and resources - the latter being increased with the purchase of European oil service stocks. A significantly overweight position was maintained in financials, especially European banks and real estate companies. Defensive areas, such as pharmaceuticals and utilities, were further reduced.

### Bonds

Eurozone bond prices rose further during January, continuing the strong performance trend of last year. Economic data from the region did little to question investors' beliefs that the ECB would maintain rates at the current 2% level. Indeed the risk premium in the market for rate increases by year-end actually fell further, providing a positive backdrop for the bond market. Longer dated bonds were supported by 'forced' buying relating to asset-liability matching. The over five year index of eurozone government bonds returned 1.9% for the period. The funds' exposure to rising bond prices was increased at the start of the month by buying more interest rate-sensitive longer-dated bonds.

## 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.

### Finance

#### Anglo Irish Bank

Anglo Irish Bank operates primarily in the SME market and also has a private banking arm. Anglo Irish has recorded compounded annual growth of 34% since 1995 and the consistency of this superior earnings growth has allowed Anglo to significantly out-perform its peers. Anglo's organic growth and ability to gain significant market share, coupled with its efficient cost structure and prudent provisioning should allow it to continue to generate an ROE of over 20%. Anglo Irish Bank reported earnings almost 10% ahead of expectations when it released its full year results. Growth continued to be strong during the year with pre-tax profits rising 34% and a lower general bad debt charge helping to boost the results.

### Healthcare

#### Aetna

Aetna is one of the biggest health insurers in the US. The company has spent the last two years culling unprofitable enrollment and its underwriting performance is now among the best in the industry. As a result, the company's cost base is too high relative to its number of members and expense reductions will be a catalyst for the stock going forward. Also, the reduction in enrollment has released capital which can be returned to shareholders. The valuation is attractive with the stock trading on a forward P/E of 10 times versus 12 for its peers and around 17 for the US market.

### Technology & Telecoms

#### Sogecable

Sogecable is the largest player in the Spanish pay-tv market, thanks to its merger with Via Digital, the pay-tv assets of Telefonica. The company now has very strong content purchasing power as its competitors are weak and as evidenced by recent soccer and golf deals. In addition, the company has refinanced its debt at much

lower interest rates than before, thereby reducing its financial risk. The Spanish pay-tv market is underdeveloped and should provide good growth going forward. The merger integration is going well and the take-up of the premium content offerings is proceeding very well versus budget.

### Resources and Infrastructure

#### Aker Kvaerner

Aker Kvaerner is the leading Norwegian oil service company with 30 years of experience and is among the largest listed oil service companies in Europe. It has supplied 50% of all platforms, floaters and modules on the Norwegian continental shelf and the company is now a purely focused oil & gas engineering company involved in the full life cycle of a field. The company is capturing new orders at present, as high energy prices spur oil companies to increase drilling and demand rises for processing equipment from the mining, chemicals and paper industries. Aker Kvaerner is well positioned to benefit from the upswing in the offshore spending.

### Consumer

#### General Mills

General Mills is a producer of packaged consumer foods. The company's businesses are divided into three operating segments: U.S. Retail, Foodservice & Bakeries, and International. U.S. Retail is the largest and consists of cereals, meals, refrigerated and frozen dough products, baking products, snacks, yogurt and organic foods. The company should have higher long-term sales growth versus its peers due to increased new product introduction rates, and the strength of General Mills' portfolio. Catalysts for the stock include positive earnings per share estimate revisions on the back of price increases on its products. The valuation is attractive relative to its history and its peers.

## Global Outlook

- Activity in the global economy remains reasonably strong, although the forward indicators suggest some slowdown over coming months. The effects of last year's one-third rise in oil prices seem limited to date, but policymakers will remain vigilant during 2005.
- The Federal Reserve raised rates to 2.5% on February 2nd and repeated that more rate increases are likely at a 'measured pace'. If jobs' growth remains modest – like last month's – and inflation contained, then this policy will persist for the months ahead.
- Investors and the ECB still anticipate an upward bias to rates during the year, notwithstanding the latest ECB comments, which have been less hawkish than before. Continued low ECB rates and well-behaved inflation could continue to underpin eurozone bonds in 2005.
- Equities have improved recently following a sluggish start to the year. While technology sector earnings' announcements have disappointed somewhat, other sectors have been better than expectations. Corporate profit growth globally for 2005 is expected to be in the order of 10% and this is likely to underpin equity markets.

# Investment Performance Report

## Annualised Performance to 1st February 2005

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
<b>Cash</b>							
<b>Eagle Star Secure</b>	<b>0.15%</b>	<b>1.80%</b>	<b>2.66%</b>	<b>3.34%</b>	<b>4.74%</b>	<b>6.42%</b>	<b>82,251,000</b>
Acorn Life Pension Deposit	0.12%	1.55%	2.12%	2.84%	4.15%	6.13%	4,100,000
Ark Life Pension Assured 2	0.14%	1.33%	1.70%	2.35%	Not Started	Not Started	20,601,000
Canada Life Setanta Pension Money	0.14%	1.32%	1.82%	2.56%	3.53%	5.39%	41,200,000
Friends Cash	0.12%	1.56%	2.15%	2.70%	3.60%	5.53%	43,801,000
Hibernian L&P Pension Cash	0.13%	1.72%	2.05%	Not Started	Not Started	Not Started	44,700,000
Irish Life Exempt Cash 1	0.12%	1.45%	1.95%	2.65%	3.66%	5.43%	400,000
Lifetime/BIAM Pen Security	0.09%	1.04%	1.58%	2.16%	3.41%	5.19%	9,502,000
New Ireland Pension Cash 2	0.12%	1.31%	1.82%	2.42%	3.44%	5.46%	36,065,000
Royal Liver Money Fund	0.07%	0.79%	1.25%	Not Started	Not Started	Not Started	3,748,318
Standard Cash 1 G	0.10%	1.21%	1.70%	2.40%	3.38%	5.32%	18,673,000
<b>MoneyMate Sector Average</b>	<b>0.11%</b>	<b>1.37%</b>	<b>1.97%</b>	<b>2.68%</b>	<b>3.79%</b>	<b>5.65%</b>	
<b>Fixed Interest</b>							
<b>Eagle Star Active Pension</b>	<b>2.11%</b>	<b>12.59%</b>	<b>8.61%</b>	<b>9.26%</b>	<b>Not Started</b>	<b>Not Started</b>	<b>46,838,000</b>
<b>Eagle Star Long Bond</b>	<b>3.24%</b>	<b>16.95%</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>9,691,000</b>
Canada Life Setanta Pen Fixed Interest	1.58%	9.79%	6.79%	7.41%	8.17%	9.16%	11,140,000
Friends Fixed Interest	1.57%	9.98%	8.03%	7.67%	9.52%	9.71%	150,783,000
Hibernian L&P Pension (Hib) H-R Gilt	1.49%	10.76%	9.46%	8.91%	10.05%	9.35%	11,400,000
Irish Life Exempt Fixed Interest 2	1.78%	10.59%	7.93%	7.76%	9.19%	9.24%	4,200,000
New Ireland Pension Gilt Edge 2	1.69%	9.65%	7.54%	7.81%	9.20%	8.99%	628,458,000
Royal Liver Fixed Interest	1.41%	8.38%	7.03%	Not Started	Not Started	Not Started	8,427,328
Standard Fixed Interest 1 G	1.66%	10.41%	6.51%	7.04%	8.37%	8.76%	6,718,000
<b>MoneyMate Sector Average</b>	<b>1.75%</b>	<b>10.53%</b>	<b>7.70%</b>	<b>8.01%</b>	<b>9.22%</b>	<b>9.24%</b>	
<b>International Equity</b>							
<b>Eagle Star International Dynamic</b>	<b>2.96%</b>	<b>7.30%</b>	<b>-3.52%</b>	<b>-4.68%</b>	<b>Not Started</b>	<b>Not Started</b>	<b>34,641,000</b>
Ark Life Pension Global	2.47%	N/A	-6.21%	Not Started	Not Started	Not Started	3,783,000
Canada Life Passive Equity 1	2.54%	4.26%	8.30%	Not Started	Not Started	Not Started	1,980,000
Friends International	2.01%	4.39%	-5.96%	-8.40%	6.70%	5.33%	596,447,000
Hibernian L&P Pension (Hib) H-R International	2.30%	5.67%	-5.55%	-6.73%	7.34%	8.23%	13,800,000
Irish Life Fidelity Managed Intl	2.11%	0.15%	-10.39%	Not Started	Not Started	Not Started	Not available
New Ireland Pension International 2	1.62%	4.42%	-5.22%	-3.27%	8.53%	7.69%	1,702,914,000
Royal Liver International Equity	3.07%	3.69%	-5.53%	Not Started	Not Started	Not Started	7,135,351
Standard International Equity 1 G	2.95%	5.29%	-4.49%	-6.04%	8.10%	7.21%	14,029,000
<b>MoneyMate Sector Average</b>	<b>2.23%</b>	<b>4.95%</b>	<b>-5.52%</b>	<b>-6.11%</b>	<b>7.24%</b>	<b>7.15%</b>	
<b>Managed Aggressive</b>							
<b>Eagle Star Dynamic</b>	<b>2.79%</b>	<b>12.65%</b>	<b>1.46%</b>	<b>-1.31%</b>	<b>10.31%</b>	<b>13.30%</b>	<b>384,092,000</b>
Acorn Life Pension Managed Growth	2.78%	9.92%	-0.60%	-3.16%	10.06%	8.19%	161,800,000
Hib Life & Pen NU Focussed Managed D	1.78%	9.64%	2.20%	0.97%	Not Started	Not Started	12,100,000
Lifetime/BIAM Pen Opportunity	2.12%	7.91%	0.83%	1.91%	10.17%	7.44%	7,325,000
New Ireland 2016/2040 Series 3	2.21%	9.36%	1.18%	1.86%	10.92%	Not Started	613,474,000
Royal Liver Managed Fund	2.90%	10.89%	2.03%	Not Started	Not Started	Not Started	22,567,183
<b>MoneyMate Sector Average</b>	<b>2.14%</b>	<b>9.51%</b>	<b>0.78%</b>	<b>-0.30%</b>	<b>10.48%</b>	<b>10.10%</b>	
<b>Managed Balanced</b>							
<b>Eagle Star Balanced</b>	<b>2.62%</b>	<b>12.19%</b>	<b>2.57%</b>	<b>0.55%</b>	<b>10.87%</b>	<b>12.68%</b>	<b>566,677,000</b>
<b>Eagle Star Performance</b>	<b>2.82%</b>	<b>12.71%</b>	<b>2.25%</b>	<b>-0.40%</b>	<b>10.54%</b>	<b>12.48%</b>	<b>436,735,000</b>
Acorn Life Pension Managed	2.37%	8.88%	0.96%	-0.54%	9.99%	9.37%	121,100,000
Ark Life Pension Managed 2	2.08%	8.77%	-2.14%	-2.50%	Not Started	Not Started	338,728,000
Canada Life Setanta Pension Managed	2.73%	10.21%	1.26%	0.39%	9.20%	7.87%	251,490,000
Friends Managed	1.97%	9.34%	1.24%	-0.74%	9.75%	8.07%	789,671,000
Hibernian L&P Pension (Hib) H-R Managed	1.96%	10.45%	1.55%	0.54%	10.07%	8.45%	161,200,000
Irish Life Exempt Active Managed 2	2.03%	11.44%	1.94%	2.03%	9.41%	8.22%	536,600,000
Lifetime/BIAM Pen Growth	2.12%	9.16%	2.47%	3.16%	10.58%	9.57%	461,774,000
New Ireland Pension Managed 2	2.14%	9.45%	2.52%	3.19%	11.34%	9.39%	1,896,664,000
Standard Managed 1 G	2.50%	10.34%	1.13%	-1.05%	8.62%	7.76%	129,899,000
<b>MoneyMate Sector Average</b>	<b>2.02%</b>	<b>9.14%</b>	<b>1.19%</b>	<b>0.63%</b>	<b>9.63%</b>	<b>8.97%</b>	

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

# Investment Performance Report

## Annualised Performance to 1st February 2005

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
<b>Euro Equity</b>							
<b>Eagle Star Eurozone G</b>	<b>3.07%</b>	<b>13.98%</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>2,682,000</b>
Ark Life Eurozone 2 G	2.01%	6.75%	-5.84%	Not Started	Not Started	Not Started	90,703,000
Hibernian L&P Euro Equity G	0.00%	4.90%	-4.18%	Not Started	Not Started	Not Started	800,000
New Ireland Euroland Equity 8 G	1.78%	10.49%	-4.51%	Not Started	Not Started	Not Started	5,893,000
<b>MoneyMate Sector Average<sup>1</sup></b>	<b>1.68%</b>	<b>6.73%</b>	<b>-5.48%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
<b>European Equity<sup>2</sup></b>							
<b>Eagle Star 5★5 Europe</b>	<b>6.54%</b>	<b>25.00%</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>8,918,000</b>
BOI Life - Unit Funds European Ex UK 2 G	1.25%	7.11%	-5.06%	Not Started	Not Started	Not Started	4,089,000
Canada Life/Setanta European Equity G	4.40%	14.62%	-1.53%	Not Started	Not Started	Not Started	9,270,000
Friends First European Equity	0.93%	5.37%	Not Started	Not Started	Not Started	Not Started	214,382,000
Hibernian L&P European Equity G	1.56%	7.81%	-3.04%	Not Started	Not Started	Not Started	2,400,000
Irish Life Indexed Europe 1 G	1.15%	6.71%	-4.65%	Not Started	Not Started	Not Started	950,000
New Ireland European Equity 8 G	1.41%	8.31%	-4.08%	Not Started	Not Started	Not Started	342,599,000
Royal Liver European Equity G	3.30%	13.88%	-0.64%	Not Started	Not Started	Not Started	4,613,399
Standard Life MW European Equity 5 G	1.52%	6.47%	-1.95%	Not Started	Not Started	Not Started	12,044,000
<b>MoneyMate Sector Average<sup>1</sup></b>	<b>1.95%</b>	<b>9.23%</b>	<b>-2.86%</b>	<b>-6.56%</b>	<b>N/A</b>	<b>N/A</b>	
<b>Far East Equity<sup>2</sup></b>							
<b>Eagle Star 5★5 Asia Pacific</b>	<b>6.26%</b>	<b>20.42%</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>7,590,000</b>
BOI Life - Unit Funds Far East Equity 2 G	2.29%	1.04%	-3.90%	Not Started	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	3.67%	10.06%	2.20%	Not Started	Not Started	Not Started	500,000
Irish Life Indexed Pacific Basin 1 G	4.12%	11.71%	0.68%	Not Started	Not Started	Not Started	350,000
New Ireland Pacific Basin 8 G	5.18%	6.66%	0.87%	Not Started	Not Started	Not Started	63,212,000
Standard Life MW Pacific Basin Equity 5 G	5.00%	3.31%	-2.76%	Not Started	Not Started	Not Started	2,237,000
<b>MoneyMate Sector Average<sup>1</sup></b>	<b>4.46%</b>	<b>6.21%</b>	<b>-1.18%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
<b>American Equity<sup>2</sup></b>							
<b>Eagle Star 5★5 Americas</b>	<b>2.67%</b>	<b>10.84%</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>1,026,000</b>
BOI Life - Unit Funds North American 3 G	0.85%	-0.56%	-7.41%	Not Started	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	2.50%	0.35%	-9.92%	Not Started	Not Started	Not Started	1,100,000
Irish Life Fidelity American Growth 1 G	-2.12%	-9.99%	-12.03%	Not Started	Not Started	Not Started	650,000
New Ireland North American 8	1.04%	1.04%	-5.82%	Not Started	Not Started	Not Started	366,384,000
Standard Life MW North American Equity 5 G	2.21%	0.57%	-10.06%	Not Started	Not Started	Not Started	7,383,000
<b>MoneyMate Sector Average<sup>1</sup></b>	<b>1.19%</b>	<b>1.08%</b>	<b>-9.26%</b>	<b>-4.53%</b>	<b>N/A</b>	<b>N/A</b>	
<b>Concentrated Funds<sup>3</sup></b>							
<b>Eagle Star 5★5 Global</b>	<b>2.92%</b>	<b>11.94%</b>	<b>5.77%</b>	<b>Not Started</b>	<b>Not Started</b>	<b>Not Started</b>	<b>130,910,000</b>
New Ireland Smart Stocks 15	1.38%	-2.75%	-10.81%	Not Started	Not Started	Not Started	12,641,000
New Ireland Smart Stocks 35	1.17%	-1.04%	-9.33%	Not Started	Not Started	Not Started	11,230,000
Canada Life/Setanta Focus 15	4.83%	8.16%	-9.52%	Not Started	Not Started	Not Started	35,360,000
Hib Life & Pens Target 20	2.72%	6.32%	-10.20%	Not Started	Not Started	Not Started	28,400,000
<b>Average of Selected Funds</b>	<b>2.60%</b>	<b>4.53%</b>	<b>-6.82%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
<b>Consensus Funds<sup>4</sup></b>							
Irish Life Exempt Consensus	2.12%	11.52%	1.38%	0.76%	Not Started	Not Started	752,600,000
Friends Individual Consensus	2.20%	11.13%	2.21%	0.81%	Not Started	Not Started	17,795,000
Canada Life Consensus Index 1	2.47%	10.73%	0.90%	-0.02%	Not Started	Not Started	54,120,000
Hib Life & Pen NU Pen Grp Consensus	2.00%	10.41%	1.36%	0.39%	Not Started	Not Started	90,100,000
BIAM (Grp) EUT Consensus Fund	2.20%	15.34%	2.53%	1.31%	Not Started	Not Started	Not available
<b>Average of Selected Funds</b>	<b>2.20%</b>	<b>11.82%</b>	<b>1.68%</b>	<b>0.65%</b>	<b>N/A</b>	<b>N/A</b>	

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

Source: MoneyMate as on 01/02/2005.

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.

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> This is not a sector on MoneyMate but has been created to compare the performance of the 5★5 fund to that of its closest competitors in the Irish Domestic Funds (Gross) sector.

<sup>4</sup> This is not a sector on MoneyMate but includes all the funds identifiable as consensus funds on MoneyMate available to group & individual pension policies.