

Monthly Investment review

For February 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.**

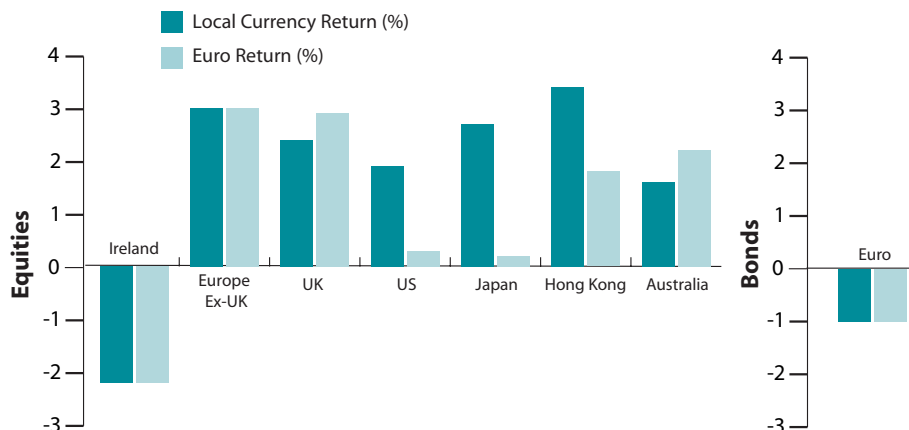
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Equity and Bond % Returns

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

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 performed well in February with world equities (in euro terms) up almost 1.5%, on the back of continued robust global growth. European markets outperformed US markets in local currency terms. Eurozone economic data indicated an improvement in German and Italian manufacturing output but continuing high unemployment. This, together with a fall in eurozone inflation, encouraged the ECB to leave interest rates on hold. The Federal Reserve in the US raised rates by 0.25% to 2.5% and reiterated that future increases would continue to be at a 'measured pace'. Asian markets excluding Japan closed at their highest levels since early 2000. Stronger economic conditions and high liquidity continue to support these markets. There was disappointing news on the Japanese economy which contracted at an annual rate of 0.5% in the final quarter of 2004.
- Sectorwise, energy stocks outperformed as oil prices rose to \$52 per barrel due to freezing weather in the US and Europe. Telecom stocks underperformed following broker downgrades. A decline in bond prices was negative for European "bond proxies" such as utilities.
- US and eurozone bond prices fell as interest rate expectations moved higher, in response to a higher than expected rise in US producer prices and an unexpected increase in the supply of French long-dated bonds. For eurozone bonds, this was the first monthly decline since May 2004.
- On the corporate front, the big news of the month came from Elan. The stock fell 79% following an announcement that it was withdrawing its new MS treatment, Tysabri, on fears that it may have contributed to the deaths of two patients. Novartis announced the acquisition of German generic drugs group Hexel and its US affiliate Eon Labs for €6.3 billion. BHP Billiton and Rio Tinto announced better than expected results. Ryanair announced good results with a 13% increase in passenger volumes. Shire Pharmaceuticals declined when it announced that Canadian regulators had asked it to withdraw its Adderall XR drug.
- News that South Korea was considering diversifying part of its reserves away from the US dollar caused the US dollar to weaken against the euro and sterling. Japan, which has the world's largest dollar reserves, said it has no plans to diversify away from the dollar. The euro rose to \$1.32 by the end of the month.

Eagle Star's Asset Allocation

The funds are overweight in equities and neutral in bonds.

Equities

Countries & Markets: overweight & underweight positions

The fund managers maintained an overweight position in equities during the period. There were no significant regional allocation changes during February, with overweight positions being held in Europe and the Pacific Basin – the former due to more attractive valuations, strong corporate results and the continuance of a low interest rate environment; the latter due to strong global and regional economic growth. The US equity position continues to be significantly underweight. Neutral positions were maintained in Ireland, Japan and the UK.

Sectors: overweight & underweight positions

The funds continue to have a bias towards economically sensitive sectors such as resources and basic industries. There were further purchases of European and UK oil and oil services stocks. The funds maintained an overweight position in financials, especially European banks and real estate companies. The underweight position in defensive sectors was reduced somewhat with the purchase of food stocks while the telecom sector was cut back.

Bonds

Eurozone bonds were pushed into bearish mode during February. A shock producer prices' release in the US undermined bond sentiment on both sides of the Atlantic. This was compounded with the early launch, by the French authorities, of the first 50 year government bond in the eurozone or US markets. Market expectations for ECB rates at year end rose slightly. ECB officials still seem to be keen on raising official rates but the subdued economic and inflation data in the region remain the same constraint on policy action as before. The funds' exposure to bonds was cut back during the period; at the end of the month they had been lowered to a broadly neutral stance.

Spotlight on Stocks

The following stocks are included (at time of going to print) in Eagle Star's funds including the 5★5 Fund.

Technology & Telecom

Philips Electronics

Philips Electronics ranks among the top three globally in the fields of lighting, domestic appliances and medical systems and is Europe's largest manufacturer of consumer electronics. In addition, the company has a global Top Ten semiconductor business and owns significant stakes in companies in associated industries such as TSMC. The company has participation in three substantial joint-ventures: LG Philips LCD in liquid crystals displays, a further venture with LG in picture tubes, and a large holding in Atos-Origin. Philips is undergoing restructuring to focus its business efforts and improve returns. The company trades at a discount to its peers on a sum-of-the-parts basis.

Resources and Infrastructure

Aker Kvaerner

Aker Kvaerner is the leading Norwegian oil service company with 30 years of experience and 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 very well positioned to benefit from the upswing in offshore spending.

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 outperform 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%. The recent market weakness has provided an attractive entry level. 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. Anglo Irish Bank's outlook remains positive with a high level of work in progress and an encouraging start.

Consumer

Nike

Nike is the world's number one shoemaker and controls over 20% of the US athletic shoe market. Nike is benefiting from very strong growth in Asia and especially China where their sales doubled year-on-year in its most recent quarter. The company is also benefiting from increased market share in soccer. These have led to a string of positive earnings surprises over the last few quarters. A recent pullback in the stock on the back of the retirement of its co-founder and CEO Phil Knight, despite the fact that he is staying on as chairman, gave rise to an attractive entry point as its forward P/E is currently less than its 5 year historical average.

Healthcare

Stada Arzneimittel

Operating in the Pharmaceuticals sector, Stada is the third-largest generic player in the German market with a 5% share. As a result of health reforms in Germany and aggressive discounting to pharmacists, 2004 was a disappointment for the company. However, with the discounts now normalised and the introduction of reference prices the company should not have any extra burden on the cards for 2005. It is expected that the generics markets will grow further with biogenerics offering even bigger upside potential.

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.
- Equity market returns have been quite varied so far this year. The US market remains sluggish, continuing to lag better performing European and Asian markets. Within most markets the technology sector has been an under-performer for a number of months. For 2005, global profit growth is expected to be around 10%, providing an underpinning to equity markets.

Investment Performance Report

Annualised Performance to 1st March 2005

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	0.27%	1.80%	2.61%	3.31%	4.71%	6.42%	81,680,000
Acorn Life Pension Deposit	0.24%	1.54%	2.09%	2.81%	4.11%	6.08%	4,100,000
Ark Life Pension Assured 2	0.23%	1.31%	1.68%	2.35%	Not Started	Not Started	20,601,000
Canada Life Setanta Pension Money	0.24%	1.32%	1.78%	2.55%	3.50%	5.35%	41,200,000
Friends Cash	0.22%	1.54%	2.12%	2.68%	3.57%	5.48%	43,801,000
Hibernian L&P Pension Cash	-1.89%	-0.40%	1.29%	Not Started	Not Started	Not Started	42,400,000
Irish Life Exempt Cash 1	0.23%	1.44%	1.92%	2.62%	3.63%	5.38%	335,158
Lifetime/BIAM Pen Security	0.17%	1.04%	1.55%	2.15%	3.37%	5.15%	9,502,000
New Ireland Pension Cash 2	0.24%	1.34%	1.80%	2.41%	3.41%	5.41%	36,065,000
Royal Liver Money Fund	0.13%	0.80%	1.23%	Not Started	Not Started	Not Started	3,837,983
Standard Cash 1 G	0.20%	1.21%	1.67%	2.38%	3.35%	5.27%	19,434,000
MoneyMate Sector Average	0.10%	1.25%	1.92%	2.66%	3.75%	5.60%	
Fixed Interest							
Eagle Star Active Pension	1.07%	9.68%	8.35%	8.90%	Not Started	Not Started	47,213,000
Eagle Star Long Bond Fund	1.75%	13.24%	Not Started	Not Started	Not Started	Not Started	9,711,000
Canada Life Setanta Pen Fixed Interest	0.55%	6.78%	6.48%	7.00%	8.06%	9.46%	11,140,000
Friends Fixed Interest	0.83%	7.71%	7.79%	7.29%	9.27%	10.18%	150,783,000
Hibernian L&P Pension (Hib) H-R Gilt	0.62%	8.18%	8.94%	8.49%	9.82%	9.83%	10,000,000
Irish Life Exempt Fixed Interest 2	0.72%	7.69%	7.52%	7.33%	9.00%	9.67%	4,132,003
New Ireland Pension Gilt Edge 2	0.47%	6.71%	7.16%	7.33%	8.98%	9.49%	628,458,000
Royal Liver Fixed Interest	0.33%	6.86%	7.01%	Not Started	Not Started	Not Started	8,946,048
Standard Fixed Interest 1 G	0.70%	7.70%	6.17%	6.54%	8.15%	9.13%	4,803,000
MoneyMate Sector Average	0.81%	7.73%	7.42%	7.58%	8.96%	9.66%	
International Equity							
Eagle Star International Dynamic	5.86%	7.81%	-2.49%	-6.70%	Not Started	Not Started	35,470,000
Ark Life Pension Global	3.92%	8.91%	-5.12%	Not Started	Not Started	Not Started	3,783,000
Canada Life Passive Equity 1	3.68%	3.81%	Not Started	Not Started	Not Started	Not Started	1,980,000
Friends International	4.05%	4.48%	-4.84%	-8.89%	6.90%	5.69%	596,447,000
Hibernian L&P Pension (Hib) H-R International	4.76%	5.95%	-4.44%	-7.37%	7.60%	8.56%	17,000,000
Irish Life Fidelity Managed Intl	4.66%	0.29%	-9.72%	Not Started	Not Started	Not Started	Not Available
New Ireland Pension International 2	3.48%	4.09%	-4.49%	-3.52%	8.60%	7.80%	1,702,914,000
Royal Liver International Equity	5.83%	5.76%	-3.79%	Not Started	Not Started	Not Started	7,428,089
Standard International Equity 1 G	5.83%	6.09%	-3.64%	-6.81%	8.28%	7.63%	14,241,000
MoneyMate Sector Average	4.34%	5.42%	-5.11%	-6.35%	7.38%	7.46%	
Managed Aggressive							
Eagle Star Dynamic	4.57%	12.39%	2.37%	-1.91%	10.33%	13.10%	393,623,000
Acorn Life Pension Managed Growth	4.63%	10.83%	0.65%	-3.85%	10.20%	8.51%	161,800,000
Hib Life & Pen NU Focussed Managed D	2.35%	8.68%	2.72%	0.70%	Not Started	Not Started	12,100,000
Lifetime/BIAM Pen Opportunity	3.59%	8.49%	1.29%	1.85%	10.13%	7.62%	7,325,000
New Ireland 2016/2040 Series 3	4.82%	11.27%	1.97%	2.08%	11.09%	Not Started	613,474,000
Royal Liver Managed Fund	2.60%	10.85%	2.76%	Not Started	Not Started	Not Started	23,589,166
MoneyMate Sector Average	3.58%	9.86%	1.61%	-0.60%	10.57%	10.13%	
Managed Balanced							
Eagle Star Balanced	3.70%	11.36%	3.24%	-0.18%	10.89%	12.81%	578,697,000
Eagle Star Performance	4.43%	12.33%	3.08%	-1.06%	10.60%	12.26%	444,782,000
Acorn Life Pension Managed	3.71%	9.21%	1.82%	-1.12%	10.07%	9.74%	121,100,000
Ark Life Pension Managed 2	3.09%	8.87%	-1.19%	-2.43%	Not Started	Not Started	338,728,000
Canada Life Setanta Pension Managed	4.18%	9.90%	2.24%	0.56%	9.25%	8.16%	251,490,000
Friends Managed	2.87%	9.03%	1.99%	-1.14%	9.68%	8.40%	789,671,000
Hibernian L&P Pension (Hib) H-R Managed	2.91%	9.84%	2.16%	-0.18%	10.08%	8.67%	416,000,000
Irish Life Exempt Active Managed 2	3.18%	11.03%	2.60%	1.97%	9.39%	8.55%	594,770,155
Lifetime/BIAM Pen Growth	3.30%	9.51%	2.85%	3.11%	10.52%	9.95%	461,774,000
New Ireland Pension Managed 2	4.11%	10.60%	3.14%	3.27%	11.38%	9.86%	1,896,664,000
Standard Managed 1 G	4.67%	11.05%	2.17%	-1.37%	8.66%	8.17%	167,258,000
MoneyMate Sector Average	3.33%	9.24%	1.94%	0.52%	9.67%	9.26%	
Irish Equity*							
Eagle Star Irish Equity	-1.60%	Not Started	Not Started	Not Started	Not Started	Not Started	500,000
Ark Life Pension Irish	-0.66%	23.49%	8.62%	Not Started	Not Started	Not Started	1,254,000
Friends Irish Equity	-0.88%	26.41%	10.60%	7.02%	14.68%	11.09%	194,373,000
Hibernian L&P Pension Irish Equity	-1.11%	27.28%	12.25%	8.94%	Not Started	Not Started	9,000,000
New Ireland Pension Irish Equity 3	5.90%	30.97%	13.21%	11.95%	16.96%	Not Started	1,017,279,000
Royal Liver Irish Equity	-4.42%	18.85%	10.13%	Not Started	Not Started	Not Started	8,118,971
Standard Irish Equity 1 G	3.61%	31.88%	13.35%	4.37%	13.87%	10.50%	6,599,000
MoneyMate Sector Average	-0.28%	26.27%	10.48%	6.89%	15.04%	10.90%	

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

Investment Performance Report

Annualised Performance to 1st March 2005

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Euro Equity							
Eagle Star Eurozone G	6.39%	15.69%	Not Started	Not Started	Not Started	Not Started	2,524,000
Ark Life Eurozone 2 G	4.07%	7.04%	-5.17%	Not Started	Not Started	Not Started	90,703,000
Hibernian L&P Euro Equity G	0.00%	3.33%	-3.93%	Not Started	Not Started	Not Started	31,300,000
New Ireland Euroland Equity 8 G	5.33%	13.53%	-3.13%	Not Started	Not Started	Not Started	5,893,000
MoneyMate Sector Average¹	4.31%	8.19%	-4.36%	N/A	N/A	N/A	
European Equities²							
Eagle Star 5★5 Europe	13.33%	30.04%	Not Started	Not Started	Not Started	Not Started	11,244,000
BOI Life - Unit Funds European Ex UK 2 G	3.76%	8.71%	-4.35%	Not Started	Not Started	Not Started	4,089,000
Canada Life /Setanta European Equity G	8.38%	17.87%	-0.10%	Not Started	Not Started	Not Started	9,270,000
Friends First European Equity	4.10%	7.77%	Not Started	Not Started	Not Started	Not Started	214,382,000
Hibernian L&P European Equity G	4.63%	9.42%	-2.07%	Not Started	Not Started	Not Started	5,000,000
Irish Life Indexed Europe 1 G	3.65%	7.34%	-3.52%	Not Started	Not Started	Not Started	950,000
New Ireland European Equity 8 G	4.76%	10.74%	-3.13%	Not Started	Not Started	Not Started	342,599,000
Royal Liver European Equity G	7.17%	15.19%	1.36%	Not Started	Not Started	Not Started	4,813,899
Standard Life MW European Equity 5 G	5.41%	9.32%	-0.67%	Not Started	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	5.48%	11.23%	-1.43%	-6.38%	N/A	N/A	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	9.64%	20.90%	Not Started	Not Started	Not Started	Not Started	9,088,000
BOI Life - Unit Funds Far East Equity 2 G	4.00%	0.09%	-3.18%	Not Started	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	7.72%	8.64%	3.18%	Not Started	Not Started	Not Started	2,100,000
Irish Life Indexed Pacific Basin 1 G	8.16%	11.13%	2.24%	Not Started	Not Started	Not Started	350,000
New Ireland Pacific Basin 8 G	8.83%	5.82%	2.83%	Not Started	Not Started	Not Started	63,212,000
Standard Life MW Pacific Basin Equity 5 G	8.83%	4.82%	-1.33%	Not Started	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	7.64%	6.37%	-0.32%	N/A	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	4.42%	8.00%	Not Started	Not Started	Not Started	Not Started	1,206,000
BOI Life - Unit Funds North American 3 G	-0.85%	-3.77%	-7.93%	Not Started	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	3.34%	0.07%	-8.89%	Not Started	Not Started	Not Started	2,700,000
Irish Life Fidelity American Growth 1 G	0.37%	-7.59%	-10.37%	Not Started	Not Started	Not Started	650,000
New Ireland North American 8	0.78%	-1.02%	-5.95%	Not Started	Not Started	Not Started	366,384,000
Standard Life MW North American Equity 5 G	3.96%	0.68%	-9.42%	Not Started	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	1.79%	0.25%	-8.55%	-9.08%	N/A	N/A	
Concentrated Funds³							
Eagle Star 5★5	6.86%	11.15%	7.03%	Not Started	Not Started	Not Started	138,165,000
New Ireland Smart Stocks 15	1.91%	-2.63%	-10.88%	Not Started	Not Started	Not Started	12,641,000
New Ireland Smart Stocks 35	1.59%	-1.03%	-9.42%	Not Started	Not Started	Not Started	11,230,000
Canada Life/Setanta Focus 15	5.27%	6.05%	-8.67%	Not Started	Not Started	Not Started	35,360,000
Hib Life & Pens Target 20	2.76%	4.69%	-7.90%	Not Started	Not Started	Not Started	28,000,000
Average of Selected Funds	3.68%	3.64%	-5.97%	N/A	N/A	N/A	
Consensus Funds⁴							
Irish Life Exempt Consensus	3.13%	10.75%	2.12%	0.56%	Not Started	Not Started	765,412,751
Friends Individual Consensus	2.64%	9.78%	2.78%	0.24%	Not Started	Not Started	17,795,000
Canada Life Consensus Index 1	2.73%	9.25%	1.61%	-0.54%	Not Started	Not Started	54,120,000
Hib Life & Pen NU Pen Grp Consensus	2.51%	9.04%	2.00%	0.09%	Not Started	Not Started	90,100,000
BIAM (Grp) EUT Consensus Fund	4.98%	16.50%	3.96%	1.28%	Not Started	Not Started	208,730,000
Average of Selected Funds	3.20%	11.06%	2.49%	0.33%	N/A	N/A	

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

Source: MoneyMate as at 01/03/05.

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.

¹ 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.

² 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.

³ 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.

⁴ This is not a sector on MoneyMate but includes all the funds identifiable as consensus funds on MoneyMate available to group and individual pension policies.

* Irish Equity - Year to date figures taken from 1st February as this is the launch date of Eagle Star's Irish Equity Fund.

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