

Monthly Investment Review

For August 2005

Winner of the 2005 Investment Management Excellence Award*
Eagle Star
* Financial Services Excellence Awards

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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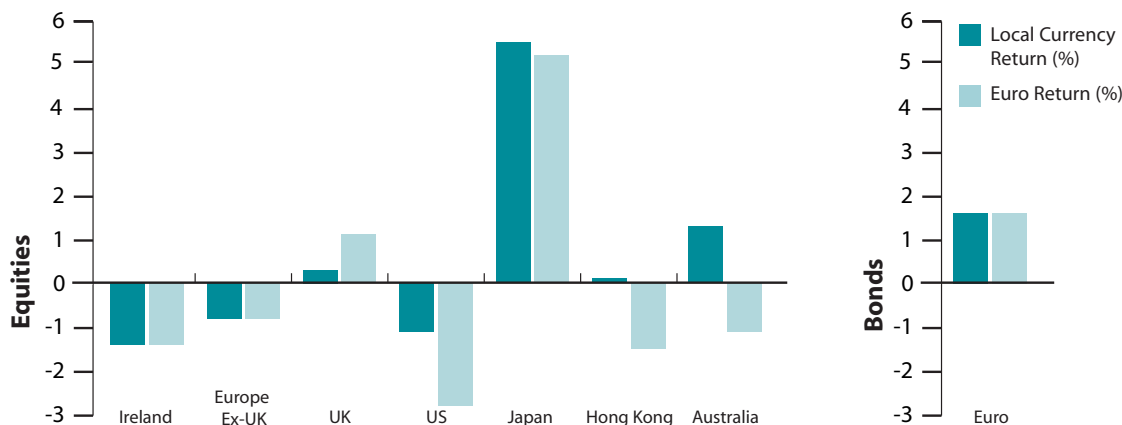
EAGLE STAR

Equity and Bond % Returns

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

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

- After three strong months in a row, equities treaded water in August held back by the lull of summer holidays, concerns over the sharp rise in the oil price and some profit taking. The underlying conditions in the markets, however, remained generally positive in terms of economic growth, corporate earnings and the relatively benign interest rate environment. As expected, the US Federal Reserve increased short term interest rates again by 0.25% to 3.5%, while the UK moved in the opposite direction cutting rates by 0.25% to 4.5%. World equities (in euro terms) fell by less than 1% in August giving a total return for the first eight months of 2005 of over 15%. The outstanding feature of the month was the performance of the Japanese market which rallied, mainly, on the back of hopes that more radical reforms will be introduced by PM Koizumi.
- As in the previous month, the standout feature sectorwise was the performance of the oil and oil services sectors which continued to outperform on the back of the rapid rise in the oil price from \$60 to \$70 per barrel. The rise was due to demand/supply concerns. Companies such as Halliburton and Marathon Oil rose by over 10%. The oil majors were more subdued. Most other sectors fell back over the period.
- Bonds rallied again during August following a reversal in July. Eurozone bond yields hit new generational lows towards the end of the month, as investors focused on some weaker than expected economic data, such as the German Ifo business survey, and the Chicago Purchasing Managers' Index, as well as a sharp fall in future interest rate expectations in the US.
- Corporate news was relatively slack following the second quarter reporting season in July which saw better than expected results. The main features in August were the positive earnings results from Australian miner BHP Billiton, US technology company Hewlett Packard and aggregates company CRH.
- The US dollar weakened against the euro, moving by nearly 2% from \$1.21 to \$1.23 at month end. Falling interest rate expectations in the US was the main reason behind the move.

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 throughout the period given the generally positive backdrop for equity markets. Regional weightings remained more or less unchanged. The funds' main positions are overweight Europe and the Pacific Basin, slightly overweight in Japan (for tactical reasons) and underweight in the US and the UK. The overweight position in Europe is based on the more attractive valuation picture, lower interest rate environment and the solid corporate earnings outlook. US equities remain more expensive and have the headwind of tightening monetary policy.

Sectors: overweight & underweight positions

The funds remained broadly neutral from a sector point of view, with the exception of the financial sector which was maintained at an overweight position. The most significant overweight holdings in financials are in Pacific Basin and European banks as well as Hong Kong real estate companies. Other prominent holdings are in European construction and information technology companies. Overall, the funds have a slight cyclical bias.

Bonds

Eurozone bond prices rose strongly during August, resuming the strength evident for most of the year. As a result long-term interest rates recorded a new record low level. During the month it became clear that while the ECB had no intention of lowering its interest rates, it equally was not going to raise them quickly. This, combined with the fact that inflation remains very well behaved despite surging oil prices, supported bond markets. The Merrill Lynch over 5 year Eurozone Government Index rose 1.55% during the month, producing a year-to-date return of 7.6%.

This review is available each month at www.eaglestarlife.ie along with other investment information.

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.

Technology and Telecoms

Samsung Electronics

Samsung Electronics is one of the world's leading electronic goods manufacturers. Its core businesses consist of semiconductor manufacturing, where it is second only to Intel; mobile handsets, an area in which it supplies mainly high-end models; and TFT-LCD panels for computer monitors and TVs, an area in which Sony recently set up a joint venture with the company. Samsung invests heavily in its businesses to maintain its technological lead and has succeeded in recent years in improving greatly its brand name. The company appears well positioned to deliver strong earnings growth over the next few years and trades at a significant valuation discount to comparable companies.

Healthcare

Baxter

Baxter develops, manufactures and markets products and technologies related to the blood and circulatory systems. It is one of the largest pure-play medical technology companies in the world with nearly \$10bn sales in 2004. Its bioscience division (37% of 2004 sales) makes equipment to collect and separate blood and blood components and also develops plasma protein therapies for such blood-related disorders as haemophilia. Its medication delivery segment (43% of sales) includes dominant positions in infusion systems and anaesthesia delivery. The company has been negatively impacted by over supply in the plasma market in the last couple of years and it is restructuring under new management in response to this. Catalysts for the stock include completion of the restructuring program, expiration of currency hedging contracts and more self manufacturing of some plasma products which should lead to an increase in margins. The valuation of the stock is attractive relative to its history.

Resources and Infrastructure

CRH

CRH is a major international producer and distributor of building materials, with a diversified business profile in product and geographical terms. It operates in four main regions, the Americas, Ireland, continental Europe and the UK. CRH is a proven leader in its sector with a quality management team focused on creating long-term shareholder value. This is illustrated by a 23% CAGR in EPS over the last ten years. This growth has been achieved through strong organic growth and value-enhancing acquisitions. Evidence of recovery in construction remains patchy but improving economic data and the group's record of execution on its development strategy leave material upside potential.

Finance

Anglo Irish Bank

Anglo Irish Bank Corporation plc 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%. Anglo Irish Bank's outlook remains positive with a high level of work in progress.

Consumer

Nestle

Nestle SA processes and manufactures food, beverages and culinary products through a variety of business divisions and subsidiaries. The company has the best global food portfolio when compared with any of its competitors. It also produces pharmaceuticals and cosmetics. Better capital discipline, share buy backs and an increase in dividends have indicated to the market that value destructive acquisitions are less likely while it is best positioned to take advantage of emerging market growth.

Global Outlook

- The effects of high oil prices on growth and inflation remain centre-stage for policymakers. The negative impacts have been limited to date but persistently higher oil prices of over \$60 will heighten this sensitivity.
- Inflation data remain central to the Fed's policy actions. Fears over the impact of Hurricane Katrina have lessened somewhat over the past few days; investors are once again thinking that the Fed will raise rates by a further 0.5%, to 4%, by year end.
- The ECB remains on hold with rates at 2% and inflation projections which are still benign. While bonds are still expensive on an historical basis they remain supported by relatively sluggish eurozone growth, low inflation and pension fund liability matching.
- For 2005, global profit growth is still expected to be in the low double digits. Equities remain supported by strong corporate earnings, healthy balance sheets and favourable valuations relative to bonds and cash. Upside may be constrained by headwinds of higher US rates and the impact of high oil prices on the global economy

Investment Performance Report

Annualised Performance to 1st September 2005



EAGLE STAR

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	1.17%	1.79%	2.14%	3.08%	4.49%	5.97%	91,930,000
Acorn Life Pension Deposit	1.07%	1.62%	1.87%	2.62%	3.83%	5.75%	4,400,000
Ark Life Pension Assured 2	0.84%	1.37%	1.45%	2.17%	Not Started	Not Started	21,561,000
Canada Life Setanta Pension Money	0.92%	1.35%	1.56%	2.37%	3.29%	5.07%	41,200,000
Friends Cash	0.90%	1.47%	1.95%	2.54%	3.36%	5.17%	43,801,000
Hibernian L&P Pension Cash	1.02%	1.55%	1.85%	Not Started	Not Started	Not Started	42,400,000
Irish Life Exempt Cash 1	0.96%	1.45%	1.70%	2.42%	3.40%	5.06%	400,000
Lifetime/BIAM Pen Security	0.69%	1.01%	1.33%	1.97%	3.04%	4.67%	9,502,000
New Irl Pension Cash 2	0.87%	1.27%	1.59%	2.17%	3.19%	5.08%	36,065,000
Royal Liver Money Fund	0.51%	0.79%	1.00%	Not Started	Not Started	Not Started	4,248,131
Standard Cash 1 G	0.82%	1.24%	1.46%	2.18%	3.13%	4.95%	19,434,000
MoneyMate Sector Average	0.85%	1.29%	1.68%	2.46%	3.50%	5.27%	
Fixed Interest							
Eagle Star Active Fixed Income	7.74%	12.78%	8.56%	9.07%	11.02%	Not Started	63,770,000
Eagle Star Long Bond Fund	10.59%	18.02%	Not Started	Not Started	Not Started	Not Started	13,695,000
Canada Life Setanta Pen Fixed Interest	6.50%	10.49%	7.17%	7.25%	8.04%	9.27%	11,140,000
Friends Fixed Interest	6.64%	11.26%	8.04%	7.82%	9.04%	10.07%	150,783,000
Hibernian L&P Pension (Hib) HR Gilt	6.61%	10.84%	8.91%	8.83%	9.61%	9.66%	10,000,000
Irish Life Exempt Fixed Interest 2	7.01%	11.69%	8.17%	7.73%	8.84%	9.62%	4,000,000
New Irl Pension Gilt Edge 2	7.12%	11.37%	7.90%	7.81%	8.95%	9.49%	628,458,000
Royal Liver (Fixed Interest	6.16%	10.99%	6.97%	Not Started	Not Started	Not Started	14,036,506
Standard Fixed Interest 1 G	7.46%	12.50%	8.15%	7.04%	8.11%	9.29%	4,803,000
MoneyMate Sector Average	6.82%	11.50%	7.76%	7.94%	9.02%	9.57%	
International Equity							
Eagle Star International Dynamic	19.07%	25.05%	9.48%	-4.51%	Not Started	Not Started	37,255,000
Ark Life Pension Global	12.43%	20.31%	6.11%	Not Started	Not Started	Not Started	4,497,000
Canada Life Passive Equity 1	14.85%	16.03%	5.80%	Not Started	Not Started	Not Started	1,980,000
Friends International	14.99%	19.17%	6.83%	-7.87%	6.79%	7.11%	596,447,000
Hibernian L&P Pension (Hib) HR International	15.14%	19.56%	7.08%	-6.78%	7.54%	9.53%	17,000,000
Irish Life Fidelity Managed Intl	17.29%	20.18%	3.92%	-10.70%	Not Started	Not Started	Not Available
New Irl Pension International 2	9.48%	12.40%	4.13%	-4.90%	7.90%	8.50%	1,702,914,000
Royal Liver International Equity	17.74%	18.96%	7.61%	Not Started	Not Started	Not Started	7,904,745
Standard International Equity 1 G	16.02%	19.95%	7.98%	-5.36%	7.84%	8.93%	14,241,000
MoneyMate Sector Average	14.41%	18.04%	6.17%	-6.20%	7.19%	8.50%	
Managed Aggressive							
Eagle Star Dynamic	15.76%	25.39%	10.96%	-0.46%	9.89%	14.47%	456,322,000
Acorn Life Pension Managed Growth	14.12%	21.59%	10.20%	-2.74%	9.93%	10.22%	171,900,000
Hib Life & Pen NU Focussed Managed D	9.63%	15.25%	8.78%	1.10%	Not Started	Not Started	12,100,000
Lifetime/BIAM Pen Opportunity	10.38%	15.41%	7.36%	1.44%	9.64%	9.42%	7,325,000
New Irl 2016/2040 Series 3	10.70%	16.84%	8.02%	1.65%	10.50%	Not Started	613,474,000
Royal Liver Managed Fund	10.88%	18.36%	9.85%	Not Started	Not Started	Not Started	2,403,689
MoneyMate Sector Average	11.37%	18.06%	8.79%	-0.30%	9.94%	11.69%	
Managed Balanced							
Eagle Star Balanced	13.20%	21.40%	9.99%	0.96%	10.47%	14.39%	662,591,000
Eagle Star Performance	15.61%	25.08%	10.91%	0.49%	10.30%	14.12%	508,744,000
Acorn Life Pension Managed	11.79%	17.74%	9.21%	-0.30%	9.73%	10.32%	128,600,000
Ark Life Pension Managed 2	11.08%	18.23%	6.79%	-2.67%	Not Started	Not Started	371,525,000
Canada Life Setanta Pension Managed	14.60%	19.77%	10.10%	1.31%	9.27%	9.77%	251,490,000
Friends Managed	11.79%	18.09%	9.73%	-0.25%	9.43%	9.66%	789,671,000
Hibernian L&P Pension (Hib) HR Managed	10.31%	16.37%	9.10%	0.20%	9.81%	10.02%	416,000,000
Irish Life Exempt Active Managed 2	12.46%	19.62%	10.52%	1.92%	9.30%	9.51%	588,000,000
Lifetime/BIAM Pen Growth	9.96%	15.68%	8.02%	2.86%	10.10%	10.78%	461,774,000
New Irl Pension Managed 2	10.15%	15.99%	8.29%	2.86%	10.88%	10.65%	1,896,664,000
Standard Managed 1 G	12.29%	19.07%	9.71%	-0.25%	8.22%	9.49%	167,258,000
MoneyMate Sector Average	11.03%	16.86%	8.65%	0.68%	9.43%	10.43%	
Irish Equity*							
Eagle Star Irish Equity	5.60%	Not Started	Not Started	Not Started	Not Started	Not Started	1,570,000
Ark Life Pension Irish	5.42%	25.72%	13.48%	Not Started	Not Started	Not Started	1,517,000
Friends Irish Equity	4.64%	22.41%	15.82%	8.01%	13.85%	13.35%	194,373,000
Hibernian L&P Pension Irish Equity	6.21%	25.52%	17.23%	10.10%	Not Started	Not Started	9,000,000
New Irl Pension Irish Equity 3	11.32%	29.67%	16.12%	13.68%	16.04%	Not Started	1,017,279,000
Royal Liver Irish Equity	1.69%	20.14%	15.75%	Not Started	Not Started	Not Started	7,914,945
Standard Irish Equity 1 G	4.57%	23.42%	16.54%	6.16%	12.65%	12.56%	6,599,000
MoneyMate Sector Average	5.29%	24.04%	15.22%	7.25%	13.84%	13.03%	

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

Investment Performance Report

Annualised Performance to 1st September 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	20.05%	34.57%	Not Started	Not Started	Not Started	Not Started	2,954,000
Ark Life Eurozone 2 G	12.55%	23.41%	7.03%	Not Started	Not Started	Not Started	101,481,000
Hibernian L&P Euro Equity G	17.67%	25.90%	9.93%	Not Started	Not Started	Not Started	31,300,000
New Ireland Euroland Equity S 8	12.67%	22.91%	7.07%	N/A	N/A	N/A	5,893,000
MoneyMate Sector Average¹	13.90%	24.40%	7.60%	N/A	N/A	N/A	
European Equity²							
Eagle Star 5*5 Europe	37.35%	57.03%	Not Started	Not Started	Not Started	Not Started	27,005,000
BOI Life - Unit Funds European Ex UK 2 G	14.35%	23.04%	6.67%	Not Started	Not Started	Not Started	4,089,000
Canada Life/Setanta European Equity G	15.25%	25.35%	9.55%	Not Started	Not Started	Not Started	9,270,000
Friends First European Equity	16.05%	26.29%	Not Started	Not Started	Not Started	Not Started	214,382,000
Hibernian L&P European Equity G	18.26%	29.10%	10.62%	Not Started	Not Started	Not Started	5,000,000
Irish Life Europascope 2 G	12.48%	24.12%	7.92%	Not Started	Not Started	Not Started	16,960,000
New Ireland European Equity S 8	15.03%	24.30%	7.72%	Not Started	Not Started	Not Started	342,599,000
Royal Liver European Equity G	18.10%	29.67%	11.67%	Not Started	Not Started	Not Started	5,161,970
Standard Life MW European Equity 5 G	17.75%	27.85%	11.25%	Not Started	N/A	Not Started	12,044,000
MoneyMate Sector Average¹	16.25%	27.30%	10.77%	-11.86%		N/A	
Far East Equity²							
Eagle Star 5*5 Asia Pacific	26.40%	38.21%	Not Started	Not Started	Not Started	Not Started	17,544,000
BOI Life - Unit Funds Far East Equity 2 G	19.16%	19.96%	6.76%	Not Started	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	18.57%	26.24%	13.18%	Not Started	Not Started	Not Started	2,100,000
Irish Life Indexed Pacific Basin 1 G	19.48%	28.30%	12.06%	Not Started	Not Started	Not Started	350,000
New Ireland Pacific Basin S 8	25.75%	30.02%	13.72%	Not Started	Not Started	Not Started	63,212,000
Standard Life MW Pacific Basin Equity 5 G	19.14%	22.20%	9.13%	Not Started	N/A	Not Started	2,237,000
MoneyMate Sector Average¹	19.51%	25.10%	10.65%	4.83%		N/A	
American Equity²							
Eagle Star 5*5 Americas	17.04%	24.98%	Not Started	Not Started	Not Started	Not Started	2,466,000
BOI Life - Unit Funds North American 2 G	2.04%	-0.27%	-0.30%	Not Started	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	11.95%	9.73%	3.95%	Not Started	Not Started	Not Started	2,700,000
Irish Life Indexed US 1 G	13.34%	11.95%	3.20%	Not Started	Not Started	Not Started	330,000
New Ireland North American S 8	2.76%	0.76%	0.88%	Not Started	Not Started	Not Started	366,384,000
Standard Life MW North American Equity 5 G	11.64%	9.60%	3.42%	Not Started	N/A	Not Started	7,383,000
MoneyMate Sector Average¹	9.72%	9.92%	2.69%	-6.01%		N/A	
Concentrated Funds³							
Eagle Star 5*5	20.33%	28.36%	16.06%	Not Started	Not Started	Not Started	171,037,000
New Ireland Smart Stocks 15	4.35%	0.92%	-4.11%	Not Started	Not Started	Not Started	12,641,000
New Ireland Smart Stocks 35	5.84%	3.64%	-1.65%	Not Started	Not Started	Not Started	11,230,000
Canada Life/Setanta Focus 15	15.81%	18.24%	3.52%	Not Started	Not Started	Not Started	35,360,000
Hib Life & Pens Target 20	9.91%	18.68%	2.89%	Not Started	N/A	Not Started	28,000,000
Average of Selected Funds	11.25%	13.97%	3.34%	N/A		N/A	
Property[*]							
Eagle Star Eurozone Property Fund G	20.60%	Not Started	Not Started	Not Started	Not Started	Not Started	7,645,000.00
BOI Life - Unit Funds Property 2 G	5.14%	12.31%	10.23%	Not Started	Not Started	Not Started	208,339,000
Canada Life/Setanta Property G	5.76%	10.88%	14.37%	Not Started	18.15%	Not Started	162,670,000
Friends First Property G	9.07%	17.36%	18.00%	13.31%	Not Started	14.12%	57,045,000
Hibernian L&P Irish Property G	15.04%	25.59%	15.23%	Not Started	Not Started	Not Started	110,000,000
Hibernian L&P UK Property G	5.51%	19.91%	10.90%	Not Started	Not Started	Not Started	33,000,000
Irish Life Property 1	4.75%	18.48%	10.52%	Not Started	Not Started	Not Started	1,290,000
Irish Life UK Property 1	4.24%	13.06%	Not Started	Not Started	Not Started	Not Started	Not Available
New Ireland Property S 8	5.61%	13.42%	11.12%	Not Started	Not Started	Not Started	217,415,000
New Ireland UK Geared Property	3.62%	18.15%	Not Started	Not Started	Not Started	Not Started	Not Available
Standard Life MW Property 5 G	7.95%	15.09%	11.07%	Not Started	18.15%	Not Started	51,207,000
MoneyMate Sector Average¹	7.60%	16.12%	12.71%	13.31%		14.12%	

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

Source: MoneyMate as at 01/09/05.

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.

* The Year to Date figures for these sectors are taken from the start date of the Eagle Star funds i.e. 1st February 2005 for Irish Equity & 1st April 2005 for Property.