

Monthly Investment review

For September 2006

Best Investment
Manager 2006 (MoneyMate)

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.**

If you require further information, contact your Eagle Star Broker Consultant or your Sales Support Team.



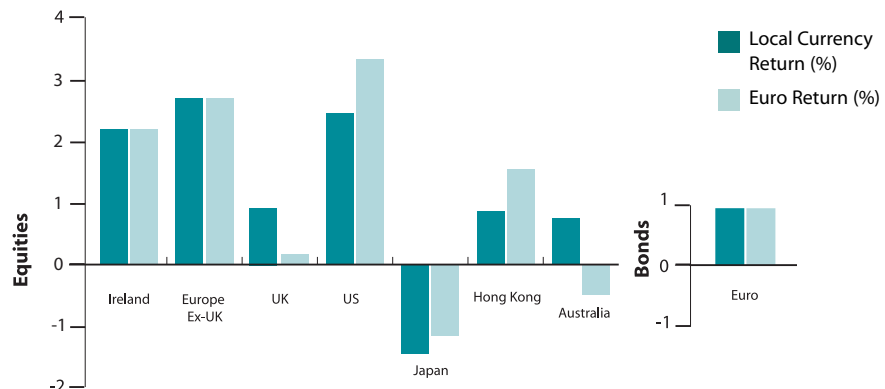
EAGLE STAR

Equity and Bond % Returns

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

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 had a good month again in September - the fourth month in a row of positive returns. Indices have now regained all of the losses sustained during the sharp correction in May. World equities (in euro terms) were up 2.4% in September, giving a total return of almost 4% for the first nine months of 2006. In dollar terms, the world market is up a more impressive 11.6% reflecting the weakness of the US currency, especially against the euro, sterling and the Swiss franc. With the exception of Japan, markets were up across the board with Europe +3% and the US +2.5% providing the best returns. The catalyst was the markets' perception that the US economy is not too hot to cause inflation and not too cold to cause recession, but just right - the so called 'Goldilocks Economy'. The fall in the oil price from \$70 to \$62 per barrel also lent support.
- Equities remain supported by a generally positive economic growth and corporate earnings backdrop, as well as relatively benign inflation and reasonable valuations. The key to the direction of the markets is the degree of slowdown in the US economy during 2007 and the impact of this on future corporate earnings expectations.
- Sector-wise, there was no clear picture again in September between the cyclical and defensive segments of the markets. The exception to this was the energy sector, which significantly underperformed during the month on the back of the oil price fall.
- Eurozone bonds performed strongly for the third month in a row, with a total return of 0.9% in September. Eurozone bonds followed their US counterparts which were positively affected by hopes of an easing in monetary policy in the second half of 2007.
- Corporate news was relatively slack ahead of the third quarter earnings season which begins in earnest in the second week of October. The main feature in the US in September was positive earnings results from software maker Oracle, which claims it is gaining market share from German rival SAP. In Europe there was a significant amount of mergers & acquisitions activity.
- The US dollar was slightly stronger in September against the euro with the €/ \$ rate ending the period at 1.27. The €/ \$ rate has been trading in a range of 1.29 to 1.25 since the end of April 2006.

Eagle Star's Asset Allocation

The funds are slightly overweight in equities and bonds.

Equities

Countries & Markets: Overweight & Underweight positions

The fund managers maintained a slightly overweight position in equities in September. Regional positions have been rebalanced over the last few months with the US position being increased from underweight to slightly underweight, while the overweight Europe position was reduced. The funds' main positions at the end of September were overweight Europe, underweight Ireland and the US and more neutral in the other regions.

Sectors: Overweight & Underweight positions

Due to ongoing changes in the economic environment, the cyclical bias of the portfolio has been reduced to neutral over the last few months. A corresponding increase in defensive stocks, such as US pharmaceuticals, has also taken place. With the exception of an overweight position in financials (mainly European banks) the funds currently have pretty balanced sectoral positions.

Bonds

Bond markets in both the US and eurozone gained further ground during September, following a strong performance during August. In the US there was more talk of easing inflation pressures amid a soft landing for the economy which might allow the Fed to contemplate cutting rates during 2007. This drove down rate expectations for 2007 and pushed bond prices higher. That better tone filtered into the eurozone bond market which was also helped by the fall in oil prices and better inflation data. This helped keep bond prices higher despite the continued hawkish comments from ECB members in the run up to the well-flagged rate hike of 0.25% to 3.25% on the 5th October. For September as a whole, the Merrill Lynch Over 5 Year EMU Government Bond Index rose 0.9%, leaving the total year-to-date performance at minus 0.7%.

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.

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. Trading on a P/E of 12x 2006f, not only are CRH's shares attractive in absolute terms but also trade on a discount to many of its peers despite its impressive track record, strong potential for acquisition development and the favourable product pricing developments in the US.

Finance

Merrill Lynch

Merrill Lynch is a leading US investment bank. It is well positioned to benefit from the buoyant mergers and acquisitions environment and strong capital markets activity. Merrill is benefiting from the increase in retail activity in the stock market due to its franchise of 15,000 brokers across the U.S. The company is buying back its own stock aggressively and this will lead an improvement in the firm's return on equity. This, combined with the fact that Merrill Lynch is trading at a discount relative to its peers, should lead to outperformance by the stock.

Consumer

Volkswagen AG

Volkswagen is the largest car maker in Europe. Mr Bernhard, the CEO of VW brand group, is implementing a restructuring plan to lift profit margins via production efficiency improvements and cost cuts. In addition, the company has shown better capital expenditure discipline, which combined with strong sales from recent model introductions is leading to excellent cash flow and profit growth. Volkswagen trades in line with its

high volume peers despite having material exposure to more luxury sales through the strongly performing Audi division.

Technology and Telecoms

Accenture

Accenture Ltd. is a management consulting, technology services and outsourcing company with more than 110 offices in 48 countries. The company's business is structured around five operating groups which, together, are comprised of 18 industry groups serving clients in every major industry. Its operating groups are Communications and High Tech, Financial Services, Government, Products and Resources. Investment positives include its market position (intellectual leadership), broad portfolio of contracts (diverse geographically and by industry), strong management team and strong balance sheet and cash flow, as evidenced by the high stock repurchases. The company is benefiting from the healthy consulting market at the moment. The valuation is attractive, especially on a free cash basis.

Healthcare

Novartis AG

Novartis is one of the world's largest pharmaceutical companies and is based in Switzerland. The company has broad therapeutic franchises in a number of areas such as hypertension, oncology, cardiovascular diseases, fungal infections and skin conditions. Novartis has a strong product pipeline and its strategy of diversification into generic drugs and into consumer health care serves to cushion the impact of setbacks in the more risky pharmaceuticals division. The company has recently entered the vaccines market through its acquisition of Chiron and integration is reported to be progressing rapidly. Novartis has a very strong balance sheet and buys back its own shares annually. The company trades in line with its peers.

Global Outlook

- Growth expectations remain at high levels with global GDP forecast to expand robustly again in 2006, although leading indicators suggest some growth moderation in 2007. The major central banks continue to focus on cyclical inflation pressures stemming from strong growth and high oil prices.
- As expected, the Fed left rates unchanged at 5.25% at its meeting last month. Investors now believe that interest rates have peaked for this cycle. However, this expectation remains dependent on a slowing in the growth rate and no further acceleration in inflation.
- As expected, the ECB raised rates at the beginning of October to 3.25% and confirmed market expectations of a further rise to 3.5% before year end. It gave little indication of its plans for 2007 although the tone of ECB rhetoric continues to be hawkish overall. Bonds have performed well in the past couple of months as investors reacted to some better inflation data and some indications that global growth might peak this year.
- Equity markets still remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds; tighter liquidity conditions from higher interest rates continue to be a concern and periods of volatility are likely. The gradual ending of super-easy money policies in Japan deserves attention because of its potential negative impact on various asset classes.

Investment Performance Report

Annualised Performance as at 30th September 2006



	Year to date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	1.74%	2.20%	1.91%	2.44%	3.94%	5.58%	118,848,000
Acorn Life (Ind) Pension Deposit	1.68%	2.14%	1.77%	2.13%	3.37%	5.15%	2,700,000
Ark Life (Ind) Pension Assured 2	1.26%	1.48%	1.31%	1.65%	Not Started	Not Started	21,972,000
Canada Life (Ind) Setanta Pension Money	1.50%	1.87%	1.51%	1.89%	2.94%	4.44%	142,968,302
Friends (Ind) Cash	1.43%	1.76%	1.91%	2.04%	3.02%	4.56%	55,928,000
Hibernian L&P Pension Cash	1.63%	2.02%	1.70%	2.05%	Not Started	Not Started	1,031,500
Irish Life (Ind) Exempt Cash 1	1.50%	1.88%	1.59%	1.93%	3.08%	4.48%	750,382
Lifetime/BIAM (Ind) Pen Security	1.28%	1.54%	1.23%	1.60%	2.62%	3.96%	80,508,000
New Irl (Ind) Pension Cash 2	1.45%	1.75%	1.47%	1.75%	2.88%	4.50%	80,508,000
Royal Liver (Ind) Money Fund	0.97%	1.19%	0.91%	1.27%	Not Started	Not Started	7,492,170
Standard (Ind) Cash 1 G	1.36%	1.70%	1.38%	1.71%	2.80%	4.37%	33,896,000
MoneyMate Sector Average	1.37%	1.70%	1.48%	1.91%	3.11%	4.64%	
Fixed Interest							
Eagle Star Active Fixed Income	-0.51%	-0.51%	5.65%	6.71%	8.97%	Not Started	79,799,000
Eagle Star Long Bond Fund	-1.41%	-0.79%	7.55%	Not Started	Not Started	Not Started	16,739,000
Canada Life (Ind) Setanta Pen Fixed Interest	-1.16%	-1.32%	4.13%	5.23%	6.67%	8.08%	464,681,388
Friends (Ind) Fixed Interest	-1.28%	-1.70%	4.61%	5.79%	7.09%	8.73%	156,365,000
Hibernian L&P Pension (Hib) HRR Gilt	0.34%	0.03%	5.50%	7.21%	7.90%	8.85%	37,105,543
Irish Life (Ind) Exempt Fixed Interest 2	-1.22%	-1.34%	4.52%	5.88%	7.14%	8.31%	2,518,142
New Irl (Ind) Pension Gilt Edge 2	-1.82%	-2.11%	4.15%	5.76%	7.15%	8.34%	747,883,000
Royal Liver (Ind) Fixed Interest	-1.88%	-2.80%	3.52%	5.11%	Not Started	Not Started	25,675,323
Standard (Ind) Fixed Interest 1 G	-0.48%	1.42%	5.89%	5.70%	6.67%	8.24%	18,762,000
MoneyMate Sector Average	-0.70%	-0.90%	4.51%	5.96%	7.29%	8.46%	
International Equity							
Eagle Star (Ind) International Equity	3.95%	10.51%	16.33%	6.34%	Not Started	Not Started	44,677,000
Ark Life (Ind) Pension Global	5.78%	10.94%	15.22%	3.16%	Not Started	Not Started	6,867,000
Canada Life (Ind) Passive Equity 1	3.89%	7.74%	12.14%	Not Started	Not Started	Not Started	4,342,977
Friends (Ind) International	5.01%	10.71%	15.28%	4.19%	6.64%	7.59%	817,158,000
Hibernian L&P Pension (Hib) HRR International	4.82%	11.09%	15.69%	4.17%	7.80%	9.75%	17,472,369
Irish Life (Ind) Fidelity Managed Intl	1.03%	6.74%	11.94%	0.99%	Not Started	Not Started	21,931,222
New Irl (Ind) Pension International 2	1.99%	7.28%	10.96%	2.45%	7.53%	8.32%	2,709,121,000
Royal Liver (Ind) International Equity	-4.25%	3.86%	11.71%	4.25%	Not Started	Not Started	11,925,913
Standard (Ind) International Equity 1 G	5.99%	12.83%	15.43%	5.50%	7.90%	9.25%	36,990,000
MoneyMate Sector Average	4.11%	9.77%	13.99%	4.50%	7.12%	8.81%	
Managed Aggressive							
Eagle Star (Ind) Dynamic	9.33%	15.72%	19.34%	9.50%	9.78%	13.43%	678,907,000
Acorn Life (Ind) Pension Managed Growth	8.17%	14.96%	17.57%	7.76%	9.88%	10.37%	220,200,000
Hib Life & Pen NU (Ind) Focussed Managed D	6.03%	9.77%	12.84%	7.08%	Not Started	Not Started	12,100,000
Lifetime/BIAM (Ind) Pen Opportunity	3.54%	8.51%	12.32%	6.55%	8.97%	10.33%	79,416,000
New Irl (Ind) 2016/2040 Series 3	4.86%	10.39%	13.63%	7.27%	10.05%	Not Started	1,036,878,000
Royal Liver (Ind) Managed Fund	2.29%	8.40%	13.42%	7.31%	Not Started	Not Started	43,678,745
MoneyMate Sector Average	6.76%	12.50%	15.26%	7.38%	9.68%	11.52%	
Managed Balanced							
Eagle Star (Ind) Balanced	7.35%	12.52%	16.15%	8.69%	9.97%	12.61%	898,752,000
Eagle Star (Ind) Performance	8.42%	14.27%	18.14%	9.46%	9.99%	12.81%	686,970,000
Acorn Life (Ind) Pension Managed	6.52%	11.56%	14.13%	6.99%	9.24%	10.31%	160,100,000
Ark Life (Ind) Pension Managed 2	5.65%	9.88%	13.40%	4.63%	Not Started	Not Started	470,261,000
Canada Life (Ind) Setanta Pension Managed	5.53%	8.94%	13.99%	7.35%	8.70%	9.50%	949,622,008
Friends (Ind) Managed	6.29%	12.10%	14.93%	7.47%	9.06%	9.87%	1,004,599,000
Hibernian L&P Pension (Hib) HRR Managed	7.71%	13.19%	15.10%	7.59%	9.83%	10.59%	204,049,324
Irish Life (Ind) Exempt Active Managed 2	6.26%	11.81%	15.74%	8.13%	9.20%	9.54%	588,000,000
Lifetime/BIAM (Ind) Pen Growth	4.23%	8.94%	12.21%	7.39%	9.40%	10.52%	2,442,410,000
New Irl (Ind) Pension Managed 2	4.43%	9.23%	12.50%	7.40%	10.24%	10.59%	2,442,410,000
Standard (Ind) Managed 1 G	6.53%	13.28%	15.37%	7.51%	7.98%	9.73%	474,505,000
MoneyMate Sector Average	5.70%	10.61%	13.55%	7.03%	9.29%	10.25%	
Irish Equity							
Eagle Star (Ind) Irish Equity	17.23%	25.44%	Not Started	Not Started	Not Started	Not Started	7,081,000
Ark Life (Ind) Pension Irish	11.48%	19.95%	20.24%	10.78%	Not Started	Not Started	2,374,000
Friends (Ind) Irish Equity	13.75%	23.42%	23.57%	14.25%	13.97%	14.08%	240,365,000
Hibernian L&P Pension Irish Equity	12.21%	20.96%	23.95%	15.91%	Not Started	Not Started	17,657,826
New Irl (Ind) Pension Irish Equity 3	12.08%	18.67%	22.19%	17.93%	15.46%	Not Started	1,468,118,000
Royal Liver (Ind) Irish Equity	10.31%	21.79%	22.23%	12.97%	Not Started	Not Started	13,045,889
Standard (Ind) Irish Equity 1 G	12.50%	22.95%	23.96%	13.13%	12.57%	13.56%	23,940,000
MoneyMate Sector Average	12.89%	22.38%	22.86%	13.48%	13.80%	14.27%	
Euro Equity²							
Eagle Star Eurozone G	15.13%	21.83%	25.99%	Not Started	Not Started	Not Started	6,661,000
Ark Life Eurozone 2 G	8.18%	12.78%	17.13%	4.12%	Not Started	Not Started	140,359,000
Hibernian L&P Euro Equity G	11.86%	16.62%	20.72%	6.96%	Not Started	Not Started	42,723,795
New Ireland Euroland Equity S 9 G	11.09%	16.10%	18.36%	3.27%	Not Started	Not Started	17,657,000
MoneyMate Sector Average¹	10.86%	16.09%	19.24%	5.54%	N/A	N/A	

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

Investment Performance Report

Annualised Performance as at 30th September 2006



	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
European Equity²							
Eagle Star 5★5 Europe	15.97%	18.88%	Not Started	Not Started	Not Started	Not Started	88,446,000
BOI Life - Unit Funds European Ex UK 2 G	6.68%	11.69%	17.45%	3.77%	Not Started	Not Started	1,535,100,000
Canada Life/Setanta European Equity G	11.01%	18.64%	20.26%	7.00%	Not Started	Not Started	15,308,572
Friends First European Equity G	11.23%	17.73%	19.99%	Not Started	Not Started	Not Started	311,025,000
Hibernian L&P European Equity G	11.06%	16.25%	20.22%	8.55%	Not Started	Not Started	9,110,243
Irish Life Europascope 2 G	10.77%	15.49%	19.35%	4.69%	Not Started	Not Started	24,362,967
New Ireland European Equity S 9 G	6.31%	11.15%	16.83%	3.22%	Not Started	Not Started	493,634,000
Royal Liver European Equity G	6.16%	10.70%	19.54%	9.38%	Not Started	Not Started	7,631,054
Standard Life MW European Equity 5 G	12.47%	20.47%	21.48%	8.86%	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	10.72%	16.45%	20.20%	8.37%	N/A	N/A	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	5.75%	10.69%	Not Started	Not Started	Not Started	Not Started	46,893,000
BOI Life - Unit Funds Far East Equity 2 G	-2.12%	5.07%	11.80%	6.56%	Not Started	Not Started	1,594,000
Hibernian L&P Pacific Basin Equity G	2.26%	9.78%	18.11%	13.04%	Not Started	Not Started	4,648,322
Irish Life Indexed Pacific Basin 1 G	3.88%	10.66%	18.94%	13.45%	Not Started	Not Started	670,148
New Ireland Pacific Basin S 9 G	4.51%	8.68%	15.96%	10.37%	Not Started	Not Started	75,415,000
Standard Life MW Pacific Basin Equity 5 G	4.46%	10.06%	15.29%	11.14%	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	1.43%	10.13%	16.33%	10.81%	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	-1.55%	8.69%	Not Started	Not Started	Not Started	Not Started	8,683,000
BOI Life - Unit Funds North American 2 G	-3.76%	0.99%	3.55%	-0.71%	Not Started	Not Started	1,194,428,000
Hibernian L&P US Equity G	-0.53%	4.42%	10.04%	0.02%	Not Started	Not Started	4,774,430
Irish Life Indexed US 1 G	-0.10%	4.06%	8.50%	-0.74%	Not Started	Not Started	691,323
New Ireland North American S 9	-4.24%	0.36%	3.04%	-1.08%	Not Started	Not Started	358,818,000
Standard Life MW North American Equity 5 G	0.59%	4.58%	6.87%	-0.28%	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	-2.05%	2.47%	6.97%	-0.01%	6.51%	N/A	
Concentrated Funds³							
Eagle Star 5★5	3.48%	7.98%	18.98%	13.10%	Not Started	Not Started	240,282,000
New Ireland Smart Stocks 15	-0.58%	2.99%	3.93%	-2.70%	Not Started	Not Started	9,209,000
New Ireland Smart Stocks 35	-0.37%	5.46%	6.56%	-1.10%	Not Started	Not Started	9,322,000
Canada Life/Setanta Focus 15	7.53%	10.25%	13.91%	0.91%	Not Started	Not Started	122,095,303
Hib Life & Pens Target 20	-0.14%	5.43%	10.90%	-1.43%	Not Started	Not Started	65,305,952
Average of Selected Funds	1.98%	6.43%	10.86%	1.76%	N/A	N/A	
Property³							
Eagle Star Eurozone Property Fund G	32.92%	26.65%	Not Started	Not Started	Not Started	Not Started	52,114,000
BOI Life - Unit Funds Property 2 G	15.29%	23.43%	15.28%	11.88%	Not Started	Not Started	831,714,000
Canada Life/Setanta Property G	15.70%	25.45%	20.01%	14.09%	Not Started	Not Started	230,406,719
Friends First Property G	10.87%	20.54%	16.26%	15.15%	18.52%	15.17%	213,859,000
Hibernian L&P Irish Property G	13.90%	18.23%	19.72%	14.73%	Not Started	Not Started	28,264,680
Irish Life Property 1 G	16.62%	22.55%	16.31%	11.24%	Not Started	Not Started	1,719,743
New Ireland Property S 9 G	14.82%	22.77%	14.70%	10.65%	Not Started	Not Started	209,248,000
Standard Life MW Property 5 G	10.25%	17.06%	14.54%	11.62%	Not Started	Not Started	51,207,000
MoneyMate Sector Average¹	12.99%	19.38%	16.51%	12.76%	18.52%	15.17%	
Specialist Funds³							
Eagle Star Dividend Growth	11.86%	21.16%	Not Started	Not Started	Not Started	Not Started	86,414,000
Hibernian L&P High Yield G	16.93%	21.12%	18.28%	Not Started	Not Started	Not Started	30,302,610
Canada Life All Eq Non-distributing G	8.82%	12.52%	17.31%	Not Started	Not Started	Not Started	223,534,429
Blokhams High Yield 2 G	12.30%	18.38%	18.80%	Not Started	Not Started	Not Started	151,418,055
Average of Selected Funds	12.48%	18.30%	18.13%	N/A	N/A	N/A	

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

Warnings: The income you get from this investment may go down as well as up. The Value of your investment may go down as well as up. This benefit may be affected by changes in currency exchange rates. Past performance is not a reliable guide to future performance.

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.

Source: MoneyMate as on 30/09/2006.

- 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 Eagle Star fund to that of its closest competitors in the Irish Domestic Funds (Gross) sector.