

Monthly Investment review

For November 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 November.

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 a strong run in equities since mid-July, markets calmed down with world equities (in euro terms) falling by 1% in November, giving a total return of 5.8% since 1st January. In dollar terms, markets were up a more impressive 18.9%, reflecting the significant weakness of the US currency. Market returns were mixed in November with the best returns in local currency terms coming from the Pacific Basin and the US. However, most or all of these gains evaporated due to the euro's strength against all currencies. The stall in equity prices resulted from weaker economic data in the US, leading to question marks over the 'soft landing' theory, as well as a rise in oil prices in November from \$59 to \$64 per barrel.
- Equities remain supported by 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 remains the degree of slowdown in the US economy during 2007 and the impact of this on future corporate earnings expectations. The markets are now expecting three 0.25% cuts in US interest rates next year.
- Sector-wise, cyclical sectors outperformed over the month in the US with energy, basic materials and industrials doing well, the first of these on the back of the oil price rise. Defensive sectors such as consumer staples and healthcare stocks were among the weaker sectors. The situation in Europe was different with no clear pattern emerging.
- Eurozone bonds performed well (+0.6%) helped by falling interest rate expectations in the US for 2007, weaker US economic data and a rise in the euro, which is likely to have a negative effect on European exports.
- Corporate news was relatively slack following the third quarter reporting season in October which saw better-than-expected results. The main features in November in the US were good earnings results from Dell, as well as the news that Freeport-McMoRan Copper & Gold said it would buy Phelps Dodge in a \$26 billion deal that would create the world's largest publicly-traded copper group. European corporate news was dominated by M&A speculation and activity.
- The US dollar was weak against the euro during November, ending the period at 1.33. Relevant factors included future interest rate differentials, weaker US economic data and concerns that China may realign part of its foreign reserves away from the dollar.

Eagle Star's Asset Allocation

The funds are slightly overweight in equities and close to neutral in bonds.

Equities

Countries & Markets: Overweight & Underweight positions

The fund managers maintained an overweight position in equities in November. 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 November were overweight Europe and the Pacific Basin, underweight Ireland and the US and more neutral in the other regions.

Sectors: Overweight & Underweight positions

The fund managers maintained an overweight position in industrial stocks during November while the fund weighting in basic materials was reduced (mainly European chemical stocks). We moved to a slightly underweight position in financials with the sale of some European and US banks. Other positions continue to be pretty balanced.

Bonds

After a sharp fall in bond prices at the start of the month bond markets in the US and the eurozone quickly regained their poise and went on to record a month of positive returns overall. US economic data was on the weak side, raising hopes of US rate cuts in 2007. That helped weaken the dollar against the euro, in turn leading to worries about the impact on eurozone growth in 2007 and the implication for interest rates (which should be positive) that might stem from that. While the ECB continued to talk hawkishly in the run up to its widely anticipated early December rate hike, investors took the US economic and currency developments into account when they shaved their 2007 eurozone rate expectations by a further small amount. Therefore, and in contrast to last month, the shorter dated maturity bonds found most favour with investors during the period. For November as a whole the Merrill Lynch over 5 Year EMU Government Bond Index rose 0.6% for a total year-to-date return of 0.3%.

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

Rio Tinto

One of the world's largest mining companies with significant interests in copper, iron-ore, aluminium and coal. A key player in global merger and acquisition activity in the mining sector over the past decade, Rio Tinto's diverse range of assets provides a significant degree of earnings stability. The company has a meaningful proportion of sales to China and has profited accordingly. Rises in commodity prices and volumes have had a great impact on the company's profitability.

Finance

Allianz

Allianz AG is the largest insurance company in Europe, with significant operations in the US and the Pacific Rim. It owns RAS in Italy, and AGF in France. The group has an investment banking presence through its Dresdner Bank subsidiary and an established Asset Management division, including its PIMCO subsidiary. The company is undergoing extensive restructuring across all divisions in an effort to reduce cost and boost efficiencies. The valuation is attractive relative to its growth.

Consumer

Altria

Altria Group, Inc. is the parent company of Kraft Foods, Philip Morris International (PMI), Philip Morris USA, and Philip Morris Capital Corporation. It is the largest tobacco company in the world. It is benefiting from price increases on some of its main tobacco brands. Its Kraft division is benefiting from declining input costs. The risks associated with the company's tobacco litigation are declining. A potential catalyst for the stock is the expected spin off of its remaining stake in Kraft to shareholders and a possible subsequent demerger of PMI. The valuation of the stock is attractive as it trades at a big discount to the U.S. market.

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 flow basis.

Healthcare

Roche

Roche is the second largest pharmaceutical company in Switzerland after Novartis and number three in Europe. The company has strong franchises in oncology (cancers) and virology (Hepatitis C, HIV etc.), from which it is deriving strong revenue growth. Financial income as a source of earnings growth has been downsized, enabling better quality profits going forward. Roche has a majority stake in Genentech (US biotechnology company) which has a strong product profile and pipeline. The company trades historically at a premium to its European peers but has superior earnings growth potential given its greater exposure to newer drugs.

Global Outlook

- Growth expectations remain at high levels 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 last meeting in October. 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. In recent weeks investors have begun to factor in rate cuts in 2007, but Fed comments have continued to be quite cautious in that regard.
- The ECB raised rates as expected, in early December, to 3.5% and the tone of ECB rhetoric continues to be hawkish overall. The release of new ECB economic forecasts will be an important guide to interest rates decisions over the coming months. Bonds have performed well on the back of better inflation data, some indications that global growth might peak this year and the peaking of US short rates.
- 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. In the recent period, positive sentiment towards equities has been boosted by the sharp fall in energy prices from the summer peak and the surge in merger & acquisition activity.

Investment Performance Report

Annualised Performance as at 30th November 2006



	Year to date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	2.2%	2.4%	2.0%	2.4%	3.9%	5.3%	115,920,000
Acorn Life (Ind) Pension Deposit	2.1%	2.3%	1.8%	2.1%	3.3%	5.1%	2,700,000
Ark Life (Ind) Pension Assured 2	1.7%	1.8%	1.4%	1.6%	Not Started	Not Started	21,972,000
Canada Life (Ind) Setanta Pension Money*	1.9%	2.1%	1.6%	1.8%	2.9%	4.4%	142,968,302
Friends (Ind) Cash	1.8%	2.0%	1.6%	2.0%	3.0%	4.5%	55,928,000
Hibernian L&P Pension Cash	2.1%	2.2%	1.8%	2.0%	Not Started	Not Started	1,031,500
Irish Life (Ind) Exempt Cash 1	1.9%	2.1%	1.7%	1.9%	3.0%	4.4%	750,382
Lifetime/BIAM (Ind) Pen Security	1.7%	1.8%	1.3%	1.6%	2.6%	3.9%	80,508,000
New Irl (Ind) Pension Cash 2*	1.9%	2.0%	1.6%	1.8%	2.8%	4.4%	80,508,000
Royal Liver (Ind) Money Fund	1.3%	1.4%	1.0%	1.2%	Not Started	Not Started	6,832,866
Standard (Ind) Cash 1	1.8%	1.9%	1.4%	1.7%	2.8%	4.3%	24,288,000
MoneyMate Sector Average	1.8%	1.9%	1.5%	1.9%	3.1%	4.6%	
Fixed Interest							
Eagle Star Active Fixed Income	0.6%	2.3%	6.7%	6.1%	8.7%	Not Started	82,093,000
Eagle Star Long Bond Fund	0.1%	2.8%	8.9%	Not Started	Not Started	Not Started	17,853,000
Canada Life (Ind) Setanta Pen Fixed Interest*	-0.2%	1.2%	5.3%	4.8%	6.5%	8.0%	464,681,388
Friends (Ind) Fixed Interest	-0.3%	1.2%	5.2%	5.4%	6.8%	8.7%	156,365,000
Hibernian L&P Pension (Hib) HRR Gilt	1.2%	2.1%	6.5%	6.7%	7.5%	8.7%	37,105,543
Irish Life (Ind) Exempt Fixed Interest 2	-0.4%	1.2%	5.6%	5.4%	6.9%	8.3%	2,518,142
New Irl (Ind) Pension Gilt Edge 2*	-0.8%	0.9%	5.1%	5.3%	6.9%	8.3%	747,883,000
Royal Liver (Ind) Fixed Interest	-1.7%	-0.6%	4.2%	4.3%	Not Started	Not Started	23,956,069
Standard (Ind) Fixed Interest 1	0.1%	1.4%	6.7%	5.3%	6.5%	8.2%	16,485,000
MoneyMate Sector Average	0.1%	1.3%	5.4%	5.5%	7.0%	8.4%	
International Equity							
Eagle Star (Ind) International Equity	6.4%	9.6%	15.6%	5.0%	12.9%	Not Started	48,306,000
Ark Life (Ind) Pension Global	5.3%	8.1%	13.4%	1.1%	Not Started	Not Started	6,867,000
Canada Life (Ind) Passive Equity 2	4.7%	5.9%	10.5%	Not Started	Not Started	Not Started	5,157,973
Friends (Ind) International	7.2%	10.7%	13.5%	2.7%	6.7%	8.3%	817,158,000
Hibernian L&P Pension (Hib) HRR International	6.6%	10.2%	14.0%	2.6%	7.7%	9.9%	17,472,369
Irish Life (Ind) Fidelity Managed Intl*	2.4%	5.4%	11.2%	-0.9%	Not Started	Not Started	21,931,222
New Irl (Ind) Pension International 2*	4.5%	6.8%	9.9%	1.2%	7.6%	9.0%	2,709,121,000
Royal Liver (Ind) International Equity	2.6%	6.9%	13.5%	2.8%	Not Started	Not Started	11,686,578
Standard (Ind) International Equity 1	8.6%	12.6%	14.7%	3.9%	8.1%	9.9%	30,701,000
MoneyMate Sector Average	6.7%	9.9%	13.3%	3.3%	7.8%	9.2%	
Managed Aggressive							
Eagle Star (Ind) Dynamic	12.9%	17.7%	18.8%	8.3%	10.0%	14.2%	732,611,000
Acorn Life (Ind) Pension Managed Growth	12.9%	17.4%	17.6%	6.7%	10.3%	11.1%	231,200,000
Hib Life & Pen NU (Ind) Focussed Managed I	10.4%	14.4%	15.1%	6.0%	Not Started	Not Started	900,000
Lifetime/BIAM (Ind) Pen Opportunity	6.4%	9.6%	11.7%	5.3%	8.9%	10.9%	79,416,000
New Irl (Ind) 2016/2040 Series 3*	7.9%	11.5%	13.1%	6.1%	10.1%	Not Started	1,036,878,000
Royal Liver (Ind) Managed Fund	8.7%	13.4%	15.1%	6.1%	Not Started	Not Started	46,193,641
MoneyMate Sector Average	9.8%	13.9%	14.7%	6.2%	9.9%	12.2%	
Managed Balanced							
Eagle Star (Ind) Balanced	10.5%	14.5%	16.0%	7.7%	10.1%	13.1%	966,029,000
Eagle Star (Ind) Performance	11.9%	16.6%	17.9%	8.4%	10.2%	13.4%	724,088,000
Acorn Life (Ind) Pension Managed	10.3%	13.9%	14.3%	6.3%	9.5%	10.8%	161,200,000
Ark Life (Ind) Pension Managed 2	8.1%	10.9%	13.3%	3.6%	Not Started	Not Started	470,261,000
Canada Life (Ind) Setanta Pension Managed*	7.7%	10.6%	13.7%	6.0%	8.6%	9.9%	991,268,761
Friends (Ind) Managed	9.1%	13.5%	14.2%	6.6%	9.1%	10.4%	1,004,599,000
Hibernian L&P Pension (Hib) HRR Managed	10.2%	14.1%	14.4%	6.4%	9.8%	10.8%	204,049,324
Irish Life Exempt Managed 1	9.1%	13.4%	15.4%	7.1%	9.4%	10.0%	35,117,135
Lifetime/BIAM (Ind) Pen Growth	7.0%	10.4%	11.9%	6.2%	9.3%	10.9%	2,442,410,000
New Irl (Ind) Pension Managed 3	7.2%	9.3%	11.9%	6.3%	10.3%	11.2%	2,442,410,000
Standard (Ind) Managed 1	9.5%	14.0%	15.3%	6.6%	8.2%	10.1%	309,414,000
MoneyMate Sector Average	8.4%	11.9%	13.3%	5.9%	9.3%	10.7%	
Irish Equity							
Eagle Star (Ind) Irish Equity	24.8%	34.2%	Not Started	Not Started	Not Started	Not Started	9,796,000
Ark Life (Ind) Pension Irish	14.4%	21.0%	20.0%	9.5%	Not Started	Not Started	2,374,000
Friends (Ind) Irish Equity	20.3%	29.5%	23.8%	13.3%	14.4%	15.0%	240,365,000
Hib Life & Pen NU (Ind) Irish Equity*	21.0%	29.5%	24.9%	14.4%	Not Started	Not Started	3,641,378
New Irl (Ind) Pension Irish Equity 3*	18.0%	25.4%	22.6%	16.0%	15.9%	Not Started	1,468,118,000
Royal Liver (Ind) Irish Equity	21.0%	30.6%	24.9%	11.5%	Not Started	Not Started	14,088,481
Standard (Ind) Irish Equity 1	19.5%	28.8%	24.6%	12.6%	13.2%	14.4%	17,855,000
MoneyMate Sector Average	19.5%	28.3%	23.2%	12.1%	14.2%	15.0%	
Euro Equity²							
Eagle Star Eurozone	18.6%	23.5%	23.4%	Not Started	Not Started	Not Started	8,940,000
Ark Life Eurozone 2	9.5%	13.0%	14.1%	2.1%	Not Started	Not Started	140,359,000
Hibernian L&P Euro Equity	15.4%	19.7%	18.0%	5.4%	Not Started	Not Started	42,723,795
New Ireland Euroland Equity S 9	14.1%	18.3%	16.1%	2.4%	Not Started	Not Started	17,657,000
MoneyMate Sector Average¹	14.2%	18.4%	16.4%	3.0%	N/A	N/A	

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

Investment Performance Report

Annualised Performance as at 30th November 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	18.6%	24.9%	Not Started	Not Started	Not Started	Not Started	103,354,000
BOI Life - Unit Funds European Ex UK 2	8.9%	11.6%	15.3%	2.7%	Not Started	Not Started	1,535,100,000
Canada Life/Setanta European Equity	13.8%	18.7%	18.7%	6.0%	Not Started	Not Started	15,308,572
Friends First European Equity	14.8%	19.0%	17.8%	Not Started	Not Started	Not Started	311,025,000
Hibernian L&P European Equity	13.8%	17.8%	17.6%	5.3%	Not Started	Not Started	9,110,243
Irish Life Europascope 2	13.4%	17.5%	16.7%	3.1%	Not Started	Not Started	24,362,967
New Ireland European Equity S 9	8.4%	11.0%	14.7%	2.2%	Not Started	Not Started	493,634,000
Royal Liver European Equity	11.6%	15.1%	19.3%	6.9%	Not Started	Not Started	7,631,054
Standard Life MW European Equity 5*	16.8%	22.5%	20.2%	7.6%	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	15.1%	19.9%	18.1%	6.2%	N/A	N/A	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	14.0%	19.3%	Not Started	Not Started	Not Started	Not Started	53,656,000
BOI Life - Unit Funds Far East Equity 2	-0.7%	4.0%	11.9%	4.2%	Not Started	Not Started	1,594,000
Hibernian L&P Pacific Basin Equity	7.9%	13.2%	17.8%	10.4%	Not Started	Not Started	4,648,322
Irish Life Indexed Pacific Basin 1	9.3%	14.4%	19.7%	10.2%	Not Started	Not Started	670,148
New Ireland Pacific Basin S 9	12.0%	18.8%	17.7%	9.7%	Not Started	Not Started	75,415,000
Standard Life MW Pacific Basin Equity 5*	11.2%	15.9%	16.1%	7.9%	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	10.4%	15.7%	17.5%	8.4%	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	0.0%	1.3%	Not Started	Not Started	Not Started	Not Started	9,795,000
BOI Life - Unit Funds North American 2	0.1%	0.0%	3.0%	-2.1%	Not Started	Not Started	1,194,428,000
Hibernian L&P US Equity	0.2%	0.5%	8.4%	-2.1%	Not Started	Not Started	4,774,430
Irish Life Indexed US 1	0.4%	0.5%	7.5%	-2.7%	Not Started	Not Started	691,323
New Ireland North American S 9	-0.4%	-0.5%	2.5%	-2.4%	Not Started	Not Started	358,818,000
Standard Life MW North American Equity 5*	0.2%	-0.8%	5.9%	-2.9%	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	-0.2%	-0.3%	6.3%	-1.7%	7.4%	N/A	
Concentrated Funds³							
Eagle Star 5★5	6.7%	11.0%	18.6%	11.0%	Not Started	Not Started	251,609,000
New Ireland Smart Stocks 15	-0.3%	0.4%	2.6%	-4.3%	Not Started	Not Started	9,209,000
New Ireland Smart Stocks 35	1.2%	2.4%	5.4%	-2.3%	Not Started	Not Started	9,322,000
Canada Life/Setanta Focus 15	12.1%	12.5%	14.0%	-0.7%	Not Started	Not Started	122,844,575
Hib Life & Pens Target 20	1.6%	5.2%	9.5%	-3.2%	Not Started	Not Started	65,305,952
Average of Selected Funds	4.3%	6.3%	10.0%	0.1%	N/A	N/A	
Property³							
Eagle Star Eurozone Property Fund	38.0%	41.2%	Not Started	Not Started	Not Started	Not Started	67,700,000
BOI Life - Unit Funds Property 2	15.7%	22.4%	14.9%	11.6%	Not Started	Not Started	831,714,000
Canada Life/Setanta Property	16.9%	24.7%	19.7%	14.2%	Not Started	Not Started	244,638,831
Friends First Property	13.7%	19.2%	16.3%	15.8%	18.5%	15.3%	213,859,000
Hibernian L&P Irish Property	15.4%	19.3%	19.7%	14.9%	Not Started	Not Started	28,264,680
Irish Life Property 1	18.3%	22.3%	16.2%	11.6%	Not Started	Not Started	1,719,743
New Ireland Property S 9	15.1%	21.7%	14.3%	10.5%	Not Started	Not Started	209,248,000
Standard Life MW Property 5*	12.7%	16.6%	15.2%	12.0%	Not Started	Not Started	51,207,000
MoneyMate Sector Average¹	15.6%	21.0%	16.6%	13.1%	18.5%	15.3%	
Specialist Funds³							
Eagle Star Dividend Growth	14.7%	19.4%	Not Started	Not Started	Not Started	Not Started	123,846,000
Hibernian L&P High Yield	15.1%	15.9%	15.7%	1.7%	Not Started	Not Started	30,302,610
Canada Life All Eq Non-distributing	11.3%	15.1%	15.6%	Not Started	Not Started	Not Started	223,534,429
Bloxxams High Yield 2	14.6%	18.1%	18.2%	Not Started	Not Started	Not Started	255,244,615
Average of Selected Funds	13.9%	17.1%	16.5%	1.7%	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 30/11/2006.

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.

* Note that this fund is no longer open to New Business