

Monthly Investment Review

For December 2007

Best Investment
Manager 2007
(MoneyMate)



EAGLE STAR

A member of the Zurich Group

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.**

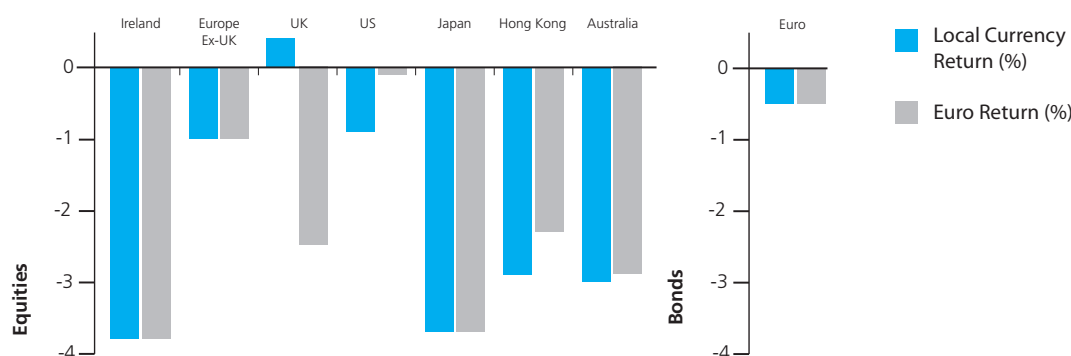
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Equity and Bond % Returns

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

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

- Following November's heavy declines, equities ebbed and flowed during December with the world index (in euro terms) ending the month down just under 1%. For the year as a whole, equities gave a total return of 0.4%; in US\$ terms, equities rose by 11.3%, reflecting the weakness of the dollar against most of the major currencies. During December, the UK, Europe and the US held up best, while Ireland and Japan continued to underperform. Markets continued to worry about the fallout from the banking crisis, the degree of slowdown in the US economy and the transparency of corporate profit growth. In addition, rising energy and food prices are putting pressure on headline inflation numbers. The positives for equities are that valuation levels are attractive and short-term interest rates are likely to move lower.
- 2007 was clearly a year of two halves. The first half of the year saw equities performing strongly on the back of good economic and corporate profit growth, significant levels of merger & acquisition activity and the prospect of lower interest rates. Dislocation in the credit and money markets, brought about by the US sub-prime implosion, forced equities down in the second half. Despite this, many markets gave strong returns in local currency terms during 2007 - Hong Kong (+39%), Germany (+22%), Singapore (+17%) and Australia (+12%). The two most noticeable underperformers were Ireland (-26%) and Japan (-12%).
- Sectorwise, during December defensive and cyclical sectors in general performed similarly, whereas defensives such as consumer staples, healthcare and utilities had outperformed in previous months. Energy stocks were the main outperformers during the month, helped by the sharp rise in the oil price, while banking stocks continued to suffer.
- Eurozone bonds fell back in December, hindered by higher headline eurozone inflation data, hawkish comments from the ECB and concerted efforts by a number of the major central banks to un-freeze the money markets.
- Corporate news was relatively muted ahead of the fourth-quarter reporting season, which begins in earnest in the second week of January. Consensus earnings forecasts continue to show a strong upward trend, although it is likely that these will be pared back as the year progresses. Merger & acquisition activity has more or less dried up due to credit and money market concerns.
- The US dollar was flat against the euro in December. The dollar now

has some valuation support against European currencies, due to an improvement in the US trade deficit from dire levels, although momentum is still against it. The €/£ rate ended the period at 1.46.

Eagle Star's Asset Allocation

The funds are slightly underweight in equities and slightly overweight in bonds.

Equities

Countries & Markets: Overweight & Underweight positions

The fund managers maintained a neutral to slightly underweight position in equities during most of December. Regional positions have been rebalanced over the last six months, with the US weighting being increased from underweight to neutral, while the overweight position in Europe was reduced. However, there was little change during the month apart from a small reduction in the UK and European positions. The funds' main positions at the end of December were overweight Pacific Basin, underweight Ireland and Japan and close to neutral in the US, the UK and Europe.

Sectors: Overweight & Underweight positions

Due to ongoing changes in the economic environment, the cyclical bias of the portfolio has been reduced over the second half of 2007, while there has been a corresponding increase in defensive stocks. The main changes during December were a slight reduction in the weighting of financial and basic materials stocks. An underweight position was maintained in consumer cyclical stocks, such as general retailers and media companies. Other sectoral positions continue to be pretty balanced.

Bonds

Bond markets lost ground during December despite another US rate cut. One of the reasons for the reversal of the previous month's gains was co-ordinated activity by global central banks to add liquidity to money markets over the crucial year-end period. That removed some of the safe-haven attractions of bonds, because it suggested that central banks were determined to try and fix the dislocation in money markets, by means other than substantial immediate rate cuts. Continuous hawkish comment from the ECB and poor inflation data in the eurozone also contributed to negative sentiment among eurozone bond investors, and led to underperformance versus the US and UK markets. For December, the Merrill Lynch over 5 year Index fell 0.5%, giving a modest full-year return of +0.5%.

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.

Healthcare, Personal Care & Leisure

Novartis

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 and cardiovascular diseases. Its pharmaceutical sales are driven by blockbuster drugs such as Diovan and Glivec. Novartis has a strong product pipeline and it has a strategy of diversification into adjacent healthcare product areas which act as a buffer for the more risky pharmaceuticals division. About one third of the group is now comprised of generic drugs, consumer healthcare and vaccines. Novartis has a very strong balance sheet and buys back its own shares annually. The company trades in line with its peers.

Resources and Infrastructure

Rio Tinto

Rio Tinto is one of the world's largest mining companies with significant interests in copper, iron-ore, aluminium and coal. A key player in global merger & 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. The company was recently approached by Australian peer, BHP Billiton, regarding a possible merger. However, no formal takeover bid has been made as yet.

Information and Communication Technology

Nokia

Nokia is the world's number one mobile phone handset provider with a global market share of about 33%. The company has recently reiterated its dominant position in mobile phones with strong handset sales volumes and a recovery in market share lost. Nokia is particularly strong in emerging markets with its

scale allowing it to provide the lowest-cost mobile handsets. Continued momentum is expected through further product design improvements in the mid to higher ends of the market. Also, through its joint venture with Siemens, Nokia has exposure to infrastructure and networking.

Finance

Standard Chartered

Standard Chartered is an international bank, whose focus is retail and corporate banking and treasury activities, predominantly in Asia-Pacific, the Middle East and Africa, where it has established strong franchises over the last 50 to 100 years. Although domiciled in the UK, its biggest single concentration of customers and profits is in Hong Kong. The group's strategy is to continue to develop its consumer banking franchises, while maximising profitability in its historical wholesale operations. Its share price has been recently supported by strong earnings momentum and stake building by one of the Sovereign Wealth Funds – Temasek.

Consumer

Nestlé

Nestlé is one of the largest fast-moving consumer goods companies in the world today. Its core operations encompass beverages (such as coffee, water and dairy), pet food, and food (such as confectionery, milk powder and culinary). Major brands include Nescafé, Vittel and KitKat chocolate. The company has exposure to specialist eye-care and pharmaceuticals through its ownership stake of Alcon. In addition, Nestlé also owns 26% of the leading cosmetic manufacturer L'Oreal. In the face of tough market conditions in Western Europe and higher commodity raw materials, Nestlé has been able to increase its operating margins through more efficient operational management of its resources and the ability to increase prices.

Global Outlook

- The central case for 2008 is for further moderation in global economic growth. While a 'soft landing' in the US remains the most likely outcome, markets will continue to focus on downside risks to growth. Asian (ex-Japan) economies are likely to perform reasonably well, although a slower global economy will impact.
- Slowing growth and housing market pressures argue for further interest rate cuts in the US. Indeed investors now expect a further 0.5% reduction at the end of January. Despite continued hawkish comments from the ECB, current eurozone rates are likely to be at their peak, although they may not be cut until towards the end of the year.
- High food and energy prices continue to be a worry to policy-makers and a somewhat tricky environment for bond investors.
- The prospect of lower short rates and reasonable valuations supports global equities, although there are concerns about the health of the banking sector and the overall earnings' outlook. Expect further volatility over the next twelve months.
- The US dollar remains the primary focus of currency markets. After last year's weakness, the US dollar now has valuation support versus European currencies. The slow pace of Chinese currency appreciation is likely to persist.

Individual Pensions Sector

	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash						
Eagle Star (Ind) Secure	3.7%	2.7%	2.4%	3.4%	4.9%	168,568,000
Acorn Life (Ind) Pension Deposit	3.6%	2.5%	2.2%	3.1%	4.5%	2,500,000
Ark Life (Ind) Pension Assured 2	3.1%	2.0%	1.8%	2.5%	Not Started	24,910,021
Canada Life (Ind) Setanta Pension Money*	3.5%	2.3%	2.0%	2.7%	4.0%	362,588,114
Friends (Ind) Cash	3.3%	2.2%	2.2%	2.7%	3.9%	16,069,000
Hibernian L&P Pension Cash	3.2%	2.3%	2.1%	Not Started	Not Started	52,468,064
Irish Life (Ind) Exempt Cash 1	3.4%	2.3%	2.0%	2.8%	3.9%	530,000
Lifetime/BIAM (Ind) Pen Security	2.8%	1.9%	1.7%	2.3%	3.5%	302,735,000
New Irl (Ind) Pension Cash 2*	3.0%	2.2%	1.9%	2.6%	3.9%	107,513,000
Royal Liver (Ind) Money Fund	2.5%	1.6%	1.3%	Not Started	Not Started	6,830,735
SL Synergy Cash Fund	3.1%	2.0%	Not Started	Not Started	Not Started	68,900,000
MoneyMate Sector Average	3.2%	2.2%	2.0%	2.9%	4.1%	
Fixed Interest						
Eagle Star (Ind) Active Fixed Income	0.4%	2.1%	3.9%	6.4%	Not Started	75,580,000
Eagle Star (Ind) Long Bond Fund	-2.0%	2.0%	Not Started	Not Started	Not Started	24,606,000
Acorn Life (Ind) Pens Cautiously Mgd	0.5%	1.5%	Not Started	Not Started	Not Started	9,700,000
Canada Life (Ind) Setanta Pen Fixed Interest*	0.2%	1.3%	3.1%	5.0%	7.4%	221,836,220
Friends (Ind) Fixed Interest	-2.3%	0.5%	3.0%	4.7%	7.8%	60,665,000
Hibernian L&P Pension (Hib) Laser Gilt	1.2%	2.0%	4.1%	5.6%	7.8%	15,778,406
Irish Life (Ind) Exempt Fixed Interest 2	-0.3%	1.2%	3.3%	5.1%	7.7%	922,000
New Irl (Ind) Pension Gilt Edge 2*	-0.8%	1.0%	3.1%	5.1%	7.7%	755,179,000
Royal Liver (Ind) Fixed Interest	5.4%	2.3%	3.6%	Not Started	Not Started	23,232,975
SL Synergy Government Bond Tracker	-0.8%	1.0%	Not Started	Not Started	Not Started	22,100,000
MoneyMate Sector Average	-0.7%	1.2%	3.1%	5.1%	7.7%	
International Equity						
Eagle Star (Ind) International Equity	3.7%	15.4%	13.5%	8.7%	Not Started	70,026,000
Ark Life (Ind) Pension Global	3.9%	11.9%	11.1%	Not Started	Not Started	8,452,157
Canada Life (Ind) Passive Equity 2	-5.5%	7.6%	7.2%	Not Started	Not Started	5,564,211
Friends (Ind) International	2.1%	12.9%	11.3%	4.2%	8.5%	321,822,000
Hibernian L&P Pension (Hib) H-R International	2.8%	13.1%	11.6%	5.3%	9.7%	17,993,104
Irish Life (Ind) Indexed Global Equity P	-3.9%	11.8%	Not Started	Not Started	Not Started	4,946,000
New Irl (Ind) Pension International 2*	-2.3%	7.5%	6.9%	4.8%	8.9%	386,007,000
Royal Liver (Ind) International Equity	-3.2%	11.3%	10.2%	Not Started	Not Started	11,912,444
SL Synergy Global Equity Tracker	-1.4%	Not Started	Not Started	Not Started	Not Started	200,000
MoneyMate Sector Average	0.3%	11.8%	10.7%	5.1%	9.1%	
Managed Aggressive						
Eagle Star (Ind) Dynamic	0.3%	15.0%	14.4%	7.0%	13.2%	889,177,000
Acorn Life (Ind) Pension Managed Growth	-2.7%	13.0%	13.3%	6.8%	11.5%	230,500,000
Hib Life & Pen NU (Ind) Focussed Managed I	-3.9%	10.2%	10.9%	7.0%	Not Started	4,850,668
Lifetime/BIAM (Ind) Pen Opportunity	-9.2%	6.0%	7.7%	5.2%	9.9%	7,121,000
New Irl (Ind) Pension Ethical Managed 6	-9.6%	3.8%	Not Started	Not Started	Not Started	4,784,000
Royal Liver (Ind) Managed Fund	-6.1%	8.5%	10.0%	Not Started	Not Started	47,944,362
MoneyMate Sector Average	-3.5%	10.0%	10.8%	6.7%	11.4%	
Managed Balanced						
Eagle Star (Ind) Balanced	0.8%	12.4%	12.3%	7.1%	12.4%	1,222,942,000
Eagle Star (Ind) Performance	-0.2%	14.0%	13.4%	7.1%	12.7%	843,558,000
Acorn Life (Ind) Pension Managed	-2.4%	10.4%	10.9%	6.3%	10.7%	145,100,000
Ark Life (Ind) Pension Managed 2	-2.4%	9.5%	9.4%	4.2%	Not Started	509,611,244
Canada Life (Ind) Setanta Pension Managed*	-1.6%	9.5%	10.0%	5.7%	9.8%	1,027,369,604
Friends (Ind) Managed	-3.5%	10.1%	10.9%	5.8%	10.4%	434,964,000
Hibernian L&P Pension (Hib) Laser Managed	-2.5%	9.6%	10.4%	6.1%	10.0%	370,592,817
Irish Life (Ind) Exempt Managed 1	-3.4%	10.3%	11.5%	6.5%	10.2%	29,451,000
Lifetime/BIAM (Ind) Pen Growth	-8.6%	5.9%	7.8%	5.8%	10.0%	97,264,000
New Irl (Ind) Pension Managed 3	-8.3%	6.2%	7.7%	6.6%	10.7%	2,704,903,000
SL Synergy Balanced MultiManager	-7.0%	8.5%	Not Started	Not Started	Not Started	230,900,000
MoneyMate Sector Average	-3.7%	8.7%	9.5%	6.1%	10.4%	
Irish Equity						
Eagle Star (Ind) Irish Equity	-21.9%	Not Started	Not Started	Not Started	Not Started	15,609,000
Ark Life (Ind) Pension Irish	-25.4%	4.0%	10.8%	Not Started	Not Started	3,100,430
Friends (Ind) Irish Equity	-25.8%	5.1%	12.8%	7.3%	14.1%	105,317,000
Hib Life & Pen NU (Ind) Irish Equity*	-25.9%	5.5%	13.0%	8.7%	Not Started	3,641,378
Irish Life (Ind) Irish Equity Indexed Fund P	-26.9%	5.5%	Not Started	Not Started	Not Started	1,599,000
New Irl (Ind) Pension Irish Equity 3*	-28.3%	4.5%	11.5%	8.4%	14.9%	384,773,000
Royal Liver (Ind) Irish Equity	-24.4%	5.4%	12.8%	Not Started	Not Started	14,942,883
SL Synergy Irish Equity Tracker	-25.3%	5.1%	Not Started	Not Started	Not Started	36,500,000
MoneyMate Sector Average	-27.3%	4.9%	12.1%	7.2%	13.8%	
Euro Equity						
Eagle Star Eurozone Equity G	11.3%	22.6%	Not Started	Not Started	Not Started	43,179,000
AIB Inv Mgr Ltd Eurozone Equity Indexmaster B	6.8%	18.4%	17.1%	Not Started	Not Started	135,580,243
Ark Life Eurozone 2 G	4.3%	13.3%	13.1%	Not Started	Not Started	103,648,727
Hibernian L&P Euro Equity G	4.3%	16.9%	15.5%	Not Started	Not Started	2,776,285
New Ireland Euroland Equity S9	5.8%	14.7%	13.2%	Not Started	Not Started	10,425,000
SL Synergy European Equity Tracker	5.6%	Not Started	Not Started	Not Started	Not Started	116,300,000
MoneyMate Sector Average¹	5.3%	16.2%	14.3%	N/A	N/A	

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

	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
European Equities²						
Eagle Star 5★5 Europe G	4.6%	24.7%	Not Started	Not Started	Not Started	125,492,000
BOI Life - Unit Funds European Ex UK S2	0.8%	12.2%	11.5%	Not Started	Not Started	535,897,000
Canada Life /Setanta European Equity G	-6.4%	11.6%	11.9%	Not Started	Not Started	14,812,185
Friends First European Equity G	5.3%	17.4%	15.6%	Not Started	Not Started	392,465,000
Hibernian L&P European Equity G	4.2%	15.9%	15.0%	Not Started	Not Started	4,843,802
Irish Life Europascope 2 G	8.6%	16.1%	14.6%	Not Started	Not Started	22,297,000
New Ireland European Equity S9	0.3%	11.7%	11.0%	Not Started	Not Started	535,897,000
Royal Liver European Equity G	5.1%	16.1%	16.4%	Not Started	Not Started	8,455,976
SL Synergy European Eq MultiManager	1.9%	Not Started	Not Started	Not Started	Not Started	138,900,000
MoneyMate Sector Average¹	3.7%	16.8%	15.7%	N/A	N/A	
Far East Equity²						
Eagle Star 5★5 Asia Pacific G	20.2%	27.9%	Not Started	Not Started	Not Started	112,969,000
AIB Inv Mgr Ltd Far East Equity G	10.3%	16.7%	14.4%	Not Started	Not Started	14,797,793
BOI Life - Unit Funds Far East Equity S2	-2.3%	11.1%	9.5%	Not Started	Not Started	178,967,000
Hibernian L&P Pacific Basin Equity G	20.3%	22.8%	20.4%	Not Started	Not Started	1,191,927
Irish Life Indexed Pacific Basin 1 G	17.2%	22.1%	19.7%	Not Started	Not Started	88,000
New Ireland Pacific Basin S9	18.7%	23.7%	18.9%	Not Started	Not Started	178,967,000
SL Synergy Pacific Basin MultiManager	17.1%	Not Started	Not Started	Not Started	Not Started	54,400,000
MoneyMate Sector Average¹	14.5%	20.3%	16.7%	N/A	N/A	
American Equity²						
Eagle Star 5★5 Americas G	5.9%	14.4%	Not Started	Not Started	Not Started	18,436,000
AIB Inv Mgr Ltd US Equity G	2.6%	8.6%	6.8%	Not Started	Not Started	15,262,680
BOI Life - Unit Funds North American S2	-6.6%	1.0%	2.2%	Not Started	Not Started	251,998,000
Hibernian L&P US Equity G	3.4%	8.7%	7.5%	Not Started	Not Started	1,437,075
Irish Life Indexed US 1 G	-4.7%	5.8%	5.0%	Not Started	Not Started	1,824,000
New Ireland North American S9	-7.1%	0.5%	1.7%	Not Started	Not Started	251,998,000
SL Synergy North American Equity	-2.7%	Not Started	Not Started	Not Started	Not Started	94,200,000
MoneyMate Sector Average¹	-2.5%	6.2%	5.2%	N/A	N/A	
Concentrated Funds³						
Eagle Star 5★5 Global G	3.2%	15.8%	16.5%	Not Started	Not Started	250,081,000
Canada Life /Setanta Focus 15 G	-4.4%	10.9%	8.0%	Not Started	Not Started	120,878,771
Hib Life & Pens Target 20 G	-1.2%	7.4%	7.0%	Not Started	Not Started	41,309,797
Average of selected funds	-0.8%	11.4%	10.5%	N/A	N/A	
Selected Property Funds³						
Eagle Star Eurozone Property G*	-25.6%	Not Started	Not Started	Not Started	Not Started	60,114,000
BOI Life - Unit Funds Property S2	-0.8%	10.2%	11.0%	Not Started	Not Started	1,103,686,000
Canada Life /Setanta Property G	12.2%	16.8%	16.9%	Not Started	Not Started	266,708,159
Friends First Property G	6.1%	15.4%	17.6%	17.1%	16.2%	278,840,000
Hibernian L&P Irish Property G	-7.2%	12.2%	12.0%	Not Started	Not Started	135,234,868
Irish Life Property 1 G	5.1%	13.3%	13.1%	Not Started	Not Started	1,648,000
New Ireland Property S9	-1.3%	10.7%	10.5%	Not Started	Not Started	1,082,173,000
SL Synergy Property	-11.8%	6.0%	7.6%	Not Started	Not Started	504,500,000
Average of selected funds	2.9%	12.1%	12.7%	17.1%	16.2%	
Specialist Funds³						
Eagle Star Dividend Growth G	-13.7%	Not Started	Not Started	Not Started	Not Started	157,851,000
Hibernian L&P High Yield G	5.1%	15.6%	12.1%	Not Started	Not Started	15,450,153
Canada Life CL/Set Equity Div Non Dis G	-6.9%	8.5%	Not Started	Not Started	Not Started	304,347,164
Bloxhams High Yield Fund 1 G	-10.3%	9.0%	11.0%	Not Started	Not Started	12,392,000
Merrion SB Ltd Merrion High Yield Fund G	-19.4%	Not Started	Not Started	Not Started	Not Started	12,205,610
Average of selected funds	-9.0%	11.0%	11.5%	N/A	N/A	

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

Warning: The income you get from an investment may go down as well as up. The value of an investment may go down as well as up. Benefits 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 a company has no open fund in the category, the best performing closed fund has been chosen. 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 02/01/2008.

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. The average shown is the average of the selected funds above.

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

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