

Monthly Investment review

For November 2004



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.**

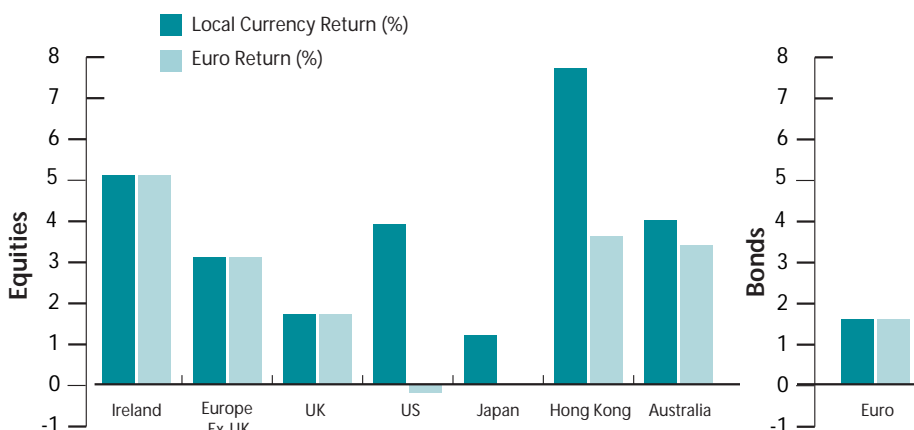
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Equity and Bond % Returns

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

- World equities (in euro terms) had a reasonable month in November rising by just under 1%. In local currency terms, markets were strong across the board led by Hong Kong, Germany, Ireland and the US. Many of the gains, however, were watered down by the significant weakening of the US dollar and other related currencies. Equities rallied following President Bush's re-election and were further boosted by some robust economic data in the US and the continued decline in European interest rate expectations. Sectorwise, cyclical stocks, such as basic industries and industrials, outperformed while the defensive areas of the market did not participate to any great extent.
- Eurozone bonds rose for the sixth straight month while US bonds fell back, hindered by strong economic data.
- Corporate news was more muted following the hectic 3rd Quarter reporting season in October. Notable features in the US were the payment by Microsoft of a US\$33bn special dividend and the takeover of Sears Roebuck by Kmart – with the Sears share price up nearly 50% in November. In Europe, Ryanair rose strongly on the back of lower oil prices and better than expected results while Greek gaming company, OPAP and Scandinavian video conferencing company, Tandberg both rose on strong results. European auto companies, such as Renault, Porsche and BMW, all fell back on concerns over the US dollar. In Asia, China Aviation Oil was suspended following the announcement of a loss of US\$550m in oil futures trading, while Japanese auto manufacturer, Nissan announced the temporary suspension of production at a number of its plants due to a shortage of steel. Steel makers across the globe jumped following the news.
- The US dollar broke down further to record new lows against the euro. The euro began the month at 1.28 against the dollar ending at almost 1.33 – a gain of 4% against the dollar. The dollar was also weak against all other major currencies. The reasons behind the fall include concerns over the twin deficits and Asian central banks' holdings of US bonds as well as less than supportive comments from Federal Reserve Chairman, Alan Greenspan.

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. The only move in November was the increase in the Pacific Basin region from neutral back to overweight with the purchase of mainly Hong Kong equities. Asian markets continue to perform well given their sensitivity to global, and especially Chinese, economic growth. The funds have a significant overweight position in European equities and an underweight position in the US equity market. Neutral positions were maintained in the UK and Japan.

Sectors: overweight & underweight positions

The funds continue to have a slight bias towards economically sensitive sectors such as basic industries and resources although general industrials were cut back to neutral, with profit taking in some machinery stocks. The overweight position in financials was further increased, primarily with the purchase of Swiss banks. The other main move was the reduction of utilities from overweight to neutral with profits being taken in German and Italian electricity providers.

Bonds

November was an unusual month of divergence between the US and eurozone bond markets, with bond prices falling in the former and rising strongly in the latter. The US saw stronger economic data and a further rate hike from the Fed. In the eurozone, economic data was generally weaker. The big event of the month was a bout of dollar weakness. This had some negative impact on sentiment in the US bond market but had a strong positive impact on eurozone bonds. Rate expectations and bond yields fell which pushed bond prices ahead even further for the year. The over five year government bond index stood at 9.4% for the 11 months to the end of November, a gain of 1.6% on the month. Bond positions were moved from neutral to overweight early in the month and profits were taken on this move at month end.

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.

Finance

American International Group

AIG is one of the largest insurance companies in the world. AIG has four operating segments: General Insurance, Life Insurance, Financial Services and Retirement Services & Asset Management. Potential positive catalysts for the stock include a settlement with the New York Attorney General regarding bid rigging and a resolution of the SEC and DOJ investigations into the Brightpoint and GAITS transactions. The valuation is attractive with the stock trading at the low end of its historical price to book range.

Healthcare

Sanofi-Aventis

Sanofi-Aventis is the third largest pharmaceutical company in Europe. The company is the result of the takeover of Aventis by Sanofi earlier this year. The company has a large sales force and a positive development pipeline, highlighted recently with the successful release of two year data for its obesity compound Acomplia, which could have annual sales potential in excess of €2bn. The company also faces some considerable patent challenges in the next few years. The company trades at a discount to its peers.

Technology & Telecoms

Microsoft

Microsoft is the largest software company in the world. It has a dominant market share in operating systems for PCs (Windows) and is also a leader in

software applications (Office). The company is well positioned to benefit from the pick up in IT spending by enterprises. The company recently announced a US\$33bn special dividend and a US\$30bn four year share buyback programme and this should be a catalyst for the stock going forward. The stock trades at a discount to its historical valuation.

Resources and Infrastructure

Xstrata

Xstrata is a major diversified mining group. Following the recent acquisition of MIM Holdings in June 2003, the group has a meaningful position in six major international commodity markets: copper, coking coal, thermal coal, ferrochrome, vanadium and zinc. Xstrata has benefited from strong upward earnings revisions as it has participated in strong commodity prices and the outlook for 2005 earnings growth remains substantial. Xstrata currently trades on a 2005 P/E of 8.5 times which is a significant discount to the sector trading on 11.7 times.

Consumer

Sumitomo Corp

Sumitomo Corp is a Japanese based, consumer oriented trading company. It has interests in areas such as steel, automobiles and cable TV. The company has been steadily improving its asset efficiency and should enjoy good earnings growth because of the growing Japanese economy. Sumitomo Corp appears undervalued relative to comparable companies.

Global Outlook

- Activity levels in the global economy remain high, although leading indicators foresee a slowing in the pace of global expansion. The high oil price is a 'growth tax' for consuming nations but also boosts inflation, posing an undoubted dilemma for policymakers. After a sharp fall at the beginning of December oil is 22% off its peak price this year but is still a third higher than last year's average.
- The Fed has raised rates from 1% to 2% this year and has promised more increases at a "measured pace". Employment growth has been weaker than previous expansions, leading the Fed to be cautious. Nonetheless investors still expect a further 0.25% increase at mid December's Fed meeting. As for the ECB, for now it seems that a strong euro will offset concerns over inflation allowing rates to be kept on hold at 2%.
- Equity gains this year have been more modest as profits' momentum seems to have peaked. The oil price has been a negative factor but recent sharp falls will help short-term sentiment. Strong liquidity conditions have also helped equity markets to remain in cyclical uptrends. Seasonal factors should be a support in and around year-end.
- Bond markets have taken some comfort from the stance of the Fed and the ECB, well-behaved inflation data and a sense that global growth momentum has peaked. Lower eurozone growth prospects and potential for further dollar weakness acts as support for eurozone bonds versus their US equivalents.

Investment Performance Report

Annualised Performance to 1st December 2004

	Year to Date	1 Year	Annualised 3 Years	Annualised 5 Years	Annualised 10 Years	Annualised 15 Years	Fund Size (€)
Cash							
Eagle Star Secure	1.59%	1.75%	2.60%	3.37%	4.81%	6.54%	77,826,000
Acorn Life Pension Deposit	1.42%	1.55%	2.20%	2.89%	4.24%	6.25%	4,400,000
Ark Life Pension Assured 2	1.05%	1.15%	1.68%	2.36%	Not Started	Not Started	19,662,000
Canada Life Setanta Pension Money	1.19%	1.31%	1.88%	2.60%	3.60%	5.50%	38,870,000
Friends Cash	1.45%	1.57%	2.23%	2.72%	3.67%	5.63%	37,819,000
Hibernian L&P Pension Cash	1.68%	1.68%	2.13%	Not Started	Not Started	Not Started	44,700,000
Irish Life Exempt Cash 1	1.32%	1.47%	2.02%	2.68%	3.72%	5.53%	400,000
Lifetime/BIAM Pen Security	0.99%	1.10%	1.70%	2.21%	3.44%	5.36%	9,502,000
New Ireland Pension Cash 2	1.22%	1.34%	1.85%	2.46%	3.50%	5.62%	38,985,000
Royal Liver Money Fund	0.70%	0.79%	1.32%	Not Started	Not Started	Not Started	3,409,780
Standard Cash 1 G	1.05%	1.17%	1.77%	2.44%	3.44%	5.43%	18,673,000
MoneyMate Sector Average	1.26%	1.39%	2.06%	2.73%	3.85%	5.75%	
Fixed Interest							
Eagle Star Active Pension	9.32%	10.77%	7.04%	8.37%	Not Started	Not Started	43,546,000
Eagle Star Long Bond Fund	11.65%	13.46%	Not Started	Not Started	Not Started	Not Started	9,265,000
Canada Life Setanta Pen Fixed Interest	7.66%	9.24%	5.81%	6.68%	7.97%	8.93%	9,910,000
Friends Fixed Interest	7.11%	8.34%	6.56%	6.74%	9.26%	9.43%	143,057,000
Hibernian L&P Pension (Hib) H-R Gilt	9.08%	11.20%	8.37%	7.99%	9.91%	9.07%	11,400,000
Irish Life Exempt Fixed Interest 2	7.90%	9.54%	6.58%	6.91%	8.92%	8.98%	4,200,000
New Ireland Pension Gilt Edge 2	7.33%	8.67%	6.59%	7.01%	8.99%	8.74%	569,162,000
Royal Liver Fixed Interest	6.25%	7.85%	5.56%	Not Started	Not Started	Not Started	7,063,326
Standard Fixed Interest 1 G	7.74%	9.26%	5.08%	5.98%	8.09%	8.47%	6,718,000
MoneyMate Sector Average	7.76%	9.27%	6.66%	7.18%	8.95%	8.99%	
International Equity							
Eagle Star International Dynamic	4.00%	5.89%	-4.30%	-3.16%	Not Started	Not Started	33,029,000
Ark Life Pension Global	7.44%	10.06%	-7.27%	Not Started	Not Started	Not Started	3,032,000
Canada Life Passive Equity 1	2.79%	3.48%	Not Started	Not Started	Not Started	Not Started	1,830,000
Friends International	3.83%	5.44%	-6.19%	-7.94%	5.82%	4.82%	631,883,000
Hibernian L&P Pension (Hib) H-R International	5.19%	6.91%	-6.31%	-6.37%	6.36%	7.68%	13,800,000
Irish Life Fidelity Managed Intl	0.91%	1.38%	-10.96%	Not Started	Not Started	Not Started	Not Available
New Ireland Pension International 2	3.11%	4.45%	-5.76%	-3.40%	7.58%	Not Started	1,601,139,000
Royal Liver International Equity	4.25%	5.55%	-6.04%	Not Started	Not Started	Not Started	6,404,784
Standard International Equity 1 G	5.30%	6.11%	-5.18%	-5.57%	7.24%	6.67%	14,029,000
MoneyMate Sector Average	4.33%	5.77%	-6.19%	-5.88%	6.42%	6.53%	
Managed Aggressive							
Eagle Star Dynamic	9.99%	12.89%	0.13%	-1.59%	9.67%	13.74%	356,070,000
Acorn Life Pension Managed Growth	8.63%	11.47%	-1.72%	-2.90%	9.32%	8.46%	151,300,000
Hib Life & Pen NU Focussed Managed D	7.99%	10.23%	1.42%	0.96%	Not Started	Not Started	12,100,000
Lifetime/BIAM Pen Opportunity	6.13%	8.06%	0.15%	1.50%	9.64%	7.38%	7,325,000
New Ireland 2016/2040 Series 3	6.90%	9.04%	0.41%	1.13%	10.28%	Not Started	545,396,000
Royal Liver Managed Fund	11.12%	14.39%	0.32%	Not Started	Not Started	Not Started	17,980,714
MoneyMate Sector Average	7.97%	10.41%	-0.29%	-0.46%	9.84%	10.37%	
Managed Balanced							
Eagle Star Balanced	9.54%	12.06%	1.30%	0.37%	10.29%	12.71%	534,177,000
Eagle Star Performance	9.81%	12.42%	0.84%	-0.61%	9.92%	12.55%	407,419,000
Acorn Life Pension Managed	7.52%	9.76%	-0.06%	-0.51%	9.58%	9.44%	114,000,000
Ark Life Pension Managed 2	7.53%	9.91%	-3.41%	-3.01%	Not Started	Not Started	298,472,000
Canada Life Setanta Pension Managed	7.63%	10.20%	0.18%	-0.09%	8.77%	7.91%	242,870,000
Friends Managed	7.56%	9.59%	0.34%	-0.96%	9.18%	7.93%	751,323,000
Hibernian L&P Pension (Hib) H-R Managed	9.31%	11.73%	0.57%	0.30%	9.56%	8.39%	161,200,000
Irish Life Exempt Active Managed 2	9.61%	12.27%	0.93%	1.21%	8.81%	8.20%	536,600,000
Lifetime/BIAM Pen Growth	6.81%	8.80%	1.59%	2.64%	10.07%	9.40%	461,774,000
New Ireland Pension Managed 2	7.06%	9.09%	1.68%	2.52%	10.71%	9.40%	1,844,597,000
Standard Managed 1 G	9.33%	11.40%	-0.01%	-1.05%	8.08%	7.62%	129,899,000
MoneyMate Sector Average	7.73%	9.98%	0.17%	0.20%	9.21%	8.97%	

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

Investment Performance Report

Annualised Performance to 1st December 2004

	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	11.49%	14.87%	Not Started	Not Started	Not Started	Not Started	2,322,000
Ark Life Eurozone 2 G	5.91%	9.14%	-6.67%	Not Started	Not Started	Not Started	79,562,000
Hibernian L&P Euro Equity G	8.17%	11.80%	-3.95%	Not Started	Not Started	Not Started	800,000
New Ireland Euroland Equity 8 G	9.07%	13.14%	-5.63%	Not Started	Not Started	Not Started	5,586,000
MoneyMate Sector Average¹	6.05%	9.32%	-6.59%	N/A	N/A	N/A	
European Equities²							
Eagle Star 5★5 Europe	20.00%	Not Started	Not Started	Not Started	Not Started	Not Started	5,966,000
BOI Life - Unit Funds European Ex UK 2 G	6.72%	10.57%	-6.20%	Not Started	Not Started	Not Started	4,089,000
Canada Life /Setanta European Equity G	7.44%	11.32%	-3.81%	Not Started	Not Started	Not Started	8,600,000
Friends First European Equity	4.86%	7.89%	Not Started	Not Started	Not Started	Not Started	204,288,000
Hibernian L&P European Equity G	7.43%	10.60%	-4.22%	Not Started	Not Started	Not Started	2,400,000
Irish Life Indexed Europe 1 G	5.77%	10.91%	-5.58%	Not Started	Not Started	Not Started	950,000
New Ireland European Equity 8 G	7.63%	11.76%	-5.24%	Not Started	Not Started	Not Started	341,027,000
Royal Liver European Equity G	13.86%	16.82%	-1.32%	Not Started	Not Started	Not Started	3,851,931
Standard Life MW European Equity 5 G	7.93%	11.22%	-2.63%	Not Started	Not Started	Not Started	12,044,000
MoneyMate Sector Average¹	8.40%	10.63%	-3.88%	-5.77%	N/A	N/A	
Far East Equity²							
Eagle Star 5★5 Asia Pacific	17.30%	Not Started	Not Started	Not Started	Not Started	Not Started	6,284,000
BOI Life - Unit Funds Far East Equity 2 G	-0.68%	-1.74%	-4.82%	Not Started	Not Started	Not Started	60,804,000
Hibernian L&P Pacific Basin Equity G	10.65%	10.26%	3.38%	Not Started	Not Started	Not Started	500,000
Irish Life Indexed Pacific Basin 1 G	12.91%	12.38%	2.13%	Not Started	Not Started	Not Started	350,000
New Ireland Pacific Basin 8 G	7.01%	6.67%	2.32%	Not Started	Not Started	Not Started	82,196,000
Standard Life MW Pacific Basin Equity 5 G	6.28%	4.89%	-0.63%	Not Started	Not Started	Not Started	2,237,000
MoneyMate Sector Average¹	6.98%	5.36%	-0.85%	N/A	N/A	N/A	
American Equity²							
Eagle Star 5★5 Americas	5.30%	Not Started	Not Started	Not Started	Not Started	Not Started	887,000
BOI Life - Unit Funds North American 3 G	-0.67%	-1.14%	-6.96%	Not Started	Not Started	Not Started	310,174,000
Hibernian L&P US Equity G	0.73%	1.77%	-10.43%	Not Started	Not Started	Not Started	1,100,000
Irish Life Fidelity American Growth 1 G	-4.57%	-7.78%	-9.75%	Not Started	Not Started	Not Started	650,000
New Ireland North American 8	0.71%	0.44%	-5.27%	Not Started	Not Started	Not Started	357,266,000
Standard Life MW North American Equity 5 G	0.47%	-0.46%	-10.25%	Not Started	Not Started	Not Started	7,383,000
MoneyMate Sector Average¹	1.42%	0.49%	-9.06%	-1.67%	N/A	N/A	
Concentrated Funds³							
Eagle Star 5★5	10.13%	11.76%	4.08%	Not Started	Not Started	Not Started	119,189,000
New Ireland Smart Stocks 15	-2.20%	-2.51%	-10.17%	Not Started	Not Started	Not Started	12,636,000
New Ireland Smart Stocks 35	-0.32%	-0.64%	-8.90%	Not Started	Not Started	Not Started	11,191,000
Canada Life/Setanta Focus 15	2.95%	3.27%	-12.35%	Not Started	Not Started	Not Started	35,060,000
Hib Life & Pens Target 20	2.90%	5.02%	-12.06%	Not Started	Not Started	Not Started	28,400,000
Average of Selected Funds	2.69%	3.38%	-7.88%	N/A	N/A	N/A	
Consensus Funds⁴							
Irish Life Exempt Consensus	9.90%	12.12%	00.30%	0.19%	Not Started	Not Started	752,600,000
Friends Individual Consensus	9.93%	11.58%	0.74%	0.33%	Not Started	Not Started	16,504,000
Canada Life Consensus Index 1	8.47%	11.18%	-0.36%	-0.40%	Not Started	Not Started	49,330,000
Hib Life & Pen NU Pen Grp Consensus	8.75%	11.21%	0.20%	0.06%	Not Started	Not Started	90,100,000
BIAM (Grp) EUT Consensus Fund	13.82%	15.67%	2.38%	0.91%	Not Started	Not Started	Not Available
Average of Selected Funds	10.17%	12.35%	0.65%	0.22%	N/A	N/A	

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

Source: MoneyMate as on 01/12/2004.

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 & individual pension policies.