Investment strategy

Introducing the Default Investment Strategy (DIS)

If you are not comfortable with making investment decisions, the Default Investment Strategy (DIS) may be the route for you. It will be chosen for you if you make no choice as to your investment preference. Eagle Star's DIS is an automatic mechanism that gradually transforms your pension fund from a higher-risk portfolio to a lower-risk portfolio as you approach retirement. This protects you from the impact of a stock market crash prior to retirement.

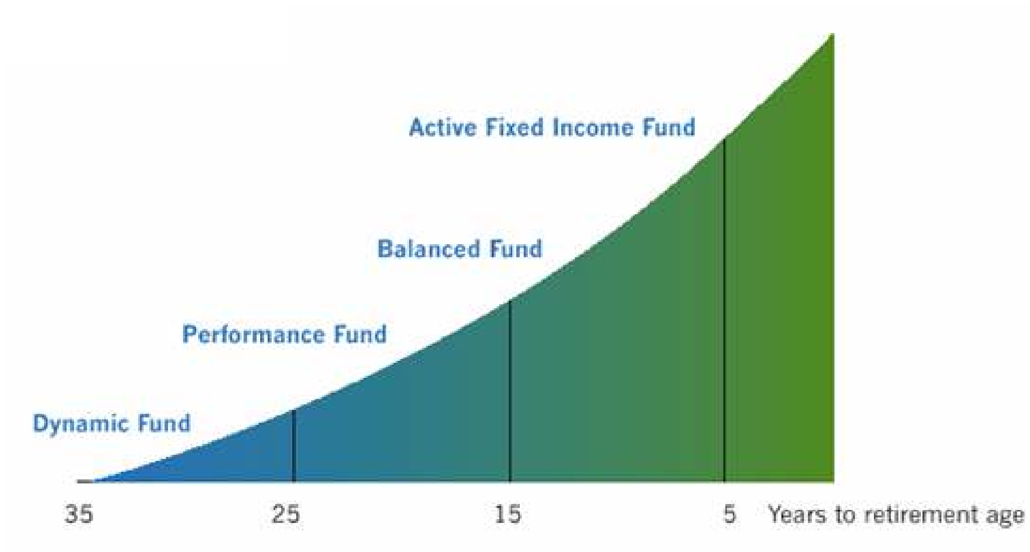
A Default Investment Strategy (DIS) is designed to fulfil the reasonable expectations of a typical investor for the purposes of saving for retirement. The DIS will operate in different ways depending on whether you want to fund for an **annuity** or an **ARF.**

The DIS invests contributions in a PRSA fund with a reward/risk profile that is suitable to the number of years remaining to your selected retirement date. With a longer period to retirement, we believe that you should invest in funds with the potential for higher returns, even though these funds are more inherently risky. As you approach retirement, however, we recommend that your PRSA move into a more stable investment to protect the investment performance achieved to date.

If you intend to purchase an annuity with your retirement proceeds, your contributions will be directed as shown in the table below.

Number of years to retirement	Contributions to	Type of fund
At least 25	Dynamic Fund	Aggressively Managed
At least 15, but less than 25	Performance Fund	Managed
At least 5, but less than 15	Balanced Fund	Managed
Less than 5	Active Fixed Income Fund	Fixed Interest/Bonds

Five years before your selected retirement date, monies invested in the Dynamic, Performance, and Balanced funds will be gradually switched into the Active Fixed Income fund – 1/60th of the value of each fund will be switched each month into the Active Fixed Income fund. Eventually, your PRSA will be invested 100% in the Active Fixed Income fund. Because of the investments held by the Active Fixed Income fund, its price is expected to fall and rise in line with long-term interest rates and, therefore, in line with the cost of buying an annuity; by ensuring that your PRSA is 100% invested in this fund at retirement, you are somewhat protected against the possibility of a sudden rise in the price of annuities.



If you intend to invest your retirement proceeds in an ARF, your contributions will be directed as shown in the table below.

Number of years to retirement	Contributions to	Type of fund
At least 25	Dynamic Fund	Aggressively Managed
At least 15, but less than 25	Performance Fund	Managed
Less than 15	Balanced Fund	Managed

Five years before your selected retirement date, monies invested in the Dynamic and Performance funds will be gradually switched into the Balanced fund – 1/60th of the value of each fund will be switched each month into the Balanced fund. Eventually, your PRSA will be invested 100% in the Balanced fund, which is typically used by ARFs.