

# Sentinel Balanced Fund

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4Q09 December 31, 2009

## About the Management Team

### Daniel J. Manion, CFA

Equity Portfolio Manager  
· 17 years with Sentinel  
· 23 years of investment experience

### David M. Brownlee, CFA

Bond Portfolio Manager  
· 16 years with Sentinel  
· 29 years of investment experience

Data shown is historical performance for each share class and reflects reinvested distributions. With Sales Charge price performance data includes the maximum 5% sales charge for Class A. Investment return and principal value will vary so that you may have a gain or loss when you sell shares. Past performance does not guarantee future results; current performance may be higher or lower than data quoted. For performance current to the most recent month-end, visit [www.sentinelinvestments.com](http://www.sentinelinvestments.com).



## Manager Insights

The Sentinel Balanced Fund's total return of 4.02%\* for the fourth quarter of 2009 compared to the Standard & Poor's 500 Index<sup>1</sup> total return of 6.04%, the Barclays Capital U.S. Aggregate Bond Index<sup>2</sup> total return of 0.20%, and the total return of 3.79% for the Morningstar Moderate Allocation (Balanced) fund peer group<sup>3</sup> in the same time period. For the full-year 2009 period, the Sentinel Balanced Fund's total return of 21.28% compared to the 24.13% return for the Morningstar average. The S&P 500 Index returned 26.46% through the full year, while the Barclays Capital U.S. Aggregate Bond Index returned 5.93% over the same period.

Equity markets in the fourth quarter moderated the aggressive rebound evident from the lows of early March through September. For the full year period, the Technology and Consumer Discretionary sectors outperformed the general market by a wide margin, while the Financials sector underperformed. The Federal Reserve's continuing policy of low rates led investors to chase higher returns with limited regard to company-specific risk. However, fundamental and economic indicators continue to be mixed: asset prices remain depressed, deleveraging continues both in the consumer and corporate sectors, and the unemployment rate reached double-digit levels.

For the quarter, we maintained our overweight positions in Healthcare and Industrials, while moderating our exposure to the Information Technology. We continued to favor Large Cap multinationals, with an emphasis on the defensive Healthcare and Industrial sectors. We also maintained our underweight position in the Financials and Consumer Discretionary sectors, where we believe the risk-reward ratio remains unattractive due to the soft labor market and lack of consumer spending power.

Within the fixed-income market, we saw a decisive reversal of the flight-to-quality trade evident in 2008, which resulted in a strong relative performance for the Sentinel Balanced Fund. Strong investor demand throughout 2009 propelled the returns of the risk sectors to double digits, leaving U.S. Treasury securities as the worst performing asset class within the fixed-income market. The investment goal of the Fund is to provide a high level of current income with limited fluctuations in principal value, thus a large percentage of the fund's assets are invested in U.S. government securities with initial average lives of 3 years or less.

The fund's asset allocation as of December 31, 2009 was 69% stocks, 28% bonds, and 3% cash and cash equivalents. We maintained a sizeable equity exposure despite the volatile markets experienced over the past year, as we are optimistic about finding attractive opportunities for total returns and modest levels of risk in high-quality, large-cap companies. The fund owned, in aggregate, shares of companies that were growing earnings at attractive rates, generating free cash flow, and managing their capital prudently. We believe a high quality equity portfolio and a sizeable commitment to fixed-income securities have the potential to generate an attractive income stream and reduce overall portfolio risk for the Sentinel Balanced Fund.

## Important Disclosure

The Fund is subject to interest rate risk. Bond values will generally decrease when interest rates rise and will generally increase when interest rates fall. Mortgage-backed securities (MBS) are subject to pre-payment risk. Fund shares are not insured or guaranteed by the U.S. government or its agencies. Large company stocks as a group could fall out of favor with the market and underperform investments that focus on small and mid-sized company stocks.

The total annual operating expense ratio for Sentinel Balanced Fund Class A shares is 1.14%. Expense ratio data is sourced from the Prospectus dated March 31, 2009.

\* Performance for Class A shares only at net asset value. Performance data shown does not include the effects of any sales charge. If it did, returns would be lower.

1. The Standard & Poor's 500 Index is an unmanaged index considered representative of the U.S. stock market. An investment cannot be made directly in an index.
2. The Barclays Capital U.S. Aggregate Bond Index is an unmanaged index made up of the Barclays Capital Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, and includes securities that are of investment-grade quality, have at least one year to maturity, and have an outstanding par value of at least \$100 million. An investment cannot be made directly in an index.
3. An average of funds within the particular category as determined by Morningstar based on investment styles as measured by their underlying portfolio holdings.

### Top 10 Equity Holdings (Percent of total equity portfolio as of December 31, 2009)

Company	Industry	% of Equity Portfolio
ExxonMobil Corp.	Oil, Gas & Consumable Fuels	3.4%
United Technologies Corp.	Aerospace & Defense	2.2
Johnson & Johnson	Pharmaceuticals	2.2
Microsoft Corp.	Software	2.0
Chevron Corp.	Oil, Gas & Consumable Fuels	2.0
Procter & Gamble Co.	Household Products	1.9
International Business Machines Corp.	Computers & Peripherals	1.8
PepsiCo, Inc.	Beverages	1.8
Merck & Co., Inc.	Pharmaceuticals	1.8
Canadian National Railway Co.	Road & Rail	1.7
<b>Total (Percent of equity portfolio)</b>		<b>20.8%</b>

### Average Annual Total Returns (as of December 31, 2009)

	Class A shares		Class C shares <sup>1</sup>		Class I shares <sup>2</sup>	S&P 500 Index <sup>3</sup>	Barclays Capital U.S. Aggregate Bond Index <sup>4</sup>
	Without Sales Charge	With Max Sales Charge	Without Sales Charge	With Max Sales Charge	Without Sales Charge		
Year-to-date	21.28%	15.26%	20.05%	19.05%	20.72%	26.46%	5.93%
1 year	21.28	15.26	20.05	19.05	20.72	26.46	5.93
3 years	-0.12	-1.82	-1.09	-1.09	-0.21	-5.63	6.04
5 years	3.26	2.20	2.25	2.25	3.20	0.42	4.97
10 years	3.92	3.39	2.90	2.90	3.89	-0.95	6.33
Since inception	8.52	8.44	7.40	7.40	8.51	—	—
Performance inception dates	11/15/38					—	—

### Important Disclosure

Data shown is historical performance for each share class and reflects reinvested distributions. With Max Sales Charge performance data includes the maximum 5% sales charge for Class A shares and the 1% CDSC for Class C shares. Class I shares do not impose a sales charge. Only eligible investors may purchase Class I shares, as described in the Prospectus. Investment return and principal value will vary so that you may have a gain or loss when you sell shares. Past performance does not guarantee future results; current performance may be higher or lower than data quoted. The Fund is subject to interest rate risk. Bond values will generally decrease when interest rates rise and will generally increase when interest rates fall. Mortgage-backed securities (MBS) are subject to pre-payment risk. Large company stocks as a group could fall out of favor with the market and underperform investments that focus on small and mid-sized company stocks. Fund shares are not insured or guaranteed by the U.S. government or its agencies. For performance current to the most recent month-end, visit [www.sentinelinvestments.com](http://www.sentinelinvestments.com).

The following are total annual operating expense ratios for Sentinel Balanced Fund Class A, C, & I shares; A - 1.14%, C - 2.15%, I - 1.02%. All expense ratio data is sourced from the Prospectus dated March 31, 2009.

1. Performance of the Class C shares prior to May 4, 1998 is based on the performance of the Fund's Class A shares, adjusted to reflect that Class C shares do not charge a front-end sales charge but may be subject to a contingent deferred sales charge, and adjusted for Class C's higher expenses. The "since inception" performance data for Class C shares is calculated from November 15, 1938, which was the inception date of the Fund.
2. Performance of the Class I shares prior to their inception on August 27, 2007 is based on the performance of the Fund's Class A shares, restated to reflect that Class I shares are not subject to a sales charge. The "since inception" performance data for Class I shares is calculated from November 15, 1938, which was the inception date of the Fund.
3. The Standard & Poor's 500 Index is an unmanaged index considered representative of the U.S. stock market. An investment cannot be made directly in an index.
4. The Barclays Capital U.S. Aggregate Bond Index is an unmanaged index made up of the Barclays Capital Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, and includes securities that are of investment-grade quality, have at least one year to maturity, and have an outstanding par value of at least \$100 million. An investment cannot be made directly in an index.

**NOT FDIC INSURED**

**MAY LOSE VALUE**

**NO BANK GUARANTEE**

**Consider a fund's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the Fund and is available from your wholesaler or Sentinel. Please read the prospectus carefully before you invest.**

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For 75 years, Sentinel Investments has offered the sound, prudently managed strategies that are the foundation of any portfolio. We deliver a range of investment solutions managed by focused, dedicated teams of specialists. Though our teams have varying philosophies, they share our firm's most basic values: a commitment to bottom-up, fundamental research; a desire for competitive returns during strong market environments and superior relative performance in down markets; and a commitment to results measured in years, rather than days, weeks or months. Dedicated teams, repeatable disciplines and a commitment to sustainable performance — at Sentinel, these are the essential elements of investing.