

Sentinel Short Maturity Government Fund

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4Q09 December 31, 2009

About the Management Team

David M. Brownlee, CFA

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 1% 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.

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Manager Insights

What a difference a year makes! The market environment of 2008 can be classified as “flight-to-quality” as the risk sectors of the fixed-income market (High Yield, Asset-Backed Securities (ABS), and Commercial Mortgage-Backed Securities (CMBS) plummeted in price, pushing many financial institutions to the brink of bankruptcy. Most investors sought the safe haven of U.S. Treasuries. However, in 2009 this trend was reversed as strong investor demand propelled the risk sectors to double-digit returns. The market environment of 2009 will be categorized as “flight-to-risk.” U.S. Treasury securities were the worst-performing asset class within the fixed-income market in 2009 mainly due to the tremendous amount of issuance required to support the elevated level of fiscal stimulus. Every month, the U.S. Treasury auctioned off the entire yield curve.

The Federal Reserve, U.S. Treasury, Federal Deposit Insurance Corp (FDIC), and Congress did a masterful job of stabilizing the financial markets in 2008–2009. They pumped massive amounts of liquidity into the global banking system, made direct investments into key entities under stress, guaranteed the assets of Rule 2-a-7 Money-Market Funds, and initiated various rescue packages including the Troubled Asset Relief Program (TARP), the Term Auction Facility (TAF), the Term Securities Lending Facility (TSLF), and the Public-Private Investment Plan (PPIP), all designed to exchange cash for distressed assets. The Federal Reserve cut the short-term interest rate to 0% and undertook a program of outright purchases of U.S. Treasury and Agency Mortgage-Backed Securities, totaling approximately \$1.8 trillion, in an effort to drive mortgage rates lower. Congress turned their attention to Main Street with programs designed to help the consumer such as the Cash-for-Clunkers auto program and the tax credit for first-time homebuyers in addition to numerous mortgage loan modification programs.

Even though it has received massive doses of both fiscal and monetary stimulus, the U.S. economy has remained fragile and faces significant headwinds. High unemployment and underemployment, tight credit conditions, and sizable pending mortgage foreclosures are extremely serious obstacles to overcome. As such, the Federal Reserve has stated that interest rates will remain low for an “extended period of time.” The markets are wrestling with the question of “how long is long?” With a surplus of housing, labor, real estate space, retailers, etc. in the U.S. economy, it is hard to build a case for inflation in the near term other than in financial assets. Hence, we still believe that deflation is the biggest risk facing the U.S. economy.

Interest rates rose sharply over the year, particularly in the back end of the yield curve. Interest rates were near historical lows at the beginning of 2009 and rose steadily during the year. The U.S. Treasury yield curve, as measured by the 2-year Note to 30-year Bond yield differential, rose to +374 basis points (before closing the year at +350 basis points), the steepest ever.

The front end of the yield curve was anchored down by the Federal Reserve’s accommodative stance in monetary policy, while the long end was at the mercy of bond vigilantes who feared future inflation given the massive amount of fiscal and monetary stimulus.

In terms of sector performance within the fixed-income markets, the credit-sensitive sectors, namely High Yield, Commercial Mortgage-Backed Securities (CMBS), Asset-Backed Securities (ABS), Investment-Grade Corporate Bonds, and Municipal Bonds, posted phenomenal returns in 2009. Exorbitant investor appetite for “risk assets,” coupled with limited new issue supply, resulted in double-digit returns in these asset classes. U.S. Treasury securities put in the worst year ever at -3.57% as measured by the Barclays U.S. Treasury Index, dating back to 1973.

During the quarter, the effective duration of the Sentinel Short Maturity Government Fund increased to 2.03 years from 0.97 years at the previous quarter end. This was a function of new purchases and the increase in interest rates during the fourth quarter. The Fund’s strong relative performance in 2009 was a direct result of security selection within the MBS sector.

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 prepayment risk. Fund shares are not insured or guaranteed by the U.S. government or its agencies.

The total annual operating expense ratio for Sentinel Short Maturity Government Fund Class A shares is 1.04%. Expense ratio data is sourced from the Prospectus dated March 31, 2009.

Outlook

The consensus view for 2010 by many investors seems to be one of high equity prices, higher interest rates, and a sustained economic recovery. We do not adhere to this view. The tremendous fiscal and monetary stimulus injected into the U.S. economy is still not finding its way to Main Street, instead it is sitting in financial assets as banks continue to limit lending. Consumer credit has fallen dramatically as the consumer struggles with unemployment, underemployment, and the need to increase savings. With the consumer not borrowing and the banks not lending, it is hard for us to envision a sustained economic recovery. We believe that the Federal Reserve will be on hold throughout 2010 and that interest rates on the long-end of the yield curve will drift lower.

Top 10 Holdings (% of the total net assets as of December 31, 2009)

FHLMC_3507- AC, 4.0, 06/15/2027	7.3%
FNMA_2009-088- DB, 3.0, 10/25/2020	6.0
FNMA_2009-070- NL, 3.0, 08/25/2019	4.7
FNMA_2009-088- DC, 3.25, 10/25/2020	4.7
FNMA_2009-070- NM, 3.25, 08/25/2019	4.2
FHLMC_3567- ND, 4.0, 12/15/2017	3.8
FNMA_2009-070- NQ, 3.5, 08/25/2019	3.6
FHLMC_3117- PC, 5.0, 06/15/2031	3.5
FHLMC_3574- EA, 3.0, 09/15/2021	2.7
FHLMC_3561- PA, 5.0, 12/15/2031	2.6
Total	43.2%

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

	Class A shares ¹		Class S shares ²	Barclays Capital 1-3 Year U.S. Govt Bond Index ^{3,4}	Barclays Capital U.S. MBS Index ⁵
	Without Sales Charge	With Max Sales Charge	Without Sales Charge		
Year-to-date	4.76%	3.74%	4.33%	1.41%	5.89%
1 year	4.76	3.74	4.33	1.41	5.89
3 years	5.20	4.85	4.73	5.03	7.04
5 years	4.10	3.90	3.65	4.18	5.78
10 years	4.50	4.39	3.95	4.65	6.46
Since inception	4.94	4.86	4.38	5.11	6.66
Performance inception dates	3/27/95			3/31/95	3/27/95

Important Disclosure

Data shown is historical performance for each share class and reflects reinvested distributions. Class A share performance with Max Sales Charge includes the maximum 1% sales charge, effective January 1, 2009. Class S shares do not impose a sales charge, but are subject to higher distribution fees. Please see 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 prepayment risk. 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.

The following are total annual operating expense ratios for Sentinel Short Maturity Government Fund Class A & S shares; A – 1.04%, S – 1.45%. All expense ratio data is sourced from the Prospectus dated March 31, 2009.

- Class A share returns prior to June 1, 2006, have not been adjusted to reflect the decrease in the maximum 12b-1 fee from 0.35% to 0.25%. If they had, those returns would be higher. The Class A returns shown are based on the 1% maximum sales charge effective January 1, 2009, and are not adjusted to reflect a maximum sales charge of 3% in effect from June 1, 2006 to December 31, 2008. If they were the returns would be lower.
- Performance of the Class S shares prior to March 4, 2005 is based on the performance of the Fund's Class A shares, adjusted to reflect that Class S shares do not charge a front-end sales charge and adjusted for Class S's higher expenses.
- The Barclays Capital 1-3 Year U.S. Government Bond Index is composed of securities from the Barclays U.S. Government Bond Index with maturities between one and three years. An investment cannot be made directly in an index.
- Since inception return is for the period beginning April 1, 1995.
- The Barclays Capital U.S. Mortgage Backed Securities (MBS) Index is an unmanaged index of agency mortgage-backed passthrough securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). 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.