

Fund Management

Daniel J. Manion, CFA

Portfolio Manager

- 18 years with Sentinel
- 24 years of investment experience

David M. Brownlee, CFA

Portfolio Manager

- 18 years with Sentinel
- 30 years of investment experience

In the third quarter of 2011, the Sentinel Balanced Fund had a return of -10.04%. This compares to the Standard & Poor's 500 Index return of -13.87% during the third quarter and the Barclays Capital Aggregate Bond Index return of 3.82% in the same time period. For the year-to-date period, the Sentinel Balanced Fund's total return of -4.82% compares favorably to the -6.48% return for the Morningstar Moderate Allocation category. The S&P 500 Index returned -8.68% through the first 9 months of the year, while the Barclays Capital Aggregate Bond Index returned 6.65% over the same period.*

While the first half of 2011 was characterized by an enduring belief in the forthcoming economic recovery, the third quarter saw unabashed pessimism and turbulence, as continuing global economic problems took on a greater urgency. A growing list of concerns led to a lack of conviction in investable opportunities. Weaker domestic economic data, the U.S. sovereign debt downgrade, additional Federal Reserve intervention on the long-end of the rate curve, together with the unresolved Euro zone sovereign debt crises, liquidity distress for its banking sector, and questions surrounding the continued vigor of China's economy, caused investors to swiftly lose their risk appetite and seek a defensive position in safe havens, particularly the U.S. Treasury debt market.

Within the equity markets, large cap companies outperformed both small and mid cap companies for the quarter and the year-to-date period. Utilities and Consumer Staples, traditionally defensive sectors, were the best performers in both periods, while Materials and Financials underperformed. Relative to the benchmark, the Fund had a positive performance differential through its holdings in the Consumer Discretionary and Financials sectors, while the Energy, Materials and Information Technology sectors lagged versus the benchmark. We maintain our preference for large cap multinationals, with an emphasis on the Health Care, Information Technology and Industrials sectors. We believe our holdings offer attractive risk-return ratios and appealing yields, particularly in this low interest rate environment.

Interest rates fell sharply over the quarter with the long end of the yield curve leading the way. The "risk on" trade for bonds (lower-quality securities outperforming higher-quality ones) finally capitulated after two years of outperformance. U.S. Treasuries and municipal bonds vastly outperformed all other subsectors of the fixed-income markets as investors switched to a "risk off" mode. Lower quality sectors such as high yield and CMBS posted negative returns for the quarter. While the markets have priced in a dire scenario for risk assets, there are still tremendous headwinds facing global economic growth along with the unresolved European debt crisis. We expect risk assets will remain under pressure, hence, we have positioned the fixed income segment of the Fund deensively given historically low interest rates and extremely high price volatility. As yield vanishes from the fixed-income markets, we believe investor demand for income will grow.

The Sentinel Balanced Fund's asset allocation as of September 30, 2011 was 68% stocks, 28% bonds and 4% cash and cash equivalents. We maintain our focus on finding attractive opportunities for total long term returns and modest levels of risk in high-quality, large cap stocks. We believe Sentinel Balanced Fund is well positioned to take advantage of the current market dynamics. We plan to maintain a sizeable commitment to fixed-income securities in the Fund as a means of generating income and reducing risk.

All class-specific data is for Class A shares as of September 30, 2011 unless otherwise noted. The composition of the Fund's holdings is subject to change. Data shown is historical performance for each share class and reflects reinvested distributions. 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.

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 US government or its agencies.

* 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.

The Barclays Capital U.S. Aggregate Bond Index is an unmanaged index that measures the U.S. investment grade fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. An investment cannot be made directly in an index.

The Standard & Poor's 500 Index is an unmanaged index of 500 widely held U.S. equity securities chosen for market size, liquidity, and industry group representation. An investment cannot be made directly in an index.

The return for the Morningstar category is an average of funds within the particular category as determined by Morningstar based on investment styles as measured by their underlying portfolio holdings.

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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 financial advisor or Sentinel. Please read the prospectus carefully before you invest.

Sentinel Investments is the unifying brand name for Sentinel Financial Services Company, Sentinel Asset Management, Inc., and Sentinel Administrative Services, Inc. Sentinel Funds are distributed by Sentinel Financial Services Company, One National Life Drive, Montpelier, VT 05604, 800.233.4332, sentinelinvestments.com.



Sentinel Balanced Fund Performance (as of 9/30/2011)			Cumulative Return YTD (%)	Average Annual Total Returns (%)				
				1 Year	3 Years	5 Years	10 Years	Since Inception
Class A	SEBLX	Without Sales Charge	-4.82	2.13	3.89	2.25	4.62	8.41
		With 5% Sales Charge	-9.57	-3.00	2.13	1.21	4.09	8.34
Class C ¹	SBACX	Without CDSC	-5.46	1.35	2.97	1.32	3.65	7.30
		With 1% CDSC	-6.40	0.36	2.97	1.32	3.65	7.30
Class I ²	SIBLX	No Sales Charge	-4.84	2.21	3.78	2.22	4.61	8.41
<i>S&P 500 Index</i>			-8.68	1.14	1.23	-1.18	2.82	—
<i>Barclays Capital US Agg. Bond Index</i>			6.65	5.26	7.97	6.53	5.66	—

Fund inception date is 11/15/1938. Total annual operating expense ratios are A: 1.14%, C: 1.97%, I: 1.06%.*

All class-specific data is for Class A shares as of September 30, 2011 unless otherwise noted. The composition of the Fund's holdings is subject to change. Data shown is historical performance for each share class and reflects reinvested distributions. 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.

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.

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1. Performance of the Class C shares prior to their inception on 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 CDSC, 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. Only eligible investors may purchase Class I shares, as described in the prospectus.

The Standard & Poor's 500 Index is an unmanaged index of 500 widely held U.S. equity securities chosen for market size, liquidity, and industry group representation. An investment cannot be made directly in an index.

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Source: FactSet

* Expense ratio data is sourced from the prospectus dated March 30, 2011.

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