Sentinel Total Return Bond Fund

A | SATRX | 817270358   C | SCTRX | 817270341   I | SITRX | 817270333

Manager Insights

as of 3/31/2012

Fund Management

David M. Brownlee, CFA
Portfolio Manager
- 19 years with Sentinel
- 31 years of investment experience

Jason Doiron, FRM, PRM
Portfolio Manager
- 4 years with Sentinel
- 12 years of investment experience

Performance Highlights

- For the first quarter of 2012, the Sentinel Total Return Bond Fund outperformed both its benchmark and the Morningstar category average. The Fund returned 2.81%* compared to 0.30% for the Barclays US Aggregate Bond Index and 1.59% for the Morningstar Intermediate-Term Bond category.
- For the 12 months ended March 31, 2012, the Fund provided shareholders with a 7.33%* return, underperforming the Barclays US Aggregate Bond Index return of 7.71%, however, outperforming the Morningstar Intermediate-Term Bond category return of 6.55%.

Bond Market Overview

The massive wave of flight-to-quality buying, which dominated the fixed-income markets for most of 2011, finally ebbed during the first quarter of 2012. The restructuring of Greek debt, the establishment of the European Financial Stabilization Mechanism (EFSM) and the use of Long Term Refinancing Operations (LTROs) abated fears of contagion risk in the Eurozone. On the domestic front, firmer US economic data bolstered equities and diminished investor appetite for bonds.

There was good news on the employment front during the quarter. The US unemployment rate fell to 8.3% down from 9.0% just a year ago and initial jobless claims fell to a four-year low. The annualized fourth quarter Gross Domestic Product showed that the US economy grew at a 3.0% rate with consumer spending up 2.1%.

Even with the improvement to growth, the Federal Reserve showed no signs of changing course in terms of accommodative monetary policy, reiterating that they intend to keep interest rates historically low until late 2014. Also, they opted to maintain their existing policies of extending the average maturity of their US Treasury holdings and the reinvestment of principal payments from their mortgage-backed securities portfolio back into the MBS sector. With this overall stabilization in the financial markets, bond investors shunned US Treasuries in favor of higher risk assets, namely high yield and investment-grade corporate bonds.

Interest Rates and Sector Performance

Interest rates broke out of their four-month narrow range to higher yields. Interest rates rose more at the long end of the US Treasury yield curve than the short end, a phenomenon known as a bearish steepening. The US Treasury 10-year Note closed up 31 basis points to 2.21% while the 30-year Bond climbed 43 basis points to 3.34%. Total returns were negative across the yield curve with the long bond down a whopping -7.71%! The yield curve steepened 36 basis points, as measured by the 2-year Note to 30-year Bond yield differential, to a current slope of 301 basis points.

Within the fixed-income markets, the “risk on” trade for bonds (lower-quality securities outperforming higher-quality ones) was back in vogue as lower quality sectors such as High Yield and CMBS posted strong returns for the quarter, continuing a trend that commenced in the fourth quarter of last year.

Outlook

Even though the US economy definitely gained traction over the last nine months and European contagion fears have subsided, we don’t anticipate a sustained rising interest rate environment in 2012. However, we expect US Treasury yields are moving into a higher trading range after breaking out of their four-month narrow range. We believe the US Treasury 10-year Note will trade predominately between 2.00% and 2.50% over the near term, but could go 25 basis points to either side on headline risk alone. We believe bond investors will continue to seek higher returns in the non-US Treasury sectors of the fixed income market.

The Sentinel Total Return Bond Fund will continue to look for ways to enhance yield while being acutely conscious of the risks—whether in the form of interest rate, prepayment, or sector risks. The team is very focused on managing the duration of the portfolio and how it is positioned on the yield curve. We are confident that our deliberate investment process will continue to reward our Fund’s shareholders over time.

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.
Bonds with lower credit ratings are more speculative and likely to default than higher-quality bonds and tend to fluctuate more widely in value.
International securities are subject to political influences, currency fluctuations and economic cycles that may be unrelated to those affecting the domestic financial markets and may experience wider price fluctuations than the securities held by other Sentinel funds.
Fund shares are not insured or guaranteed by the US government or its agencies.
The Fund may use derivatives, which are financial contracts whose value depends upon or is derived from the value of an underlying asset, reference rate, or index. The Fund may use derivatives as part of a strategy designed to reduce exposure to certain risks, such as risks associated with changes in interest rates, or currency or credit risk (“hedging”). The use of derivatives may reduce the Fund’s return and increase the volatility in movements in the Fund’s net asset value. For additional information regarding the use of derivatives, please see the Fund’s current prospectus.
* 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 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 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.

Source: BondEdge

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Sentinel Total Return Bond Fund Performance (as of 3/31/2012)

			Cumulative Return YTD (%)	Average Annual Total Returns (%) 1 Year	3 Years	5 Years	10 Years	Since Inception
Class A	SATRX	Without Sales Charge	2.81	7.33	—	—	—	7.24
		With 2.25% Sales Charge	0.53	4.95	—	—	—	5.36
Class C	SCTRX	Without CDSC	2.66	7.04	—	—	—	7.02
		With 1% CDSC	1.66	6.04	—	—	—	7.02
Class I[1]	SITRX	No Sales Charge	2.84	7.47	—	—	—	7.37
Barclays US Agg. Bond Index			*0.30*	*7.71*	*6.83*	*6.25*	*5.80*	*6.61*

Fund inception date is 12/17/2010. Total annual operating expense ratios are A: 0.95%, C: 1.04%, I: 0.82%.*

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.

Bonds with lower credit ratings are more speculative and likely to default than higher-quality bonds and tend to fluctuate more widely in value.

International securities are subject to political influences, currency fluctuations and economic cycles that may be unrelated to those affecting the domestic financial markets and may experience wider price fluctuations than the securities held by other Sentinel funds.

Fund shares are not insured or guaranteed by the US government or its agencies.

The Fund may use derivatives, which are financial contracts whose value depends upon or is derived from the value of an underlying asset, reference rate, or index. The Fund may use derivatives as part of a strategy designed to reduce exposure to certain risks, such as risks associated with changes in interest rates, or currency or credit risk ("hedging"). The use of derivatives may reduce the Fund's return and increase the volatility in movements in the Fund's net asset value. For additional information regarding the use of derivatives, please see the Fund's current prospectus.

1. Class I shares do not impose a sales charge. Only eligible investors may purchase Class I shares, as described in the prospectus.

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* Expense ratio data is sourced from the prospectus dated March 29, 2012.