Sentinel Government Securities Fund

A |SEGSX | 817270606 I| SIBWX | 81728B874

Manager Insights
As of 3/31/2017

Fund Management

Jason Doiron, PRM, FRM
Portfolio Manager
Industry: 2000
Sentinel: 2008

Peter Hassler, CFA
Portfolio Manager
Industry: 2006
Sentinel: 2012

Performance Highlights

- In the first quarter of 2017, the Sentinel Government Securities Fund (I Shares) had a return of 0.36%. This compares to the Bloomberg Barclays US Government/ Mortgage Index which returned 0.59%, and a 0.47% return for the Morningstar Intermediate Government peer group in the same time period.
- For the one-year period ending 3/31/17, the Fund (I Shares) had a return of -0.81%, the Bloomberg Barclays US Government/Mortgage Index returned -0.71% and the Morningstar Intermediate Government peer group average return was -0.61%.

Bond Market Review

Risk assets continued to build on their strong performance from Q4 2016 as the calendar turned into 2017. Survey-based measures of consumer and business confidence accelerated strongly, while the US unemployment rate declined to 4.5%. Financial markets continued to anticipate stronger US growth and material economic stimulus from the incoming Trump administration, while measures of global growth improved, with the European Purchasing Managers' Index (PMI) rising sharply during the quarter to their strongest levels in over five years. Higher readings for headline inflation globally were generally met with contained core measures, suggesting that most major global central banks would be slow and methodical in their removal of extraordinary levels of monetary accommodation. Market-based measures of inflation expectations continued to rise modestly during the quarter, even with a greater than 5% decline in oil markets to sub-$50 level. The favorable global economic back-drop, easing of financial conditions, and progress towards their dual mandate gave the US Federal Reserve enough confidence to continue their normalization efforts and raise the Federal Funds Rate by 25 basis points (bps) to 1.00% at the March Federal Open Market Committee meeting. The Bloomberg Barclays US Corporate High Yield Index ended the quarter with a yield spread relative to the 10-Year US Treasury note 26 bps tighter from its Q4 2016 close, while the S&P 500 Index rose 6.07%.

US Treasury securities rebounded slightly in Q1 2017 after experiencing their second-worst quarterly total return since 1987 in Q4 2016, according to the BofA Merrill Lynch 10 Year US Treasury Index. The US 10-year Treasury yield declined 6 bps to 2.38% from 2.44% at the end of Q4 2016. Despite a Federal Reserve interest rate increase, rising inflation, higher levels of breakeven inflation and stronger than expected survey based confidence measures, the intermediate and longer maturity portions of the treasury market struggled to push higher in yield. First quarter 2017 GDP tracking measures pushed decidedly lower throughout the quarter, with weakness in consumer discretionary sectors such as autos, suggesting that confidence gains experienced since the presidential election were not translating into realized consumer and business spending. With markets having already priced in the potential for three interest rate increases by the Federal Reserve in 2017, along with some evidence surfacing of a disconnect in economic data, markets became increasingly cautious about pricing a faster pace of Federal Reserve interest rate increases as the quarter came to a close. The US 30-year Treasury yield slightly outperformed the 5-year US Treasury yield, flattening by 5 bps. Relative to developed global markets, US Treasury security and spread products continue to offer a superior yield advantage, which is particularly attractive to foreign and global investors.

Performance Attribution

During the first quarter, the Fund underperformed the Morningstar Intermediate Government category and the Bloomberg Barclays US Government/MBS Index by 12 and 23 bps respectively. The Fund's shorter duration bias relative to the Index was the sole contributor to relative underperformance during the quarter. On average throughout the period, our natural positioning in the Mortgage Backed Securities (MBS) coupon stack held our duration exposure 1.1 years shorter than the Index. Despite some early January widening in the nominal mortgage basis, our asset allocation overweight to MBS contributed positively to performance as the carry components remained strong and spreads

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Under an agreement signed between Sentinel Asset Management, Inc., the Sentinel Funds' investment adviser ("Sentinel"), and Touchstone Advisors, Inc., Touchstone has agreed to acquire certain assets related to Sentinel's business of providing investment advisory services to the Sentinel Funds. Closing of the transaction is subject to customary closing conditions, including the approval of the shareholders of each applicable series of Sentinel Group Funds, Inc., and is expected to be completed later in 2017. More information can be obtained at sentinelinvestments.com

Data shown is historical performance for Class I shares unless noted and reflects reinvested distributions. Composition of holdings is subject to change. 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 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.

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. These risks may result in greater share price volatility. Fund shares are not insured or guaranteed by the US government or its agencies.

European Purchasing Managers' Index measures the performance of the manufacturing sector and is derived from a survey of 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece.

Duration is a measure of the sensitivity of a bond's price to changes in interest rates. The shorter (longer) the duration, the lower (higher) the interest rate risk and price volatility.

TBA: to be announced. The actual mortgage-backed security that will be delivered is not designated until 48 hours prior to the established trade settlement date with the broker.

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.

The Bloomberg Barclays US Corporate High Yield Index is an unmanaged index of US dollar-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

The Standard & Poor's 500 Index is an unmanaged index of approximately 500 widely held US equity securities chosen for market size, liquidity, and industry group representation.

BofA Merrill Lynch 10 Year US Treasury Index measures the performance of Treasuries with at least ten years remaining until maturity.

An investment cannot be made directly in an index.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

Before investing, carefully consider a fund's objectives, risks, charges and expenses. Summary and full prospectuses containing this and other information are available from sentinelinvestments.com. Please read them carefully.

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stabilized in the back half of the quarter. The largest contributor to relative performance was found in our security selection within MBS as payups for stable collateral profiles in specified pools were bid while TBA rolls were also resilient. Finally contributing nominally to our relative performance were effects from trading opportunities.

Portfolio Positioning and Outlook

As of March 31st 2017, the Fund's portfolio positioning consisted of approximately 88% exposure to Agency MBS, 10% Agency Collateralized Mortgage Obligations (CMOs), and 2% cash. The Fund's effective duration averaged 4.3 over the quarter. Throughout the quarter, we have managed duration sensitivities with a combination of our natural positioning within the coupon stack, treasuries, and cash.

Looking ahead into Q2 2017, there are a number of events that are likely to impact the direction of financial markets, including, but not limited to: the outcome of the French Presidential election; the ability of the Trump administration to navigate a US debt ceiling and execute its policy agenda; an OPEC/non-OPEC oil production cut extension; the expectation of greater clarity from the Federal Reserve regarding the timing, size and scope of the anticipated balance sheet unwind as well as further color on interest rate increases; and, finally, whether the US economy can rebound from what was expected to be a soft quarter of realized growth in Q1.

Should the economic recovery begin to underwhelm due in part to a subdued pace of nominal income growth, or if evidence surfaces that inflation globally has begun to peak, or the Federal Reserve move more aggressively on the balance sheet/interest rates, and/or the Trump administration fail to deliver on its policy agenda, financial markets may begin to re-rate optimistic growth and inflation expectations leading to a period of price discovery, particularly given the very low levels of realized equity and fixed income volatility. Investment strategies that remain flexible in anticipation of this potential increase in volatility associated with these unknowns are likely to continue to be favored in this environment.

Sentinel Government Securities Fund performance as of 03/31/2017 (%)			Cumulative return YTD	Average annual total return 1 year	3 years	5 years	10 years	Since inception
Class A[1]	SEGSX	without sales charge	0.41	-1.01	1.41	0.50	3.29	5.61
		with 2.25% sales charge	-1.81	-3.23	0.65	0.03	3.05	5.53
Class I[2]	SIBWX	no sales charge	0.36	-0.81	1.63	0.72	3.55	5.69
Bloomberg Barclays US Govt/MBS Index			*0.59*	*-0.71*	*2.31*	*1.77*	*3.95*	*6.10*

Fund Incepted 9/2/1986. Total annual operating expenses (%) by prospectus A: 0.92, I: 0.69

All data is as of March 31, 2017 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.*

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1. Performance of the Class A shares is based on the 2.25% maximum sales charge and is not adjusted to reflect the maximum 4% sales charge in effect from inception through April 10, 2005 and from June 1, 2006 through July 31, 2010, nor has it been adjusted to reflect the maximum sales charge of 2% in effect from April 11, 2005 to May 31, 2006. If it was the returns would be lower.
2. Performance of the Class I shares prior to their inception on May 4, 2007 is based on the performance of the 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 the inception date of the Fund. Only eligible investors may purchase Class I shares, as described in the prospectus.

Source: Barclays POINT, Morningstar

The Bloomberg Barclays US Government/Mortgage Backed Securities (MBS) Index is an unmanaged index comprising of US Treasuries and agency debentures, with maturities of one year or longer and agency mortgage-backed pass-through securities issued by Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC).

An investment cannot be made directly in an index.

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