National Life Group®

Experience Life®

UNDERSTANDING MUTUAL FUNDS

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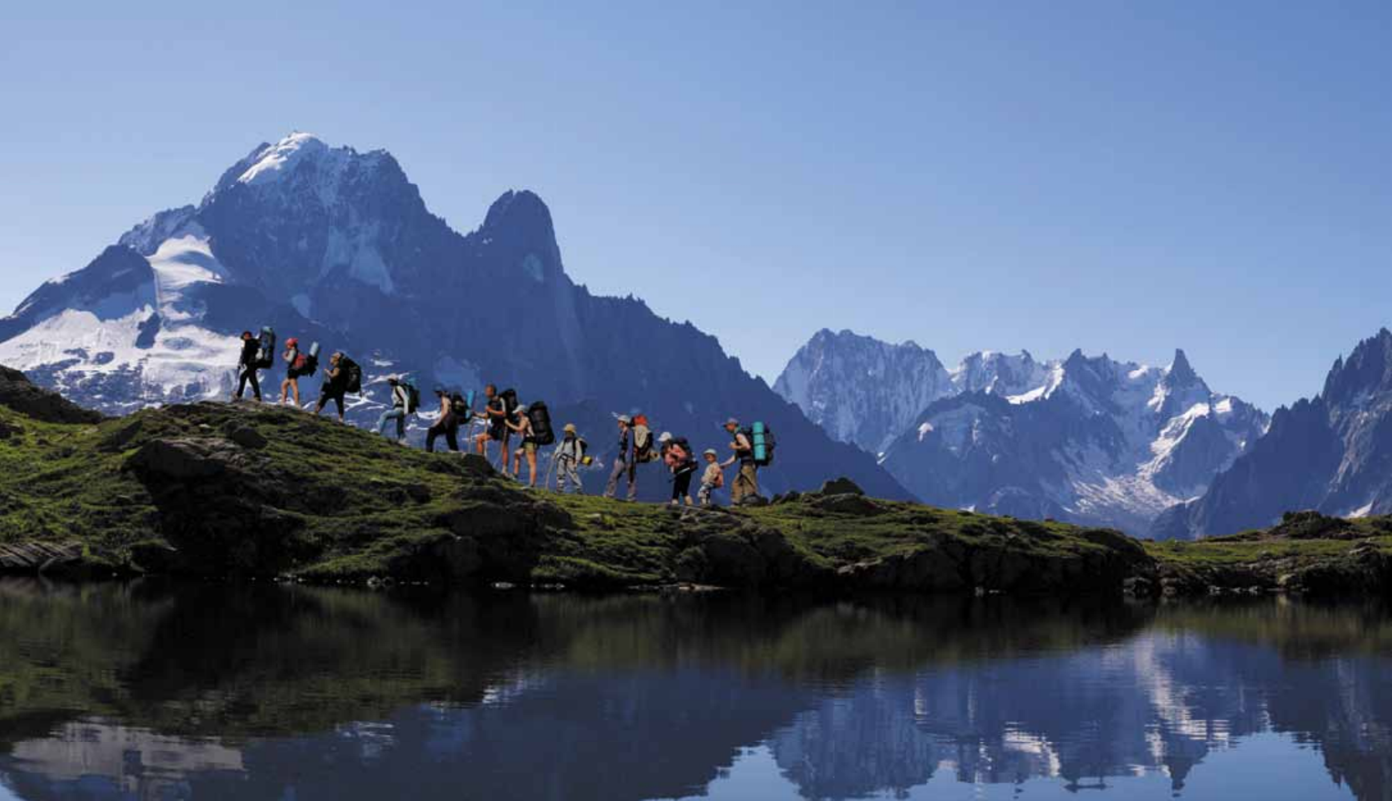
Investing your hard earned money comes with some big decisions. So, before you invest, you need to ask yourself a simple question: What am I investing for?

Unfortunately it's not enough to say "retirement". You need to define your financial goals and decide what you are trying to achieve. It could be to build wealth over time, to use the money as an income stream, pay for your children's education or simply to pass your legacy on to future generations.

But having clear objectives is just the start. Where to put your money is next, and with so many investment choices it can be a confusing process for many people. That's where mutual funds can make all the difference. Luckily, the only investment you need to make right now is some time to learn.



What are mutual funds?

Simply put, a mutual fund is a pool of money from many different people which is then invested in a portfolio of stocks, bonds and/or other investments to meet a specific objective. They are very attractive to the average person because you can actively participate in a wide range of investments which would be prohibitively expensive on your own. For your part, you only need to know which funds are consistent with your own goals and tolerance for risk.

While the notion of pooling money to make investments is centuries old, the first official mutual fund was launched in 1924. Obviously, the idea caught on, and today there are literally thousands of different funds catering to every kind of investment style and objective. Nearly half the households in the U.S. invest in mutual funds.*

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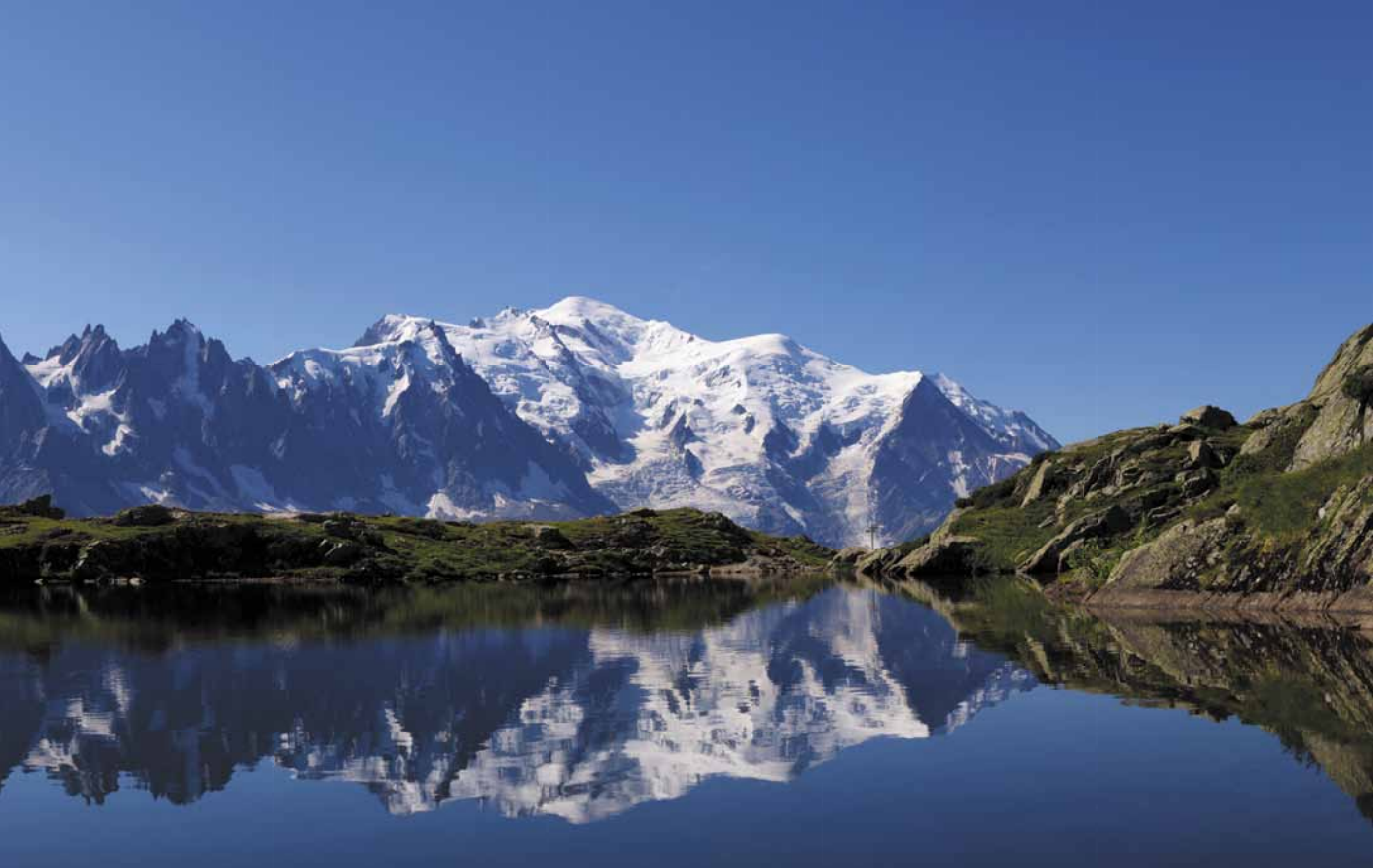
* 2014 Investment Company Fact Book, Investment Company Institute.



How do mutual funds work?

Instead of buying individual stocks or bonds for instance, when you invest in a mutual fund you are purchasing a share of the fund, making you a shareholder. You can buy and sell shares in mutual funds and while you hold your shares you can participate in the fund's rewards (increase in value) and risks (decrease in value). Mutual funds frequently have low minimum investments, although, fees and costs can vary widely.

A few words about diversification and allocation.

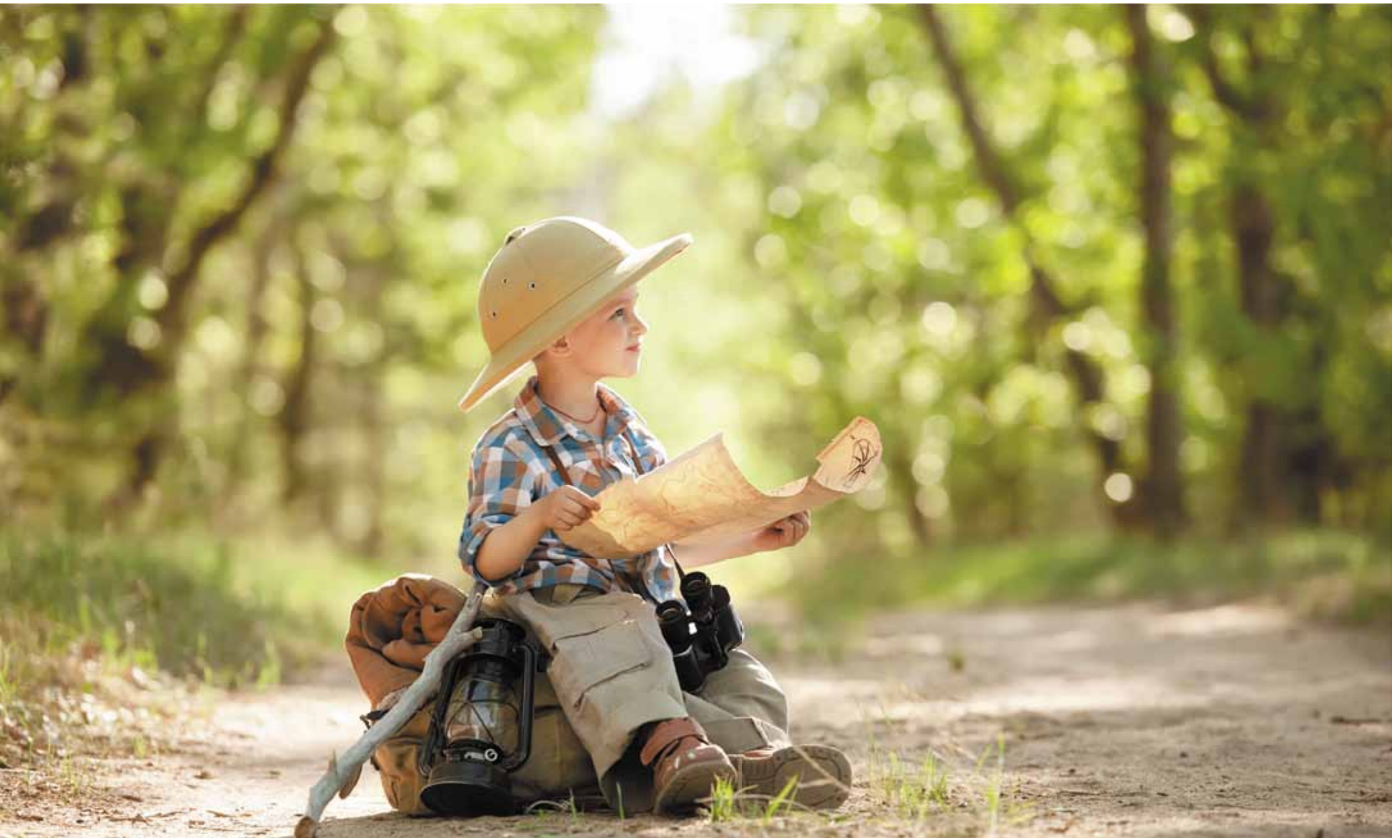
We've included a glossary in this brochure because investing can seem like speaking a whole different language. Two of the most common terms you are going to read and hear — and the most important to understand as well — are diversification and allocation.

Diversification – Everyone knows the old phrase "never put all your eggs in one basket." Well, that's what diversification is all about. Some mutual funds can do this for you because they spread your money across many different investments – perhaps hundreds – under the theory that if one stock (or other asset class) is down another might be up. The goal is to help reduce your exposure to risk and increase your potential for rewards.

Allocation – While diversification means to spread your money among different types of investments, allocation means how much to put in each type. The basis of allocation is that different asset classes – stocks, bonds, etc. – may perform differently from each other. In other words, when stocks are up bonds may be down, and vice versa. That's why, depending on your objectives, it's important to consider just how much money you want to commit to each. For instance, if your goals are long term, you may have a bigger percentage invested in stocks; If you want to live off the money you have invested, bonds may be the way to go. It all depends on your risk tolerance and your goals. But be aware that asset allocation/diversification does not assure a profit or guarantee against loss.

What kinds of mutual funds are there?

With over 10,000 mutual funds in existence today, you certainly have a wide range to choose from to meet your specific needs. While we can't recommend which ones are right for you, knowing the general types available will give you a good grounding to begin narrowing down your search. What follows is a list of the four broad categories of mutual funds (each with its own risk and reward potential) along with a short investor profile of those who would find them attractive. Bear in mind these are just representative groups – there are many more specialized funds and subcategories. Your financial representative can help you determine what makes the most sense for you.



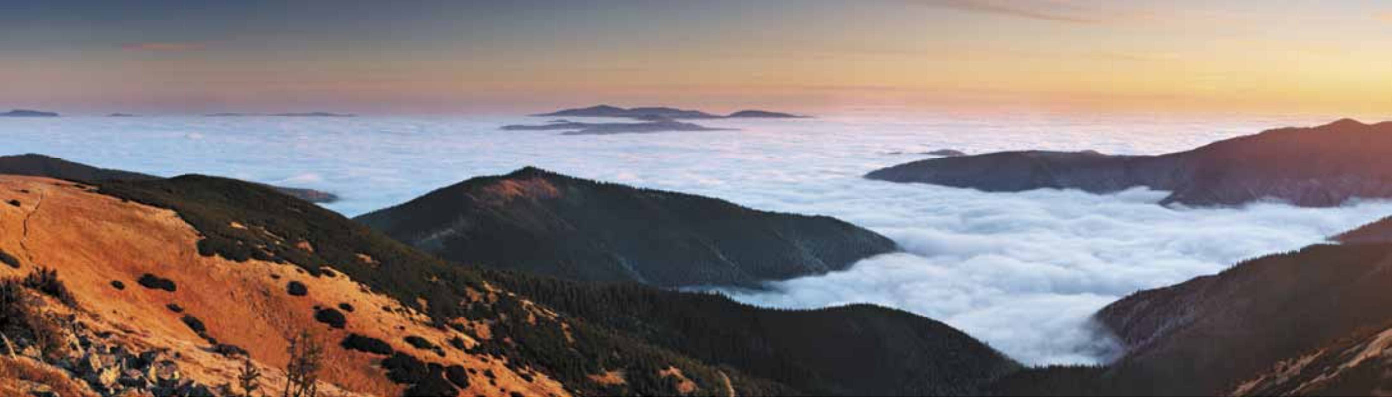
Bond or Income Funds

Bond or income funds are made up primarily of bonds, so here's a quick explanation of a bond. Basically, bonds are a way for a company (or government or agency) to borrow money, so they owe whoever buys that bond. Bonds are issued with specific face values and interest rates (called "yield"). That's why bonds are known as "fixed-income." Bonds are generally also sold with a specific maturity date, meaning they have to be purchased back at a certain time at face value. This can make them stable, lower risk investments depending on the issuer.

As mentioned earlier, stocks and bonds may not behave the same way so having some money invested in bond or income funds – which can be lower risk – can be a good way to balance your risk and rewards. Just as in stock funds, there are many different kinds of bond funds. Some invest only in corporation-issued bonds, others concentrate on government bonds or agencies and some invest in a mix. The choices multiply from there, because corporations and governments issue different kinds of bonds. Different companies will be considered higher or lower risk for instance. There are many sources to help you match specific mutual fund choices to your goals.

Certain bond or income funds can be good for investors who:

- Are looking for a stream of income
- Prefer less risk

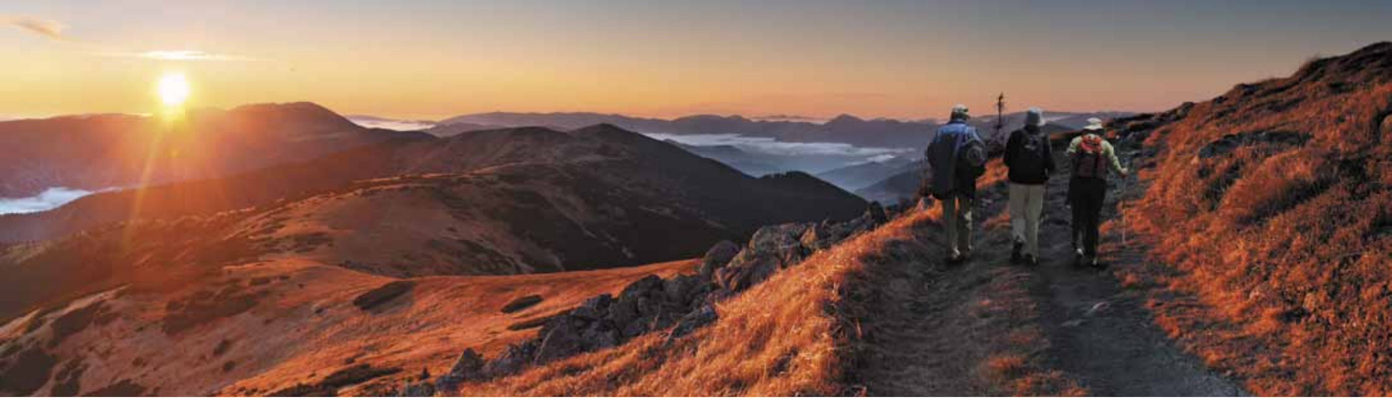


Stock or Equity Funds

Stock funds give access to a wide range of different companies, which many people could not research on their own. Stocks are shares of ownership in a company, so if that company does well the stock will do well (increase in value). But, if that company does poorly, or even if the industry it is in does poorly, that stock may lose value.

This means that stock funds offer the potential for higher rewards than bond or money market funds, but they may come with more risk. Depending on your tolerance for risk, stock funds can be ideal for individuals with long-term investment goals. That's often why they are so popular for retirement funds and pensions.

Just as with bond funds, there are many different kinds of stock funds catering to all styles of investors and objectives. This is good, because it means you can find just the right ones for you. Just some of the more popular fund strategies available include:



Growth Funds – Stocks of companies considered to be fast growing.

Value Funds – Stocks of companies generally considered to be undervalued.

Large-Cap Funds – Very large company stocks that may pay dividends.

Balanced Funds – A combination of stocks and bonds in order to achieve some growth while attempting to manage risk.

International Funds – Mostly foreign-owned company stocks, or a combination of U.S. and foreign stocks. International securities are subject to political influences, currency fluctuations and economic cycles that are unrelated to those affecting the domestic financial markets and may experience wider price fluctuations.

Of course there are many other investments, along with funds that can provide a mix of different strategies. The important thing to remember is always choose with your goals in mind.

Stock or Equity Funds can be good for investors who:

- Generally have a longer-term timeline
- Can tolerate risk
- Want to increase diversification
- Like having lots of choices

Index Funds

Index funds are designed to mimic or replicate the returns of a specific stock or bond index or benchmark, such as the S&P 500, the Russell 2000 and the Dow Jones. What are those? For example, the S&P 500 is an index of 500 companies widely regarded by investors to be representative of large company stocks in general. An investment cannot be made directly into an index. There are funds to match almost every kind of index available, from small-cap indices to large, foreign and many others. Index funds hold the same stocks in the same proportions regardless of how the individual stocks are doing.

This is why Index Funds are called "passive" funds; the fund manager isn't "actively managing" the stocks in the fund in an attempt to outperform what the market is doing, but simply trying to get as close to the index as possible. What is interesting to many investors is that index funds generally have lower management fees, and for that reason they have become very popular.

Index Funds can be good for investors who:

- Can tolerate risk
- Prefer generally lower fees

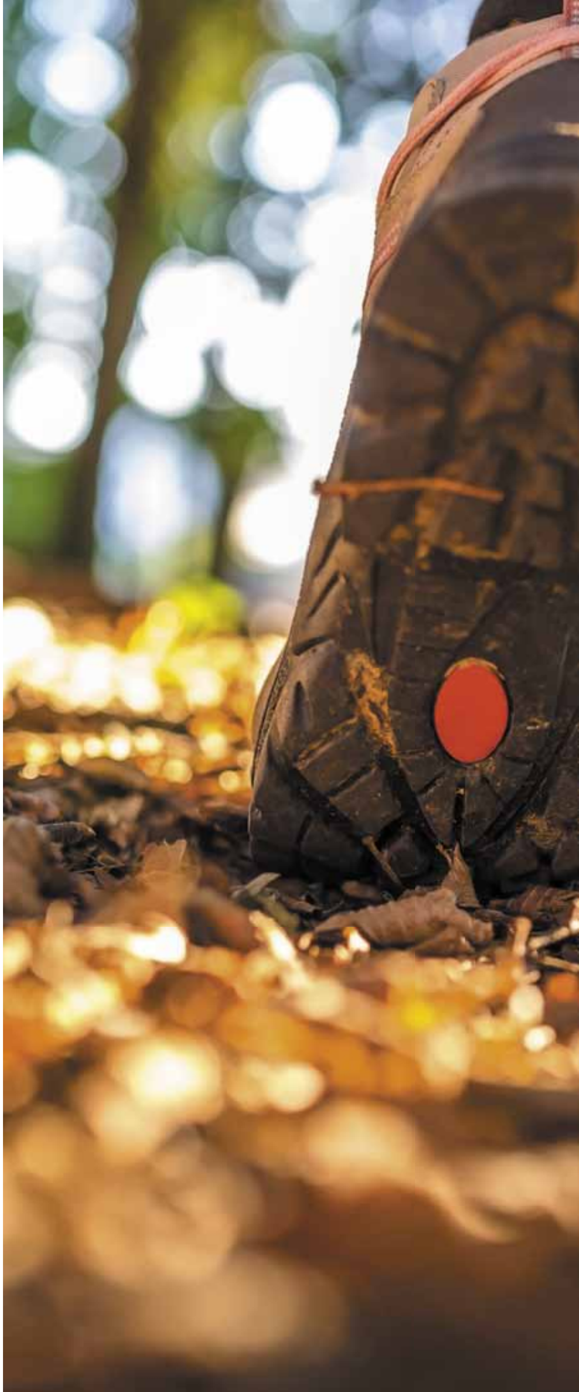
Money Market Funds

Money market funds generally invest in short-term, high-quality stable securities including U.S. Treasury bills and certificates of deposit, and are highly liquid meaning you can cash out quickly. Some money market funds allow you to write checks on them as well. They have the lowest risk of all styles of mutual fund, but the lowest potential reward as well. A money market fund may offer returns higher than those of typical checking or savings accounts.

Money market funds can be good for investors who:

- Have almost no tolerance for risk and prefer stability
- Have a short-term investment objective
- Prefer to maintain liquidity (can cash out easily)

In general, money market funds are offered to meet the liquidity needs of clients, but unlike bank deposits, money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a money market fund.



How to buy a mutual fund.

When you've done your homework and found a mutual fund or two that look interesting to you, there are some specific steps and pieces of information that you'll want to know before you make a purchase. They are:

1. Get a prospectus

Before you invest, the fund company has to (by law) send you a prospectus, which details the fund's objectives and how they will be achieved, past performance, fees, management, risk and so forth. Don't ignore the prospectus – they can look daunting, but they tell you everything before you spend a dime.

2. Where to purchase

Mutual funds can be bought from a variety of sources, including: banks, insurance companies, stock brokers, investment advisors, discount brokers, online and the mutual fund companies themselves. Who you ultimately choose to go with depends on variables like fees and costs, variety, level of advice you want and expertise. Ask a lot of questions and get clear answers.

3. Fees & costs

Mutual funds can cost a lot or a little depending on what you buy and where. Fees generally break down into two categories: Ongoing, or maintenance fees; and purchase and sales charges, called "loads". Loads are sales commissions which come in several forms: A front-end load means you pay the fee when you purchase the fund; a back-end load is charged when you sell and the amount depends on how long you hold your shares; and no-load funds don't charge either – they make money from management fees.

A Short Glossary of Investor Terms

Allocation: Dividing investment assets according to an individual's goals, risk tolerance and timeline in order to balance risk and reward.

Asset: Any item of value that can be converted to cash, including stocks and bonds.

Bond: A debt security issued by a corporation or government office. The issuer agrees to pay the bondholder a predetermined interest rate for a specified length of time and promises to repay the bond in full on the maturity date.

Cap: Short for "capitalization," or the sum of a company's debt, stock and earnings.

Capital Gain: The amount that an asset's selling price exceeds the buying price.

Certificate of Deposit (CD): Certificates offered by banks which pay a higher level of interest than regular checking/savings accounts in exchange for tying up money for a specific time.

Debt: Amount owed by an organization, usually represented as "bonds."

Dividend: The payout of part of a company's earnings as a return on investment in its stock.

Diversification: The practice of attempting to reduce risk by spreading investments across asset classes like stocks, bonds and cash, because they generally don't behave the same way in the market.

Equity: Ownership of a company, most often in the form of shares of stock.

Growth: An investment strategy that seeks stocks with strong earnings and/or potential for growth.

Income: Money earned through employment or investment returns.

Index: A representation of the value of a certain set of securities which acts as an indication of the health and direction of the market as a whole (see S&P 500).

IRA: Individual Retirement Accounts offer a tax-deferred way to put aside a specific amount of money each year until withdrawals can begin at age 59. The money is often invested in mutual funds.

Large Cap: A company with more than $5 billion in capitalization.

Load: Loads are the fees charged for buying or selling a mutual fund. They can be charged upfront (front-end load) or upon the sale (back-end load). No-load funds don't charge a commission.

Market: This term generally refers to the securities market as a whole (in the U.S. this is often interchangeable with "Wall Street" or "the Street").

Mid Cap: A company with a capitalization of $1 billion to $5 billion.

Portfolio: An investor's total collection of investments, including stocks, bonds, cash and more.

Prospectus: A legally required document that provides all the details and facts about an investment so investors can make informed choices.

Return: The amount that an investment earns annually, usually shown as a percent.

Risk: The likelihood that an investment will or won't lose value.

S&P 500: A group of unmanaged securities widely regarded by investors to be representative of large-company stocks in general. An investment cannot be made directly into an index.

Security: A generic term for any investment instrument issued by a corporation or government that represents equity or debt.

Share: A unit of ownership in a corporation or mutual fund.

Small Cap: Generally a company with market capitalization between $300 million and $1 billion.

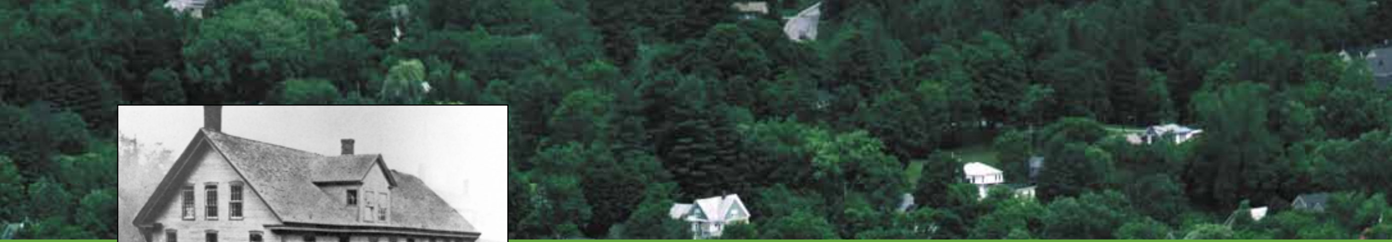
Stock: An investment instrument that shows ownership in a corporation, usually expressed in "shares." Also called equity securities.

Timeline: The length of time money is expected to be invested, also known as "horizon." Most investments are either short-, medium- or long-term.

Value: An expression relating to the relative worth of an investment.

Volume: The number of securities traded (bought and sold) during a specific time period for a specific market, region or stock exchange.

Yield: The annual rate of return on an investment expressed as a percentage.




NATIONAL LIFE
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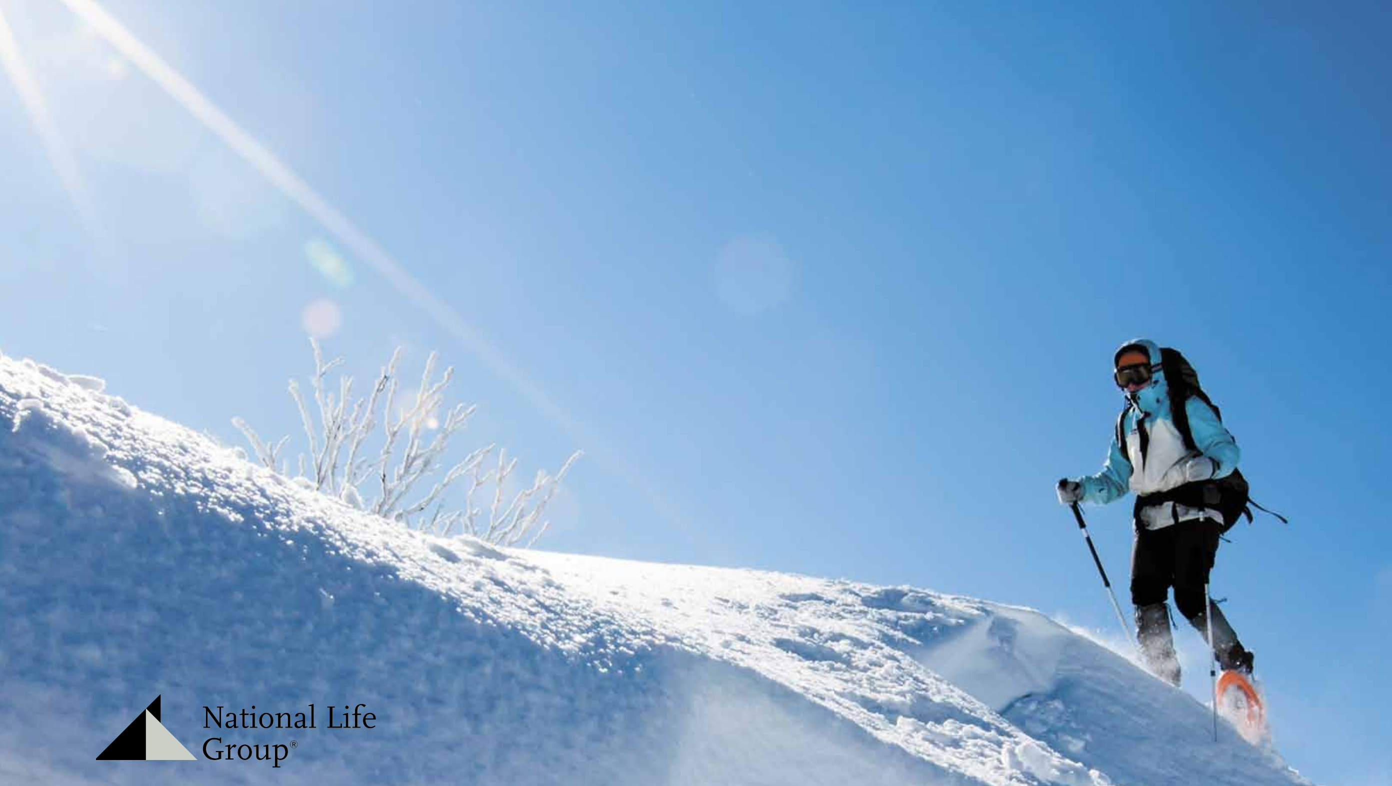
National Life Group's Story

National Life Insurance Company was chartered by the Vermont Legislature in 1848; with the first policy being sold in 1850. Since then, the company evolved into National Life Group, offering a full range of financial services with the formation of Equity Services, Inc. and the purchase of Sentinel Investments. In 1996, National Life purchased Life Insurance Company of the Southwest, which was chartered in Dallas, TX in 1955. The company has primary offices in Montpelier, VT and Addison, TX.

Throughout our history, National Life Group has been dedicated to keeping our promises and to our vision of bringing peace of mind to everyone we touch.



National Life Group®

National Life Group® is a trade name of National Life Insurance Company, Montpelier, VT, Life Insurance Company of the Southwest, Addison, TX and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. Life Insurance Company of the Southwest is not an authorized insurer in New York and does not conduct insurance business in New York.

Mutual funds are offered by FINRA member broker-dealers. Sentinel Financial Services Company is the distributor of the Sentinel Funds and is located at One National Life Drive, Montpelier, Vermont 05604, (800)233-4332. Equity Services, Inc., Member FINRA/SIPC, is a broker/dealer and registered investment adviser affiliate of National Life Insurance Company.

All companies referenced are affiliated.

Sentinel Funds are sold by prospectus. For more complete information, please request a prospectus from your registered representative or call (800) 233-4332. Please read it and consider carefully a Fund's objectives, risks, charges and expenses before you invest or send money. The prospectus contains this and other information about the investment company.

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