

## Fund Overview

A high conviction portfolio that emphasizes risk management, valuations, and quality fundamentals.

## Investment Process

Fundamental, bottom-up security selection

## Investment Style

Small Cap Core

## Benchmark

Russell 2000 Index<sup>1</sup>

## Portfolio Characteristics as of 6/30/17

	Fund	Benchmark
Market Cap (weighted avg.) <sup>4</sup>	\$3,124M	\$2,032M
Forward Price/Earnings <sup>5</sup>	21.45	19.36
ROE <sup>6</sup>	7.57	5.95
3-Year Beta <sup>7</sup>	0.66	1.00
Number of Securities	57	2,009

## Portfolio Investment Team

Nathan Moser, CFA<sup>®</sup>, Portfolio Manager  
Diederik Basch, CFA<sup>®</sup> Senior Analyst

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## Performance and Portfolio Update

- The Fund trailed the Russell 2000 Index<sup>1</sup> in the second quarter. Portfolio holdings within Financials and an overweight allocation to Energy were key detractors.
- Growth stocks outperformed value with the Russell 2000 Growth Index<sup>2</sup> topping the Russell 2000 Value Index<sup>3</sup> by 3.72%. For the year-to-date period, growth has outperformed value by 9.43%. The growth-oriented market has been a headwind to the Fund's performance given its tilt towards value.
- Energy was our worst performing sector due to our overweight allocation. Weakness in oil prices appears to be driven by supply concerns. While we expect near-term volatility, the medium to longer-term outlook looks brighter as the supply/demand balance is showing signs of improvement.
- The Fund benefited from strong stock selection in the Consumer Staples and Healthcare sectors. Within Consumer Staples, our holding in Performance Food Group, a food distributor, increased 15% during the period on better than expected financial results. Health Care performance was broad based. Integra Lifesciences, a medical device company, increased 28% during the period. In our view, strong quarterly results and increased optimism over the recent acquisition of Codman from Johnson & Johnson drove shares. We exited our position late in the quarter as valuation met our objective.
- Our outlook for the balance of the year remains muted as valuations near multi-decade highs are likely to limit meaningful gains from these levels. While we acknowledge the potential for upward earnings revisions from better economic growth and/or lower corporate taxes, we believe these are already priced into the market. As the Federal Reserve tightens policy, interest rates are expected to move higher—providing an additional headwind. In this environment, we favor value over growth, defense over offense and are overweight Financials, Consumer Staples and Energy.

## Returns (%)<sup>8</sup>

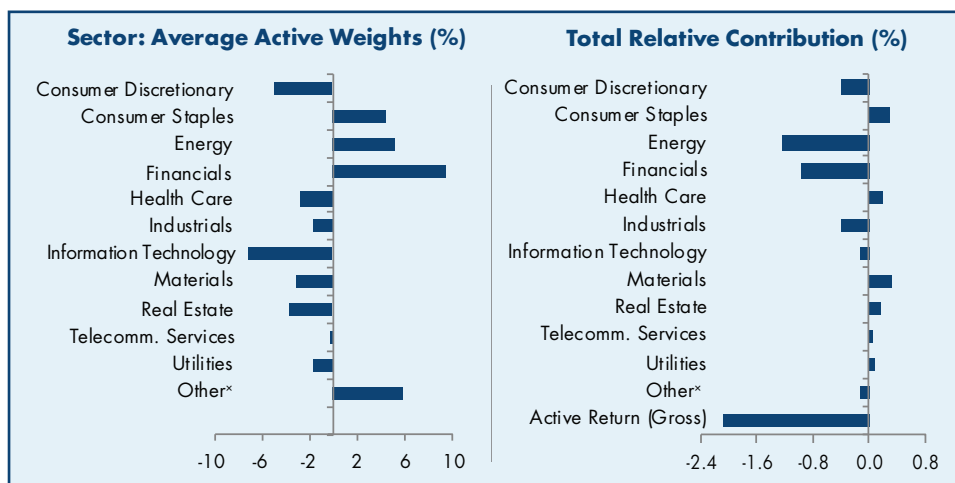
As of June 30, 2017

Average Annual Returns (%)

	3-month	YTD	1-year	3-year	5-year	Since Inception
Pax Small Cap Fund (Without maximum sales charge)						
Individual Investor Class (PXSCX) (Inception Date: 3/27/08)	0.12	0.58	13.21	4.77	13.80	9.51
Class A (PXSAX) (Inception Date: 5/1/13) <sup>9</sup>	0.12	0.58	13.25	4.76	13.80	9.51
Institutional Class (PXSIX) (Inception Date: 3/27/08)	0.11	0.70	13.49	5.01	14.08	9.79
Russell 2000 Index	2.46	4.99	24.60	7.36	13.70	9.55
Lipper Small-Cap Core Funds Index <sup>10</sup>	1.71	3.90	21.96	6.93	13.52	9.42
Pax Small Cap Fund (With maximum 5.50% sales charge) Class A (PXSAX) (Inception Date: 5/1/13)						
	-5.41	-4.94	7.01	2.79	12.52	8.85

**Performance data quoted represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance less than or equal to one year is cumulative. Current performance may be lower or higher than the performance data quoted. To obtain performance for the most recent month-end call 800.767.1729 or visit [www.paxworld.com](http://www.paxworld.com).**

*As of 5/1/17 prospectus, total annual Small Cap Fund operating expenses, gross of any fee waivers or reimbursements, for Individual Investor Class, Class A, and Institutional Class shares are 1.19%, 1.19% and 0.94%, respectively.*



\*Other: ETFs (for short-term cash mgmt. purposes) and Cash & Equivalents.

Past performance is no guarantee of future results.

**RISKS: Equity investments are subject to market fluctuations, the fund's share price can fall because of weakness in the broad market, a particular industry, or specific holdings. Funds that emphasize investments in smaller companies generally will experience greater price volatility.**

Top Ten holdings as of 6/30/17: Investors Bancorp, Inc. 3.4%, Natus Medical, Inc. 3.3%, Capitol Federal Financial, Inc. 3.1%, Antero Resources Corp. 3.0%, Legg Mason, Inc. 2.9%, US Foods Holding Corp. 2.8%, White Mountains Insurance Group, Ltd. 2.7%, Ligand Pharmaceuticals, Inc. 2.6%, Carter's, Inc. 2.4%, and GICON Plc. 2.4%. Holdings are subject to change.

- <sup>1</sup> The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. One cannot invest directly in an index.
- <sup>2</sup> Russell 2000 Growth Index is a market capitalization weighted index that measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth rates.
- <sup>3</sup> Russell 2000 Value Index is a market capitalization weighted index that measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth rates.
- <sup>4</sup> Weighted Average is an average in which each quantity to be averaged is assigned a weight. These weightings determine the relative importance of each quantity on the average.
- <sup>4</sup> Forward Price-Earnings Ratio or P/E FY1 ratio is a ratio for valuing a company that measures its current share price relative to its per-share earnings over the next 12 months.
- <sup>6</sup> Return on Equity: The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.
- <sup>6</sup> A historical Beta is used for Funds with greater than 2 years of performance history under the same mandate. Three year Beta is used. Beta reflects the sensitivity of a Fund's return to fluctuations in its benchmark; a beta for a benchmark is 1.00: a beta greater than 1.00 indicates above average volatility and risk.
- <sup>8</sup> Figures include reinvested dividends, capital gains distributions, and changes in principal value.
- <sup>9</sup> The performance information shown for Class A represents the performance of the Individual Investor Class shares for the period prior to Class A inception. Expenses have not been adjusted to reflect the expenses allocable to Class A shares. Class A inception date return since May 1, 2013 is 11.32% (annualized). A 1.00% CDSC (contingent deferred sales charge) may be charged on any shares sold within 18 months of purchase over \$1 million.
- <sup>9</sup> Lipper Small-Cap Core Funds Index invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) below Lipper's U.S. Diversified Equity small-cap ceiling. Small-cap core funds have more latitude in the companies in which they invest. These funds typically have average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P Small Cap 600 Index. The S&P Small Cap 600 Index is generally considered representative of small-sized U.S. companies. One cannot invest directly in an index.

The statements and opinions expressed are those of the author as of the date of this report. All information is historical and not indicative of future results and subject to change. This information is not a recommendation to buy or sell any security. Past performance does not guarantee future results.

**You should consider Pax World Funds' investment objectives, risks, and charges and expenses carefully before investing. For this and other important information, please obtain a fund prospectus by calling 800.767.1729 or visiting [www.paxworld.com](http://www.paxworld.com). Please read it carefully before investing.**

**An investment in the Pax World Funds involves risk, including loss of principal.**

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