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## Investing as a Social Change Strategy

By Joe Keefe, Pax World President and CEO

I imagine that most people are as frustrated as I am by the current state of world affairs.

Climate change, terrorism, war, poverty, growing inequality, refugee crises, debt crises, horrific human rights abuses... the list goes on and on. The world has always had its share of problems, of course, but today there seems to be a growing sense that things are getting worse and that perhaps we have lost some degree of control over the march of events.

Another defining characteristic of our age is that many people have lost faith in the ability of public institutions to address the challenges confronting us. The public sector simply isn't what it used to be, for various reasons in different parts of the globe—just look at the partisan gridlock that has brought our own government to a standstill.

We live in a time when people are less optimistic, more cynical and have lower expectations, in part because they see government and other institutions as ineffective and unresponsive.

Of course, the challenges we face today are as solvable as any problems we have confronted in the past—think of slavery, civil war, Apartheid, women's suffrage, the Great Depression, two world wars, the struggle for civil rights. We *can* do this. We as individuals still *can* make a difference.

How?

Well, one way is through our investments. It's a way that Pax World shareholders can relate to firsthand. We don't have to wait for governments to take action. We can actually increase our influence over world events, and potentially have a greater impact (and feel a little less powerless) not just through civic participation, or voting, or supporting non-profits—all of which remain vitally important—but

through our role as investors.

**Investors can promote positive social change.**

All of us have the opportunity to invest in ways that seek to ensure that corporations, and markets, produce better outcomes on key social issues.

How can investors do that? Let's take a look at gender inequality as an example.

If you believe women should be better represented in the business world, you can put your money to work by investing in companies that promote gender equality and women's leadership. You can send a message to companies, through your investments, that women's leadership is valuable and that gender equality is critical to business success. That's exactly how shareholders in the Pax Ellevest Global Women's Index Fund are making a difference.

You can also stop rubber-stamping all-male corporate boards. At Pax, we won't support any board slate unless it includes at least two women.

You can engage the companies you own to improve their gender diversity policies. For example, over the past few years Pax World has filed or co-filed board diversity proposals at eight companies asking them to adopt gender diversity policies for their boards. In 2015, three of those companies announced female director appointments.

Take another example—climate change—where investors have similar opportunities to make a difference.

Rather than investing in fossil fuel companies, you can invest in energy efficiency and renewable energy; clean water and pollution control; sustainable food and agriculture. You can avoid investing in companies involved in the most

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# Update from the Women Thrive Alliance: The Power of Collective Advocacy

By Noel Schroeder, Women Thrive Worldwide

After 18 years on the job, the Women Thrive Alliance knows the power that collective advocacy holds for changing the world. Collective advocacy is a key tool for advancing gender equality worldwide.

Women and girls are too often left behind. Their voices, priorities and needs are rarely considered in policy-making. When a diverse group of grassroots advocates from civil society organizations raise their voices together and bring their priorities and solutions directly to those in power, decision-makers are made to listen and act to change policy.

Our recent initiatives and breakthroughs were in one shape or form powered by collective advocacy. Women Thrive's partners include more than 200 women's rights organizations in 50 countries that make up our Alliance.

After nearly four years of hard work, Women Thrive and members of our Alliance were thrilled to see the language we'd collectively advocated for included in the United Nations Sustainable Development Goal 4, which ensures every girl and every boy has the right to quality education and everyone—woman, man, girl, and boy—has life-long access to learning.

Women Thrive has been an important champion for the International Violence Against Women Act since it was first introduced in Congress in 2007. As co-chair of the Coalition to End Violence Against Women and Girls, we worked with more than 200 nongovernmental organizations to raise awareness of violence against women worldwide and the needed policy solutions, like the International Violence Against Women Act, to address this pervasive human rights abuse. In 2015, the bill received more bipartisan support than ever.

In April 2014, nearly 300 schoolgirls in Nigeria were kidnapped from their beds by Boko Haram. Before news hit the mainstream media, Women Thrive was mobilizing activists across the United States and the world to urge quick action. More than 30,000 messages were sent to Secretary of State John Kerry and the Nigerian National Police. Today, most of the girls remain missing and Women Thrive continues to keep



Photo credit: Women Thrive Worldwide.

the #BringBackOurGirls campaign on the radar so we can spur action to once and for all rescue the girls and bring them back home to their families and their education.

Now, we are setting our sights on a monumental—but attainable—goal: achieving gender equality and empowering all women and girls by 2030.

In 2015, 193 countries agreed to the United Nations' new global agenda to end poverty, Agenda 2030. This agenda is comprised of 17 Sustainable Development Goals (SDGs), from ending poverty to combatting climate change. Ultimately, the agenda emphasizes leaving no one behind—creating a world where all people can thrive.

The Women Thrive Alliance will support grassroots organizations working directly with women and girls in advocacy around implementing SDG 5 on gender equality. Equipped with skills, connections, and resources, Alliance members will track governments' commitments and actions and hold all stakeholders account-

able to achieving gender equality by 2030.

Collective advocacy will remain a guiding principal behind Women Thrive's work because we've seen that one woman's voice can change the lives of many, and that multiple women's voices can change the lives of millions. 🌱

## Pax World Global Citizen Program

Pax World shareholders can support Women Thrive's work by participating in the Pax World Global Citizen Program. The program enables shareholders to earmark portions of their dividends and/or capital gains as a contribution to one of two non-profit organizations: Women Thrive and Mercy Corps. Since 2000, Pax World Shareholders have contributed more than \$1.7 million to these organizations through the Global Citizen Program. **For more information visit [paxworld.com/globalcitizen](http://paxworld.com/globalcitizen).**

## Pax World adds Factor Investing Strategy to Fund Lineup

Pax World recently joined with Aperio Group, LLC (“Aperio”) to launch an investment strategy combining sustainable and factor investing—a way for investors to harness the performance potential of ESG and financial factor exposures.

On June 30, 2016 the Pax Growth Fund became the **Pax ESG Beta Quality Fund** following shareholder approval of Aperio as subadviser.

The Pax ESG Beta Quality Fund seeks long-term capital appreciation and follows an investment strategy designed to consistently overweight a U.S. large cap core portfolio toward factors that we believe will benefit the long-term return potential of the Fund. Factors are investment characteristics that explain the risk and return behavior of a security. Specifically, the Fund focuses on stocks with stronger ESG profiles, higher profitability, higher earnings quality, lower risk, and lower valuations.

Aperio is a leading provider of factor investing strategies, with approximately \$14.5 billion under management. Factor investing, also commonly referred to as smart beta, is growing in prominence as a hybrid approach to investing combining elements of active and passive management. Together, Pax and the team at Aperio carefully researched and defined the combination of factors.

Pax’s set of ESG ratings on U.S. large cap companies are a key input into the portfolio construction process. The ratings reflect our Sustainability Research team’s original insights and judgments on a comprehensive set of ESG performance and risk indicators, including proprietary carbon intensity scoring and gender diversity ratings.

The Fund can serve as a core holding for investors seeking a domestic equity large cap portfolio of higher quality companies—using both ESG and financial metrics—that in aggregate are attractively priced. 🌱

## Five Years of Tracking More than Just International Market Returns

The **Pax MSCI International ESG Index Fund** marked its fifth anniversary in style with a record of solid performance relative to its broad market benchmark and peers.<sup>1</sup>

The Fund is an index-based strategy that provides U.S. investors with international equity exposure and integrates environmental, social and governance (ESG) factors into portfolio construction.

Studies show<sup>2</sup> that integrating ESG factors into investment portfolios is a strategy for mitigating risk and achieving market or above-market returns over the long term. That’s exactly the investment case at the heart of the Fund’s approach.

The Fund invests in companies across developed international markets with high ESG ratings. Analysis of the Fund’s outperformance since inception finds that top-tier ESG companies have driven excess returns.<sup>3</sup>

The Fund is one of the fastest growing at Pax World today. And with good reason. It is one of the few international funds driven by a sustainable investing approach, and serves as a core international allocation. Learn more about the Fund and its performance rankings at [paxworld.com/international](http://paxworld.com/international). 🌱

## Kudos to Kathleen



Kathleen McQuiggan, SVP of Global Women’s Strategies for Pax World and Managing Director of Pax Ellevest, was honored by *InvestmentNews* as one of “The 20

Most Influential Women to Watch in 2016.” *InvestmentNews* annually honors female financial advisers and industry executives who are distinguished leaders at their firms. Kathleen was recognized for her leadership, passion, creativity and willingness to help other women along the way. 🌱

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# CONVERSATION PIECES



“If the board wants people to think they’re taking this really seriously, this is not the way.”

Sempra CEO Gets Biggest Bonus Ever, After Biggest Gas Leak Ever  
Bloomberg, March 28, 2016  
Julie Gorte, SVP for Sustainable Investing

“We’ve been working on the whole notion of gender diversity for some time. We believe that if companies disclosed gender pay ratios it would incentivize companies.”

At SEC, Petition Calls for Gender Pay Ratio Disclosure  
Wall Street Journal, March 18, 2016  
Joe Keefe, President & CEO

“A lot of our peer funds invest in larger companies in the index, which tend to have higher valuations, reflecting a liquidity premium. Microsize companies don’t have adequate liquidity, so we often find unloved stocks that trade at real discounts.”

4 Stocks to Beat the Index and Sleep Well at Night  
Barrons, February 9, 2016  
Nathan Moser, VP, Portfolio Manager, Small Cap Fund, Mid Cap Fund, Balanced Fund

“Today I can say with confidence that the work our team at Pax World is doing to invest in women is the most important thing I have been involved with—professionally and personally—in my career.”

Are You Ready to Invest in Women?  
Green Money Journal, April 2016  
Kathleen McQuiggan, SVP of Global Women’s Strategies for Pax World Management LLC and managing director of Pax Ellevest Management LLC

carbon intensive fuels, as we do at Pax World, and instead invest in high-impact companies whose products, services or business strategies directly address climate change and other global sustainability challenges. That's the approach we use in the Pax Global Environmental Markets Fund.

You can also participate as active shareholders and engage companies to reduce greenhouse gas emissions and mitigate climate change. Again, at Pax World we have filed numerous shareholder resolutions calling on energy

companies to publish annual sustainability reports and set quantitative, time-bound goals for reducing greenhouse gas emissions.

The bottom line: As investors, we have more power than we realize. We can prod and pressure and cajole companies into doing the right thing. Unfortunately, too many fail to leverage this power.

Right now, when it comes to vital issues like climate change and gender equality, most investors are still on the sidelines. In

my mind, this is the equivalent of a voter who doesn't show up at the polls to vote. It is shirking responsibility. It is forfeiting the opportunity to make an impact.

Investors are not powerless. We *can* move the needle.

And when it comes to the state of our world today, it seems to me that it is both a moral imperative and an economic imperative that the needle be moved. 🌱

#### PAX WORLD NEWS CONTINUED from PAGE 3

<sup>1</sup>As of 3/31/16, the returns for the Pax MSCI International ESG Index Fund Individual Share Class (PXINX) were: 1 year: -6.42%, 3 year: 1.68%, 5 year: 2.49% and Since Inception (01/27/11): 2.21% annualized. The returns for the MSCI EAFE ESG (Net) Index were: 1 year: -6.23%, 3 year: 2.20%, 5 year: 2.97% and Since PXINX Inception (01/27/11): 2.75% annualized. The returns for the MSCI EAFE (Net) Index were: 1 year: -8.43%, 3 year: 0.68%, 5 year: 1.59% and Since PXINX Inception (01/27/11): 1.35% annualized. The returns for the Lipper International Large-Cap Core Funds Index were: 1 year: -9.29%, 3 year: 0.26%, 5 year: 1.11% and Since PXINX Inception (01/27/11): 0.85% annualized.

As of 3/31/16, the returns for the Pax MSCI International ESG Index Fund Individual Share Class (PXINX) were: 1 year: -8.29%, 3 year: 2.10%, 5 year: 2.85% and Since Inception (01/27/11): 2.63% annualized. The returns for the MSCI EAFE ESG (Net) Index were: 1 year: -6.62%, 3 year: 3.27%, 5 year: 3.60% and Since PXINX Inception (01/27/11): 3.49% annualized. The returns for the MSCI EAFE (Net) Index were: 1 year: -8.27%, 3 year: 2.23%, 5 year: 2.29% and Since PXINX Inception (01/27/11): 2.18% annualized. The returns for the Lipper International Large-Cap Core Funds Index were: 1 year: -9.42%, 3 year: 1.72%, 5 year: 1.63% and Since PXINX Inception (01/27/11): 1.63% annualized.

*Performance data quoted represent 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. Current performance may be*

*lower or higher than the performance data quoted.*

Total annual Pax MSCI International ESG Index Fund operating expenses, gross of any fee waivers or reimbursements, for the Individual Investor Class is 0.80%, as of 4/1/2016 prospectus.

The MSCI EAFE ESG Index is a free float-adjusted market capitalization weighted index designed to measure the performance of equity securities of issuers in developed countries around the world excluding the U.S. and Canada that have high ESG ratings relative to their sector and industry peers, as rated by MSCI ESG Research. Performance for the MSCI EAFE ESG Index is shown "net", which includes dividend reinvestments after deduction of foreign withholding tax. One cannot invest directly in an index.

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. Performance for the MSCI EAFE Index is shown "net", which includes dividend reinvestments after deduction of foreign withholding tax. One cannot invest directly in an index.

The performance of the Lipper International Large-Cap Core Funds Index represents the total returns of the

funds in the indicated category, as defined by Lipper. The performance of the Index includes expenses associated with a mutual fund, such as investment management fee. These expenses are not identical to the expenses charged by the Fund. One cannot invest directly in an index.

<sup>2</sup>Multiple studies supporting the belief that integrating ESG factors into portfolio management can mitigate risk and add value to an investment portfolio can be found at the Pax World website here: <http://paxworld.com/about/sustainable-investing>.

<sup>3</sup>MSCI ESG Research evaluates companies' ESG characteristics and derives corresponding ESG scores and ratings. Companies are ranked by ESG score against their sector peers to determine their eligibility for the MSCI ESG indices. MSCI ESG Research identifies the highest-rated companies in each peer group to meet the float-adjusted market capitalization sector targets. The IVA rating system is based on general and industry-specific ESG criteria, assigning ratings on a 7-point scale from AAA (highest) to CCC (lowest). To measure and analyze the ESG contribution to relative performance we delineate stocks into three tiers based on Intangible Value Assessment (IVA) ratings (Top Tier: AAA/AAA - highest rated companies, Middle Tier: BBB/BB - average rated companies, Bottom Tier: B/CCC - lowest rated companies).

Kathleen McQuiggan is a registered representative of ALPS Distributors, Inc.

Diversification does not eliminate the risk of losses.



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**You should consider a fund's 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. Past performance does not guarantee future results.**

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trading volume. Investments in high yield bonds generally are subjected to greater price volatility based on fluctuations in issuer and credit quality. When investing in bonds, you are subject, but not limited to, the same interest rate, inflation and credit risks associated with the underlying bonds owned by the Fund. Mortgage related securities tend to become more sensitive to interest rate changes as interest rates rise, increasing their volatility. Funds that emphasize investments in mid-size and smaller companies generally will experience greater price volatility. Investing in non-diversified funds generally will be more volatile and loss of principal could be greater than investing in more diversified funds.