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FUND

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CHIEF INVESTMENT
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SALLIE KRAWCHECK AND
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PAX ELLEVATE GLOBAL
WOMEN'S INDEX FUND



Why Gender Diversity Should Matter to Investors

By Sallie Krawcheck and Joe Keefe



The business case for gender diversity is now well-documented. The research is compelling: when women are at the table—and better yet, in leadership positions—companies simply perform better.

A 2012 Credit Suisse report found that companies with women directors outperformed those without women directors in return on equity, average growth, and price/book value multiples.¹ A 2013 Thomson Reuters report concluded that, on average, companies with no women on their boards underperformed relative to gender-diverse boards and had slightly higher tracking errors, indicating potentially more volatility risk.² A Catalyst study found that companies with three or more women directors outperformed those with no women

directors as measured by return on equity, return on sales and return on invested capital,³ while McKinsey found that more diverse management teams deliver higher returns for shareholders across industries.⁴

Women bring diverse perspectives to the table, their leadership style can drive more innovation and collaboration, they are more likely to ask tough questions, and they often take a different approach to risk. It's not that women or men are "better" but that diverse groups—where both men and women are at the table—make better decisions than non-diverse groups. Indeed, the research suggests that where gender diversity reaches a critical mass of three or more women on a board (roughly 30%), governance improves and so does financial performance.

With the business case for advancing women so clearly documented, the case for investing in companies that are leaders in promoting gender diversity is becoming self-evident. Moreover, as the investment case strengthens, the risks of not investing in women are becoming apparent as well. Businesses that fail to embrace gender diversity on their boards and in upper management limit their own ability to grow and place their shareholders at a disadvantage.

Yet despite the powerful business case for women's advancement, gender inequality stubbornly persists.

Today, only 16% of Fortune 500 board seats are held by women.

How do we change this?

And how do we respond to the growing demand among investors for being part of this change? In a recent Center for Talent Innovation report, 90% of women said that "making a positive impact on society"

is important to them, and 77% said that they want to invest in companies with diversity in leadership.⁵

Our companies, Pax World and Ellevest Asset Management, have joined together to help answer these questions.

Ellevest Asset Management has been formed to direct investor capital to companies that actively embrace gender diversity. It is owned by one of us (Sallie Krawcheck), who also owns Ellevest Network (formerly "85 Broads") the global professional women's network, which provides women with the networking and educational tools that can be important to their success. Pax World is a leader in sustainable investing, and has long focused on

"In our view, investors are a key constituency for promoting gender diversity in publicly traded companies."

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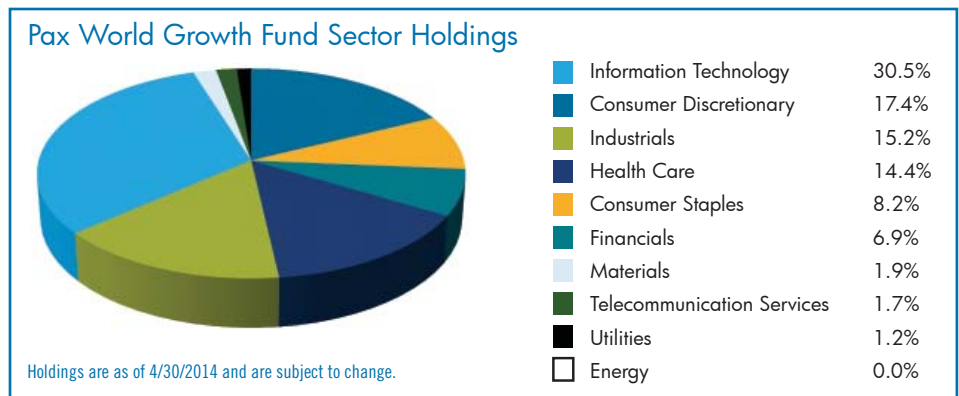
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Pax World adds second fossil fuel-free investment fund

The Pax World Growth Fund (PXWGX) has divested its fossil fuel holdings and will henceforth pursue a fossil fuel-free investment strategy. Instead of fossil fuel companies, the fund will substitute investments in companies that are proactively developing solutions to global sustainability challenges, including climate change, water, food and health care.

The fund seeks to avoid investing in companies engaged in the exploration, development and production of fossil fuels including oil, coal, and natural gas. In addition, while the fund has always integrated environmental, social and governance (ESG) factors into stock selection and portfolio construction, it will now increasingly focus on investing in high-impact companies whose products, services or business strategies offer positive solutions to global sustainability challenges.

“Over the past few years, we have increasingly tilted this Fund toward solutions-oriented companies as opposed to simply investing in companies that meet our ESG criteria,” says Portfolio Manager Tony Trzcinka, CFA®. “We did so for investment reasons, because we believe such investments are more likely to deliver stronger performance over time. Given this approach, the decision to divest fossil fuel companies and the risks associated with them, and further increase our allocation to high-



impact, solutions-oriented companies instead was a relatively easy one, and an obvious next step.”

Investors can review some examples of companies the Fund is invested in as substitutes for fossil fuel companies here: www.paxworld.com/growth.

“We hope the Pax World Growth Fund will be an attractive option for investors who are not only interested in fossil fuel-free portfolios, but who also want to invest in solutions-oriented companies whose businesses and technologies have positive impacts rather than problematic ones from a sustainability perspective,” said Pax World President and Chief Executive Officer Joe Keefe.

The Pax World Growth Fund is the second Pax offering to pursue a fossil fuel-free investment strategy, joining the Pax World Global

Environmental Markets Fund (PGRNX), which has been fossil fuel-free since its launch in 2008. The Growth Fund, which has been managed by Mr. Trzcinka since 2006, charges a net expense ratio of 0.99% for institutional class shares and 1.24% for individual investor class shares. 🌱

Fund Objectives: The Growth Fund and the Global Environmental Markets Fund objectives are to seek long-term growth of capital.

As of 6/4/14 prospectus, total annual Growth Fund operating expenses, gross of any fee waivers or reimbursements, for the Institutional Class and Individual Investor Class shares are 1.10% and 1.35%, respectively. Fee waivers and reimbursements are contractual and in effect until at least 12/31/2015.

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. Emerging market and international investments involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, economic or political instability in other nations or increased volatility and lower trading volume.

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Pax World appoints Steven Falci Chief Investment Officer

Pax World Management LLC has appointed Steven A. Falci, CFA® as Chief Investment Officer.

“We are thrilled to welcome Steve onboard. As a longtime leader in the sustainable investing field, his wealth of industry knowledge will prove greatly beneficial to the ever-evolving services and products we offer our growing client base,” said Joseph Keefe, President and CEO of Pax World Management LLC. “Steve joins our Chief Investment Strategist, Chris Brown, and our Senior Vice President for Sustainable

Investing, Julie Fox Gorte, Ph.D., in bringing added depth and expertise as we further build out Pax World research and investment capabilities, ESG integration and leadership in the sustainable investing space.”

Mr. Falci brings more than 30 years of experience in financial services, more than 10 of which were spent developing and overseeing sustainable investment practices, to his role at Pax World. Prior to joining Pax World, Mr. Falci served as Head of Strategy Development, Sustainable Investment at Kleinwort Benson Investors. During his six-year tenure, he reported directly to the firm’s Chief Executive Officer and oversaw the strategic direction of the firm’s Sustainable Investment business line. His duties included establishing and implementing priorities for strategic direction, product development and identifying new market opportunities. Mr. Falci previously held senior positions at Calvert Group, Mellon Equity Associates and Nynex Corporation.

Mr. Falci earned both a Bachelor of Science degree in Economics and a Master of Business Administration from New York University’s Stern School of Business. He also holds a Master of Arts from the Pittsburgh Theological Seminary. He is a Chartered Financial Analyst (CFA) charterholder. 🌱

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Sallie Krawcheck and Pax World partner on Pax Ellevest Global Women's Index Fund (PXWEX)

Pax World Management LLC and Ellevest Asset Management LLC have entered into a partnership agreement to manage and market the Pax Ellevest Global Women's Index Fund (www.paxellevest.com), which is a successor fund to the Pax World Global Women's Equality Fund, following a shareholder-approved merger. The Fund is the first and only mutual fund in the United States that focuses on investing in companies that are global leaders in advancing women.

Sallie Krawcheck is a principal of Ellevest Asset Management, which acquired an ownership interest in Pax Ellevest Management LLC ("Pax Ellevest"), the investment adviser to the Fund, where Ms. Krawcheck serves as Chair.

Ms. Krawcheck has also been elected to the board of trustees of the Fund.

The Pax Ellevest Global Women's Index Fund seeks investment returns that closely correspond to or exceed the price and yield performance, before fees and expenses, of the Pax Global Women's Leadership Index* ("the Global Women's Leadership Index").

The Global Women's Leadership Index, the first index of its kind, consists of equity securities of companies around the world that demonstrate a commitment to advancing women through gender diversity on their board, in executive management and through other policies and programs, as rated by Pax World Gender Analytics. Companies in the Index also meet key environmental, social and governance (ESG) standards, as rated by MSCI ESG Research.

Women hold 31% of board seats in companies held in the new Fund, and 24% of senior management positions, as compared to global averages of only 11% in each case.¹ Fully 97% of companies in the Fund have two or more women on their board and nearly 70% have three or more women on their board.

"I am pleased to partner with Pax World to introduce the Pax Ellevest Global Women's Index Fund," said Ms. Krawcheck. "This is a major step forward in directing investor capital to the highest-rated companies in



31%

PERCENTAGE OF BOARD SEATS HELD BY WOMEN IN COMPANIES IN THE FUND VERSUS THE GLOBAL AVERAGE¹

11%



69%

PERCENTAGE OF COMPANIES IN THE FUND WITH THREE OR MORE WOMEN ON THEIR BOARDS VERSUS THE GLOBAL AVERAGE¹

13%

the world in advancing women's leadership. We believe that it is simply smart business to invest in women and that this investment case will be borne out over time by the performance of this global index fund."

The Pax partnership represents the first investment initiative undertaken by Ms. Krawcheck since she purchased the Ellevest women's network (formerly named "85 Broads") last year. She is the former president of the Global Wealth & Investment Management division of Bank of America, which includes Merrill Lynch and U.S. Trust; former CEO of Citigroup's wealth management business, including Smith Barney and the Citi Private Bank; and former Director of Research and then chairman and CEO of sell-side research firm Sanford Bernstein.

"Sallie is one of the most respected individuals in financial services, and her interest in partnering on the Pax Ellevest Global Women's Index Fund speaks to the gathering momentum around investing in women, and in companies that invest in women," said Pax World President and CEO Joe Keefe. "This is the first fund of its kind investing in the first broad-market, global index where the universe of companies is distinguished, vis-à-vis the market as a whole, by its gender leadership. We hope to measure the contributions and capture the returns

associated with women's leadership and to deliver market or above-market returns over the long term. We therefore believe the Fund can be considered as a core holding in many investor portfolios."

"I can think of no better way to invest in women than to invest in those companies around the world that have distinguished themselves by both their business performance and their leadership in advancing women," said Krawcheck of her decision to partner on the Pax Ellevest Global Women's Index Fund. "This Fund represents a market solution to a global business challenge—the need to increase the number of women on boards and in management. The business edge that often comes from more diverse leadership teams is an investment idea whose time has come. These are not niche companies. Many are widely-recognized brands in their fields, and I look forward to shining a spotlight on—and helping putting capital behind—the kind of progressive thinking that can yield strong company performance." 

* A custom index calculated by MSCI. One cannot invest directly in an index.

¹ Women on Boards Survey, Governance Metrics International, April 2013.

Past performance does not guarantee future results.

RISKS: Investment in mutual funds involves risk, including possible loss of principal invested. You could lose money on your investment in the Fund or the Fund could underperform because of the following risks: the market prices of stocks held by the Fund may fall; individual investments of the Fund may not perform as expected; the Fund's portfolio management practices may not achieve the desired result. The Fund does not attempt to outperform the Index or take defensive positions in declining markets. Accordingly, the Fund's performance would likely be adversely affected by a decline in the Index. Funds focusing on small/medium companies generally experience greater price volatility. Investments in emerging markets and non-U.S. Securities are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation, intervention and political developments. As this Fund can have a high concentration in some issuers the Fund can be adversely impacted by changes affecting issuers. There is no guarantee that the objective will be met and diversification does not eliminate risk.

On 6/4/2014, the Pax World Global Women's Equality Fund merged into the Pax Ellevest Global Women's Index Fund (the Fund), pursuant to an Agreement and Plan of Reorganization dated May 28, 2014 (the "Reorganization"). Because the Fund had no investment operations prior to the closing of the Reorganization, Pax World Global Women's Equality Fund (the "Predecessor Fund") is treated as the survivor of the Reorganization for accounting and performance reporting purposes. Accordingly, all performance and other information shown for the Fund for periods prior to 6/4/2014 is that of the Predecessor Fund.

investing with a gender lens and engaging with companies to increase gender diversity on their boards.

In our view, investors are a key constituency for promoting gender diversity in publicly traded companies. After all, it is shareholders who own these companies, and corporate boards are in place to represent the shareholders. If diverse boards perform better than non-diverse boards, then it is in the shareholders' interest to promote greater gender diversity.

There are a few basic steps investors and their financial advisors can take, first, to promote gender diversity on corporate boards and, second, to invest in companies that are advancing women.

Regarding board diversity, investors actually have the opportunity to say "no" to all-male corporate boards each and every year when companies send out shareholder proxies in advance of their annual general meetings. Although most investors don't vote their proxies directly, they can take steps to assure that whoever does vote their proxies—be it their financial adviser, mutual fund or retirement fund—withholds support from all-male boards.

Since the 2010-2011 proxy season, Pax World, for instance, has voted against or withheld support for director nominees at more than 800 companies due to insufficient gender diversity and then registered its concern by writing letters to the companies. Many sustainable investing firms like Pax World take a similar stance, and more investors are joining this effort. In other words, if you believe as we do, that women should be better represented in corporate boardrooms, rather than allowing your proxies to rubber stamp all-male corporate



boards, you actually have the opportunity to be part of the solution.


Just as importantly, investors now have the option of investing in companies that have embraced gender diversity on their boards as well as in executive management. That's why we have launched the **Pax Ellevate Global Women's Index Fund (PXWEX)**, which invests in the approximately 400 top-rated companies in the world for advancing women, as rated by Pax World Gender Analytics. Companies are ranked based on representation by women on their boards and in executive management, as well as other indicia of gender leadership.

100% of the companies in the Pax Ellevate Global Women's Index Fund have a woman on their board, while 97% have two or more women.

Significantly, evidence shows that when women's representation on boards reaches a "critical mass" of three or more women—or 30% of an average-size board—governance improves and companies perform better. Women hold 31% of the board seats in the Pax Ellevate Global Women's Index Fund (vs. a global average of 11%) and 69% of companies in the Fund have three or more women on their board (vs. a global average of 13%). Investors now have the opportunity to

invest in these "critical mass" companies.

Investors, in other words, now have a choice. The Pax Ellevate Global Women's Index Fund has been designed to measure the contribution and capture the investment returns associated with women's leadership.

If you believe as we do, that gender diversity matters, you can now put your money to work. 

Sallie Krawcheck is Chair and Joe Keefe is CEO of Pax Ellevate Management LLC, investment adviser to the Pax Ellevate Global Women's Index Fund (www.paxellevate.com).

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¹ Mary Curtis, "Gender Diversity and Corporate Performance," Credit Suisse Research Institute, August 2012.

² Andre Chanavat and Katharine Ramsden, "Mining the Metrics of Board Diversity," Thomson/Reuters, June 2013.

³ Lois Joy, et al, "The Bottom Line: Corporate Performance and Women's Representation on Boards 2004-2008," Catalyst, 2011.

⁴ "Women at the top of corporations: Making it happen," Women Matter, McKinsey & Company, 2010.

⁵ Sylvia Ann Hewlett and Andrea Turner Moffitt with Melinda Marshall, "Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth," Center for Talent Innovation, 2014.

Past performance does not guarantee future results.

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Effective June 4, 2014, the Pax World Global Women's Equality Fund has reorganized into the Pax Ellevate Global Women's Index Fund.

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

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