

INSIDE

MAKING STRIDES: THE
PAX ELLEVATE GLOBAL
WOMEN'S INDEX FUND

WHERE DO WE SIGN?

NEW ON PAXWORLD.COM

SHAREHOLDER CORNER:
TIMELY REMINDERS FOR
PAX WORLD INVESTORS

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Meet Peter Schwab - Q&A with the new Portfolio Manager of the Pax World High Yield Bond Fund

Peter Schwab joined the Pax World team as Portfolio Manager of the High Yield Bond Fund in October of 2015. In this Q&A, Mr. Schwab shares his views on high yield investing, the outlook for 2016, and where he is seeing value today. Learn more about Mr. Schwab's background and the Pax World High Yield Bond Fund at paxworld.com/high-yield.

Q: How would you describe your investment strategy?

At Pax World, we are very particular when it comes to finding companies for the portfolio. There are three traits that have to be just right: companies need to possess a lasting competitive advantage, credible management teams, and a viable capital structure.

First we look for companies with proprietary technology, patent protection, dominant market shares or another sustainable competitive advantage. Then we look for management teams who we believe can realistically balance the interests of shareholders and lenders. Finally, we spend a lot of time analyzing the viability and appropriateness of the company's capital structure.

Q: Pax World was one of the first high yield funds to employ a sustainable investing approach. How can a sustainable approach to high yield investing benefit a client's portfolio?

First, let me state that I've always had a personal interest in environmental issues and have wanted to do more in the Environmental, Social and Governance (ESG) space. Joining the Pax World team allows me the opportunity to do just that.

We believe that ESG research helps provide a more

thorough assessment of a company's risks and prospects. The work of our sustainability research team provides us with a more holistic sense of a company's history, track record and potential challenges. This additional layer of research is

especially important with high yield rated companies that may not have deep financial resources to overcome a misstep.

Q: Should the high yield asset class form a key part of a long-term investor's portfolio?

The asset class provides high current income levels that help soften short-term principal fluctuations and can contribute to strong total returns over time. From a diversification¹ standpoint, High Yield bonds typically have lower interest rate sensitivity than both Investment Grade and Municipal bonds as well as very little correlation² to Treasury bonds.

Q: Historically, this Fund has maintained a more conservative profile relative to the benchmark and peers.³ Could you describe some of the ways you look to manage risk?

The incorporation of ESG factors can help reduce certain risks but we also manage the fund with modest exposures to lower-rated credits. The primary focus of the fund is on the higher quality tiers of the market, BB and B rated companies, with less



Peter Schwab, CFA®
Senior Vice President,
Portfolio Manager, Pax World
High Yield Bond Strategies

- 17 years of high yield investing experience
- Former Managing Director of the High Yield Bond and Loan Team at Goldman Sachs Asset Management
- MBA, Columbia Business School

Making Strides: The Pax Ellevest Global Women's Index Fund

Long-time Pax World shareholders know that advancing women's leadership in business is one of our top priorities. We've written about it extensively over the years in the *Connection* newsletter and elsewhere. Not only do we believe gender equality is one of the greatest human rights issues of our time, but we also view it as an investment concept.

Today, that investment concept is coming into its own. There is a growing body of evidence that backs the financial merits of gender lens investing. At the same time, an increasing number of investors are seeking opportunities to help women reach their financial and professional goals. The Pax Ellevest Global Women's Index Fund aims to deliver just that: financial and social returns.


With that backdrop, we are pleased to share two positive developments relating to the Fund.

First, Pax Ellevest Management was recently honored with Wealth Management's 2015 Industry Award in the category of Asset Managers-Equities for its efforts to improve advisors' understanding of the business case for gender

diversity. We are thrilled that the Fund has been recognized as a trailblazing investment vehicle.

Second, the Fund's performance has been competitive with its benchmark and in-line with our expectations given the market environment. The Fund has outperformed the MSCI World (Net) Index¹ for the time period since it was reorganized as an index fund, June 4, 2014² through September 30, 2015.³

"The Fund's performance is consistent with research suggesting that companies with diverse leadership teams perform better than those with non-diverse leadership teams," said Sallie Krawcheck, who serves as Chair of Pax Ellevest Management and on the board of trustees of the Fund. "We believe that it is simply smart business to invest in women and that this investment case will continue to be borne out over time by the performance of this Fund."

The investment case for advancing women is stronger than ever. Learn more at paxellevest.com. 

¹The MSCI World (Net) Index is a free float-adjusted, market-capitalization-weighted index that is designed to measure the equity market performance of developed markets. The

MSCI World (Net) Index consists of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Performance for the MSCI World (Net) Index is shown "net," which includes dividend reinvestments after deduction of foreign withholding tax. One cannot invest directly in an index.

²As of 9/30/15, the since reorganization 6/4/14 returns for the Pax Ellevest Global Women's Index Fund (PXWIX) - Institutional Class and Pax Ellevest Global Women's Index Fund (PXWEX) - Individual Investor Class were: -4.21% and -4.51%, respectively, compared to -5.65% for the MSCI World Index. Total annual Pax Ellevest Global Women's Index Fund operating expenses, gross of any fee waivers or reimbursements, for Individual Investor Class and Institutional Class shares are 0.99% and 0.74%, respectively, as of 5/1/2015 prospectus.

³The returns for the Pax Ellevest Global Women's Index Fund (PXWIX) - Institutional Class as of 9/30/15 were: 1 year: -3.77%, 5 year: 7.29% and 10 year: 3.18%, and for the Pax Ellevest Global Women's Index Fund (PXWEX) - Individual Investor Class as of 9/30/15 were: 1 year: -4.01%, 5 year: 7.02% and 10 year: 2.93%.

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. For most recent month-end performance information, visit www.paxworld.com.

See back page for important risk disclosures.


MEET PETER SCHWAB CONTINUED from FRONT PAGE

emphasis on CCC-rated companies.⁴ We have minimal emerging market and derivative exposures and we strive to keep the portfolio's interest rate sensitivity relatively close to the benchmark, the BofA Merrill Lynch U.S. High Yield - Cash Pay - BB-B (Constrained 2%) Index.⁵

Q: The high yield market was volatile in 2015, primarily due to falling commodity prices. What are your expectations for 2016?

Looking into 2016, much will depend on the health of the U.S. economy but if commodity prices remain depressed we are likely to have higher default rates in the energy and metals & mining sectors. This could cause instability for the overall high yield market despite most non-commodity sectors performing well. Heightened volatility could also come from a Fed "lift off." While High Yield bonds typically absorb rising rates well, it is difficult to know how investors will adjust to a period of potentially rising (albeit slowly) interest rates after such a long period of stability.

Q: Where are you seeing the greatest value?

On a positive note, recent volatility has created good value in sectors that have fallen out of favor, such as select metals and higher quality energy names. We are also finding good opportunities in a number of CCC-rated companies that have high coupon bonds which are callable in the next year or two. These companies are very motivated to reduce their cost of capital given historically low interest rates. We are overweight in several sectors that have a domestic focus, such as Media and Real Estate as well as Airlines which are benefiting from lower oil prices. 

¹Diversification does not eliminate the risk of experiencing investment losses.

²Correlation is a statistical measure of how two securities move in relation to each other.

³Conservative profile is measured using Standard Deviation and/or Volatility. Standard Deviation measures a fund's variation around its mean performance; a high standard deviation implies greater volatility. As of 09/30/2015, the Pax World High Yield Bond Fund - Individual Investor Class's (PAXHX) 5-year standard deviation is 4.83% vs. the benchmark² of 5.46%, and Lipper High Yield peer average of 5.80%. The Lipper High

Yield Average ("Lipper Average") is the average return of the entire Lipper High Yield classification. The Lipper High Yield Funds Average is a total return performance average of mutual funds tracked by Lipper, Inc. that aim at high (relative) current yield from fixed income securities, have no quality or maturity restrictions and tend to invest in lower grade debt issues. One cannot invest directly in an index.

⁴Credit quality ratings by Standard & Poor's assist investors by evaluating the credit worthiness of many bond issues. BB: An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. It faces ongoing uncertainties and adverse business, financial, or economic conditions could lead to the obligor's inadequate capacity to meet its obligation. B: An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB,' but the obligor currently has the capacity to meet its obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity to meet its obligation. CCC: An obligation rated 'CCC' is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its obligation. Adverse business, financial, or economic conditions could cause the obligor to be unable to meet its obligation.

⁵Benchmark - The BofA Merrill Lynch U.S. High Yield - Cash Pay - BB-B (Constrained 2%) Index tracks the performance of BB- and B-rated fixed income securities publicly issued in the major domestic or eurobond markets, with total index allocation to an individual issuer limited to 2%. One cannot invest directly in an index.

See back page for important risk disclosures.

Where Do We Sign?

At Pax World, we recognize that effective public policy at the state, federal, and international levels can lead to well-functioning markets. Investors can play a role in the public policy process.

Therefore we engage in advocacy where we believe changes are necessary to: 1) preserve or advance shareowner rights; 2) improve environmental, social and governance (ESG) transparency and awareness; and, 3) encourage more efficient and equitable performance of capital markets.

Broader dialogues

Since some problems can't be solved efficiently on a company-by-company basis, we work with other shareowners and stakeholders in broader dialogues to effect policy change at the local, state or national level—and sometimes globally. This is commonly referred to as public policy advocacy and it complements our company-specific shareowner engagements such as proxy voting, shareholder resolutions, and direct dialogue with company management.

Pax World has a long history of signing on and supporting public policy initiatives in our sphere of expertise. In many instances campaigns come in the form of comment letters to an industry, Congress, the Securities and Exchange Commission (SEC) or other regulatory bodies. Other times, initiatives may take the shape of public testimony, best practices reports for policymakers, op-eds and reports.

Guideposts

Each year we engage in numerous initiatives from various sponsor organizations, like Ceres or CDP (formerly the Carbon



Disclosure Project). We assess opportunities based on Pax World's core ESG priorities. Heading into 2016 our core advocacy topics include:

- Climate Change
- Gender Diversity
- Corporate Governance
- Sustainability Disclosure

Climate change public policy advocacy

To give you a sense of our public policy initiatives in action, let's focus on one topic in particular, climate change. This is certainly

top of mind for many investors, especially following the 2015 United Nations Climate Change Conference of the Parties to the Kyoto Protocol, COP21, meetings in December.

We believe economic consequences posed by climate change, even in the short run, can affect all investors. That is why it is critically important that we press for change and stimulate conversation alongside other investors and concerned entities. Pax World actions of note include:

- Petitioned the SEC to issue interpretive guidance on company reporting of climate risks alongside 23 other institutions (asset managers, asset owners, and non-governmental organizations).
- Signatory to every initiative launched by the CDP.
- Letter to Alberta government urging stronger climate policy. Sponsored by NEI Investments and the Shareholder Association for Research & Engagement (SHARE).

Persistence and patience

The nature of public policy advocacy, as evidenced by these climate change initiatives, is that it's about big and complex problems. Change doesn't happen overnight, and it requires a chorus of voices before a desired outcome can be achieved.

Pax World strives to be a catalyst for change. We take this responsibility seriously on behalf of our shareholders. Pax World's voice is being heard alongside coalitions of like-minded investors. 🌱

What's new on paxworld.com

Have you visited Pax World's website recently? New content ranging from commentary to advocacy to product news may be of interest.



“Spotlight on Engagement” - With the business case for gender diversity well-established and growing, our engagements are focused on influencing corporate policies and behavior so that companies are well-positioned to take advantage of the benefits associated with gender diversity, including improved decision-making, oversight and financial performance. Read more by visiting our web site at paxworld.com/about/impact/shareowner-activism.

Shareholder Corner: Timely reminders for Pax World investors

Don't let the tax season sneak up on you

Now that the New Year is upon us, tax season is right around the corner. Winter provides a good opportunity for tax and retirement planning. Why? One reason is that you can make prior-year Individual Retirement Account (IRA) contributions until April 15, 2016.

Keep in mind, however, that there are certain factors that can affect your eligibility and contribution limits to either the Traditional IRA or Roth IRA. For example: tax filing status, current earned income and whether or not you participate in a retirement plan at work. If you are under 50 years of age for 2015 and 2016, typically you can contribute the lesser of 100% of your earned income or \$5,500. If you are 50 years of age or older before the end of 2015, you can contribute the lesser of 100% of your earned income or \$6,500 for 2015 and 2016.

You may contribute to both a Traditional IRA and a Roth IRA; however, the total amount you may contribute is \$5,500 or \$6,500, depending on your age.

Subject to eligibility factors, like those listed above, Traditional IRA contributions are

Important 2015 documents mailed and/or available online:

January 31, 2016: IRS forms combined 1099-DIV/B, 1099-R, 1099-INT, and 1099-Q

January 31, 2016 (online only): Qualified Dividend Income and Pass-Through Exemptions Information

April 30, 2016: IRS form 5498 ESA

May 31, 2016: IRS form 5498


1099-DIV reports taxable dividends and capital gains paid to non-retirement accounts; 1099-B reports redemptions from a non-retirement account and cost basis for covered shares; 1099-R reports redemptions from retirement accounts; 1099-INT reports taxable interest income earned on a non-retirement account; and 1099-Q reports redemptions from a Coverdell ESA; 5498-ESA reports Coverdell Education Savings Account contributions; and 5498 reports retirement account contributions.

generally made on a tax-deferred basis. That means you may be able to deduct some or all of your contribution from your taxable income. Taxes are typically paid when funds are withdrawn, presumably in retirement, when you may be in a lower tax bracket.

Conversely, Roth IRAs flip the script. Contributions to Roth IRAs are not tax deductible. After five years certain types of withdrawals, including those taken in retirement, can be made on a tax-free basis since those funds

have already been subject to income tax.

For more information, see IRS Publication 590A, *Contributions to Individual Retirement Arrangements* at www.irs.gov, or call the IRS at 800.829.3676 to order a copy.

Please note that the information above does not constitute tax advice. State tax regulations may differ from federal tax regulations. Always consult your tax advisor before making any tax-related investment decision. 

Pax World Money Market Account Closure

The Pax World Money Market Account (PWMMA) closed to new accountholders

on October 26, 2015. Accounts remaining open on February 29, 2016 will be liquidated on that date. If you are an accountholder, you should have received information directly which includes instructions on how to exchange, transfer

or redeem your PWMMA prior to the liquidation date. If you need additional information, please contact Pax World Investor Services at 800.372.7827 Monday – Friday, 8 a.m. – 6 p.m. ET.



Pax World Investments

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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 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.

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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. Please read it carefully before investing.

An investment in the Pax World Funds involves risk, including loss of principal. Past performance is no guarantee of future results.

RISKS: Equity investments are subject to market fluctuations, a 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. 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