

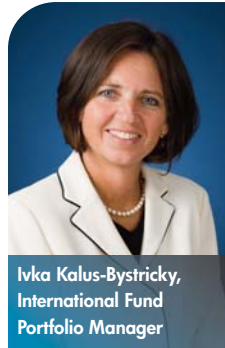
INSIDE

PAX WORLD EXPANDS
EXCHANGE TRADED FUND
OFFERINGS

ENVIRONMENTAL MARKETS A
KEY INVESTMENT THEME OF
21ST CENTURY

A WORLD OF DIFFERENCE:
ESG RESEARCH ON
INTERNATIONAL COMPANIES

SHAREHOLDER CORNER



Ivka Kalus-Bystricky,
International Fund
Portfolio Manager

International Markets May Offer Untapped Investment Opportunities

Markets outside the United States represent about 60% of the global investment opportunity, yet most U.S.-based investors allocate only 5-15% of their portfolios to international markets.¹ Their lower allocations to international investments may be causing them to miss out on a very large piece of the global market opportunity.

International markets (as represented by the MSCI EAFE Index²) have outperformed the U.S. market (as represented by the S&P 500 Index³) for 7 of the past 10 years and by 26% cumulatively over that same 10-year period.⁴ And many overseas companies are well-positioned for continued growth over the next decade due to strong, broad-based drivers

such as commodity inflation, infrastructure investment and emerging market middle class wealth expansion.

“International markets provide exposure to regions with potentially stronger and/or less volatile growth relative to the U.S.,” explains Ivka Kalus-Bystricky, Portfolio Manager of the Pax World International Fund. “In addition, they are distinct from the U.S. markets in terms of different sector composition, and different regional and currency dynamics create investment opportunities not available in the U.S.”

To provide investors access to these overseas markets through a Sustainable Investing approach, Pax World launched its International Fund (PXINX) in March 2008.

CONTINUED ON PAGE 5

Past performance does not guarantee future results. One cannot invest directly in an index.



Nathan Moser, CFA
Small Cap Fund
Portfolio Manager

Small-Caps May Benefit from Recovering Economy, Corporate Consolidation

Small-caps are off to a solid start in 2011 due to a continued improving U.S. economy and strong fourth quarter 2010 results. An increase in merger and acquisition activity has created consolidation opportunities for many small-cap companies, and indications are that it will likely continue to do so in 2011. In addition, the recovering U.S. economy, with the assistance of the Federal Reserve's easing of

monetary policy, continues to benefit small-caps. In 2010, the small-cap Russell 2000 Index¹ rose 26.85%, solidly outperforming the 15.06% gain of the large-cap S&P 500 Index². The 11.79 percentage-point performance gap between the two indexes is the largest since 2003.³

Despite this performance and strong outlook, many investors are cautious about investing in small-caps.

CONTINUED ON PAGE 5

Past performance does not guarantee future results. One cannot invest directly in an index.

© 2011 Pax World Management LLC
30 Penhallow Street, Suite 400
Portsmouth, NH 03801

Editor Donna Marsh
Layout Dorset Norby

General Fund Information:
☎ 800.767.1729

Shareholder Account Information:
☎ 800.372.7827

www.paxworld.com



Mixed Sources
Product group from well-managed
forests and recycled wood or fiber
www.fsc.org Cert no. SW-COC-1896
© 1996 Forest Stewardship Council

PAX001420 (7/11)



Bruce Jenkyn-Jones,
Global Green Fund
Portfolio Manager



Ian Simm,
Global Green Fund
Portfolio Manager

Environmental Markets a Key Investment Theme of 21st Century

Rising populations worldwide, improved living standards and limited natural resources are all drivers of increased demand for products and services offered by companies in the environmental markets sector. Momentum and interest within the environmental investing space are at an all-time high, according to Bruce Jenkyn-Jones, Co-Portfolio Manager of the Pax World Global Green Fund (PGRNX).

“I expect environmental markets to continue their strong growth propelled by the continued recovery of debt markets, escalating initial public offering (IPO) activity, an increasing number of merger and acquisition (M&A) transactions and a rising commitment to energy efficiency as a response to rising oil prices,” said Jenkyn-Jones. “Environmental markets now comprise 1400 listed equities and account for approximately 8 percent of the global stock market.¹”

Legislation is being developed and implemented all over the world—but specifically in overseas countries—to manage sustainable global resources needs. The Global Green Fund’s portfolio managers expect that this will drive growth in the environmental markets sectors over the next decade. Recent global environmental initiatives include:

- European Union (EU): Targets of 20% renewable energy and a 20% improvement in energy efficiency by 2020.²

- United States: Many states have standards specifying that electric utilities must generate a percentage of electricity from renewable or alternative energy sources.
- China: Anticipated to invest \$770 billion in low carbon energy until 2020.³
- South Korea: More than 70% of its fiscal stimulus has been dedicated to green growth support.⁴
- India: 10% renewable energy targets by 2015. In 2010 total new investment in clean energy alone is estimated to have reached \$243 billion globally, up 30% from \$187 billion in 2009.⁵

The Pax World Global Green Fund seeks long-term growth of capital by investing in companies whose businesses and technologies focus on mitigating the environmental impacts of commerce. It seeks to invest in innovative companies that are leaders in the development of products and services addressing global environmental challenges, with three key areas of focus: alternative energy and energy efficiency; water treatment and pollution control; and waste technology and resource management.

Environmental markets are rapidly-changing and complex and are comprised of companies that are operationally complex. The Global Green Fund’s portfolio managers believe that accurately valuing environmental markets companies and constructing optimal investment portfolios requires a team of specialist investment professionals that operate within a disciplined investment process combining a study of macro-economic trends and environmental themes with detailed stock analysis and valuation.

Three Pax World Funds Reach 3-year Anniversaries

In response to investor demand for additional funds that follow a Sustainable Investing approach, Pax World launched the Small Cap, International and Global Green Funds in March of 2008. These Funds have now reached their 3-year anniversaries. To learn more about the Funds and to see their current performance and ratings, please visit www.paxworld.com.

Pax World Small Cap Fund
TRADING SYMBOL: PXSCX

Pax World International Fund
TRADING SYMBOL: PXINX

Pax World Global Green Fund
TRADING SYMBOL: PGRNX

MINIMUM INITIAL INVESTMENT: \$250

The Global Green Fund investment management team includes scientists, engineers and legislative/public policy analysts. By steadily following a detailed investment process, the Fund strives to deliver consistent results with volatility levels similar to the mainstream indexes.

For more information on the Fund, including portfolio manager commentary and performance, visit www.paxworld.com. ■

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. Investing in non-diversified funds generally will be more volatile and loss of principal could be greater than investing in more diversified funds.

¹Source: Impax Proprietary data.

²Source: European Commission Climate Action.

³Source: BNP Paribas Equities (Asia).

⁴Source: Barbier, Edward B. 2010b. "Green Stimulus, Green Recovery and Global Imbalances." *World Economics* 11(2):149-175.

⁵Source: *Scientific American*, July 25, 2010.

Pax World Expands Exchange Traded Fund Offerings

New ETF seeks to track performance of the MSCI EAFE ESG Index

Pax World recently announced the launch of the Pax MSCI EAFE ESG Index ETF (Ticker: EAPS). Part of ESG Shares®, the first family of exchange traded funds (ETFs) devoted exclusively to a Sustainable Investing approach, Pax World's new ETF seeks to track the performance of the MSCI EAFE ESG Index, which is created and maintained by MSCI. The Index consists of equity securities of issuers in developed markets in Europe, Australasia and the Far East that meet specific Environmental, Social and Governance (ESG) criteria developed by MSCI ESG Research.¹ The Pax MSCI EAFE ESG Index ETF trades on the NYSE Arca, and is the only international ESG ETF currently available in the U.S.

"We are very excited to be able to offer the second of our family of ETFs focused exclusively on sustainability



indexes," said Pax World President and CEO Joe Keefe. "With the launch of EAPS, we now offer investors the opportunity to invest in high ESG-ranked international companies as rated by MSCI ESG Research."

The first ESG Shares ETF, the Pax MSCI

North America ESG Index ETF (Ticker: NASI), launched in 2010. The Fund seeks investment returns that closely correspond to the price and yield performance, before fees and expenses, of the MSCI North America ESG Index.

ESG Shares are at the intersection of two powerful investment trends: The increasing popularity of ETFs, and the fast-growing mainstream interest in Sustainable Investing – the integration of ESG factors into investment analysis and decision making. ESG Shares offer all the advantages typically associated with ETFs, including diversification², real-time pricing and liquidity, and tax advantages³, but with the added value of being driven by a Sustainable Investing methodology.

To learn more about ESG Shares®, visit www.esgshares.com. ■

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. Investing in non-diversified funds generally will be more volatile and loss of principal could be greater than investing in more diversified funds. ESG Shares' sustainable investing policies may inhibit the funds' ability to participate in certain attractive investment opportunities that otherwise would be consistent with their investment objectives and other principal investment strategies.

The funds described herein are indexed to MSCI indexes. The funds referred to herein are not sponsored, endorsed or promoted by MSCI or its affiliates, and MSCI and its affiliates bear no liability with respect to any such funds or any indexes on which such funds are based.

The MSCI EAFE ESG Index is designed to measure the performance of equity securities of issuers organized or operating in Europe, Australasia and the Far East that have high Environmental, Social and Governance (ESG) ratings relative to their sector and industry group peers, as rated by MSCI ESG Research annually.

The MSCI North America ESG Index is designed to measure the performance of equity securities of issuers organized or operating in the United States and Canada that have high Environmental, Social and Governance (ESG) ratings relative to their sector and industry group peers, as rated by MSCI ESG Research annually.

The MSCI EAFE ESG Index and the MSCI North America ESG Index include or utilizes data, ratings, analysis, reports, analytics or other information or materials from MSCI's ESG Research Group within Institutional Shareholder Services Inc., an indirect wholly-owned subsidiary of MSCI. The prospectus contains a more detailed description of the limited relationship MSCI has with Pax World Management LLC, ESG Shares and any related funds.

MSCI is not affiliated with ALPS Distributors, Inc.

¹Companies are rated in seven major qualitative issue areas: Environment, Community, Corporate Governance, Diversity, Employee Relations, Human Rights and Product Quality and Safety. Analysts assign Strengths and Concerns associated with these issues, providing a social and environmental profile of companies.

²Diversification does not eliminate risk.

³ESG Shares ETFs are not managed with an objective to avoid capital gains distributions.



ESG Shares® Pax MSCI EAFE ESG Index ETF (TICKER: EAPS)

INVESTMENT OBJECTIVE:

The Fund seeks investment returns that closely correspond to the price and yield performance, before fees and expenses, of the MSCI EAFE ESG Index, which is created and maintained by MSCI. The Index consists of equity securities of issuers in Europe, Australasia and the Far East that meet specific environmental, social and governance (ESG) criteria developed by MSCI. Learn more at www.esgshares.com



A World of Difference: ESG Research on International Companies

An interview with Julie Gorte, Ph.D., Pax World Senior Vice President for Sustainable Investing

We are often asked about the challenges and opportunities associated with assessing the Environmental, Social and Governance (ESG) characteristics of companies based overseas. To get a clearer picture, we spoke with Julie Gorte, Senior Vice President for Sustainable Investing at Pax World.

How do you research the ESG characteristics of companies outside of the U.S.?

It's a complex process that requires expertise and diligence, because variations in cultural and regional standards can create challenges. In any country, we rely on regulatory or government databases that track, for example, worker safety or environmental enforcement and required reporting. We also rely on companies' self-reporting, which tends to be better among larger companies. Finally, we find invaluable the information from a range of nonprofits that work globally on issues such as human rights, bribery and corruption, treatment of workers, and environmental impact. Access to such information varies by region and country, but it doesn't break down neatly into developed vs. developing countries. Some developing countries have relatively good reporting regimes and support for sustainability reporting organizations, such as the Global Reporting Initiative.

Where do you get the information needed to perform ESG analysis?

Some information comes from

companies directly, although very few report incidences of noncompliance with statutes, except in cases involving a financially material monetary penalty. For compliance, we often rely on data sets that come from regulatory authorities. For example, statutes governing the disclosure on emissions of toxic or harmful materials are typically termed Pollutant Release and Transfer Registers (PRTR), which many countries have. Most of the developed nations of Europe provide some access to PRTR information, as do Canada, Japan and Mexico.

Information on policies comes mostly from the companies themselves, either as part of a sustainability report or through web-based reporting. In some instances, industry associations or groups of companies will also develop policies relating to particularly delicate areas, and membership in such coalitions is another way to gain insight into a company's ESG policies.

How difficult is it to obtain the data you need?

Generally, there is more quantitative performance-related information available in the areas of environment, worker safety and product safety than for other issues. We also rely on the media to a large extent, which often covers significant incidents of noncompliance.

Some countries are more fertile ground for corporate sustainability reporting and data access than others. Western Europe, the U.S., Canada and Japan tend to have richer information for sustainability research than developing

countries, but there are some interesting exceptions. For instance, we have found that many Brazilian companies address sustainability, while few Russian companies do. Also, in most countries, some level of governance-related information is required disclosure for companies, but requirements for environmental and social disclosures are absent.

What does the future hold for this area of sustainability reporting?

Overall, company disclosure is improving, and in some instances—like the European Union's current consideration of whether to make sustainability reporting mandatory—it may improve rather dramatically in the near future. We are encouraged by the trend towards sustainability reporting, and believe it is in the best interests of all shareholders to have access to a broader set of reliable data.

We are also focused on extending our efforts to promote better ESG disclosure in all the ways we can, such as being a signatory to transparency initiatives like the Carbon Disclosure Project (CDP), the Water Disclosure Initiative of CDP and the Forest Footprint Disclosure project. We have also recently become an endorser of a new initiative called Sustainable Stock Markets, which encourages stock markets around the globe to require some level of ESG disclosure of all listed companies.

To learn more about Pax World's Sustainable Investing process, visit paxworld.com. ■

The Fund combines both top-down and bottom-up strategies for building the portfolio. The top-down strategy—which considers broad market factors to identify the best sectors or geographies to invest in—usually involves greater allocations toward potentially higher-growth areas of the market, such as emerging markets and energy, at the expense of lower growth, higher-risk areas, such as financials. The Fund is also positioned to invest in broad investment themes that span regions and sectors. The Fund’s bottom-up strategy—the analysis of individual company stocks—focuses on investing in securities that the portfolio manager

believes are poised to benefit most from the broad-based and specific sector and geographic themes identified by the top-down analysis. These securities generally exhibit characteristics such as strong operating fundamentals, solid capital structure, quality governance and attractive valuations.

For more information on the Pax World International Fund, including most recent Fund performance and rankings, visit www.paxworld.com. ■

An investment in the Fund involves risk, including loss of principal. 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. Foreign investing involves special risks such as currency fluctuations and political uncertainty.

¹Source: Factset.

²The MSCI EAFE (Europe, Australasia, Far East) Index (EAFE) 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. As of July 2010 the MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, 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.

³The S&P 500 Index is an unmanaged index of large capitalization common stocks.

⁴Source: Factset. Total returns for MSCI EAFE Index and S&P 500 Index from 12/31/00-12/31/10. 10-year cumulative returns through December 31, 2010 are +41% for MSCI EAFE Index vs. +15% for S&P 500 Index.

“Small-caps are often overlooked by investors due to their perception as a volatile asset class,” explains Nathan Moser, CFA, Pax World Small Cap Fund Portfolio Manager. “But small-caps, as measured by the Russell 2000 Index, outperformed large-caps, as measured by the S&P 500 Index, in 8 of the past 10 years, and by approximately 70% cumulatively over that time period.”³

The Pax World Small Cap Fund (PXSCX) seeks to outperform its benchmark, the Russell 2000 Index, by investing in high-quality companies trading at attractive valuations. The Fund typically invests in companies with clean balance sheets and strong management teams which are expected to generate predictable cash flows. The Fund is fairly concentrated, with between 40 – 60 holdings, which Moser believes provides adequate diversification while allowing him to focus on the investment management team’s best ideas.

Moser and his team pay strict attention to risk and believe this has served shareholders well over the past three

years—especially during periods of market weakness. He seeks to mitigate overall portfolio risk by adhering to a discipline of buying great companies for reasonable prices. In addition, while many investors shy away from turnover, Moser views tactical trading during periods of market volatility as a way to reduce overall risk and enhance performance.

As the Fund neared its important three-year milestone, Moser was pleased with its performance: it has outperformed relative to its benchmark since inception, despite the volatile market environment

(see chart below). For most recent performance, including the Fund’s three-year return, visit www.paxworld.com. ■

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.

Diversification does not eliminate the risk of experiencing investment losses.

¹The Russell 2000 Index is an index that measures the performance of the 2,000 smallest companies in the Russell 2000 Index.

²The S&P 500 Index is the Standard & Poor’s composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices. Investors cannot invest directly in an index.

³Factset, as of 12/31/2010.

CFA is a trademark owned by CFA Institute.

Small Cap Fund Performance as of December 31, 2010

RETURNS (%)	Cumulative Return (%)		Average Annual Return (%)			
	3-month	1-year	3-year	5-year	10-year	Since Inception
Pax World Small Cap Fund (PXSCX)	12.94	30.31	—	—	—	7.19
Russell 2000 Index ¹	16.25	26.85	—	—	—	6.11
S&P 500 Index ²	10.76	15.06	—	—	—	0.36

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. Inception date is 3/27/08.

Total annual Small Cap Fund operating expenses, gross of any fee waivers or reimbursements, are 4.47% for the Individual Investor Class shares. Total Small Cap Fund operating expenses, net of fee waivers, reimbursements and acquired fund fees and expenses, are 1.24% for the Individual Class shares.

Shareholder Corner

Planning for a Fun-Filled, Active Retirement?

Help maximize your retirement savings with Pax World's IRA options

With people living longer, more active lives, saving for retirement has never been more important. And while it's generally a best practice to maximize your contributions through an employer-sponsored retirement plan available through your workplace, it may be wise to supplement this savings with a traditional IRA or Roth IRA.

Pax has a variety of retirement savings account options and a full-line of investment products that can help you invest for your future.

Traditional or Roth IRA Account

An IRA is one of the most popular types of retirement savings accounts available and used by Americans today.

Below are some general contribution guidelines for both Traditional and Roth IRAs:

If you are under 50 years of age at the end of 2011, you can contribute the lesser of 100% of earned income or

\$5,000. This limit can be split between a Traditional IRA and a Roth IRA but the combined limit is \$5,000. The maximum deductible contribution to a Traditional IRA and the maximum contribution to a Roth IRA may be reduced depending on your modified adjusted gross income.

If you are 50 years of age or older before the end of 2011, you can contribute the lesser of 100% of earned income or \$6,000. This limit can be split between a Traditional IRA and a Roth IRA but the combined limit is \$6,000. The maximum deductible contribution to a Traditional IRA and the maximum contribution to a Roth IRA may be reduced depending on your modified adjusted gross income.

With a Traditional IRA you pay taxes only when funds are withdrawn, presumably in retirement, when you may be in a lower tax bracket. Contributions to a Roth IRA are not deductible, but after five years certain types of withdrawals can be made on a tax-free basis.

IRA Rollover

If you retire, change jobs or leave employment for any reason, it may be



time to re-evaluate your retirement planning. For example, you may want to move retirement assets into or out of an IRA. This process, called an IRA Rollover, is simple once you understand your options. For a Pax World IRA Rollover Guide, visit www.paxworld.com/pax_code/documents/PaxRolloverGuide.pdf.

For information on all Pax World retirement savings account options accounts call 800.767.1729. ■

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



Help Save a Tree; Sign-up for E-Delivery

It's easy to sign-up today. Simply go to www.paxworld.com and login to Account Access, choose E-Delivery from the Email/Account Admin menu at the top, and follow the on-screen instructions.

Important Disclosures Please Read

Before investing in a Pax World Mutual Fund, and ESG Shares® you should carefully consider the objectives, risks, charges and expenses. For this and other important information, please obtain a Fund prospectus by calling 800.767.1729. Please read the prospectus carefully before investing.

The value of the Fund's investments will vary from day to day in response to the activities of individual companies and general market and economic conditions.

Pax World Funds are distributed by ALPS Distributors, Inc. Copyright © 2011 Pax World Management LLC. All rights reserved. Member FINRA, www.finra.org