

INSIDE

PAX WORLD INVESTORS
HELP MERCY CORPS
TYPHOON-RELIEF EFFORT

GROWTH FUND PURSUES
FOSSIL FUEL-FREE
INVESTMENT APPROACH

PROTECT YOUR ASSETS
FROM POTENTIAL
FORFEITURE

[NEW ON PAXWORLD.COM](http://NEW.ON.PAXWORLD.COM)



Investors can profit from rejecting climate change myths

By **Joe Keefe**, President and Chief Executive Officer, Pax World Management LLC, and **Ian Simm**, Founder and Chief Executive, Impax Asset Management Group, plc



Climate change is on the agenda again. With the concentration of atmospheric carbon dioxide surpassing 400 parts per million for the first time in human history, the Obama administration has begun to focus more on the issue. Strict carbon pollution standards will require new coal-fired power plants to capture and sequester at least 60% of CO₂ emissions while rules to regulate CO₂ emissions from existing power plants are currently being drafted. The northeastern states have adopted a cap-and-trade program, California has committed to reducing CO₂ emissions by 80% by 2050 and British Columbia has been levying a carbon tax for five years. The UK has joined the U.S. in mandating greenhouse gas (GHG) emissions reporting and the European Union is considering the same. The Chinese, meanwhile, are experimenting with cap and trade.

Perhaps more important for the long term, climate change is now on the agenda of businesses and investors as well. In December, *The New York Times* reported that some of the nation's largest corporations, including Exxon Mobil, Walmart, General Electric, Microsoft and Walt Disney,¹ are incorporating a carbon price—i.e., the expectation that government will regulate the price of carbon—into their business planning.² In January, the Times reported that Coca-Cola, Nike¹ and other businesses, as well as the World Bank, have placed climate change at the center of their agendas.³

Former New York Mayor Michael Bloomberg, former Goldman Sachs chairman and Treasury Secretary Hank Paulson and hedge-fund billionaire Tom Steyer recently launched The Risky Business initiative (www.riskybusiness.org), to assess potential economic and business risks associated

with climate change. A recent Global 500 report by the Carbon Disclosure Project (CDP) found that 84% of Fortune 500 companies now report physical risk from climate change. Meanwhile, 79% of S&P 500 companies responding to a CDP questionnaire reported that reducing emissions delivered a higher return on investment (ROI) than average business investments.

Last fall, investors managing over \$3 trillion of collective assets sent a letter to 45 of the world's largest oil and gas, coal and electric power companies asking them to assess and report on the financial risks that climate change poses to their business plans. Investors signing the letters included California's two largest public pension funds, the New York State and New York City Comptrollers, F&C Asset Management and the Scottish Widows Investment Partnership.

Perhaps grabbing the most headlines of all has been the campaign by Bill McKibben and 350.org, mobilizing college students to demand that college and university endowments divest themselves of fossil fuel companies. Recently, a group of 17 foundations controlling nearly \$1.8 billion in investments—including the Wallace Global Fund, the Russell Family Foundation and the John Merck Fund—announced that they are pulling their money out of fossil fuel company stocks.

The reason why so many businesses and investors are beginning to focus on climate change is that they perceive risks as well as opportunities associated with this profound global transformation.

Unfortunately, there are still many who remain

© 2014 Pax World Management LLC
30 Penhallow Street, Suite 400
Portsmouth, NH 03801

Editor: Jim Durning
Layout: Dorset Norby Star

General Fund Information:

☎ 800.767.1729

Shareholder Account Information:

☎ 800.372.7827

www.paxworld.com



PAX004542 (1/15)

Insert#: 00124539

CONTINUED on PAGE 3

Pax World investors help Mercy Corps typhoon-relief effort

Typhoon Haiyan swept across the Philippines last November, winds of 195 miles per hour snapped coconut trees in half like matchsticks and reduced homes to crumbles. More than 6,000 people lost their lives and 4.1 million people were uprooted from their homes.

Mercy Corps, long time beneficiary of Pax World shareholder support through the firm's Global Citizen Program, quickly launched an emergency response. (See below for more on the Pax World Global Citizen Program.)

The initial response focused on survivors' immediate needs for food, clean water and relief items (such as blankets, soap, shelter items, etc.), with a focus on those in remote areas who had received little or no assistance.

Focus on longer-term recovery

In January, Mercy Corps shifted the focus to longer-term recovery. Many families lost not only their homes, but also their livelihoods. Mercy Corps saw an opportunity to help people get back to work, back in their homes and back to business.

The idea was to help people rebuild through cash transfers. But how do you get money to people in a country where roughly 80% of the population doesn't have access to a bank account—and of those, nearly half (around 40 million people) live on less than \$2 a day?

To tackle this problem, Mercy Corps worked with BanKO, a microfinance bank in the Philippines, to deliver cash grants to survivors via mobile phones. This safe and efficient form of support ensures that people can purchase exactly what they need for their families, while kickstarting local markets. It's also an opportunity for those who have never had access to a savings account to store funds safely and securely using their mobile phones.

Casimira Amoren Isidto was one of the first to register for the program. In early November, Casimira's husband died of acute appendicitis. During the wake a few days later, winds began whipping around the house where her family was keeping vigil, and Casimira sent her four young children to a neighbor's home to take shelter. When the storm subsided, she went to inspect her home and found that it had been completely destroyed.



Nino Francisco with his wife Merley. Photo credit: Cassandra Nelson/Mercy Corps

With her husband gone and four young children to support, Casimira began to contemplate her next steps. She registered for Mercy Corps' cash transfer program and used the initial funds, roughly \$45, combined with a little savings she had, to make a down payment on 41 square meters of land near her mother-in-law's house. When asked why she decided to use the money to invest in land, she told us, "Because no matter what happens, it's yours. You can call it your own."

Casimira will receive two additional cash transfers. She plans to keep the payments in her mobile savings accounts to earn interest, so that she can save for her children's school fees and other expenses.

Repairing a family's livelihood

Casimira isn't the only one who used her cash transfer to invest in the future for her and her family. Nino Francisco was another early registrant for the cash transfer program. Nino lives with his wife Merley and their four children in the small fishing village of Bogo. Nino cried when he discovered his fishing boat—his livelihood—was severely damaged in the storm.

Nino was desperate to provide for his family, but he had no money saved to repair his damaged boat. "The food assistance saved our

lives in the early days, but it was not enough to help us recover," Nino said. When Nino received his first funds through the cash transfer program, he and his wife discussed what they needed most—supplies for Nino's fishing boat were at the top of the list so that he could begin to earn an income again to support his family.

The immediate cash boost is an important step in the economic recovery process, both for families like Casimira's and Nino's, but also for local shops where they buy needed tools and goods. At the time of writing, Mercy Corps had registered 25,000 households to participate in the cash transfer program.

Pax World Global Citizen Program

The Pax World Global Citizen Program, launched more than 40 years ago, offers shareholders a simple way to support the work of Mercy Corps, as well as Women Thrive Worldwide, by designating a portion of their capital gains or income dividends from Pax World Funds as donations. Since 2000, shareholders have contributed more than \$1.4 million to these organizations through the Global Citizen Program. For more information on how you can participate, visit <http://www.paxworld.com/customer-service/documents>. 

skeptical about climate change, thinking it has little or nothing to do with their businesses or investment portfolios. They couldn't be more wrong. In our view, their thinking is being clouded by choosing the wrong answers to five key questions:

Isn't the science still too uncertain? No. The scientific community has concluded resolutely that greenhouse gas emissions are heating the planet. There may be uncertainty about the rate of warming or the effect of various feedback mechanisms, such that future climate and weather conditions may only be thought of in terms of potential scenarios. But investors always invest in the face of uncertainty about future events and always make decisions around a range of potential outcomes. This is nothing new. As Nobel laureate Paul Krugman recently wrote, "when it comes to climate change uncertainty strengthens, not weakens, the case for action now."

Shouldn't prudent investors take a "wait and see" approach? No. Although the most catastrophic effects of climate change may be decades away, science tells us that the earth's capacity to endure climate disruption is approaching a tipping point. Governments and businesses are acting with increased determination to reduce carbon dioxide emissions. These efforts will have an impact on investors' carbon-related assets whether they like it or not. They had better start paying attention.

Won't climate change affect just a small portion of businesses and investment portfolios? No, wrong again. Climate change will affect broad swaths of the economy and hence investment portfolios. New emissions policies will obviously impact power generators, utility assets and coal mining stocks. But higher energy prices are likely to affect companies in other sectors as well. Consider the effects of changing patterns of disease on the portfolios of pharmaceutical companies, or of extreme weather events on infrastructure, or insurance, or the impact of changing climate patterns on timber assets. Companies including Google, Walmart, Kohl's, Microsoft and Hilton Hotels¹ have already made significant investments in energy efficiency and alternative energy projects.

Growth Fund pursues fossil fuel-free investment approach



Pax World Growth Fund
Integrating environmental, social and governance (ESG) standards
Now fossil fuel-free
[LEARN MORE](#)

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

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. 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 involve risk, including potential loss of principal.

Isn't climate change simply a "risk" issue?

No, it presents investment opportunities as well. In our view, investors can create a natural hedge against climate-related risks by tilting their portfolios toward a growing set of opportunities in energy efficiency and resource optimization sectors. For example, Impax and FTSE have identified over 1000 listed companies for which a majority of their business focuses on resource efficiency themes related to climate change. An October 2013 report from Goldman Sachs identifies several investment themes associated with climate change risk: energy efficiency, electric/hybrid vehicles, gas and nuclear (as alternatives to coal) and carbon capture and sequestration.

Isn't it sufficient for now to put climate change on the radar but wait for more clarity before altering investment decisions?

One last, resounding no. Awareness is important but action is imperative. Only by consciously allocating at the portfolio level can investors have a reasonable chance of establishing meaningful protection against risk while availing themselves of the upside opportunities associated with climate developments. To effectively confront the investment risks and opportunities associated with climate change requires an experienced,

specialist manager with deep understanding of these issues and their potential impact, together with the ability to identify and value the best technologies and growth opportunities.

The recent financial crisis demonstrated that most investors are woefully unprepared for the unexpected, the "unknown unknowns." Unlike a classic bubble that bursts catastrophically, climate change is a more complex issue that will impact portfolios through both incremental and quantum change. In our view, investors who recognize this and act accordingly will have a better chance to outperform in the period ahead. 🌱

This article was originally published by *FA Magazine* in February 2014. Reprinted with permission.

Impax Asset Management Group plc, is a subadviser to the Pax World Global Environmental Markets Fund.

¹ As of 6/30/14, Coca-Cola Bottling Co. represented 2.46% of total assets of Pax World Growth Fund. General Electric Co. represented 1.61% of total assets of Pax World Global Women's Index Fund. Google, Inc., represented 0.83% of Pax World Global Women's Index Fund. Kohl's Corp. represented 0.07% of total assets of Pax Global Women's Index Fund. Walt Disney Co. represented 0.49% and 0.83% of total assets of Pax World Balanced Fund and Pax World Growth Fund, respectively. As 6/30/14, no Pax World Funds owned investments in Exxon Mobil Corp., Wal-Mart Stores, Inc., Hilton Worldwide Holdings, Inc., or Nike, Inc. Holdings are subject to change.

² Coral Davenport, "Large Companies Prepared to Pay Price on Carbon," *The New York Times*, December 5, 2013.

³ Coral Davenport, "Industry Awakens to Threat of Climate Change," *The New York Times*, January 23, 2014.

Past performance does not guarantee future results.

Shareholder Corner: Is your account active?

Don't let your state take your account assets

Regulations in several states are prompting mutual fund firms—including Pax World—to encourage shareholders to keep in touch.

Keep your account active or face the possibility of escheatment, the process of turning over unclaimed or abandoned property to a state authority. Once assets are transferred, you will need to contact the state directly to claim your assets.

More about escheatment

Escheatment laws require mutual funds to turn over uncashed or returned checks and/or client account shares if the owner cannot be located, or if owners don't make contact with their mutual funds for a length of time determined by each state. That length of time varies and typically is between three and five years. Retirement accounts, such as

traditional and Roth IRAs, won't be turned over to your state until you reach the age of 70½, but we suggest periodic contact on those accounts as well.

Protect your account

The good news is that it is easy to protect your accounts from unwarranted escheatment. Many things you already do keep your account active. Log on to your account online at paxworld.com, call Investor Services at 800-372-7827, or drop us a note. Any time you place a transaction, check your balance or update information on your account, such as your address, telephone number or email address, your account is active.

Your state does not consider an automatic investment or systematic withdrawal plan to qualify as contact.

If your account has been inactive for at least two years, you will soon receive a letter

from Pax World that offers step-by-step instructions to safeguard your account. **If your account is currently active, you will not receive this letter.** If you have received this letter, please follow the instructions to contact Pax World at your earliest convenience to maintain your account with us.

Sign up for E-Delivery

It's easy. Go to www.paxworld.com and log in to Online Account Access. Choose Electronic Delivery from the Profile Maintenance menu on the left, enter your email address and select your delivery method for Account Statements, Daily Confirmation Statements, Prospectuses, Annual and Semi-Annual Reports, Tax Forms and Proxy Materials. Investor Service Representatives are available at 800.372.7827 Monday – Friday 8am – 6pm ET to answer any questions you have about E-Delivery. **Signing up for E-Delivery also demonstrates your account is active!**

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. A few examples include the following:



In "Impact: The Next Stage of Sustainable Investing," Pax World President and Chief Executive Officer Joe Keefe explores the evolution of sustainable investing over the last several years in the direction of impact investing. He discusses how sustainable investing, particularly as it enters its next stage, can help respond to investors' goals and address solutions to global sustainability challenges. Learn more by visiting paxworld.com/thoughtleadership.



Read "Investing 2.0: A Modern Way to Invest," by Sallie Krawcheck, Chair of Pax Ellevest Asset Management. Pax World Management and Ellevest Asset Management partnered on the launch of the Pax Ellevest Global Women's Index Fund in June 2014. In this article, Ms. Krawcheck examines why gender diversity is not only a nice-to-do, but also a smart-to-do and an under-appreciated driver of strong company performance. Learn more by visiting paxworld.com/thoughtleadership.



Pax World Investments

Pax World Investments
30 Penhallow Street, Suite 200
Portsmouth, NH 03801
800.372.7827
info@paxworld.com
www.paxworld.com

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.

ALPS Distributors, Inc. is not affiliated with Impax Asset Management Group, Ellevest Asset Management LLC, Coca-Cola Bottling Co., General Electric Co., Microsoft Corp., Google, Inc., Kohl's Corp., Walt Disney Co., Exxon Mobil Corp., Wal-Mart Stores, Inc., Hilton Worldwide Holdings, Inc., Nike, Inc., or Mercy Corps.

Copyright © 2014 Pax World Management LLC. All rights reserved. Distributor: ALPS Distributors Inc. Member FINRA.