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Introducing Value and Women's Equity Funds at Pax World

Pax World welcomes Sujatha Avutu, CFA, and our newest fund offerings



Sujatha Avutu, CFA, is portfolio manager for Pax World Value Fund and Pax World Women's Equity Fund.

You spoke, and we listened. In response to requests from shareholders and their financial advisors for additional Pax World investment options, Pax World Management Corp. introduced two new funds to the Pax World fund family in 2007.

In September, we launched the Pax World Value Fund, followed by the acquisition in October of the Pax World Women's Equity Fund (see related articles).

"Demand for investment options that incorporate environmental, social, and governance (ESG) criteria is increasing as investors become more educated about the benefits of combining rigorous financial analysis with equally rigorous sustainability analysis," explained Pax World President and CEO Joe Keefe. "The Pax World Value and Women's Equity Funds complement our current fund offerings very nicely."

And Pax is pleased to welcome Senior Portfolio Manager Sujatha Avutu, who joined the company earlier this year to manage the two new funds. We sat down with Sujatha to find out a little bit about her investment philosophy and to learn what makes her tick.

Sujatha, what made you decide to join Pax World?

When I learned of the opportunity at Pax I was at a point in my career and in my life where I was ready to move in a new direction. Ideally I wanted to use my investment experience in a new venture that would focus on women and investing. When I talked with the folks here at Pax and learned what they were doing, I realized this was a company that was already doing much of what I aspired to. My experience in value investing and my passion for women's issues fit perfectly with Pax World's ambitious vision for sustainable investing.

Can you tell us a little about your investment philosophy?

My overall investment objective is to provide above-average capital appreciation while exposing the portfolio to a moderate level of risk. My strategy typically rests on three fundamental criteria: quality of business; price paid; and risk management.

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Sustainable investing Bright Horizons shines

Bright Horizons is the world's leading provider of employer-sponsored child care, early education, and work/life solutions. The company serves more than 71,000 children and families at more than 600 Family Centers for clients in the United States, Europe, and Canada. Bright Horizons is a holding in both the Pax World Value* and Women's Equity Funds¹.

Bright Horizons is particularly strong in the areas of diversity, women's issues, and employee relations.

There are six women on the company's 13-member board of directors, and eight senior executives at Bright Horizons are women. The company created a diversity council responsible for recruiting and retaining women employees, as well as promoting gender equality at all levels of the company. Bright Horizons offers child care discounts, flexible work schedules, and backup childcare as part of its efforts to support employees' work-life balance.

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For Tomorrow



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Pax World Women's Equity Team: Molly Mahoney, Lead Analyst, Joe Keefe, President and CEO, Sujatha Avutu, CFA, Portfolio Manager, and Dr. Julie Gorte, SVP for Sustainable Investing

Women's Equity Fund Focused on advancing the status of women

The Pax World Women's Equity Fund joined the expanding roster of investment options at Pax World this fall when the Fund's investment adviser, Pax World Management Corp., acquired the assets of FEMMX Financial Company ("FEMMX"), the investment adviser to the former Professionally Managed Portfolios' Women's Equity Fund. The Pax World Women's Equity Fund seeks to invest primarily in companies that, in addition to meeting Pax World's other financial, environmental, social and governance criteria, take affirmative steps to attract, retain and promote women and advance gender equity and women's empowerment in the workplace and beyond.

The Pax World Women's Equity Fund will be managed by Sujatha R. Avutu, CFA, who is also the portfolio manager for the Pax World Value Fund. The Women's Equity Fund's investment objective is to seek long-term growth of capital by investing primarily in equity securities.

"To me, this is a dream come true," said Ms. Avutu. "The opportunity to manage a mutual fund where investors can make a difference by focusing on women's concerns, while hopefully achieving strong financial returns, is a great privilege."

Founded in 1993, the Fund was the first to focus on evaluating companies according to their policies and practices toward women's social and economic equality. Linda Pei, founder of the Women's Equity Fund,

expressed her confidence in Pax World, stating: "We believe the Fund is in very good hands, and that Pax is committed to advancing the social and economic status of women through the collective power of individual and institutional investors."

The Pax World Women's Equity Fund invests in companies that promote gender equality by advancing women to top executive positions; that proactively have female representation on the board of directors and in senior management; and that promote positive images of women in their advertising, promotion, and marketing. The Fund avoids investing in companies involved in the exploitation and trafficking of women; whose products demean women; that use negative stereotypes in their advertising, promotion, or marketing; that fail to provide a safe work environment for women by encouraging or tolerating harassment; and that have a history or pattern of discrimination or mistreatment of women.

The Fund endeavors to vote shareholder proxies in accordance with its gender criteria, where applicable, and to engage corporate management on issues of concern to women, including sponsoring shareholder resolutions on gender-related issues. "This Fund gives us an opportunity to engage corporations on issues that will benefit women while potentially improving their financial bottom lines," said Ms. Avutu.

According to a report recently conducted by Catalyst (www.catalyst.org), Fortune 500

companies with the highest representation of women on their boards of directors attained higher financial performance on average than those with the lowest representation.

"At Pax World, we believe companies that are developing more sustainable business models — including strong environmental, social and governance performance — are better long-term investments," said Pax President and CEO Joe Keefe. "This includes progressive policies toward women in the workplace. We hope the Pax World Women's Equity Fund can help promote gender equality as a core element of corporate social responsibility and a core concern of sustainable investors."

PAX WORLD WOMEN'S EQUITY FUND

Investment Objective: The Women's Equity Fund seeks long-term growth of capital by investing in companies that promote gender equity through internal policies and programs, transparency regarding the effectiveness of those policies and programs, and accountability among employees to assure implementation and observance of the same.

Type of Fund: Multi-Cap Core

Inception Date: October 1, 1993

Minimum Initial Investment: \$250

Fund Symbol: PXWEX

Expense Ratio: 1.24%¹ (Indv. Investor Class)

¹Total annual fund operating expenses, gross of any fee waivers or reimbursements, are 1.70%.

Value Fund Launch kicks off growth phase at Pax World

In September, Pax World launched the Pax World Value Fund, the first addition to the Pax World fund family in eight years. Value Fund Portfolio Manager Sujatha R. Avutu, CFA, joined Pax World earlier this year as Senior Vice President and Senior Portfolio Manager. Under her direction, the Pax World Value Fund seeks to achieve long-term capital appreciation by investing primarily in large-cap companies that are undervalued relative to their future growth prospects in relation to the market and their respective industries. The companies in the portfolio meet Pax World's sustainable investing criteria, including positive environmental, social, and governance (ESG) performance.

"We are thrilled that Sujatha is a part of the investment team here at Pax," said Joe Keefe, President and CEO. "Sujatha brings a wealth of knowledge and experience in the field of value investing, as well as a profound commitment to the goals of sustainable investing. We believe our investors will benefit from the way the Value Fund attempts to integrate rigorous ESG criteria with an equally rigorous value investing discipline in pursuit of long-term growth."

The Fund follows a "contrarian value" approach that seeks to buy great businesses at good prices and good businesses at great prices.

"As a value-oriented manager, I believe — and I think the evidence shows — that a strong sensitivity to valuation and price will benefit an investment portfolio over the long run," explains Ms. Avutu. "That's true of value funds in general, but for the Pax World Value Fund specifically, I envision it as a core foundation with lower volatility and higher dividends than its peer group under normal conditions. I believe it is a strong anchor holding in a diversified portfolio that may well be an appropriate fund for many investors."

According to Ms. Avutu, applying sustainable investing criteria to the value space can help her and her investment team identify more forward-thinking, progressive companies that are undervalued relative to their future growth potential. By integrating ESG factors with fundamental analysis, they believe they can identify investment opportunities even in traditionally problematic sectors such as materials, industrials,

energy, and utilities.

In addition to investing in financially sound companies with positive dividend growth that are trading at a discount relative to intrinsic values, the Fund invests in good companies that may have been unfairly punished by the market because the sector or style is out of favor.

PAX WORLD VALUE FUND

Investment Objective: The Pax World Value Fund's investment objective is to seek long-term capital appreciation. The Value Fund's portfolio manager seeks to generate capital appreciation with moderate risk. The Fund focuses on high quality businesses that are fundamentally attractive with good earnings in good industries.

Type of Fund: Large Cap Value

Inception Date: September 17, 2007

Minimum Initial Investment: \$250

Fund Symbol: PAXVX

Expense Ratio: 1.49%¹ (Indv. Investor Class)

¹Total annual fund operating expenses, gross of any fee waivers or reimbursements, are 12.10%.



Cassandra Nelson/Mercy Corps

Literacy Campaign Program:

A 2000 UNESCO survey revealed that 60% of Iraqi women are illiterate. According to research conducted for the survey, religious, cultural and economic issues make attending school challenging for many women there. Other young women are forced to discontinue their education at a young age, leaving them without basic skills and knowledge crucial to social and economic success both inside and outside of the home.

Realizing that the future development of Iraq relies heavily on the education of its women, Mercy Corps launched its Literacy Campaign Program to help women find their voices

At Pax World our investment approach focuses on investing in companies with sustainable business models. We combine thorough financial analysis with another critically important set of factors that many investment managers don't utilize — environmental, social and governance (ESG) criteria. The integration of rigorous financial analysis with equally rigorous ESG analysis gives us an increased level of scrutiny that we think helps us identify forward-thinking companies that meet high standards of corporate and environmental responsibility and which are leaders in their industries.

How have your professional and personal experiences prepared you for this role at Pax?

On the professional side, I have more than 15 years of investment management experience with various asset management firms. Prior to joining Pax World, I was a managing director at Evergreen Investments and Senior Portfolio Manager for the Evergreen Equity Income Fund. Earlier in my career, as an equity analyst I was responsible for fundamental research and investment recommendations in the insurance, electric utility, and natural gas sectors.

“We combine thorough financial analysis with another critically important set of factors that many investment managers don't utilize — environmental, social and governance (ESG) criteria.”

— Sujatha Avutu, Sr. Portfolio Manager

On a personal level, I believe that we all receive so much in this world, and it is so important to give back. But I believe in being involved in how that is done. For example, years ago I made a decision to invest in India. Because I had left my homeland of India at a very young age and was ultimately able to pursue the “American Dream,” I wanted to help some families struggling in India. Instead of sending money blindly to an organization, I bought a farm and employed several families to work on it. From nothing, they developed the farm to harvest many fruits, literally and figuratively for more than 15 years. They did the development work and I managed the strategic operations from here in the United States. It was a long and hard journey that taught many lessons along the way. The fact that I was able to empower

people to reach their dreams in India while I was pursuing mine here in the United States was very satisfying to me. I believe my professional and personal experiences, and the broad perspective they have given me on world issues, will be very valuable in my role at Pax.

When not working, what do you like to do?

My husband Frederick and I like to research and explore regional gastronomic specialties, and I love to read non-fiction when I have the time. We enjoy traveling, particularly to Ohio to visit my daughter Hima Bindu, who is in medical school.

What are your first impressions of life at Pax?

The people and the culture here are so inspiring. The energy is very motivating. It's great to come to work to a place where your colleagues not only enjoy what they are doing, but really believe in it, as well. That is something that I feel ultimately benefits our shareholders.

Learn more about Sujatha Avutu and the new Pax World Value and Women's Equity Funds by visiting www.paxworld.com.

8,000 Iraqi women gain literacy skills through Mercy Corps program

and become active participants in their communities and society.

Mercy Corps worked with the Directorates of Education in several Iraqi governorates to develop and implement the program in the south of the country, which is now being expanded in other areas of the country. Implemented in three stages — foundation, optimizing, and preparatory — the goal of the program is to help women successfully complete and earn competency certificates at specific grade levels. More than 8,000 women have learned to read and write through Mercy Corps' Literacy Campaign

Program. And more than 700 previously unemployed female teachers have been hired to implement the lessons.

The Literacy Campaign Program provided 12 months of accelerated Arabic language, math, and culture lessons in 147 literacy centers. The program attracted women and girls who previously had no access to literacy education due to family financial constraints, security issues, or disabilities. Zainab, a 15-year-old who was unable to attend school because she had to work to support her family, said: “The first word I will learn to write is THANKS...to everyone for the opportunity

to learn what I lost before.”

Mercy Corps will continue to work with communities and ministry officials in Iraq to standardize and expand the Literacy Campaign Program. The goal is to partner with more local, women-focused non-governmental organizations in both the outreach and administration of the program to ensure its sustainability and to continue to provide Iraqi women the basic skills and knowledge necessary to be active and effective within their families and communities and in rebuilding their country.





“I like Bright Horizons because of the domino effect it has in enabling its client companies to also accomplish their goals by supporting working women and their families.”

— Sujatha Avutu, Sr. Portfolio Manager

increased to \$10.2 million from \$9.9 million in the third quarter of 2006.² During the third quarter of 2007, Bright Horizons added 13 new centers to its network, added new lease consortium centers in three states, and opened its ninth elementary school.²

More than 80% of Bright Horizons eligible centers have achieved NAEYC (The National Academy of Early Childhood Programs) accreditation, compared with just 8% of centers nationwide. The NAEYC accreditation process examines a center’s total program, but places the greatest emphasis on the quality of interactions between staff and children and the developmental appropriateness of the curriculum.

The Bright Horizons Foundation for Children leverages Bright Horizons employees’ skills and talents in partnering with non-profit organizations to help at-risk children in the communities they serve. Bright Horizons received the Ron Brown Presidential Award for Corporate Citizenship, which recognizes companies that encourage exemplary corporate practices in community relations.

¹Bright Horizons was 2.7% of Value Fund and 1.0% of Women’s Equity Fund as of 11/30/07. Holdings are subject to change without notice. This story does not represent an endorsement of the company’s attractiveness as an investment.

²Information obtain from www.brighthorizons.com.

Bright Horizons was named one of Fortune magazine’s “The 100 Best Companies to Work For” for the eighth year in a row in 2007. The company was the only education provider named to the list.

According to Senior Portfolio Manager Sujatha Avutu, Bright Horizons’ business model is very conducive to attracting and retaining highly qualified, experienced and committed education center directors and teachers. “In addition, I like Bright Horizons because of the domino effect it has in enabling its client companies to also accomplish their goals by supporting working women and their families.”

“The investments that these companies make in such programs are returned many times over through increased retention and loyalty. In fact, it is no surprise that 75 percent of Working Mother magazine’s ‘100 Best Companies for Working Mothers,’ were Bright Horizons clients. Bright Horizons’ financial results speak volumes about the success of this company’s vision and the impact it is having on the childcare industry,” said Avutu.

Bright Horizons’ third quarter 2007 revenue increased 10% to \$189.5 million from \$172.2 million for the same quarter last year.² Net income for the third quarter of 2007



Have you seen our new look?

All new PaxWorld.com launched

In late September, we launched a newly redesigned www.paxworld.com. Through expanded content, online discussions, and external web links, the website is now a more expansive resource on sustainable investing.

New graphics and a streamlined interface and navigation make it easy for visitors to learn about Pax World’s sustainable investment philosophy and strategy and specifics about the Pax World family of funds, including their investment objectives, performance and top holdings. You can also “Join the Conversation” where we post questions and you can share your thoughts with us. Julie Gorte, our Sr. Vice President for Sustainable Investing, has written several articles for our “ESG Matters” series. We invite you to view and/or download these insightful articles in the “Investment Approach” section under “Sustainable Investing”. Of course, shareholders can still easily manage their Pax World accounts online.

“It’s obvious how important a role the Internet plays in the process through which investors learn more about mutual funds in general and their funds specifically,” said Joe Keefe, President and CEO of Pax World. “We hope our new website articulates our unique sustainable investment approach and gives investors the tools they need to make informed decisions.”

Check it out at www.paxworld.com.

Make the most of IRA Season

With much of the holiday hustle and bustle behind them, many investors are turning their thoughts to making their IRA contributions. For a Traditional or Roth IRA, you can make a prior-year contribution until your tax-filing deadline, not including extensions, which is generally April 15. For the 2007 tax year, eligible individuals may contribute up to \$4,000 (\$5,000 for investors over age 50) to an IRA; for the 2008 tax year the limit increases to \$5,000 (\$6,000 for investors over age 50).

Already a Pax IRA Investor?

To make a contribution to your existing Pax World IRA or Roth IRA account, simply make a check payable to Pax World Funds and mail it with an investment form, which can be found at the bottom of your statement. You can also find investment forms online at www.paxworld.com, or simply enclose a note with your name, account number, and the year of your contribution. In all cases, it is very important

that you indicate which tax year you would like the contribution applied; unmarked contributions will be applied to the current tax year, which may not be what you intended during the first quarter of the year.

Interested in Opening a Pax World IRA Account?

Pax World makes opening an IRA or Roth IRA account simple. You can quickly and easily obtain the appropriate IRA application and prospectus for opening an account at www.paxworld.com. From the *Customer Service* section of our website, you can download the fund prospectus and IRA application using the *Documents & Forms* link. You can also request the required forms be sent to you in an investment kit by calling Shareholder Services at 800.767.1729. Feel free to contact us with any question that you may have about completing the form(s).

The information presented here 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.

Save time online

Upgraded website provides easy access to tax forms

Many people use the quieter winter months to prepare for the quickly approaching tax season. Fortunately, the tedious task of collecting tax forms just became more manageable for Pax World shareholders. That's because the recently upgraded Pax website will soon offer an exciting new feature that will enable shareholders to view, download, and print tax forms online.

Pax shareholder 2008 tax forms should be available online at the end of February 2008. To access your tax documents online after that date, just log onto *Account Access* at www.paxworld.com and click on *Statements & Tax Forms*.

While online, consider signing up for E-Delivery!

This feature allows you to receive prospectuses, annual and semi-annual reports, quarterly statements, and the Connection newsletter via email — saving paper, energy, and time! While in the *Account Access* section, simply choose *E-Delivery* from the *Email/Account Admin* menu and follow the on-screen instructions. To receive a paper copy of any document you are receiving electronically, simply call us at 800.767.1729 (or 800.372.7827 for quarterly account statements). As Pax World shareholder communications become available, we will send you an e-mail notification containing a link directing you to our website to view or download the document.



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Important Disclosures Please Read

Before investing in a Pax World mutual fund, you should carefully consider its investment objectives, risks, and charges and expenses. For this and other important information, please obtain a fund prospectus by calling 800.767.1729 or visiting www.paxworld.com. Please read the prospectus carefully before investing or sending money.

The principal risks of investing in the Pax World mutual funds include (i) price volatility, (ii) interest rate risk, (iii) risks associated with non-U.S. security investments, (iv) leverage risk, (v) sustainable investing risks, (vi) management risk, and, in general, (vii) the risk of losing money by investing in the funds. Pax World Funds are distributed by PFPC Distributors, member, FINRA, except the Money Market Fund, which is distributed by Reich & Tang Distributors, Inc., member, FINRA. (There is no relationship or affiliation between these two distributors.)

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