

## An Introduction to the Pax Global Opportunities Fund



## Pax Global Opportunities Fund (PXGOX)

Global equity strategy investing in companies positioned to benefit from the **transition to a more sustainable economy**.

Disciplined investment process leads with idea generation using Impax's proprietary **Sustainability Lens**.

Fundamental stock analysis includes consideration of **environmental, social and governance (ESG)** risks.

**Concentrated** portfolio of ~35 to 45 positions.

**Fossil fuel free**.

Under normal market conditions, the Fund is expected to be fossil fuel free – not invested in securities of companies that the Adviser determines derive revenues or profits from exploration, production, refining or processing of thermal coal, oil or gas, or significant (generally more than 5%) revenues or profits from storage, distribution or power generation from the same.

## Introduction

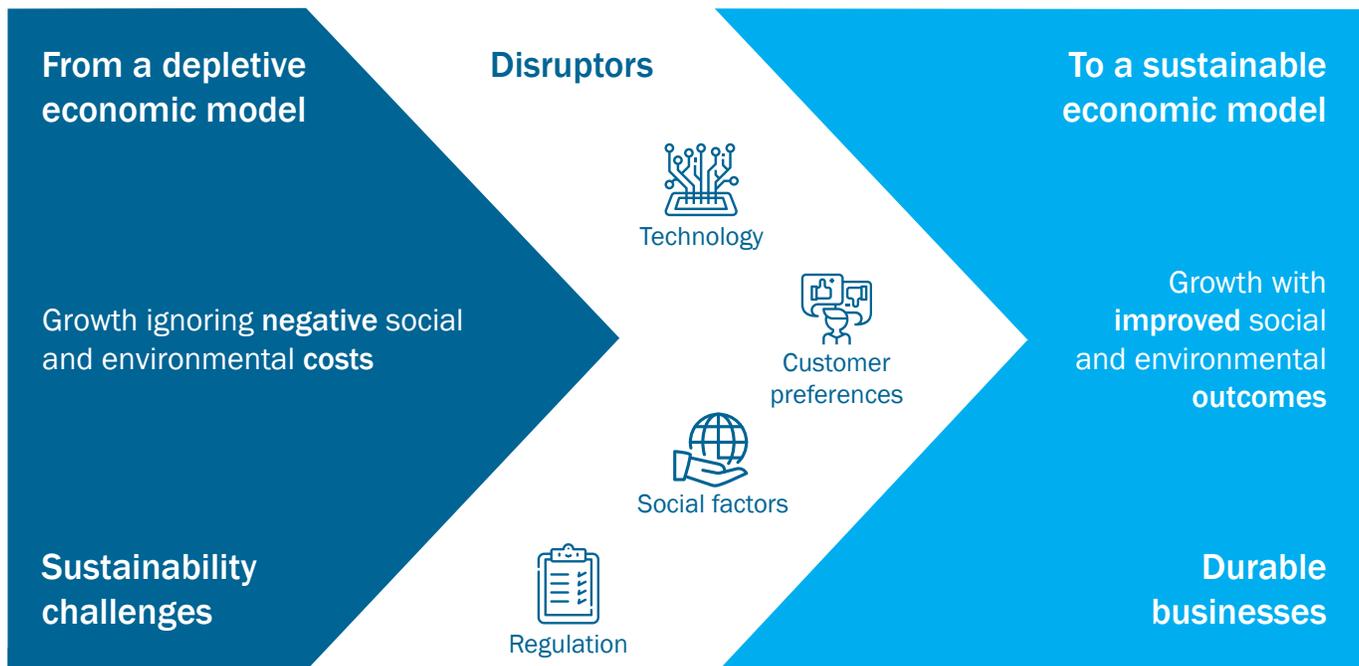
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For too long, capital has been invested without an eye to its consequences. Now individuals, companies and governments around the world are coming to understand that this approach is shortsighted and undermines both long-term economic value and social stability.

We believe the global economy is shifting from a depletive model toward a more sustainable one, where growth is aligned with improved environmental and social outcomes. Our investment approach centers around the risks and opportunities accompanying this transition to a more sustainable economy.

The Pax Global Opportunities Fund is a high conviction equity strategy that invests in companies we believe have sustainable competitive advantages, track records of consistent returns on investment, and where the investment team believes opportunities are not reflected in the share price.

### Impax believes the economy is in transition



## Disruptors are driving the transition

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Disruptors are leading a shift away from a depletive economic model that ignores negative social and environmental costs toward a more sustainable economic model that focuses on growth with improved social and environmental outcomes.



### Technology

Innovative technologies addressing environmental and social challenges are gaining market share in energy, transport and financial services.



### Customer preferences

Consumer preferences are switching toward products which offer health benefits and brands that are aligned with their principles.



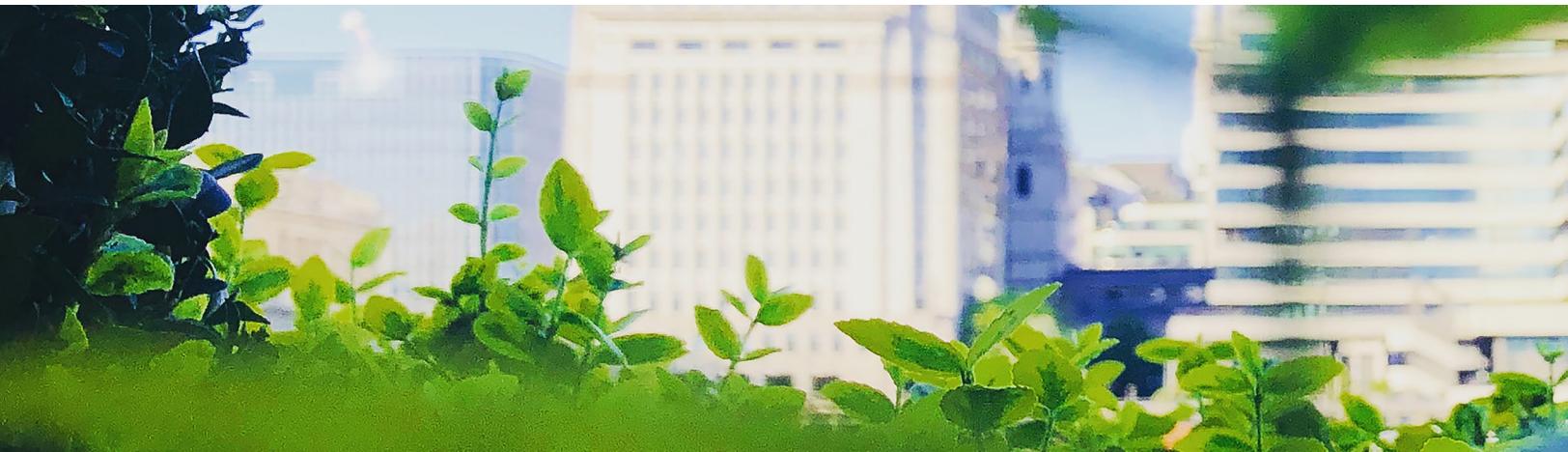
### Social factors

In many areas of the world the population is more diverse, more urbanized, wealthier and moving towards an aging demographic.



### Regulation

Regulations are increasingly focused on sustainability issues that include pollution, improved health and safety and human rights.



The transition could provide opportunities for well-positioned companies and increased risks for companies that cannot or will not adapt. Examples include:



### The clean energy transition

There continues to be a significant shift in the global auto market towards electric vehicles, supported by evolving consumer demand, government policies and improving affordability. This creates opportunities for companies developing technologies that enable smarter, more connected and more energy-efficient transportation solutions. Companies facilitating this transition are capturing market share from incumbents unable to competitively pivot to cleaner vehicles.



### The health & wellness transition

Changing consumer attitudes have led to growing demand for healthy and natural food. Consumers are becoming more interested in the quality of the food they buy, and increasingly prefer a diet that is less processed and predominantly includes natural ingredients. There is also increased demand for plant-based options. Large branded food manufacturers have responded to this by developing new products and investing in the reformulation of existing products. The natural foods category is growing rapidly and gaining share from processed foods.



### The personalized medical care transition

In recent years there has been a shift away from non-specific, large-scale drugs to personalized medical care. This has been driven by two main trends: first, advances in genomic science have vastly reduced the costs of mapping human DNA allowing for identification of specific diseases/illnesses; second, the integration of technology into healthcare has enabled more precision and customization in modern medicine. To become more sustainable, the healthcare system must achieve more meaningful results for a greater number of patients in a more cost-efficient manner. Providers offering too much complexity, inefficiency and cost are at high risk of disruption.



## The Impax Sustainability Lens

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The Impax Sustainability Lens is a proprietary, dynamic idea generation tool that highlights areas of opportunity and risk within the global equity universe. It ranks all economic (GICS<sup>1</sup>) sub-industries according to the level of opportunities and risks related to the long-term transition to a more sustainable economy.

The Lens comprises eight categories of opportunity and nine categories of risk. We score each MSCI GICS sub-industry against these 17 categories to produce composite opportunity and risk scores. Based on these scores, the sub-industries are ranked as high, neutral or low for both opportunity and risk. These rankings help the investment team in their search for durable businesses.

The analyses and rankings are performed by six Impax expert groups of portfolio managers and analysts across Financials, Consumer, Information Technology, Healthcare, Industrials, and Energy & Utilities. These groups use a combination of third-party and internal research to aid their analysis, meeting regularly to review the most material opportunities and risks facing each sub-industry. The groups assess what has changed within these different sub-industries since the last review and report back to the Impax Lens Committee (ILC).<sup>2</sup> This assessment is dynamic. The ILC, which meets quarterly, is responsible for guidance and oversight of the lens analysis.



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<sup>1</sup>The Global Industry Classification Standard (GICS) is a widely recognized industry standard for assigning a public company to the economic sector and industry group which best defines its business. It was jointly developed by MSCI and Standard & Poor's and is used by the MSCI indexes. <sup>2</sup>The ILC is co-chaired by our Head of Sustainability & ESG, and Co-head of Listed Equity. The committee is a 12 person team with representation across the firm globally.

The Fund aims to generate outperformance over the long term by investing in the most attractive stocks identified by a research intensive, bottom-up stock selection process. The bottom-up process is combined with top-down analysis to ensure that research is focused on the most promising regions and sectors.



### Identifying interesting companies

The investment team uses two proprietary tools at the idea generation stage; the Impax Sustainability Lens, which is applied at a sector level, and a financial algorithm which operates at a stock level and identifies companies with sustainable competitive advantages and the desired financial characteristics.

### Fundamental analysis

Companies which are identified as deserving further investigation undergo Impax's rigorous 10-step analysis. This includes quantitative and qualitative research, financial modelling and in-depth ESG analysis. This investment thesis is reviewed and debated by senior investment team members, including the Heads of Listed Equities, and if approved the stock is included on the 'A-list' of investible stocks.

### Portfolio construction from 'A-list'

The portfolio is constructed from names on the 'A-list', with attention to valuation, position sizing, geographic and sector concentration, risk and return and the macro-economic view.

A formal portfolio construction meeting is held weekly, where Co-Portfolio Managers, Head of Investment Risk and Head of Sustainability and ESG meet to discuss the portfolio strategy, overall risk profile and target prices of individual stocks.

### Portfolio management and stewardship

Valuation discipline is an important part of the process. Best and worst-case assumptions form a 'valuation range' against which stocks are monitored. Securities which move into the top of the valuation will be reassessed and positions may be reduced or exited. A security which falls to the bottom of the range will undergo a formal review, to assess new information and determine if the investment thesis holds.

There is ongoing stewardship of the fund; analysts engage regularly with companies on both stock specific and wider issues, and ESG ratings are updated annually.

ESG analysis is an integral part of our investment research process, providing risk mitigation and important insight into the character of a company.

Our research is based on a materiality approach. This focuses on corporate governance structures, the most material environmental and/or social risks for a company, and any controversies that a company has faced. We look for strong policies, processes and management systems to address these material risks. Ideally, companies will discuss and disclose their own assessments of the main ESG risks they are facing.

We believe companies that maintain too narrow a focus on the creation of shareholder value may be exposed to significant risk as a result of direct or indirect action from other stakeholders. They could face high staff turnover, loss of support from local communities, government intervention or flight of customers following reputational damage.

In contrast, those companies that seek to preserve and enhance value for a broad set of stakeholders may improve their prospects for sustaining and expanding their financial returns over the long term.

Ultimately, all companies must be approved by the Investment Committee on both a financial and an ESG basis as part of Impax's research and approval process. We monitor ESG developments and engage regularly with management on both company specific issues and wider themes as part of our ongoing stewardship and oversight responsibilities.

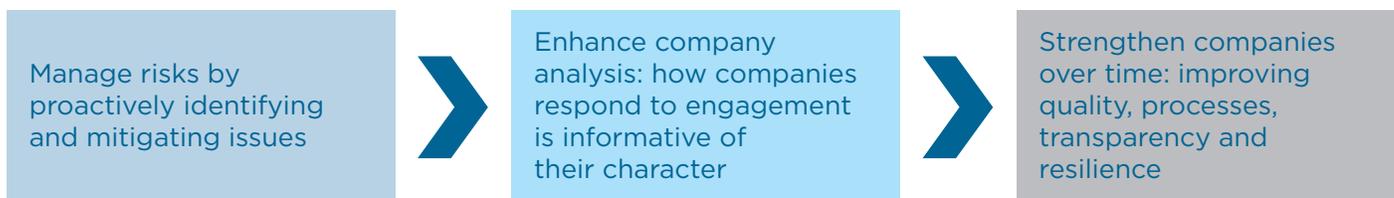
### Engagement

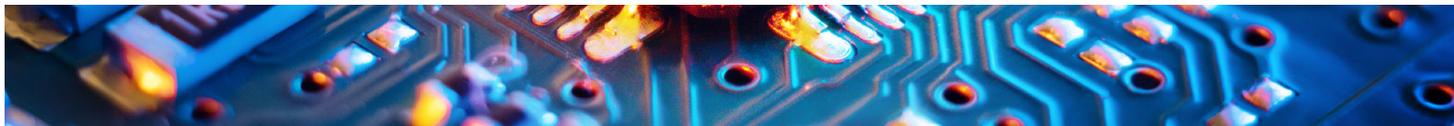
Active engagement on ESG issues is a core part of the Impax investment process, and the team regularly meets and engages with the management of companies, as well as participating in collaborative engagements. At Impax we engage to support and encourage companies to better manage risk rather than to radically change their core activities. Engagement outcomes are recorded and tracked and inform further discussions with management.

#### Our engagement work focuses on four key areas:

- 1 Promoting improved practices and transparency on ESG issues to strengthen governance structures and introduce sustainability policies
- 2 Bottom-up company specific monitoring and dialogue to identify risks and company specific matters
- 3 Top-down strategic engagement priorities to identify companies most exposed to key sustainability issues
- 4 Proxy voting to focus on corporate governance and engagement with companies on contentious issues

#### Engagement allows us to:





### Equinix, a world leading colocation data center provider

#### Investment opportunity

The company focuses on developing network and cloud-neutral data center platforms for cloud and information technology, enterprises, network, and mobile services providers, as well as for financial companies.

#### Contribution

The market leader in terms of size, global reach and customer base. A unique network value and strong balance sheet, together with the exponential growth expected in data volume, should provide the next phase of growth as well as margin expansion.

#### Risk

Due to its REIT structure, the company is reliant on debt and issuance of new shares. Adverse economic conditions could restrict their ability to expand into new markets.

#### Why

Their data centers stand out for their strong sustainability and strong energy efficiency profile.

#### Role in portfolio

Due to its strong pricing power and up to 90% of the total revenue being derived from a subscription-based service, the company has defensive growth characteristics and could provide downside risk mitigation in a portfolio.



### Taiwan Semiconductor Manufacturing Company (TSMC)

#### Investment opportunity

Semiconductor chips are used in computer, communication, consumer electronics, automotive and industrial equipment industries.

#### Contribution

Enables the growth of advanced chip design and provides the building blocks of connectivity and the enabling of 'Internet of Things'. It has a dominant market position which it maintains by investing in leading-edge manufacturing facilities.

#### Risk

Water-intensive fabrication process.

#### Why

Demonstrable track record in environmental standards.

#### Role in portfolio

Structural growth geared to both consumer and industrial demand.

As of 9/30/2021, **Equinix, Inc.** was 0.8% of the Pax Sustainable Allocation Fund, 1.5% of the Pax Large Cap Fund, 0.4% of the Pax U.S. Sustainable Economy Fund, 1.8% of the Pax Global Environmental Markets Fund, 3.1% of the Pax Global Opportunities Fund and 0.1% of the Pax Core Bond Fund. **Taiwan Semiconductor Manufacturing Company** was 0.1% of the Pax Sustainable Allocation Fund, 0.1% of the Pax Global Sustainable Infrastructure and 3.1% of the Pax Global Opportunities Fund. Holdings are subject to change.

## Beyond financial returns

At Impax every strategy is designed to intentionally allocate clients' capital towards those companies we believe will flourish from the transition to a more sustainable economy. As part of the post-investment process we assemble evidence to gauge our success. Using proprietary techniques, we assess the positive impact of the products and services of our portfolio companies to add insight into how our funds address wider environmental and societal concerns.

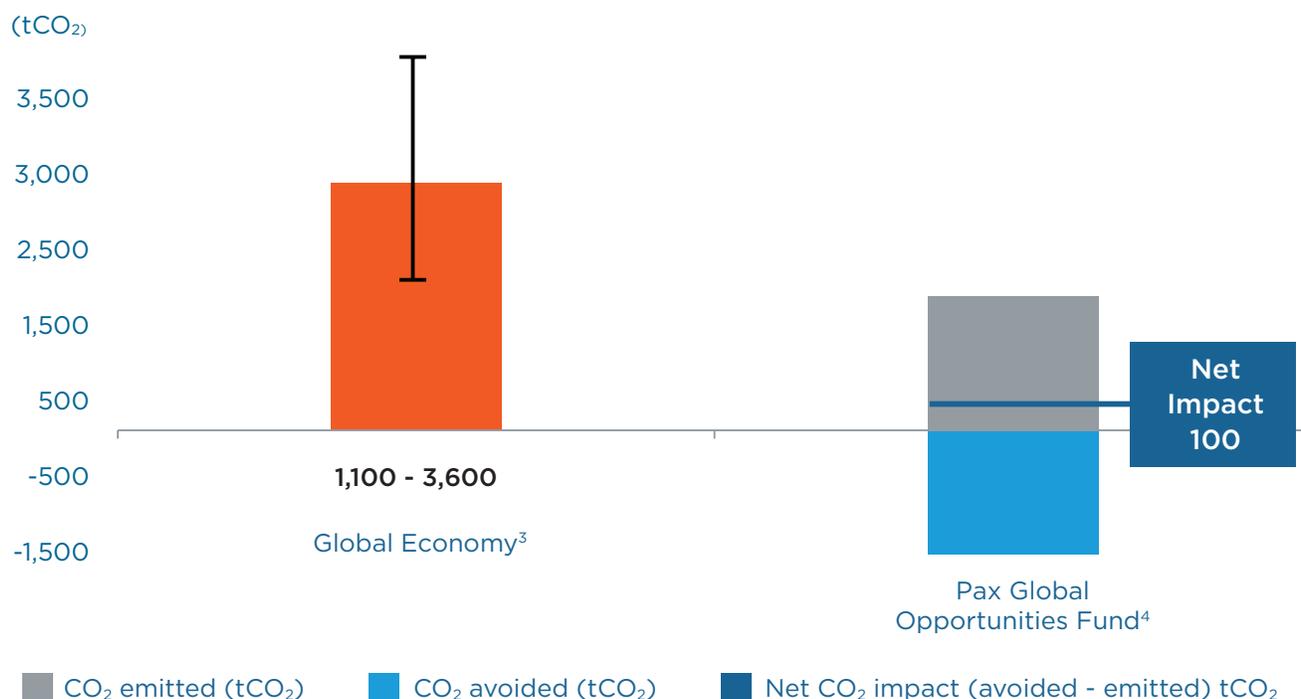
### Pax Global Opportunities Fund is contributing to the low carbon energy transition

We assess companies' climate impacts in the context of the global economy, per unit of investment. We have estimated that a \$10m investment in the global economy today would lead to emissions of between 1,100 and 3,600 tons of CO<sub>2</sub> each year.<sup>3</sup>

The use of the Impax Sustainability Lens helps to guide the portfolio toward a natural alignment with the climate transition. The Lens identifies carbon, materials and energy intense sectors as posing much higher risks with lower corresponding opportunities. This means that the Pax Global Opportunities Fund is underweight these sectors, resulting in a lower carbon portfolio.

Along with carbon emissions emitted, we display carbon emissions avoided and the net CO<sub>2</sub> impact in the graph below. This net CO<sub>2</sub> metric involves calculating not only a company's direct and indirect emissions (from its operations and energy use) but also the emissions avoided by the use of its products or services compared with conventional alternatives.

### Net CO<sub>2</sub> impact per \$10m invested

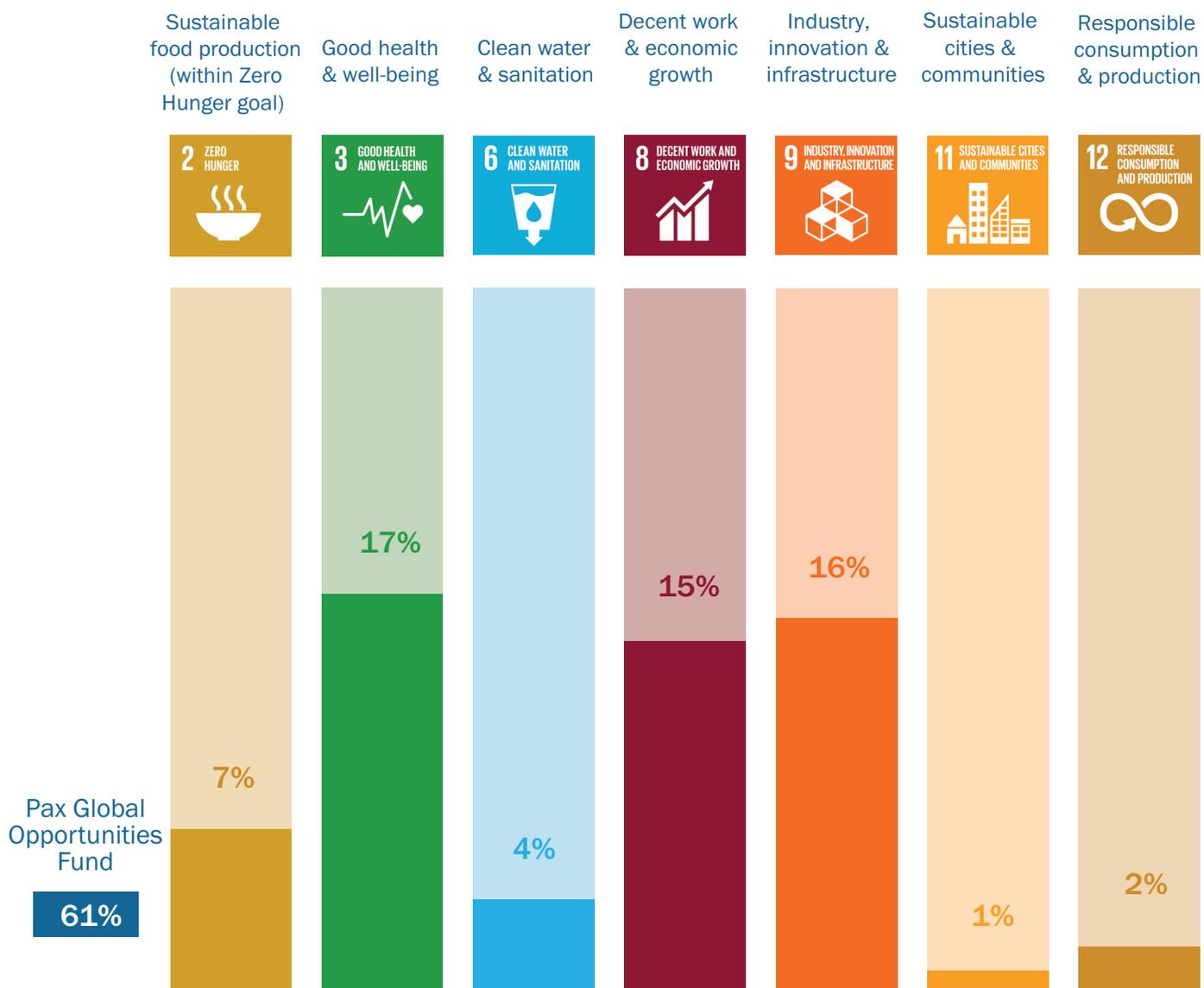


<sup>3</sup>Source: Impax Asset Management, December 31, 2020. Impax's impact methodology is based on equity value.

<sup>4</sup>Source: Estimated total emissions 2020 [GtCO<sub>2</sub>e] (orange bar) Global Carbon project, source Carbon brief using 2020 figures. Black bars reflect the range of estimates of value invested. Global AUM for 2020 as provided by PWC for the low figure and Global Wealth for 2020 as provided by Credit Suisse for the high figure.

### Mapping revenue exposure to the UN Sustainable Development Goals (SDGs)

As part of our post-investment analysis we consider the activities of each investee company and its alignment to UN SDGs. This enables us to link the percentage of revenues to the most relevant SDGs, namely those where the underlying targets of the goal are relevant to private sector investment opportunities, rather than public funding or policy actions. Despite adopting a conservative approach to which revenues may be included, the Pax Global Opportunities Fund has just over 60% linked to SDG goals.



Source: Data as of December 31, 2020. Figures are based on Impax internal data.

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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 [impaxam.com](http://impaxam.com). Please read it carefully before investing.**

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

**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. The Fund is actively managed. The investment techniques and decisions of the investment adviser and the Fund's portfolio manager(s), including the investment adviser's assessment of a company's ESG (Environmental, Social and Governance) profile when selecting investments for the Fund, may not produce the desired results and may adversely impact the Fund's performance, including relative to other Funds that do not consider ESG factors or come to different conclusions regarding such factors.



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Impax Asset Management LLC, formerly Pax World Management LLC, is investment adviser to Pax World Funds.

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IMPX0811 (1/22)