Investing as a Social Change Strategy

By Joe Keefe, Pax World President and CEO

I imagine that most people are as frustrated as I am by the current state of world affairs. Climate change, terrorism, war, poverty, growing inequality, refugee crises, debt crises, horrific human rights abuses… the list goes on and on. The world has always had its share of problems, of course, but today there seems to be a growing sense that things are getting worse and that perhaps we have lost some degree of control over the march of events.

Another defining characteristic of our age is that many people have lost faith in the ability of public institutions to address the challenges confronting us. The public sector simply isn’t what it used to be, for various reasons in different parts of the globe—just look at the partisan gridlock that has brought our own government to a standstill.

We live in a time when people are less optimistic, more cynical and have lower expectations, in part because they see government and other institutions as ineffective and unresponsive.

Of course, the challenges we face today are as solvable as any problems we have confronted in the past—think of slavery, civil war, Apartheid, women’s suffrage, the Great Depression, two world wars, the struggle for civil rights. We can do this. We as individuals still can make a difference.

How?

Well, one way is through our investments. It’s a way that Pax World shareholders can relate to firsthand. We don’t have to wait for governments to take action. We can actually increase our influence over world events, and potentially have a greater impact (and feel a little less powerless) not just through civic participation, or voting, or supporting non-profits—all of which remain vitally important—but through our role as investors.

Investors can promote positive social change.

All of us have the opportunity to invest in ways that seek to ensure that corporations, and markets, produce better outcomes on key social issues.

How can investors do that? Let’s take a look at gender inequality as an example.

If you believe women should be better represented in the business world, you can put your money to work by investing in companies that promote gender equality and women’s leadership. You can send a message to companies, through your investments, that women’s leadership is valuable and that gender equality is critical to business success. That’s exactly how shareholders in the Pax Ellevate Global Women’s Index Fund are making a difference.

You can also stop rubber-stamping all-male corporate boards. At Pax, we won’t support any board slate unless it includes at least two women.

You can engage the companies you own to improve their gender diversity policies. For example, over the past few years Pax World has filed or co-filed board diversity proposals at eight companies asking them to adopt gender diversity policies for their boards. In 2015, three of those companies announced female director appointments.

Take another example—climate change—where investors have similar opportunities to make a difference.

Rather than investing in fossil fuel companies, you can invest in energy efficiency and renewable energy; clean water and pollution control; sustainable food and agriculture. You can avoid investing in companies involved in the most
Update from the Women Thrive Alliance: The Power of Collective Advocacy

By Noel Schroeder, Women Thrive Worldwide

After 18 years on the job, the Women Thrive Alliance knows the power that collective advocacy holds for changing the world. Collective advocacy is a key tool for advancing gender equality worldwide.

Women and girls are too often left behind. Their voices, priorities and needs are rarely considered in policy-making. When a diverse group of grassroots advocates from civil society organizations raise their voices together and bring their priorities and solutions directly to those in power, decision-makers are made to listen and act to change policy.

Our recent initiatives and breakthroughs were in one shape or form powered by collective advocacy. Women Thrive’s partners include more than 200 women’s rights organizations in 50 countries that make up our Alliance.

After nearly four years of hard work, Women Thrive and members of our Alliance were thrilled to see the language we’d collectively advocated for included in the United Nations Sustainable Development Goal 4, which ensures every girl and every boy has the right to quality education and everyone—woman, man, girl, and boy—has life-long access to learning.

Women Thrive has been an important champion for the International Violence Against Women Act since it was first introduced in Congress in 2007. As co-chair of the Coalition to End Violence Against Women and Girls, we worked with more than 200 nongovernmental organizations to raise awareness of violence against women worldwide and the needed policy solutions, like the International Violence Against Women Act, to address this pervasive human rights abuse. In 2015, the bill received more bipartisan support than ever.

In April 2014, nearly 300 schoolgirls in Nigeria were kidnapped from their beds by Boko Haram. Before news hit the mainstream media, Women Thrive was mobilizing activists across the United States and the world to urge quick action. More than 30,000 messages were sent to Secretary of State John Kerry and the Nigerian National Police. Today, most of the girls remain missing and Women Thrive continues to keep the #BringBackOurGirls campaign on the radar so we can spur action to once and for all rescue the girls and bring them back home to their families and their education.

Now, we are setting our sights on a monumental—but attainable—goal: achieving gender equality and empowering all women and girls by 2030.

In 2015, 193 countries agreed to the United Nations’ new global agenda to end poverty, Agenda 2030. This agenda is comprised of 17 Sustainable Development Goals (SDGs), from ending poverty to combatting climate change. Ultimately, the agenda emphasizes leaving no one behind—creating a world where all people can thrive.

The Women Thrive Alliance will support grassroots organizations working directly with women and girls in advocacy around implementing SDG 5 on gender equality. Equipped with skills, connections, and resources, Alliance members will track governments’ commitments and actions and hold all stakeholders account-able to achieving gender equality by 2030.

Collective advocacy will remain a guiding principal behind Women Thrive’s work because we’ve seen that one woman’s voice can change the lives of many, and that multiple women’s voices can change the lives of millions.

Pax World Global Citizen Program

Pax World shareholders can support Women Thrive’s work by participating in the Pax World Global Citizen Program. The program enables shareholders to earmark portions of their dividends and/or capital gains as a contribution to one of two non-profit organizations: Women Thrive and Mercy Corps. Since 2000, Pax World Shareholders have contributed more than $1.7 million to these organizations through the Global Citizen Program. For more information visit paxworld.com/globalcitizen.

Photo credit: Women Thrive Worldwide.
Pax World adds Factor Investing Strategy to Fund Lineup

Pax World recently joined with Aperio Group, LLC (“Aperio”) to launch an investment strategy combining sustainable and factor investing—a way for investors to harness the performance potential of ESG and financial factor exposures.

On June 30, 2016 the Pax Growth Fund became the Pax ESG Beta Quality Fund following shareholder approval of Aperio as subadviser.

The Pax ESG Beta Quality Fund seeks long-term capital appreciation and follows an investment strategy designed to consistently overweight a U.S. large cap core portfolio toward factors that we believe will benefit the long-term return potential of the Fund. Factors are investment characteristics that explain the risk and return behavior of a security. Specifically, the Fund focuses on stocks with stronger ESG profiles, higher profitability, higher earnings quality, lower risk, and lower valuations.

Aperio is a leading provider of factor investing strategies, with approximately $14.5 billion under management. Factor investing, also commonly referred to as smart beta, is growing in prominence as a hybrid approach to investing combining elements of active and passive management. Together, Pax and the team at Aperio carefully researched and defined the combination of factors.

Pax’s set of ESG ratings on U.S. large cap companies are a key input into the portfolio construction process. The ratings reflect our Sustainability Research team’s original insights and judgments on a comprehensive set of ESG performance and risk indicators, including proprietary carbon intensity scoring and gender diversity ratings.

The Fund can serve as a core holding for investors seeking a domestic equity large cap portfolio of higher quality companies—using both ESG and financial metrics—that in aggregate are attractively priced.

Five Years of Tracking More than Just International Market Returns

The Pax MSCI International ESG Index Fund marked its fifth anniversary in style with a record of solid performance relative to its broad market benchmark and peers.¹

The Fund is an index-based strategy that provides U.S. investors with international equity exposure and integrates environmental, social and governance (ESG) factors into portfolio construction.

Studies show² that integrating ESG factors into investment portfolios is a strategy for mitigating risk and achieving market or above-market returns over the long term. That’s exactly the investment case at the heart of the Fund’s approach.

The Fund invests in companies across developed international markets with high ESG ratings. Analysis of the Fund’s outperformance since inception finds that top-tier ESG companies have driven excess returns.³

The Fund is one of the fastest growing at Pax World today. And with good reason. It is one of the few international funds driven by a sustainable investing approach, and serves as a core international allocation. Learn more about the Fund and its performance rankings at paxworld.com/international.

Kudos to Kathleen

Kathleen McQuiggan, SVP of Global Women’s Strategies for Pax World and Managing Director of Pax Ellevate, was honored by InvestmentNews as one of “The 20 Most Influential Women to Watch in 2016.” InvestmentNews annually honors female financial advisers and industry executives who are distinguished leaders at their firms. Kathleen was recognized for her leadership, passion, creativity and willingness to help other women along the way.

CONTINUED on BACK PAGE
carbon intensive fuels, as we do at Pax World, and instead invest in high-impact companies whose products, services or business strategies directly address climate change and other global sustainability challenges. That's the approach we use in the Pax Global Environmental Markets Fund.

You can also participate as active shareholders and engage companies to reduce greenhouse gas emissions and mitigate climate change. Again, at Pax World we have filed numerous shareholder resolutions calling on energy companies to publish annual sustainability reports and set quantitative, time-bound goals for reducing greenhouse gas emissions.

The bottom line: As investors, we have more power than we realize. We can prod and pressure and cajole companies into doing the right thing. Unfortunately, too many fail to leverage this power.

Right now, when it comes to vital issues like climate change and gender equality, most investors are still on the sidelines. In my mind, this is the equivalent of a voter who doesn't show up at the polls to vote. It is shrinking responsibility. It is forfeiting the opportunity to make an impact.

Investors are not powerless. We can move the needle.

And when it comes to the state of our world today, it seems to me that it is both a moral imperative and an economic imperative that the needle be moved.