PAX World Funds
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Connection

Summer 2021 | A Newsletter for Sustainable Investors

INSIDE

Climate Action: President Biden's First 100 Days Bring Historic Reset

Joe Keefe discusses Washington's new momentum on climate change

In late April, world leaders convened for President Biden's virtual "Leaders to Leaders Summit on Climate."

The summit was designed to catalyze efforts to limit global warming to 1.5 degrees Celsius, the threshold needed to avoid the worst impacts of climate change. It took place just a few weeks after the release of President Biden's infrastructure plan, which proposes $621 billion for transportation infrastructure and $213 billion to retrofit buildings and homes to make them more energy efficient.

As sustainable investors, we are following these developments closely. Our portfolios already provide exposure to some of the sustainability megatrends that we expect the Biden plan to accelerate: industrial companies that provide equipment to make buildings more climate-friendly; companies in the electric vehicle value chain; companies that are facilitating the migration to cloud computing, and those that provide the components needed to rebuild water infrastructures, for example. Plus, a well-functioning infrastructure — one that offers clean energy and transport, sustainable food, clean water and digital services available to all — is a much better foundation on which to build or improve other services needed for a robust economy and vibrant society going forward, such as quality healthcare and education.

> "A well-functioning infrastructure is a much better foundation on which to build or improve other services needed for a robust economy and vibrant society."

We are particularly heartened because the new administration's support for climate change solutions and sustainable infrastructure is not only vital but long overdue. There is an emerging global consensus that we must transition to a low-carbon economy at a dramatically accelerated pace. From rejoining the Paris Climate Accord on Inauguration Day to the infrastructure plan and the Leaders to Leaders summit, the Biden administration seems to appreciate the urgency with which we must act to confront the climate crisis. This is encouraging.

Other actions the new administration has taken during its first five months are particularly germane to sustainable investing: The Department of Labor (DOL) announced it will not enforce the ill-advised rule adopted during the previous administration's tenure that would have essentially forbade use of sustainable options or ESG funds in retirement plans. The DOL is also considering new guidance and rules that are likely to acknowledge the materiality and importance of integrating ESG factors more broadly — and climate factors specifically — into retirement fund investments.

The Securities and Exchange Commission (SEC) now has a senior policy advisor for

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Engagement Snapshot

Recently we published our annual engagement report, which showcases the work we completed during 2020. Here, members of our global sustainability research team share their impressions of what turned out to be an atypical year in many respects, including shareholder engagement.

Miriam Benarey, Sustainability & ESG Analyst, Senior Associate

Greg Hasevlat, Vice President, Sustainability Research Analyst

Heather Smith, Vice President, Lead Sustainability Research Analyst

Q: Looking back on the year 2020 in engagement, were there any interesting developments?

Miriam Benarey: In 2020 we saw more of the companies we engage with dedicate resources toward integrating sustainability in their organizations, into their corporate strategies. That is a change from the year before, where the companies we engaged maybe still thought of sustainability oversight as a more distant-future need. So, I think integrated sustainability management has become more of a push for companies. Specifically, we saw more companies make sustainability an area of board level oversight. That is a huge catalyst in a company's sustainability journey. When they get that buy in from senior leadership and have that solid structure of managing sustainability as part of the overall corporate structure, that is fantastic. The board is on board. Sustainability becomes a central aspect of corporate management.

Q: What strikes you as one of the most important developments of 2020 in terms of sustainability issues?

Greg Hasevlat: In terms of companies' sustainability journeys, human capital issues like inequality, environmental injustice, COVID-19 fallout and other serious issues are now on par with climate change. Climate change has been a huge focus for companies, appropriately. But with the pandemic, companies began to realize that there were all these human capital issues that maybe they had sort of paid attention to but had not really focused on. I think COVID triggered human capital issues writ large being elevated to the importance level of environmental issues in the sustainability and investing landscape. I'm not saying that that was the case in other sectors, but in our world climate change has always been the 800-pound gorilla in the room and other issues have been important but really specialized. Now the conversations have become much deeper than 'we need to buy renewable energy to mitigate climate change.' I think 2020 was a trigger that elevated social issues up to the same level as climate change, and that's important.

Q: Based on your engagements in 2020, what makes you hopeful going into the months ahead?

Heather Smith: Because the pandemic has gone on so long and because, unfortunately, high-profile examples of racial bias continue to dominate the headlines, there is continuing pressure on companies to get things right. I am hopeful that from that we will start to see more meaningful change.

We have long known that there are biases built into our societal system, that the system has been stacked against women and people of color for a long time, but 2020 really laid bare how inequality affects the lives of people in so many ways. That cannot be unseen, nor should it be.

Many more investors are now interested in racial justice, environmental justice, gender and racial equality and are taking action on these issues through proxy votes and their own engagements. At the same time, customers have higher expectations of companies, particularly consumer-facing companies. I am hopeful that the increase in statements and high-level commitments that we saw in 2020 will translate into tangible action this year — that companies will publish disclosures or metrics or other indications that the promises they made in the immediate aftermath of 2020's unfortunate events will be a long-term focus. X

View our 2021 Engagement Report

www.impaxam.com/engagement

Pax World Funds News

Fossil Fuel Free

If climate change is important to you as an investor, you should know that all Pax World Funds are fossil fuel free, including the **Pax High Yield Bond Fund**. We believe reducing our exposure to fossil fuel companies makes our portfolios even less exposed to climate-related risks and, therefore, even more resilient.

Learn more at **www.impaxam.com/fff**

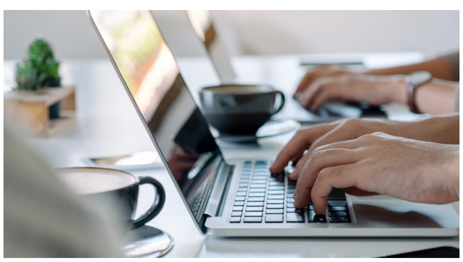
New Pax Portal Now Live

Managing your investments is a whole lot easier with the new Pax Portal. Log on from any of your devices and try its new and improved features.

Access the portal at **www.impaxam.com/account**

If you already have a user ID and password for our site, log into the portal using those credentials.

No user ID/password yet? No problem! Click "Get Online Access."



All About Sustainable Infrastructure

The **Pax Global Sustainable Infrastructure Fund*** invests in companies that enable or increase access to vital physical resources, such as clean energy, water, resource and waste management, and food and agriculture, and societal resources such as healthcare, education, finance, transportation, data and communications.

Learn more at **www.impaxam.com/gsif**

**** Effective March 31, 2021, the name of the Pax ESG Beta Dividend Fund changed to the Pax Global Sustainable Infrastructure Fund.***

Prior to March 31, 2021, Pax Global Sustainable Infrastructure Fund was known as Pax ESG Beta Dividend Fund and the strategy of the Fund differed from its current strategy. Accordingly, performance of the Fund for periods prior to March 31, 2021, may not be representative of the performance the Fund would have achieved had the Fund been following its current strategy.

New Pax Insights

Find this and all recent thought leadership from Impax experts at **impaxam.com/insights**

Built-in Bias: What Investors Should Know

Julie Gorte and David Loehwing discuss the extent of the bias built into technologies we use every day, how companies and investors can spot it, and what steps can be taken to eradicate it.

Read the article at **www.impaxam.com/bias**

Conversation Pieces

"You can build a net-zero building, but it's not a standalone building. The infrastructure around it needs to be low carbon as well."

Hubert Aarts, Executive Director, Listed Equities
MarketWatch

"We saw significant growth even prior to the pandemic. Asset flows into ESG funds from 2018 to 2019 quadrupled. There's broader adoption and acceptance among financial advisors and institutions and their clients. They see the benefit from a performance standpoint."

Jenifer Cannon, Vice President, National Accounts & Business Development
InvestmentNews

"There is a tremendous amount of demand (in sustainability-linked bonds). Investors can't get enough of it."

Tony Trzcinka, Portfolio Manager, Pax Core Bond Fund, Pax Sustainable Allocation Fund
Agenda

Pay Yourself First

Did you know you can automatically add to your investments at a regular interval without having to lift a finger? Automated contributions do the work of investing for you. Establish a plan, then set it and forget it!

Go to the new Pax Portal (**www.impaxam.com/account**) to set up an automatic investment plan, or download and complete the Shareholder Service form on our website: **www.impaxam.com/forms**

CLIMATE ACTION, CONTINUED from FRONT PAGE

climate and ESG. The agency has made several pronouncements about the importance of understanding climate change as an investment risk and has promised to step up enforcement on nondisclosure of climate risks through its newly created Climate and ESG Task Force. The SEC has also posted for public comment a list of questions about climate risk and opportunity disclosure as well as other environmental, social and governance (ESG) issues. We submitted comments in response to that inquiry in June 2021, and we expect the SEC to consider guidance or rulemaking in the future to reinforce the importance of ESG factors in investment management.

The winds have shifted in Washington. The Biden administration's early actions on climate suggest an historic reset: We have come a long way in a very short period of time. The challenge, of course, is that we still have a very long way to go. At Impax, we are committed to doing our part.

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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 www.impaxam.com. Please read it carefully before investing.

An investment in Pax World Funds involves risk, including loss of principal. Past performance does not guarantee future results.

Pax High Yield Bond Fund RISKS: The Fund can invest in "junk bonds" which are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments when due. Yield and share price will vary with changes in interest rates and market conditions. Investors should note that if interest rates rise significantly from current levels, bond fund total returns will decline and may even turn negative in the short term. Mortgage related securities tend to become more sensitive to interest rate changes as interest rates rise, increasing their volatility. There is also a chance that some of the fund's holdings may have their credit rating downgraded or may default.

Pax Global Sustainable Infrastructure Fund 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.

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