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NEW PAX INSIGHTS

IMPORTANT 2017 TAX
INFORMATION AND DATES

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Sustainable Investing: From Possibilities to Probabilities

By Joe Keefe, President & Chief Executive Officer, Pax World

When I think about the prospects for sustainable investing and sustainable development I am a die-hard optimist when it comes to possibilities but more pessimistic when it comes to probabilities if we remain on our current course.

We need to up our game.

I assume that none of us believe that humanity is so smart or gifted or somehow smiled upon by destiny that global sustainability issues will naturally resolve themselves through new technologies and the inevitable march of progress. To the contrary, we will need to consciously shape a revolution in the way we do business and governance and organize societies if we are to build a sustainable capitalism capable of delivering inclusive growth.

We will need a Sustainability Revolution equal in significance to the Industrial Revolution that ushered in the modern period.

This revolution is not inevitable. If you read books like *Thinking, Fast and Slow* by Nobel laureate Daniel Kahneman, about how humans actually make decisions, you understand that deep-seated cognitive biases often prevent us from making rational choices, as short-term, emotional thinking tends to cloud longer-term, more logical and expansive thinking.

And the task is made more difficult by the current crisis of the public sector.

Increasing numbers of Americans, feeling left behind by globalization, technological advances and political gridlock, have lost faith in established institutions, including the media, corporations

and our democratic system of government itself. We are witnessing a profound trust deficit and a breakdown of the Enlightenment consensus around shared ideals and notions of the truth, a belief in science, reason and democratic norms. Instead, alternative facts, a rejection of science and a rejection of truth itself characterize a new tribalism where group identities and grievances replace traditional notions of the common good.

"We must also transition from a global system of haves and have-nots to a more vibrant, dynamic and just global community."

We must nevertheless find a way to transition from an industrial age economy fueled by coal and oil to a sustainable economy fueled by renewable energy, conservation, innovation and new technologies. We must also transition from a global system of haves and have-nots to a more vibrant, dynamic and just global community.

As the UN Sustainable Development Goals (SDGs) make clear, it is not only the existential threat of climate change that we must tackle but other urgent priorities including gender inequality, extreme poverty, and access to education, health care, nutrition and clean water.

I grew up during an era when we expected a vital public sector to lead the way on such matters. The public sector is no longer vital; it is moribund. The private sector—businesses and markets, with some assistance from multi-lateral institutions and Non-governmental organizations—will need to step into the breach. This is the task of sustainable investing in the coming years—to lead the Sustainability Revolution and usher in a new phase of sustainable

Update from Mercy Corps: Building Local Strength and Stability

By Lyndi Lierseemann, Mercy Corps

When so many global crises take place at once, it can be challenging to feel like you're making a difference. In 2017, wars ravaged communities around the world. Hunger put millions of lives at risk. Natural disasters destroyed homes and livelihoods.

Still, despite all this, one fact cannot be shadowed: We have so much to be proud of.

In 2017, Mercy Corps changed the lives of nearly 22 million people in more than 40 countries around the world—because Pax World and their shareholders were determined to help.

Mercy Corps is a global organization powered by the belief that a better world is possible. In more than 40 countries around the world, we work directly with leaders and changemakers on the ground—focusing especially on women and young people—to build local strength and stability.

Below are just some of the ways our partnership made the world better in 2017.

In many places around the world, women and girls have unequal access to the resources they need to achieve all they are capable of—things like information, money, jobs, education and land. But we know a better world starts when everyone has tools to thrive.

Thanks to our partnership, we helped more than 10 million women and girls improve their education, health, leadership opportunities and livelihoods, empowering them to build stronger lives, families and communities.

Tens of thousands of women in countries like Tajikistan, Pakistan, Uganda and Ethiopia can take control of their health with better access to medical services and knowledge about nutrition, family planning and hygiene. And tens of thousands more in places like Nigeria received vocational and technical training to start small businesses.

Collectively, we stood with millions of vulnerable women and girls to prove the difficult world they live in is still a world of possibility.



Photo credits clockwise from top left: Sean Sheridan, Ezra Millstein, Corinna Robbins and Ezra Millstein for Mercy Corps.

Young people are the next generation of teachers, doctors, scientists and leaders—and the support they receive today will determine who they become tomorrow.

Unfortunately, so many children who should be learning, playing and growing are caught in crisis or don't have the resources they need to reach their full abilities.

Our partnership lifted 11 million of the world's most vulnerable children up with the resources and support they needed - when they needed it most. This includes sending almost 200,000 children to school and giving them the opportunity to have a bright, productive life. We connected over 160,000 young people to safe spaces, emotional support and other resources to help them overcome the stress of growing up amid crisis, like the war in Syria.

Every day vulnerable people are driven from their homes by conflict and disaster—this year even saw the highest number of displaced people on record. But that didn't deter us. Through our partnership this past year, we've helped 3.8 million refugees and host community members in 24 countries survive and rebuild.

We reached 1.5 million people inside Syria with emergency food and lifesaving supplies. And after Boko Haram ravaged communities in northeast Nigeria, we supported 200,000 vulnerable people with food vouchers, cash and access to water and sanitation.

We faced many global challenges last year, but Pax World shareholders saw the possibility of change. Thank you for everything we accomplish together. 🌱

Pax World Global Citizen Program

Pax World shareholders can support Mercy Corps' 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. **For more information visit paxworld.com/globalcitizen.**

Pax World and Impax are Joining Forces as One Company

In September, Pax announced it entered an agreement to be acquired by Impax Asset Management Group plc (Impax). Pax and Impax are joining forces to create a leading investment manager focused on the risks and opportunities arising from the transition to a more sustainable global economy.

This is an exciting new chapter in our decade-long partnership with Impax, subadvisor to the **Pax Global Environmental Markets Fund**. Both Pax and Impax have a heritage as pioneers in the field of sustainable investing and share similar corporate cultures and values.

As a combined firm, we will be able to significantly expand investment management, global research and client service capabilities. Pax will continue to manage Pax World Funds as the U.S.-based mutual fund division of Impax's global business—our portfolio management teams and sustainable investment process will not change.

To learn more read our press release at paxworld.com/Impax_PR.

Pax World Expands Investment Team with Senior Hires

We're pleased to welcome Andy Braun, Barbara Browning and Yvonne Tai to the Pax investment management team.

Mr. Braun joins as Portfolio Manager, and Ms. Browning, CFA as Co-Portfolio Manager of the **Pax Large Cap Fund (PAXLX)**. Mr. Braun has also joined the portfolio management team of the **Pax Balanced Fund (PAXWX)**. As Senior Analyst, Ms. Tai has joined Portfolio Manager Tony Trzcinka on the **Pax Core Bond Fund (PAXBX)**.

Each brings impressive credentials and talent



Andy Braun



Barbara Browning



Yvonne Tai

to Pax and will strengthen our institutional-quality investment capabilities. Visit paxworld.com/team to read their biographies.

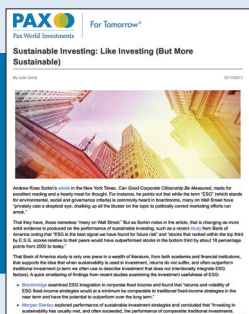
One of the Best Companies to Work for in New Hampshire

Pax has been named one of the Best Companies to Work For in New Hampshire for the second year in a row. Each year Business NH Magazine and NH Businesses for Social Responsibility judge companies statewide on benefits, company culture, employee development strategies, wellness programs, family friendly policies, and an employee survey. The finalists, including Pax World, were profiled in the September 2017 issue of Business NH Magazine. 🌱

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New Pax Insights

Have you visited Pax World's website recently? New perspectives from Pax World experts are available at paxworld.com/insights



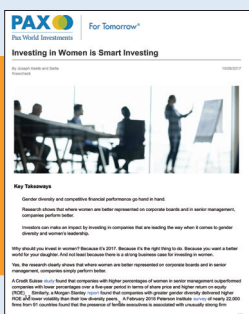
Sustainable Investing: Like Investing (But More Sustainable)

Read the article at paxworld.com/sustainable-investing-like-investing-but-more-sustainable



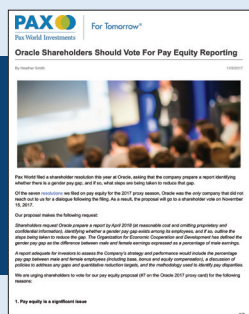
Podcast: The Impact of Environmental Markets Investing

Listen to the podcast at paxworld.com/the-impact-of-environmental-markets-investing



Investing in Women is Smart Investing

Read the article at paxworld.com/investing-in-women-is-smart-investing



Oracle Shareholders Should Vote For Pay Equity Reporting

Read the article at paxworld.com/why-oracle-shareholders-should-vote-for-pay-equity-reporting

Shareholder Corner:

Tax Season Reminders for Pax World Investors

April 17, 2018: Final date to make Individual Retirement Account (IRA) contributions for the tax year 2017.

Important 2017 documents mailed and/or available online:

January 31, 2018 (online only): Qualified Dividend Income and Pass-Through Exemptions Information

February 15, 2018: IRS form 1099-DIV/B

April 30, 2018: IRS form 5498 ESA

January 31, 2018: IRS forms 1099-R and 1099-Q

May 31, 2018: IRS form 5498

1099-DIV reports taxable dividends and capital gains paid to non-retirement accounts; 1099-B reports redemptions from a non-retirement account and cost basis for covered shares; 1099-R reports redemptions from retirement accounts; 1099-Q reports redemptions from a Coverdell ESA; 5498-ESA reports Coverdell Education Savings Account contributions; and 5498 reports retirement account contributions.

SUSTAINABLE INVESTING: FROM POSSIBILITIES TO PROBABILITIES, CONTINUED from FRONT PAGE

capitalism, and to do so without the favorable, forward-thinking public policy environment that would otherwise be optimal.

The good news is that the transition to sustainable capitalism provides a clearer path to economic growth and wealth creation. In the year 2016 alone, employment in the solar energy sector grew 17 times faster than overall job growth in the U.S. economy and accounted for 2% of all new jobs. More Americans now work in the solar industry than for Apple, Facebook and Google combined.¹

The bad news is that financial markets are still dominated by short-term traders and the business class is still overly focused on short-term markers that fail to take sustainability concerns into account. Women still face discrimination, unequal pay and other inequities despite overwhelming evidence that advancing gender equality can make companies more profitable and communities

more vital. The climate continues to warm.

According to the 2016 US SIF Foundation Trends report, approximately 80% of investments still fail to take into account ESG or sustainability factors. A 2016 UN PRI survey of over 1000 chief executives found that, although 88% agreed that greater integration of sustainability is essential, only 10% cited pressure from investors as one of the top three factors driving them to take action.

This is insufficient. Again, we need to up our game.

All of us should have a sense of urgency about this moment. The SDGs have set an ambitious agenda for where humanity and the planet need to go. To get there—to usher in the Sustainability Revolution—will require a healthy, vibrant sustainable investing industry that changes the face of investing and hence of businesses and capital markets.

In my view, we should publicly commit ourselves to a goal of having the majority of all assets under management, and all investment inflows, integrate ESG or sustainability factors by the year 2030, which is the target period of the SDGs.

Setting a more public goal will incentivize us to work together more collaboratively, to be more innovative and entrepreneurial, and to set a faster pace—which will definitely be required.

We must do everything in our power to assure that sustainable investing ultimately prevails and that sustainable development is ultimately achieved. The task ahead is to turn possibilities into probabilities. 🌱

A version of this article originally appeared in the September/October 2017 issue of Green Money Journal.

¹ "The Transformation of Growth," Generation Foundation, June 2017.



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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.paxworld.com. Please read it carefully before investing.

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

RISKS: Equity investments are subject to market fluctuations, a 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. Investments in high yield bonds generally are subjected to greater price volatility based on fluctuations in issuer and credit quality. When investing in bonds, you are subject, but not limited to, the same interest rate, inflation and credit risks associated with the underlying bonds owned by the Fund. Mortgage related securities tend to become more sensitive to interest rate changes as interest rates rise, increasing their volatility. Funds that emphasize investments in mid-size and smaller companies generally will experience greater price volatility. Investing in non-diversified funds generally will be more volatile and loss of principal could be greater than investing in more diversified funds. The Pax Large Cap Fund and Core Bond Fund are new and have a limited operating history.

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