

Pax World Management LLC 2013 Corporate Social Responsibility Report



INDEX

1.	A message from Joe Keefe, President and Chief Executive Officer	3
2.	About us	4
	a. Our Mission Statement	4
	b. Our Values Statement	5
	c. Corporate Governance	5
	d. Our Customers	6
3.	People	6
	a. Executive Biographies	6
	b. Diversity at Pax World	9
	c. Human Resources	11
	i. Work/Life Benefits	11
	ii. Occupational Safety	11
4.	Pax World's Environmental Impact	11
	a. 2013 Focus Area – Information Technology (IT)	13
5.	Sustainable Investing at Pax World	13
	a. Environment	14
	b. Workplace	14
	c. Governance	14
	d. Product Integrity	14
	e. Community	14
	f. Investments we avoid	14
6.	Funds offered and benchmarks	15
7.	Carbon Benchmarking	16
	a. Product Carbon Footprint	17
8.	Impact Investing	18
	a. Community Investing	18
	b. Company Engagement	19
	i. 2013 Focus Area – Gender Advocacy	20
	c. Proxy Voting	21
	d. Global Citizen Program	21
9.	Memberships and affiliations	22
10.	Pax World's Philanthropy & Community Involvement	23
11.	About this report	26
12.	KPI Chart	27
13.	2013 UNGC Communication on Progress (COP)	28

A message from Joe Keefe, President and Chief Executive Officer

I invite you to read our 2013 Pax World Management LLC Corporate Social Responsibility report. The report reviews our progress as an asset manager committed to sustainable investing principles and as a business that seeks to operate in a manner consistent with the environmental, social and governance (ESG) standards we integrate into our portfolios.

At Pax World, our work is focused on moving the needle toward sustainability in two ways: by affecting what other companies do, and by managing our own operations as sustainably as possible.

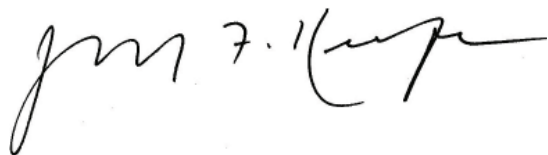
For example, our advocacy initiatives in 2013 included direct engagement with garment manufacturers and retailers in the wake of the collapse of the Rana Plaza garment factory in Bangladesh that killed more than 1,100 workers, most of them women. We urged these companies to adopt the UN's Women's Empowerment Principles as a means of advancing and empowering women in the workplace. We also engage with companies urging them to increase the number of women on their boards, to disclose and reduce their greenhouse gas emissions and to report on political and lobbying expenditures.

In our own operations, you will read about our use of post-consumer recycled paper, systematic controls to conserve paper and electricity, and an ongoing program to offset our own greenhouse gas emissions, including those resulting from our own business travel, through the purchase of carbon offsets that support renewable energy initiatives.

Sometimes our work on sustainability originates in the overlap between our own operations and the operations of our funds. In 2013, we conducted carbon benchmarking of our five largest equity funds and made our already fossil fuel-free Global Environmental Markets Fund carbon neutral as well.

In these pages you will find our combined UN Global Compact Communication on Progress and our Corporate Sustainability Report. Thank you for taking the time to review the report. As we report on these issues in the future, we will do everything we can to continuously improve our performance and to live up to the vision and values that we have long held at Pax World.

Sincerely,



Joseph F. Keefe
President and CEO
Pax World Management LLC

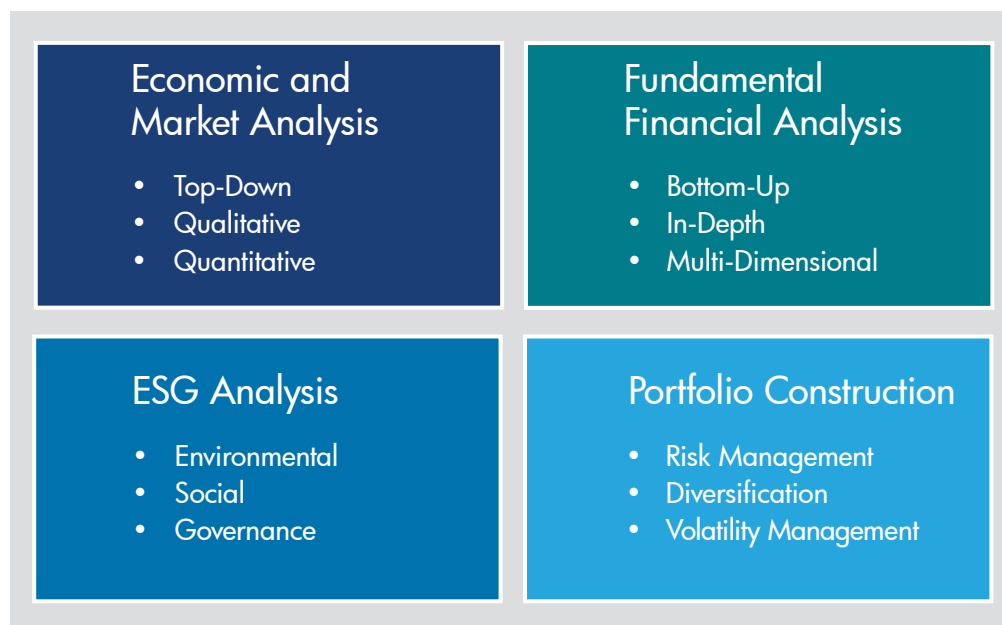
KEY TAKEAWAYS

- Pax World Management LLC is a leader in sustainable investing that is committed to continuous improvement of its own business policies and practices that effectively address environmental, social and corporate governance issues.
- Pax World is committed to providing excellent service to its shareholders, clients and customers.
- At Pax World, diversity is a guiding principle as well as an investment concept.
- Pax World recognizes its own operations affect the environment and strives to hold itself to the same standards it expects of the companies in its investment portfolios.
- Pax World benchmarks the carbon intensity of its investment portfolios.
- Pax World works to achieve measurable impacts through its investments including community investing, advocacy and engagement, and high-impact equity investing.

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ABOUT US:

Pax World Management LLC is a leader in the field of sustainable investing. Sustainable investing is the full integration of environmental, social and governance (ESG) criteria into investment analysis, security selection and portfolio construction. By combining rigorous fundamental financial analysis with equally rigorous ESG analysis, Pax World seeks to identify forward-thinking companies that are leaders in their industries, meet positive standards of corporate responsibility, and focus on the long term.



Pax World launched the first socially responsible mutual fund in America. Founders Luther Tyson and Jack Corbett, longtime colleagues working on peace, housing and employment issues for the United Methodist Church, launched the Pax World Fund in 1971 with \$101,000 in assets. The fund provided investors a vehicle that allowed them to align their investments with their values and empowered them to advocate that corporations establish and meet high standards of social and environmental responsibility. Their pioneering work guided development of the sustainable investing industry.

Today, Pax World Management LLC is the investment adviser to a growing family of mutual funds, separate accounts and multi-manager asset allocation strategies. As of December 31, 2013, Pax World Management LLC advises funds with roughly \$3.2 billion in assets under management for individuals, financial advisors, and institutional investors.



Headquartered in Portsmouth, NH, we work with individuals, financial advisors and institutions to make our funds and investment strategies available to investors.

Our Mission Statement:

Pax World offers investors a selection of professionally managed investment products that seek to invest in forward-thinking

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companies with sustainable business models. Our primary goal is to produce competitive returns for our investors. By integrating environmental, social, and governance criteria into our investment approach, Pax World also seeks to promote peace, protect the environment, advance equality, and foster sustainable development. Pax World also aims to conduct our business responsibly, minimizing our impact on the environment and working harmoniously with stakeholder groups, including employees, suppliers, clients and other communities of place and interest who are affected by our work.

Our Values Statement:

Pax World strives to be a prudent fiduciary and a careful steward of its shareholders' and clients' assets. In doing so, we embrace the core values of responsibility, respect, honesty, compassion and fairness throughout our interactions with shareholders, employees, business partners and our community.

Responsibility: to our shareholders by meeting the highest fiduciary and ethical standards; to our employees by providing a workplace where they can develop their careers and realize their potential; and to our business partners and stakeholder communities by operating our business according to high standards of corporate citizenship.

Respect: for our shareholders by devoting ourselves to meeting their investment goals and objectives while always giving due consideration to their questions and concerns; for our employees by providing a healthy, collegial work environment where individuality, diversity and teamwork are welcomed and encouraged; for our community by considering our environmental and other impacts on both a local and global scale; and for our business partners by considering our economic impact on their operations.

Honesty: to be forthright and transparent in our communications with our shareholders, our relationships with our employees, our interactions with our communities, and our dealings with business partners.

Compassion: to be considerate of the individual concerns of shareholders; to accommodate our employees' need for work/life balance; to support the needs of our community through charitable contributions and volunteerism; to treat our vendors as valued business partners.

Fairness: to always give due weight to shareholders and put their interests first; to utilize fair hiring practices and offer equal opportunities for advancement to our employees; to support justice in our community; and to maintain integrity in our interactions with our business partners.

Corporate Governance:

Pax World is committed to the highest standards of ethics, business integrity and corporate governance. As the adviser to the Pax World family of mutual funds, we have a fiduciary responsibility to the funds' shareholders. To that end, Pax World's corporate governance practices are designed to establish and preserve accountability and transparency, while avoiding conflicts of interest (or even the appearance of conflict). Although our funds' shareholders' interests always come first, we also believe that we have a moral and ethical obligation to our employees, suppliers and the communities in which we operate.

Pax World Management LLC is a privately-held company incorporated in the State of Delaware and overseen by a five member board of directors, which includes our CEO and Chief Investment Strategist.

The mutual funds we manage are held in two business trusts established in Massachusetts (Pax World Funds Series Trust I and Pax World Funds Trust II). The trusts are overseen by an eight-member board of trustees. Six of the eight trustees on the board are independent, including the chairman of the board, Carl Doerge, who is a non-executive, independent member of the board.

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Two of the board members are women, and the board's nominating committee charter provides: "In considering and evaluating candidates, (a) the Committee shall strive to achieve and maintain diversity of membership on the Board, including (but not limited to) diversity of race, gender, culture, thought and geography, which the Board believes are key attributes of a well functioning board."

Pax World is equally committed to managing our own operations in a sustainable manner. Currently, Pax World's sustainability efforts are overseen by our Corporate Social Responsibility (CSR) Committee, which is chaired by our CEO. Members represent various departments throughout the company. The CSR Committee is responsible for Pax World's CSR initiatives, reporting and conducting periodic employee training on the company's environmental policies & procedures and developing ways to reduce Pax World's environmental footprint.

OUR CUSTOMERS:

Pax World is committed to providing excellent service to its shareholders, clients and customers. To accomplish that, Pax World strives to provide shareholders, clients and customers with tools to access information about their accounts, report complaints or problems, and protect their privacy, and to report on our performance with respect to those principles. Pax World has established the following policies:

- Assure that all client interactions are monitored for satisfaction on a regular basis, and that problems receive appropriate attention.
- Assure that reports on customer satisfaction are compiled at least quarterly and any significant or ongoing issues are brought to the attention of senior management.
- Assure that all customer inquiries receive an appropriate response within a reasonable period.
- Protect customer privacy as described in our Privacy Policy. We also will monitor any problems related to privacy and respond accordingly.

PEOPLE AT PAX WORLD:



Joe Keefe is President and Chief Executive Officer of Pax World Management LLC and of Pax World Funds. Under his leadership, Pax World has become one of the leading innovators and asset managers in the rapidly growing field of Sustainable Investing – the full integration of Environmental, Social and Governance (ESG) factors into investment analysis and decision making. Prior to joining Pax World, Joe was President of NewCircle Communications, a strategic consulting and communications firm specializing in corporate social responsibility and public policy-oriented communications. He served as Senior Adviser for Strategic Social Policy at Calvert Group from 2003-2005 and as Executive Vice President and General Counsel of Citizens Advisers from 1997-2000. He is a former member of the Board of Directors (2000-2006) of US SIF-The Forum for Sustainable and Responsible Investment, which represents asset managers and investors throughout the United States.

He is Chair of the Board of Directors of Women Thrive Worldwide, a leading non-profit organization shaping U.S. international assistance and trade policy to help women in developing countries lift themselves out of poverty. He is also a member of the Board of Directors of Americans for Campaign Reform, a member of the Leadership Group for the Women's Empowerment Principles, a joint program of the United Nations Global Compact and UN Women, and a member of the Steering Committee of the Global Initiative

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for Sustainability Ratings (GISR). Mr. Keefe was named by *Ethisphere Magazine* as one of the “100 Most Influential People in Business Ethics” in 2007, 2008 and 2011. In 2012, was recognized by *Women’s eNews* as one of “21 Leaders for the 21st Century,” where he was the sole male honoree.

Joe is a former Democratic Nominee for United States Congress in New Hampshire’s First Congressional District and a former Chair of the New Hampshire Democratic Party and member of the Democratic National Committee. He has extensive experience in national and local political affairs and in television and radio commentary, including many years of New Hampshire-based television and radio work, as well as surrogate appearances on behalf of Kerry for President on *The Tim Russert Show* (CNBC), *Crossfire* (CNN), *Hannity* and *Colmes* (Fox), *C-Span*, *New England Cable News* (NECN) and other media outlets, as well as previous surrogate experience on behalf of Al Gore in 2000 and Clinton-Gore in 1996.

Before entering the investment field, Joe was in private law practice for 16 years. He received a Bachelor of Arts in Philosophy from the College of the Holy Cross, and a Juris Doctor degree from the University of Virginia School of Law.



Chris Brown is Chief Investment Strategist for Pax World Funds as well as Portfolio Manager for the Pax World Balanced Fund. He has been with Pax World Management LLC since 1998, when he joined the company as Co-Portfolio Manager of the Pax World Balanced Fund. He has served as its sole manager since October 2001 and served as Co-Portfolio Manager for the Pax World Growth Fund from 2006 – May 2011.

Prior to joining Pax World, Mr. Brown was a Senior Manager at Fahnstock and Co., Inc., a New York Stock Exchange brokerage firm, from 1987 to 1998, and First Vice President from 1994 and 1998. Mr. Brown also was a Senior Vice President of H.G. Wellington and Co., Inc., from April 1998 to July 2006, where he served as an adviser on separately managed accounts. He is a graduate of the Boston University School of Management with a concentration in finance.



Julie Fox Gorte, Ph.D. is the Senior Vice President for Sustainable Investing at Pax World Management LLC. She oversees Environmental, Social and Governance-related research on prospective and current investments as well as Pax’s shareholder advocacy and work on public policy advocacy.

Dr. Gorte serves on the boards of Ceres, the Sustainable Investments Institute, the Endangered Species Coalition and the American Sustainable Business Council. She serves as the co-chair of the Asset Management Working Group of the United Nations Environment Programme Finance Initiatives and is on the steering committee for UNEP’s workstream on biodiversity.

Prior to joining Pax, Dr. Gorte served as Vice President and Chief Social Investment Strategist at Calvert. Her experience before she joined the investment world in 1999 includes nearly 14 years as Senior Associate and Project Director at the Congressional Office of Technology Assessment, Vice President for Economic and Environmental Research at The Wilderness Society, Program Manager for Technology Programs in the Environmental Protection Agency’s policy office and Senior Associate at the Northeast-Midwest Institute. Dr. Gorte received her Bachelor of Science in Forest Management at Northern Arizona University and a Master of Science and Ph.D from Michigan State in resource economics.



John Boese is Chief Compliance Officer of Pax World Management LLC, Pax World Funds Series Trust I and Pax World Funds Trust II. John oversees and manages all compliance and legal aspects of the Pax World Funds and Pax World Management LLC, the adviser to the Pax World mutual fund family. John is an active member of senior management, contributing to implementation of strategic initiatives and ongoing operations.

Prior to joining Pax World as CCO in January, 2006, John was Vice President and Chief Regulatory Officer of the Boston

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Stock Exchange, Boston, Massachusetts. John joined the Boston Stock Exchange in 2000, and served originally as Vice President of Legal and Compliance before being promoted to Chief Regulatory Officer in 2003. Before joining the Boston Stock Exchange, John held various legal and compliance positions, including serving as an Assistant Prosecutor for Monmouth County, New Jersey, from 1988 – 1990. John is a graduate, cum laude, of Rutgers University and Vermont Law School and is a member of the New Jersey Bar.



Alicia DuBois is Chief Financial Officer of Pax World Management LLC as well as Treasurer of the Pax World Funds Series Trust I and Pax World Funds Trust II.

Alicia has been in the mutual fund industry since 1995. Prior to joining Pax, she was Assistant Vice President of Mutual Fund Accounting and Administration for Lincoln National (formerly Jefferson Pilot Financial) and served as Assistant Treasurer for the Jefferson Pilot variable fund series. Before Jefferson Pilot, she spent 14 years in public accounting.

Alicia is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants. She is an active member of the ICI Small Funds Committee and also serves as a member of the ICI Accounting/Treasurers Committee. She earned a B.S. degree in Accounting from C.W. Post Center of Long Island University.



Maureen Conley is Senior Vice President of Shareholder Services/Operations for Pax World Management LLC. She serves as a member of senior management for strategic planning and is responsible for the development and implementation of policies and procedures for shareholder servicing and operations. She is also responsible for establishing and supervising relationships with key vendors.

Maureen joined Pax in 2000 as Manager of Shareholder Services. She began her mutual fund career at Citizens Funds in 1996. Maureen is a graduate of the University of Southern Maine and received her MBA from the University of New Hampshire's Whittemore School of Business and Economics. She is a member of the East Coast Regional Committee of the National Investment Company Service Association (NICSA) and is on the Board of Directors of On Belay, a non-profit organization that provides unique adventure based programs that build community among youth who have or have had a family member with cancer. Maureen holds the FINRA Series 6, 7, 24, 26 and 63 registrations.

Maureen Conley is a registered representative of ALPS Distributors, Inc.



Judy Snow May is Senior Vice President and Head of Marketing for Pax World Management LLC. Judy is responsible for Pax World's marketing efforts and cultivating new opportunities for growth, and she is a member of senior management, contributing to implementation of strategic initiatives.

Judy has almost two decades of experience in marketing and communications. Prior to joining Pax World in 2012 she served as a Director of Marketing for Eaton Vance, where she was responsible for strategy and project management for retail marketing initiatives. She previously held marketing positions with other investment firms, including Tucker Anthony and Freedom Capital Management. Judy earned an A.B. from Bowdoin College and an M.B.A. from Babson College. Judy holds the FINRA Series 7, 66 and 24 registrations.



Ed Lynch is the Senior Vice President, National Sales. He has more than 25 years of experience in the asset management business, including positions in product management, sales, marketing and strategic planning for companies such as Fidelity Investments, Citigroup, Van Kampen Funds, J&W Seligman and XShares Advisors. Ed has broad experience in both intermediary and institutional markets working with a wide range of financial products. He is a graduate of Union College and the Columbia University Graduate School of Business.

Ed Lynch is a registered representative of ALPS Distributors, Inc.

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Kathleen McQuiggan is Senior Vice President of Global Women's Strategies for Pax World Management LLC. In this senior management role, Kathleen is responsible for the firm's initiatives related to gender diversity and women's empowerment including its efforts to advance gender equality as an investment concept. In addition, she leads Pax World's Women and Wealth Practice Management initiative focused on helping financial advisors build their practices and enhance the services they provide to women investors.

Kathleen has more than 20 years of experience in the financial services industry with much of that time focused on increasing the industry's understanding of and responsiveness to the financial planning needs of women. Prior to her current role, Kathleen was Senior Adviser to Pax World for Gender Diversity Initiatives while serving as President of Catalina Leadership, a strategic advisory organization she launched that focused on investing in women. Prior to working with Pax World, she was a Vice President at Goldman Sachs for 13 years, where she served as an Institutional Equity Franchise salesperson in Chicago and Boston.

Kathleen earned a Bachelor of Arts degree in business administration with a concentration in finance from Towson University. An advocate for women's issues in business and the community, she currently serves on the YWCA Boston Board of Directors, is Co-President of the 85 Broads Boston Chapter and is a member of the advisory board of Wealthrive.

Kathleen McQuiggan is a registered representative of ALPS Distributors, Inc.

DIVERSITY AT PAX WORLD:

Pax World is an equal opportunity employer and follows a policy of administering all employment decisions and personnel actions without regard to age, sex, gender identity and expression, sexual orientation, race, color, marital status, pregnancy, physical or mental disability, genetics or genetic information, family health history, religion, national origin, or veteran status, or any other category protected under applicable federal, state or local law.

At Pax World, diversity is a guiding principle as well as an investment concept. We embrace gender diversity in our business for the same reason that we promote gender diversity among the companies we invest in: when women are at the table, we believe the discussion is richer, the decision-making process is better, and the organization is stronger. In 2010, Pax World CEO & President Joe Keefe was among the first CEOs in the world to endorse the [Women's Empowerment Principles](#) (*Pax World and ALPS Distributors, Inc. are not responsible for the content on this website*).

Three of the six funds we manage in-house are managed by women; five of the nine senior executives who sit on our management committee are women as well, as are half of our Sustainable Research team and more than half of our marketing team. Overall, in 2013, 43% of our total workforce was comprised of women.

Pax World conducts an annual gender pay equity survey. The results of that survey are in the tables below. In any company as small as Pax World, a disparity may arise in pay equity due to the compensation of one or two individuals, and those differences may arise due to variations in qualifications and responsibilities.

Overall Salary Ratio (Women to Men)	
2010	72%
2011	76%
2012	72%
2013	90%
As of 2/28/2014	91%

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Job Function Salary Ratio (Women to Men)	As of February 28, 2014
Directors (2)	0%
Senior Managers (7)	83%
Portfolio Managers & Senior Analysts (7)	123%
Managers (7)	74%
Professional Staff (26)	97%

**Parentheses denote the number of employees in the job category.*

Job Function Salary Ratio (Women to Men)	As of December 31, 2013
Directors (2)	0%
Senior Managers (6)	83%
Portfolio Managers & Senior Analysts (7)	131%
Managers (7)	78%
Professional Staff (25)	100%

**Parentheses denote the number of employees in the job category.*

In 2013, Pax World changed our data collection method for our pay equity report. The following table includes all data collected before 2013.

Pay Equity Report (Female/Male)*	2010	2011	2012
Directors	0%	0%	0%
Portfolio Managers	133%	132%	127%
Senior Vice Presidents	73%	72%	75%
Senior Managers	130%	127%	119%
Senior Analysts	119%	113%	109%
Analysts	136%	100%	96%
Professional Staff	97%	96%	106%
General Staff	138%	138%	141%

**Initial data collected in 2010*

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HUMAN RESOURCES:

Work/Life Benefits:

Pax World strives to provide its employees a friendly, collegial, professional work environment. In addition to a competitive benefits package, Pax World offers employees the following:

- Pax World employees are provided with paid time off for volunteer work during regular business hours. Each employee is provided one paid volunteer day per quarter to work at an established non-profit organization.
- \$250 annual Matching Gift Program wherein the company matches certain employee donations to eligible non-profits.
- Full time Pax World employees are eligible to receive \$2,000 (\$1,000) lump sum cash payment for the purchase or lease of a new (used) hybrid gas-electric vehicle.
- Pax World reimburses eligible employees for tuition expenses up to \$5,000 per year/\$15,000 per lifetime.
- In 2013, Pax World implemented an Adoption Reimbursement program, where the employer will reimburse eligible employees up to \$5,000 in adoption expenses, per adopted child.
- Pax World offers a free Employee Assistance program to all employees and their household members. This program offers 24/7 confidential help on work and life issues.

Occupational Safety:

Pax World is committed to maintaining a healthy and safe work environment and to eliminating recognized safety and health hazards in the workplace. While employee safety and health hazards are limited and exposure to dangerous mechanical equipment and hazardous materials is minimal, Pax World has a Safety & Health Committee. The committee meets quarterly and coordinates such activities as annual employee safety training, emergency evacuation drills and on-site flu shots.

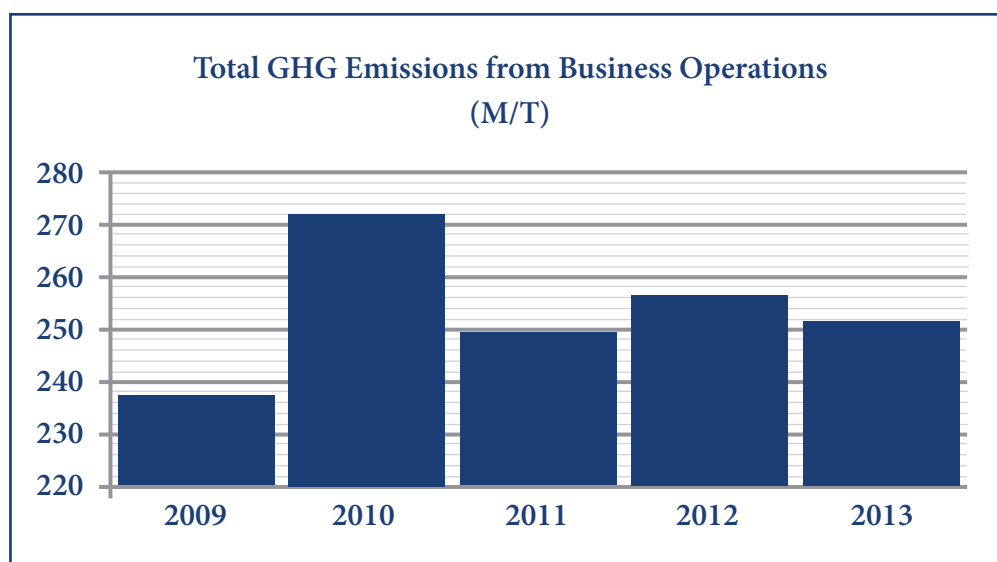
Pax World is cognizant of the risks posed to its employees by working in an office environment. To mitigate these risks, Pax World provides annual ergonomics training and endeavors to provide preventative workplace solutions for employees on an individual basis.

PAX WORLD'S ENVIRONMENTAL IMPACT:

Pax World believes that environmental stewardship is important for every business. Recognizing that our own operations affect the environment, Pax World strives to hold ourselves to the same standards that we expect of the companies in our portfolios. As part of this commitment, Pax World seeks to conduct business in a way that minimizes our environmental footprint while enhancing stakeholder value for our customers, employees, suppliers and communities.

In support of this effort, Pax World has committed to measure, analyze and reduce our contributions to global climate change and consumption of resources, including energy, water and materials. Pax World has partnered with Native Energy to offset our carbon footprint, which includes our corporate offices (utilities) and employee travel.

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In 2013, we partnered with the Bonneville Environmental Foundation (BEF) to offset our 2012 water consumption at our office in Portsmouth, New Hampshire through the purchase of Water Restoration Certificates (WRC). Every WRC purchased by Pax World represents 1,000 gallons of water restored to streams, through projects certified by the National Fish & Wildlife Foundation. Pax World purchased 172 WRCs to offset our water use for calendar year 2013.



Pax World is proud to support water flow restoration in partnership with BEF.

Environmental Impact of the Management Company	2009	2010	2011	2012	2013
Total GHG Emissions from Business Operations (M/T)*	237.68	272.16	250.00	257.00	252.35
Total Electricity Consumption from Business Operations ('000 kWh)	83.48	95.68	96.51	81.50	90.98
Total Natural Gas Consumption from Business Operations (Therms)**	N/A	N/A	2855.00	2879.00	3303.00
Total Water Consumption from Business Operations ('000 gallons)***	N/A	N/A	N/A	157.80	171.59

*Data from years 2009 and 2010 were converted from short tones into metric tones per EIA guidelines

<<http://www.eia.gov/tools/faqs/faq.cfm?id=7&t=2>>

** Initial data collected in 2011

*** Initial data collected in 2012

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Additionally, Pax World's existing environmental policies and programs include measures to minimize the use of office supplies, including paper, glass, metal, plastic and batteries, and recycle what we do use. Employees operating at remote locations are also expected to recycle their office waste.

Pax World prefers the use of digital marketing and advertising as a way to reduce paper consumption and other related environmental impacts. When choosing which marketing materials to print, we favor those that have longer shelf lives. Additionally, we seek to print only what we need using sustainably-sourced paper and less toxic alternatives to conventional petroleum-based ink products.

Pax World has undertaken composting at its Portsmouth, NH office. Using the services of a local company, Mr. Fox Composting, we are composting items such as food scraps, sugar packets, coffee grounds & filters, paper towels, teabags & tea, flowers and floral trimmings and wax paper liners.

2013 FOCUS AREA: – Information Technology (IT)

There are three areas within IT where we actively manage our impact: purchase, use and disposal. When purchasing new equipment from our primary PC provider, Dell, Pax World opts to participate in their plant a tree program. For a nominal fee at the time of purchase, Dell will plant a tree to offset the approximate carbon emissions associated with the useful life of the product. More information on this program can be found here: [Dell's Plant a Tree Program](#) (*Pax World and ALPS Distributors, Inc. are not responsible for the content on this website*).

Additionally, Pax World does a number of things to reduce the impact of our information technology systems while in service. In order to reduce electricity consumption, we instituted a policy through an "Active Directory" that puts our computer monitors to sleep when not active. More recently, we have begun transitioning to Virtual Servers where multiple server Operating Systems are running on a single physical server. This has also cut power consumption by electronic equipment that is usually operating 24/7.

Further, our securities trading environment that was built in 2007 required four physical servers, each with its own function and Operating System and drawing on its own power. Upon the completion of a major software upgrade, we will have just two servers operating, which will cut the power consumption of our securities trading environment by half.

Over the longer term, the number of individual pieces of equipment in our server room (currently >12) will be reduced to approximately 25% of today's total, as we increasingly move to virtualization both inside and outside the organization (utilization of the cloud). Further reading can be found here: [Energy Star: Server Virtualization](#) (*Pax World and ALPS Distributors, Inc. are not responsible for the content on this website*).

Finally, we rely on [Newport Computer Services](#) (*Pax World and ALPS Distributors, Inc. are not responsible for the content on this website*), a local third-party e-waste recycling service provider, for the disposal of old electronic equipment. Newport's goal is zero landfill waste through the harvest of computer components for recycling, which we believe is in line with Pax World's sustainability efforts.

SUSTAINABLE INVESTING AT PAX WORLD:

Pax World's environmental, social and governance (ESG) criteria: Pax World specializes in sustainable investing, the full integration of environmental, social and governance (ESG) factors into investment analysis and decision making. We believe this process helps us identify better-managed companies that are leaders in their industries, meet positive corporate responsibility standards, and have a clear vision for managing risk and delivering long-term value to shareholders.

Pax World applies these criteria to all companies, but the emphasis on any specific issue varies depending on the key impacts for that sector, industry and sub-industry. We also examine companies' past performance, current policies and goals in order to make the best estimate of the companies' sustainability profiles in the future, which is the most useful information for portfolio construction.

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Environment

Our environmental criteria are focused on attaining and promoting environmental sustainability and include such issues as air and water emissions, recycling and waste reduction, energy efficiency or use of renewable energy, climate change initiatives, and other policies and practices relating to environmental impact. Generally, we favor companies with comprehensive environmental policies, practices and performance, those with good environmental performance compared with industry peers, and those that are working to improve environmental sustainability. In certain sectors, such as energy, utilities, materials and industrials, we also focus heavily on greenhouse gas emissions management, and we avoid investing in any company for which a majority of the business comes from coal production or operation in the oil sands region, and any utility whose reliance on coal to power the electricity generation fleet is above the annual percentage of coal used nationally to produce electricity.

Workplace

Our workplace criteria are focused on companies' ability to create value through a productive workforce. We examine diversity, occupational health and safety, employee relations and human rights. We favor companies that implement programs, policies and procedures intended to encourage and foster safe, diverse and productive workplaces and supply chains. We seek companies that establish specific goals, measure their progress toward their goals in these issue areas and publicly report on their performance.

Governance

Our governance criteria focus on companies' alignment of the interests of managers with those of shareholders over the long term and are based on the fiduciary duties of care and loyalty to shareholders, transparency and accountability as demonstrated in such areas as board structure and procedures, executive compensation, shareholder rights and misconduct including corruption, bribery and fraud.

Product Integrity

Our product integrity criteria focus on companies' ability to create loyalty and franchise value by offering safe, high-quality products. We examine such issues as product safety and quality, consumer rights and protections, emerging technology issues (such as privacy), and marketing and advertising practices. We look for companies with programs and procedures in place to address public health issues associated with product abuse and addiction. As technology advances, we seek companies that implement procedures and practices that safeguard data security and protect consumers' privacy.

Community

Our community criteria focus on companies' ability to create and maintain a social license to operate through attention to their impacts on communities of place and interest. We examine such issues as a company's commitment to and relationship with the communities in which it operates, including the pursuit of sustainable development abroad. We favor companies that work to enhance the quality of life in the communities in which they do business. We seek companies that foster strong stakeholder relations in their communities through responsible business practices, such as fair lending practices among financial institutions.

Investments we avoid

We seek to avoid investing in companies:

- significantly involved in the manufacture of weapons;
- that manufacture tobacco products;
- whose primary business is coal mining and production;
- whose sole or majority operations are in oil sands;

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- whose business operations have contributed to human rights abuses in Sudan
- whose reliance on coal is above the national average, unless that utility has demonstrated a significant commitment to renewables and is reducing its dependence on coal; or that engage in unethical business practices.

FUNDS OFFERED AND BENCHMARKS (2013)

Pax World Funds (Actively Managed Mutual Funds)	Benchmark
Pax World Balanced Fund	60% Standard & Poor's 500 (S&P 500) Index/ 40% Barclays U.S. Aggregate Bond Index
Pax World Growth Fund	Russell 1000 Growth Index
Pax World Small Cap Fund	Russell 2000 Index
Pax World International Fund*	MSCI Europe Australasia Far East (EAFE) (Net) Index
Pax World High Yield Bond Fund	BofA/ML U.S. High Yield - Cash Pay - BB-B (Constrained 2%) Index
Pax World Global Environmental Markets Fund	MSCI World (Net) Index
Pax World Global Women's Equality Fund	MSCI World (Net) Index

ESG Managers® Portfolios

(Actively managed, multi-manager, asset allocation strategies)

Benchmark

ESG Managers® Portfolios Growth Portfolio	66% S&P 500/34% MSCI EAFE (Net)
ESG Managers® Portfolios Growth and Income Portfolio	55% S&P 500/25% MSCI EAFE (Net)/ 20% Barclays U.S. Aggregate Bond Index
ESG Managers® Portfolios Balanced Portfolio	42% S&P 500/18% MSCI EAFE (Net)/ 40% Barclays U.S. Aggregate Bond Index
ESG Managers® Portfolios Income Portfolio	24% S&P 500/11% MSCI EAFE (Net)/ 65% Barclays U.S. Aggregate Bond Index

ESG Shares (Passively managed exchange traded fund)

Benchmark

Pax MSCI EAFE ESG Index ETF (EAPS)*	MSCI EAFE ESG Index
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*On 3/31/14 Pax World International Fund and Pax MSCI EAFE ESG Index ETF merged into the Pax MSCI International ESG Index Fund, a passively managed index fund which seeks investment returns that closely correspond to the price and yield performance, before fees and expenses, of the MSCI EAFE ESG Index.

CONTINUED

Pax World also offers a money market account. Pax World Money Market Account assets are deposited in Urban Partnership Bank, a community bank based in Chicago, Illinois.¹ Urban Partnership Bank was capitalized by financial institutions, philanthropic organizations and socially responsible individuals from Chicago and nationally, and provides access to financial services and support to distressed neighborhoods to help transform them to strong, stable communities.

Pax World offers separately managed accounts to institutional investors.

CARBON BENCHMARKING:

Pax World has seen climate change as a material risk and opportunity factor in our investments for many years, but we have recently redoubled our efforts to manage the carbon risk of our funds. To do that, we began by benchmarking our funds' carbon intensity.

In 2013, Trucost compared the carbon intensity of our five largest funds² to the carbon intensity of those funds' passive benchmarks. The carbon intensity of a fund is calculated by multiplying the greenhouse gas emissions of each company in the fund by the proportion of the company's outstanding shares owned by Pax World. Four of Pax World's five largest actively managed funds were less carbon-intensive than their benchmarks, while one, the Growth Fund, was more carbon-intensive than its benchmark. (See Table 1 and Table 2)

Finally, Pax World offset all the greenhouse gas emissions of our Global Environmental Markets Fund (GEMF), a fund which is already fossil fuel-free. GEMF's total portfolio emissions of greenhouse gases were 13,102 tonnes, CO₂ equivalent, as determined by Trucost³. Pax World arranged to offset these emissions by investing in projects that reduce greenhouse gas emissions from the levels they would have reached without the project; all these emission reductions (or offsets) are third-party verified.

Bonneville Environmental Foundation managed the process of identifying and purchasing offsets, and the specific offset projects in which we invested were:

- **Landfill Gas:**

- ✓ **Hernando County Landfill Gas Project, Florida** (makes up estimated 75% of supply portfolio)
Located near Brooksville, this 1.6 MW gas-to-energy project produces enough energy to power about 1,000 homes and prevents methane (a potent global warming pollutant) from escaping into the atmosphere.
- ✓ **Finney County Landfill, Kansas**
The Finney County Landfill Gas Destruction project captures and flares landfill gas at the Western Plains Regional Landfill, near Garden City, Kansas.
- ✓ **Butler County Landfill Gas Project, Nebraska**
Located near David City, this project collects and sells compressed landfill gas to a nearby food processing plant. The project prevents landfill methane (a potent global warming pollutant) from escaping into the atmosphere, and also reduces the food plant's use of fossil-based natural gas.

- **HFC refrigerant:**

- ✓ **Giant Eagle HFC Reduction, Pennsylvania, Ohio, Maryland and West Virginia**
This innovative offset project reduces emissions of chlorofluorocarbons at grocery store refrigeration systems.

CONTINUED

See page 17 for top and bottom five holdings. Holdings are subject to change.

Table 1 - Pax World Funds' Carbon Footprints

Fund	Total GHG Emissions/\$mn*	Benchmark	Benchmark Total Emissions/\$mn	Fund Carbon Intensity/Benchmark Carbon Intensity
Pax World Balanced Fund	279.57	S&P 500	328.90	0.85
Pax World Growth Fund	217.42	Russell 3000 Growth	170.64	1.27
Pax World International Fund	267.99	MSCI EAFE	298.45	0.82
Pax World Global Environmental Markets Fund	231.64	MSCI World	310.58	0.75
Pax World Global Women's Equality Fund	246.68	MSCI World	310.58	0.79

*Greenhouse gas emissions are expressed in carbon-equivalent tonnes.

Table 2 – Top Five and Bottom Five Contributors to Fund Carbon Intensity as of May 31, 2013

Fund	Top Five	Bottom Five
Pax World Balanced Fund	Nucor Corp. Xcel Energy Inc. Timken Co. Sasol Ltd. Potash Corp. of Saskatchewan Inc.	Citrix Systems Inc. F5 Networks Inc. Digital Realty Trust Inc. Nuance Communications Inc. U.S. Bancorp.
Pax World Global Environmental Markets Fund	Pennon Group PLC Yingde Gases Group Co. Ltd. Kemira Oyj Shanks Group plc Linde AG	China Everbright Roper Industries Inc. Manila Water Co. Thermo Fisher Scientific Inc. Delta Electronics Inc.
Pax World International Fund	Sasol Ltd. Fortum Oyj Potash Corp. of Saskatchewan Inc. Tenaris SA Linde AG	ARM Holdings DBX Group Holdings Ltd. Bank Takyat Indonesia Powszechny Zaklad Ubexpieczen S.A. SAP AG
Pax World Global Women's Equality Fund	Sasol Ltd. Timken Co. Praxair Inc. Talisman Energy Inc. Potash Corp. of Saskatchewan Inc.	Trend Micro Inc. Mastercard Inc. Westpac Banking Inc. Turkiye Halk Bankasi A.S. National Australia Bank

CONTINUED

Table 2 – Top Five and Bottom Five Contributors to Fund Carbon Intensity as of May 31, 2013, continued from page 17

Pax World Growth Fund	Nucor Corp. Expeditors International of Washington Inc. Talisman Energy Inc. Praxair Inc. Devon Energy Corp.	Facebook Inc. Visa Inc. Salesforce.com Inc. Gilead Sciences Inc. MasterCard Inc.
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Holdings are subject to change.

IMPACT INVESTING:

There are several ways in which Pax World works to achieve measureable impacts through its investments: community investing, advocacy/engagement and high-impact equity investing.

COMMUNITY INVESTING:

Pax World invests in communities and promotes sustainable development, most commonly through ongoing investment in debt instruments issued by non-corporate entities and certificates of deposit. Each of the Pax World Funds may invest up to 5% of fund assets in community development financial institutions that target underserved localities in the areas of affordable housing, small businesses, community development and revitalization, health care, education, and the environment. Examples include investments in micro-credit or micro-finance institutions that advance women's equality and sustainable development. We believe these investments may have positive direct impact on local communities which is an important principle of our investing and business philosophy. As of December 31, 2013, Pax World had roughly \$20.4 million invested in development-related securities and in community investment-related securities.

Community Investments	Value as of December 31, 2013
Calvert Social Investment Foundation (details below)	\$ 3,150,000.00
CEI Investment Notes	\$ 248,570.14
Enterprise Community Loan Fund	\$ 500,000.00
Hope Community Credit Union	\$ 100,000.00
One PacificCoast Bank	\$ 600,000.00
Urban Partnership Bank	\$ 448,564.00
Self Help Credit Union	\$ 516,309.09
Total	\$ 5,563,443.23

CONTINUED

Development Investments	Value as of December 31, 2013
Bank of America Green Bond	\$ 3,000,876.00
World Bank Green Bond	\$ 6,014,544.00
North American Development Bank Bond	\$ 1,778,398.00
Portland Oregon Urban Renewal & Redevelopment Bonds	\$ 4,110,460.00
Total	\$ 14,904,278.00

Holdings are subject to change.

Pax World's investments in Calvert Social Investment Foundation Notes are targeted to the NH Community Loan Fund (\$1.5 million), Women Investing in Women Initiative or WIN-WIN (\$750,000), International Microfinance & Fair Trade (\$750,000) and the Calvert Foundation's Global Portfolio (\$150,000).

COMPANY ENGAGEMENT:

Pax World engages with its portfolio companies to improve their ESG performance. Our company engagement efforts are aimed largely at greater corporate sustainability, transparency and accountability. It is for these reasons that we:

- Vote shareholder proxies in accordance with our ESG criteria
- Engage management in dialogue on issues of concern
- Initiate or support shareholder resolutions at annual shareholder meetings aimed at persuading companies to adopt higher standards of corporate responsibility
- Support public policy initiatives that promote greater corporate sustainability, transparency and accountability

In proxy year 2013, Pax World filed or co-filed six shareholder resolutions. Three of these resolutions were withdrawn after successful dialogues resulted in agreements with each company, while resolutions at Google, Inc. and Nucor Corp. were voted on by all shareholders at their annual meetings.

The following is a list of shareholder resolutions Pax World has filed or co-filed with other investors in the past five years:

Proxy Year	Issue/Ask	Company Name	Lead File/ Co-file	Outcome
2013	Data Privacy & Security	Amazon.com, Inc. (AMZN)	Lead File	Successfully Withdrawn
2013	Lead Battery Recycling	Google, Inc. (GOOG)	Lead File	7%
2013	Board Diversity Policies	Stericycle, Inc. (SRCL)	Lead File	Successfully Withdrawn
2013	Board Diversity Policies	Hospitalities Properties Trust (HPT)	Lead File	Successfully Withdrawn
2013	Political Influence	Nucor Corp. (NUE)	Co-File	27%
2013	Political Influence	Pfizer, Inc. (PFE)	Co-File	Omitted by SEC
2012	Climate Change & Energy Use	Amazon.com, Inc. (AMZN)	Co-File	18%
2012	Political Influence	Amgen, Inc. (AMGN)	Lead File	19%
2012	Political Influence	Target Corp. (TGT)	Lead File	Successfully Withdrawn

CONTINUED

Proxy Year	Issue/Ask	Company Name	Lead File/ Co-file	Outcome
2012	Political Influence	PepsiCo, Inc. (PEP)	Co-File	7%
2012	Board Diversity Policies	Riverbed Technologies (RVBD)	Lead File	Withdrawn for Technical Reasons
2012	Board Diversity Policies	Roper Industries, Inc. (ROP)	Lead File	Successfully Withdrawn
2011	U.S. Chamber of Commerce Membership	3M Co. (MMM)	Co-File	Floor Vote
2011	U.S. Chamber of Commerce Membership	ConocoPhillips (COP)	Co-File	Floor Vote
2011	U.S. Chamber of Commerce Membership	Pfizer, Inc. (PFE)	Co-File	Floor Vote
2011	Political Influence	Pfizer, Inc. (PFE)	Co-File	Successfully Withdrawn
2011	Hydraulic Fracturing Risk Report	Southwestern Energy (SWN)	Co-File	Successfully Withdrawn
2011	Sustainability Reporting	St. Jude Medical, Inc. (STJ)	Co-File	Successfully Withdrawn
2010	Oil Sands Involvement	ConocoPhillips (COP)	Co-File	22%
2010	Political Influence	CVS Caremark (CVS)	Lead File	34%
2010	Advisory Vote on Executive Compensation	EMC Corp. (EMC)	Co-File	52%
2010	Advisory Vote on Executive Compensation	PepsiCo, Inc. (PEP)	Co-File	Successfully Withdrawn
2010	Advisory Vote on Executive Compensation	Target Corp. (TGT)	Lead File	49%
2010	Advisory Vote on Executive Compensation	Terex Corp. (TEX)	Lead File	Successfully Withdrawn
2010	Advisory Vote on Executive Compensation	The Procter & Gamble Co. (PG)	Co-File	Successfully Withdrawn
2010	Independent Chairman of the Board	Union Pacific Corp. (UP)	Lead File	18%
2010	Independent Chairman of the Board	XTO Energy, Inc. (XTO)	Lead File	Company acquired before AGM
2009	Advisory Vote on Executive Compensation	Microsoft Corp. (MSFT)	Co-File	Successfully Withdrawn
2009	Advisory Vote on Executive Compensation	The Procter & Gamble Co. (PG)	Co-File	44%
2009	Sustainability Reporting	Ameriprise Financial, Inc. (AMP)	Lead File	Successfully Withdrawn

Holdings are subject to change.

Additionally, Pax World is a member of Ceres—a national coalition of investors, environmental organizations and other public interest groups working with companies to address sustainability— through which we have participated in multi-stakeholder working groups on sustainability issues with American Electric Power, Disney, Timberland (a VF Corp. subsidiary), Sodexo, Green Mountain Coffee, Deckers Outdoor, The North Face (a VF Corp. subsidiary) and Best Buy.

2013 FOCUS AREA: – Gender Advocacy

Proxy Voting

Pax World has an innovative proxy voting policy aimed at promoting greater gender diversity on corporate boards: we not only oppose corporate board slates that do not include any women, but in most cases we require that at least two women be on the board before we consider supporting the slate for the simple reason that the benefits women bring to boards are best realized when female representation reaches critical mass. Where we oppose the slate, we write directly to each company to explain the reason for our opposition, urge them to take concrete steps to diversify their boards and provide them with model charter language for their nominating committee establishing a board diversity policy and process for implementation.

During the 2012-2013 proxy season, Pax World withheld support from 193 slates of board nominees due to insufficient gender diversity.

CONTINUED

Shareholder Resolutions

In 2013, Pax World filed and successfully withdrew board diversity proposals at Stericycle, Inc. and Hospitality Properties Trust after receiving positive responses from both companies in which they agreed to amend their corporate governance documents to include gender and ethnicity as criteria for selection of any new director, and to periodically review board composition.

Women's Empowerment Principles

Promulgated by UN Women (UN Entity for Gender Equality and Women's Empowerment) and the United Nations Global Compact in 2010, the Women's Empowerment Principles (the Principles) are a set of practical guidelines to business and the private sector on how to empower women in the workplace, marketplace and community. Since 2010, Pax World has written to 160 companies held in the Pax World Funds urging them to sign the Women's Empowerment Principles' CEO Statement of Support. Eight companies currently held in our Funds have endorsed the Principles to date.

In the wake of the tragic collapse of a manufacturing facility in Bangladesh that killed more than 1,100 garment workers in 2013, Pax World urged apparel manufacturers and retailers to endorse the Principles as an effective way to address workplace safety concerns globally for garment workers, the majority of whom are women. In letters to the chief executive officers and women members of the boards of directors at more than 30 leading apparel manufacturers and retailers, Pax World urged recipients to endorse, take steps to implement, and publicly report on their progress in adopting the Principles in their own operations and those of their suppliers.

Thirty Percent Coalition

Pax World also joins with other advocates of gender diversity, and is a founding member of the Thirty Percent Coalition. The formulation of the Coalition in 2011 marks the first time institutional investors, national women's groups, business leaders and corporate governance experts have come together to press companies on board diversity. The Coalition seeks to assure that women hold 30% of board seats across public companies in the US by the end of 2015. Representing over \$1.2 trillion in assets under management, the Coalition has written to more than 160 companies in the S&P 500 and Russell 1000 indices that do not have any women board members. The effort has resulted in dialogues with nearly 40 companies, and some have amended their corporate documents to better articulate board diversity policies in response to the concerns raised by the Coalition. Since the Coalition began this campaign in the summer of 2012, we have learned from 15 companies that women were recently added to their boards.

PROXY VOTING:

Pax World invests in companies in a variety of countries and markets, and as shareowners, we are entitled to vote on items on their annual proxy at each year's annual shareholder meeting. Each year, Pax World votes on hundreds of ballot items put forth by company management and shareholders ranging from board of director elections, executive compensation and capital structure to environmental and social issues. We seek to vote each proxy in a way that is consistent with our ESG criteria. Pax World exercises our proxy voting responsibility seriously, as it provides another avenue through which to promote improved financial performance and improved ESG policies and practices at companies.

Our proxy voting guidelines are available [here](#) and we publicly disclose our [votes](#) for both upcoming and past meetings. In 2013, we voted 533 meetings with over 6,000 proposals. You can also view our 2013 Form N-PX (Annual Report of Proxy Voting Record) for [Pax World Funds Series Trust I](#) and [Pax World Funds Series Trust II](#).

GLOBAL CITIZEN PROGRAM:

Pax World's Global Citizen Program enables Pax World shareholders to earmark portions of their dividends and/or capital gains as a contribution to one of two non-profit organizations that are working to alleviate poverty, empower women and promote sustainable development around the globe, Mercy Corps and Women Thrive Worldwide.

CONTINUED

Global Citizen Program Shareholder Donations		2012	2013
Mercy Corps	\$	44,428.33	\$ 196,040.93
Women Thrive Worldwide	\$	165.62	\$ 1,888.37

In October 2008, total shareholder donations to Mercy Corps through the Global Citizen Program exceeded \$1 million for the first time in the program's 10 year history.

MEMBERSHIPS AND AFFILIATIONS:

Pax World partners with numerous organizations to advance the field of sustainable investing. For example, Pax World currently is a member of, or affiliated with, or sponsors the following organizations:

- Ceres (Coalition for Environmentally Responsible Economies)
- Interfaith Center on Corporate Responsibility
- The Investor Network on Climate Risk
- The Forum for Sustainable and Responsible Investment (USSIF)
- New Hampshire Businesses for Social Responsibility
- The Sustainable Investment Research Analysts Network
- United Nations Environment Programme Finance Initiatives (UNEPFI)
 1. UNEPFI North American Task Force
 2. UNEPFI Asset Management Working Group
 3. UNEPFI Climate Change Working Group
 4. UNEPFI Natural Capital Declaration
- United Nations Principles for Responsible Investment

There is a wide variety of initiatives in which Pax World is involved that are designed to address specific sustainability issues or advance sustainability in a particular sector. Pax World is proud to be a part of:

- CDP (Formerly The Carbon Disclosure Project)
- CDP Water Disclosure Project
- CDP Forests Program
- CDP Carbon Action
- Thirty Percent Coalition

CONTINUED

- Women's Empowerment Principles
- UN Global Compact
- Women Thrive Worldwide
- UN Principles for Investors on Inclusive Finance

Additionally, as a member of the financial services industry, Pax World is a member of the Investment Company Institute (ICI), which is the national association of US investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs) and unit investment trusts (UITs) and NIS CA, a nonprofit trade association that provides the global investment management industry with discussion and education forums to better serve its customers by developing operational best practices.

PAX WORLD'S PHILANTHROPY & COMMUNITY INVOLVEMENT:

In keeping with Pax World's social mission, all full-time Pax World employees receive four days paid time off per year to do volunteer work during regular business hours for an established non-profit, or community service organization of their choice. In support of this program, Pax World regularly participates in the United Way's group volunteer opportunities in the seacoast community of New Hampshire. Additionally, many Pax World employees also participate in group beach clean-ups organized by the Blue Ocean Society for Marine Conservation, a group focused on marine education and environmental conservation.

In 2013, Pax World employees volunteered 204 hours of their time to the following organizations:

Beneficiaries of Volunteer Work, 2013
American Sustainable Business Council - Board Meeting
Blue Ocean Society - Beach Clean Up
Concord Hospital Payson Center for Cancer Care - Rock 'n Race
Endangered Species Coalition - Board Meeting
New Hampshire Society for the Prevention of Cruelty to Animals - Board Meeting; Strategic Planning Committee
Nurture & Nature Children's Center - United Way Day of Caring
Rochester Child Care Center - United Way Day of Caring
Tahoe Adaptive Competition Center (training for adaptive snowboarding leading up to the paralympics) - Planning Meeting
Taste of the Nation (help people dispose of their compost, recycling and waste properly)
Wallace Global Environmental Fund - Investment Committee Meeting

CONTINUED

Pax World supports its employees in their desire to improve the communities where they live and work by offering a matching gift program wherein the company matches certain employee donations to eligible non-profits. In 2013, Pax World matched \$2,868 in employee contributions to the following organizations:

Beneficiaries of Matching Donations, 2013
American Cancer Society - Making Strides Against Breast Cancer (research and patient support)
Andover Coalition for Education
Archbishop Carroll High School
Committee for Missing Children
Concord Hospital Payson Center for Cancer Care - Rock 'n Race
Cross Roads House, Inc. (homeless shelter for individuals and families)
Curtis Lake Christian Church - Global Outreach
Leukemia & Lymphoma Society
Living Journeys (cancer support program)
Make-a-Wish New Hampshire
National Multiple Sclerosis Society - Muck Fest Boston Event
New Hampshire Food Bank
New Hampshire Society for the Prevention of Cruelty to Animals - Paw's Walk
On Belay Inc. (building community among youth who have or have had a family member with cancer using adventure based programs)
Seacoast Family Promise (homeless shelter for families with children under age 18)
Special Olympics New Hampshire
Tahoe Adaptive Competition Center (training for adaptive snowboarding leading up to the paralympics)
Wildlife Heritage Foundation of New Hampshire
Women Thrive Worldwide (advocating change so women+men can share equally in enjoyment of opportunities, economic prosperity, voice and freedom from fear and violence)
Zawadisha (empowering women through micro-lending, savings, preventative healthcare and education)

In 2013, Pax World sponsored a family in need during the holidays through the Community Child Care Center of Portsmouth, NH. Employees donated gifts from the family wish list, as well as \$762 cash, which the company matched on top of the regular matching donations of \$2,868. Due to the generosity of our employees and the company, we were able to purchase everything on the family's wish list and more.

Pax World hosts a year-round donation drive to Cross Roads House, a homeless shelter and support for individuals and families in Portsmouth, NH.

In 2013, Pax World made corporate donations to the following organizations:

CONTINUED

Beneficiaries of Corporate Donations, 2013
Big Brothers Big Sisters of Greater Seacoast
Cross Roads House, Inc. (homeless shelter for individuals and families)
Education for All Children (EFAC)
Families First Health and Support Center
Friends Forever, Inc.
Mercy Corps
New Generation, Inc.
NH Campaign for Legal Services
NH Community Loan Fund
On Belay
Save the Indoor Portsmouth Pool, Inc.
Second Chance Employment Services
Spaulding Youth Center Foundation
The Clipper Foundation
The Way Home
Warren B. Rudman Center
Women Thrive Worldwide

In the past five years, Pax World has donated to the following organizations: American Cancer Society, Arts in Reach, The Children's Heart Foundation, Heritage House Program at Strawberry Banke, NH Community Development Finance Authority (CDFA), Portsmouth Public Library, Project CoolAir, Seacoast Family Promise, Seacoast Repertory Theatre, Shared Interest, Silicon Valley Toxics Coalition and Women's Voices for the Earth.

In 2013, Pax World sponsored various events/programs for the following organizations:

Beneficiaries of Corporate Sponsorships, 2013
Center for Urban Education about Sustainable Agriculture (CUESA)
New Hampshire Businesses for Social Responsibility (NHBSR)
Rain for the Sahel and Sahara
Responsible Endowments Coalition
RiverRun Bookstore (Portsmouth, NH)
Seacoast Family Promise
Share Our Strength
Shared Interest
Silicon Valley Toxics Coalition
Southeast Land Trust of NH
On Belay
The Music Hall (Portsmouth, NH)
World Affairs Council of NH

CONTINUED

In the past five years, Pax World has sponsored events/programs for the following organizations: American Cancer Society, As You Sow, NH Campaign for Legal Services, City Year NH, Clean Air-Cool Planet, the Community Child Care Center of Portsmouth, NH, Education for All Children (EFAC), Fill the Gap, Inc., Friends Forever, Inc., Friends of the Bridges House, Global Citizens Circle, the Interfaith Center on Corporate Responsibility (ICCR), the Jimmy Fund Big Red Golf Tournament, the National Council for Research on Women, the NH Humanities Council, NH Food Bank, NH Public Radio, Palace Theatre (Manchester, NH), Responsible Endowments Coalition, Seacoast Family Promise, Seacoast Repertory Theatre, Spaulding Youth Center Foundation, The Housing Partnership, Women's eNews, Women's Fund of NH and the Women's Funding Network.

Charitable Giving	2009	2010	2011	2012	2013
Cash Value of Corporate Donations	\$5,000	\$18,000	\$18,805	\$37,500	\$41,330
Cash Value of Corporate Sponsorships	\$3,000	\$9,500	\$44,554	\$17,200	\$11,125

ABOUT THIS REPORT:

Pax World has publicly published sustainability data since we became a signatory to the United Nations Global Compact in 2010. Our 2013 Sustainability Report builds on our previous efforts and includes information about new product initiatives and details how we demonstrate our commitment to serving the needs and advancing the goals of our employees, shareholders, and clients, and being a responsible corporate citizen in the communities where we do business.

CONTINUED

Key Performance Metrics	2009	2010	2011	2012	2013
Environmental Impact of the Management Company					
Total GHG Emissions from Business Operations (M/T)*	237.68	272.16	250.00	257.00	252.35
Total Electricity Consumption from Business Operations ('000 kWh)	83.48	95.68	96.51	81.50	90.98
Total Natural Gas Consumption from Business Operations (Therms)**	N/A	N/A	2855.00	2879.00	3303.00
Total Water Consumption from Business Operations ('000 gallons)***	N/A	N/A	N/A	157.80	171.59
Environmental Impact of Products					
Emissions Intensity by Fund (tCO2e/\$mn)					
Balanced Fund				279.57	
Global Environmental Markets Fund				231.64	
Global Women's Equality Fund				246.68	
International Fund				267.99	
Growth Fund				217.42	
Total Portfolio GHG Emissions Intensity (tCO2e/\$mn)				1243.30	
Emissions Offset by Global Environmental Markets Fund (M/T)				13,102	
Employees					
# of employees	45	46	47	46	47
Employee Volunteer Hours	149	183	202	116	204
Cash Value of Employer Matching Donations****	\$ 1,410	\$ 2,705	\$ 3,684	\$ 2,418	\$ 2,868
Hybrid Vehicle Incentive Participation (# of employees)	1	1	0	0	2
Hybrid Vehicle Incentive Program Cash Value	\$ 2,000	\$ 1,000	\$ —	\$ —	\$ 3,000
Tuition Reimbursement Participation (# of employees)	2	0	1	2	2
Tuition Reimbursement Cash Value	\$ 6,770	\$ —	\$ 1,827	\$ 10,000	\$ 10,000
2013 Pay Equity/Gender Diversity Report*****					
Gender Diversity (% female)	49%	50%	49%	48%	43%
Ratio (Female/Male)*****	See Below				
Directors (2)					0%
Senior Managers (6)					83%
Portfolio Managers & Senior Analysts (7)					131%
Managers (7)					78%
Professional Staff (25)					100%
2010 - 2012 Pay Equity					
Pay Equity Ratio (Female/Male)					
Directors	N/A	0%	0%	0%	See Above
Portfolio Managers	N/A	133%	132%	127%	
Senior Vice Presidents	N/A	73%	72%	75%	
Senior Managers	N/A	130%	127%	119%	
Senior Analysts	N/A	119%	113%	109%	
Analysts	N/A	136%	100%	96%	
Professional Staff	N/A	97%	96%	106%	
General Staff	N/A	138%	138%	141%	
Shareholder Engagement					
# of shareholder proposals filed/co-filed (Proxy Year)	3	9	6	6	6
Management Company					
AUM (billions)	\$ 2.506	\$ 2.646	\$ 2.500	\$ 2.666	\$ 3.199
Cash Value of Corporate Donations	\$ 5,000	\$ 18,000	\$ 18,805	\$ 37,500	\$ 41,330
Cash Value of Corporate Sponsorships	\$ 3,000	\$ 9,500	\$ 44,554	\$ 17,200	\$ 11,125
Cash Value of Community Investments (millions)	N/A	N/A	\$ 5.00	\$ 4.70	\$ 5.50

*Data from years 2009 and 2010 were converted from short tones into metric tones per EIA guidelines

< <http://www.eia.gov/tools/faqs/faq.cfm?id=7&t=2> >

**Initial data collected in 2011

***Initial data collected in 2012

****Pax World temporarily suspended this program from June 1, 2009 through December 31, 2009, due to market conditions.

*****Pax World changed our data collection method for this report in 2013

*****Parentheses denote the number of employees in the job category.



**United Nations Global Compact
2013 Communication on Progress
Pax World Management LLC ("Pax World")
Submitted April 1, 2014**

Statement of Continued Support

Pax World was one of the first investment managers to integrate Environmental, Social and Governance (ESG) factors into our investment analysis and decision making through a process known as sustainable investing. As part of our core mission, we analyze each potential investment not only for its financial characteristics, but its impact on the environment, its workers and supply chain, communities and customers. We also examine the governance of the enterprise issuing securities, as governance affects every other aspect of the management of any enterprise.

Pax World believes that this approach is deeply compatible with the Ten Principles of the United Nations Global Compact, and every one of those Principles is reflected in our ESG analysis, shareowner and public policy advocacy, as well as in our own approach to managing our own company.

Pax World's activities support the letter and principles of the Global Compact in several ways. First, we strive to invest in companies or other enterprises issuing securities that are leaders in advancing sustainability, which we define in much the same way that the Global Compact does: environmental impact, workplace practices, respect for human rights, and avoiding bribery. We also engage with companies to help them improve their own sustainability. Many times we engage with companies through investor coalitions. At other times, we engage with individual companies on a range of ESG issues and we vote our proxies in accord with our belief in corporate sustainability.

Pax World is also attentive to its own sustainability. We have assessed our own policies, programs and performance with regard to sustainability, and as a result of that work we are taking additional steps to assure that we have appropriate policies, monitoring programs, accountability and goals in place for all the places where our business affects sustainability.

In short, Pax World continues to be deeply committed to the Ten Principles. This Communication on Progress reaffirms Pax World's continuing commitment to the UN Global Compact.

Sincerely,

A handwritten signature in black ink, appearing to read "J. F. Keefe".

Joseph F. Keefe
President and CEO
Pax World Management LLC
April 1, 2014

HUMAN RIGHTS (PRINCIPLES 1-2)

Assessment, Policy & Goals

Pax considers human rights issues in our Environmental, Social and Governance (ESG) analysis of every security issuer considered for an investment in any of Pax World's actively managed funds. Pax believes that human rights problems can impose legal and reputational risks, and are also an indicator of the quality of corporate management. Pax World believes it is the responsibility of businesses to protect and uphold human rights.

When considering a company's human rights record, Pax generally avoids investing in companies with a history of human rights abuses and no policy or disclosure regarding human rights. Pax may also avoid companies with policy/programs if the record indicates the policy or programs are ineffective. Moreover, by incorporating these criteria into our investment process, we believe that our funds will be less vulnerable to regulatory, legal and reputational risks.

Implementation

Principles for Investors on Inclusive Finance: As previously reported, Pax was a signatory to the Principles for Investors in Inclusive Finance, sponsored by the United Nations-backed Principles for Responsible Investment (PRI). Inclusive finance carries with it the responsibility for all actors in the value chain - investors, retail financial service providers and other relevant stakeholders - to understand, acknowledge and act in accordance with the interests of the ultimate client. Clients are typically low-income and constrained by asymmetries in financial knowledge, power and influence. Access to finance must be provided in such a way that the interests of the clients are protected.

Global Citizen Program: Pax World's Global Citizen Program enables Pax World shareholders to earmark portions of their dividends and/or capital gains as a contribution to one of two non-profit organizations that are working to alleviate poverty, empower women and promote sustainable development around the globe, Mercy Corps and Women Thrive Worldwide.

Measurement of Outcomes

Principles for Investors on Inclusive Finance: The Pax World Funds invest in several community investment notes through various organizations. As of December 31, 2013, the Funds held approximately \$5.5 million in these types of investments with several institutions, including Calvert Social Investment Foundation, CEI Investment Notes, Enterprise Community Loan Fund, Hope Community Credit Union, One PacificCoast Bank, Urban Partnership Bank and Self Help Credit Union.

Additionally, the Pax World Funds had roughly \$14.9 million invested in development-related securities, including Bank of America Green Bonds, World Bank Green Bonds, North American Development Bank Bonds and Portland, OR Urban Renewal & Redevelopment Bonds.

Global Citizen Program: In October 2008, total shareholder donations to Mercy Corps through the Global Citizen Program exceeded \$1 million since the program was initiated 10 years earlier.

In 2013 our shareholders contributed \$196,040.93 to Mercy Corps and \$1,888.37 to Women Thrive Worldwide.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

HUMAN RIGHTS (PRINCIPLES 1-2)

Assessment, Policy & Goals

Pax World also participates in public policy initiatives related to various human rights concerns.

Implementation

Pax participated in the following human rights initiatives during 2013:

Letters to federal agencies supporting funding to combat human trafficking

Pax continued to work with various groups, such as the Alliance to End Slavery and Trafficking (ATEST), to help end human trafficking. In March 2013, Pax joined ATEST to call on several federal agencies to support adequate funding and additional resources to combat human trafficking through a letter writing campaign. In July 2013, Pax joined ATEST to express our support for draft legislation concerning the prevention of and remedies for human trafficking on the state level. The letter was sent to the Uniform Law Commission.

In August 2013, Pax joined ATEST to urge the Office of Management and Budget (Executive Office of the President) to request funds be appropriated in the 2015 budget to combat human trafficking and modern day slavery in accordance with the Trafficking Victims Protection Reauthorization Act of 2013 (TVPRA, P.L.113-4).

Measurement of Outcomes

These initiatives do not always have measurable outcomes, or are ongoing work that may have effects over several years. Where we have information, we have provided it below:

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

HUMAN RIGHTS (PRINCIPLES 1-2)

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Letter to U.S. SoS supporting efforts to end forced labor in Uzbekistan

Pax joined the Cotton Campaign in a letter to U.S. Secretary of State John Kerry urging him to support efforts to end forced labor in Uzbekistan. Specifically, the letter calls on the U.S. State Department to place Uzbekistan in Tier 3* in the 2013 Global Trafficking in Persons Report unless the government of Uzbekistan invites a high-level, tripartite International Labour Organization (ILO) observer mission prior to the report's release.

Statement Supporting Oxfam's 'Behind the Brands' campaign

Pax World joined several investors in a statement supporting the 'Behind the Brands' campaign, which is a project of Oxfam. The current campaign is seeking to evaluate the supply chain policies of the 10 largest food and beverage companies in comparison with their peers, and pushes for increased transparency and accountability within the sector. The campaign will run for at least three years.

**Tier 3: Countries whose governments do not fully comply with the minimum standards and are not making significant efforts to do so.*

In June 2013, we sent a letter to Secretary Kerry's office expressing our support for the State Department's decision to place Uzbekistan in Tier 3 in the 2013 Global Trafficking in Persons Report.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

HUMAN RIGHTS (PRINCIPLES 1-2)

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Bangladesh WEPs initiative

In the wake of the tragic collapse of a manufacturing facility in Bangladesh that killed more than 1,100 garment workers in 2013, Pax World urged apparel manufacturers and retailers to endorse the Women's Empowerment Principles as an effective way to address workplace safety concerns globally for garment workers, the majority of whom are women. In letters to the chief executive officers and women members of the boards of directors at more than 30 leading apparel manufacturers and retailers, Pax World urged recipients to endorse, take steps to implement, and publicly report on their progress in adopting the Principles in their own operations and those of their suppliers.

Statement on Events at Bangladesh Apparel Manufacturing Factories

Pax World joined several investors in a statement condemning the loss of life at multiple apparel factories in Bangladesh. The letter calls on industry leaders to implement systemic reforms that will ensure worker safety and welfare, and to adopt zero tolerance policies on global supply chain abuses. The statement provides specific remedies and actions for apparel companies to implement immediately.

We received responses from five companies. Though no companies indicated they would endorse the Principles at this time, they did outline various supply chain policies and management systems.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

HUMAN RIGHTS (PRINCIPLES 1-2)

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Letter to Congressman Faleomavaega supporting HR 1278

Pax signed a letter supporting the Non-Disparagement of Native American Persons and Peoples in Trademark Registration Act of 2013 (HR 1278). The letter was addressed to the bill's sponsor—Congressman Faleomavaega of American Samoa.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

LABOR (PRINCIPLES 3, 4, 5 & 6):

Assessment, Policy & Goals

Pax World incorporates an assessment of the workplace practices of all companies and other security-issuing enterprises in our investment process, and each security or company must meet or exceed our minimum standards for sustainable workplace practices before it is approved for investment in our actively managed portfolios. We believe that the application of these criteria to our investment process helps to distinguish companies that manage their operations carefully with respect to labor, and that that investment discipline, when it is practiced by many investors, may help companies that are attentive to labor-related risks to outperform their less enlightened peers over time. Moreover, by incorporating these criteria into our investment process, we believe that our funds will be less vulnerable to regulatory, litigation, and reputational risks.

Our workplace practices criteria cover diversity and inclusion, workplace safety, and labor-management relations.

Implementation

Global Women's Equality Fund (PXWEX): The Global Women's Equality fund, seeks to invest primarily in large companies around the globe that are leaders in promoting gender equality and women's advancement. Gender analysis is performed on each potential investment to assess women's representation on the board and in senior management, as well as other indicators of gender leadership.

30% Coalition: In 2012 and continuing into part of 2013, Pax World CEO Joe Keefe led the Institutional Investor Committee for the Thirty Percent Coalition. Under Pax World's leadership, institutional investors, representing \$1.2 trillion in assets as of 2/4/2013, wrote to over 160 companies in the S&P 500 and Russell 1000 Indices that had no women on their boards, encouraging them to consider gender diversity in the boardroom as a priority.

Measurement of Outcomes

See our website for specific information about the fund: [Global Women's Equality Fund \(PXWEX\)](#)

The effort has stimulated dialogues with nearly 40 companies about their board diversity policies, and members of the Thirty Percent Coalition continue to actively communicate with a number of these companies. Fifteen companies the Coalition engaged with have added women to their boards (eight that responded directly to the letter, and seven that received shareholder resolutions from Coalition members). Overall, 26 companies the Coalition wrote to have added a woman to their board.

During the 2013 proxy season, investors filed shareholder resolutions on board diversity with 24 companies. Of the 24 shareholder resolutions filed, 20 have been withdrawn based upon mutual agreements, an important mark of progress in the work on board diversity.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

LABOR (PRINCIPLES 3, 4, 5 & 6):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Board Diversity Shareholder

Resolutions: In 2013, Pax World was the lead filer of a shareholder resolution filed at two companies asking for increased disclosure on board diversity policies. The companies included Stericycle, Inc. and Hospitality Properties Trust.

UN Women's Empowerment Principles:

Pax sent 17 letters asking companies to become a signatory to the UN Women's Empowerment Principles, which are guidelines on how to empower women in the workplace.

Pax Internal Pay Equity Review: As we did last year, Pax World conducted a gender pay equity survey. In any company as small as Pax, a disparity may arise in pay equity due to the compensation of one or two individuals, and those differences may arise due to variations in qualifications and responsibilities.

Board Diversity Shareholder

Resolutions: As a result of our company engagement efforts, Pax withdrew its shareholder proposal from Stericycle, Inc. and Hospitality Properties Trust after the companies agreed to change their corporate governance guidelines to more clearly outline their commitment to board diversity.

UN Women's Empowerment Principles:

Pax received two responses to our letters. While no companies agreed to directly endorse the Principles, the companies that responded noted that they were working to empower women in their respective workplaces.

Pax Internal Pay Equity Review: Our pay equity review determined that there is no significant disparity of the pay of men and women at Pax, and we determined that no further action is necessary to assure gender pay equity, beyond continued monitoring.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

LABOR (PRINCIPLES 3, 4, 5 & 6):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Proxy Voting Guidelines: As previously reported, in 2012, Pax World revised our proxy voting criteria to strengthen our message on board diversity. Pax World, like many other investors, was concerned that far too many boards have no women on them; of nearly 3,400 companies covered by the governance rating service Governance Metrics International, nearly 37% (42% of more than 4,200 in 2011) had no women. Moreover, 35% of those boards included only one woman. Only about one-fourth of boards of large companies around the globe included two or more women. While several countries have taken steps to improve the gender diversity of boards, progress remains far too slow, and it appears that many companies are content to call their own boards “diverse” if they include just one woman.

Proxy Voting Results: During the 2012-2013 proxy season, Pax World withheld support from 193 slates of board nominees due to insufficient gender diversity.

Our proxy voting guidelines and voting record are posted at www.paxworld.com/investment-approach/shareowner-activism/proxy-voting

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals

Pax World recognizes the importance of environmental stewardship for every business. Recognizing that our own operations affect the environment, Pax World strives to hold ourselves to the same standards that we expect of the companies in our portfolios. As part of this commitment, Pax World seeks to conduct business in a way that minimizes our environmental footprint while enhancing stakeholder value for our customers, employees, suppliers and communities.

Implementation

Environmental Programs: Pax World's existing environmental policy and programs include measures to minimize the use of office supplies, including paper, glass, metal, plastic and batteries; increase energy efficiency and minimize emissions associated with energy use, including travel-related emissions; and the use of environmentally-preferred office supplies. We also have a hybrid vehicle incentive program that provides regular full-time employees with a lump sum cash payment for the purchase or lease of a hybrid gas-electric vehicle.

Measurement of Outcomes

Environmental Programs: As noted throughout this report, Pax has assessed our own policies, programs and performance with regard to our internal environmental sustainability, and as a result of that work we are taking additional steps to assure that we have appropriate policies in place, monitoring programs, accountability and goals or targets for all key issues of sustainability.

For example, in 2013, Pax World began composting at its Portsmouth, NH office. Using the services of a local company, Mr. Fox Composting, we are composting items such as food scraps, sugar packets, coffee grounds & filters, paper towels, teabags & tea, flowers and floral trimmings and wax paper liners.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals	Implementation	Measurement of Outcomes
	<p>Greenhouse Gas Emissions Offset: As we have done for several years, Pax also continued in 2013 to purchase renewable energy offsets in order to offset our emissions, including those from travel. In 2013, Pax's carbon offsets were purchased from Native Energy, which were used to support the Green Dream Farm Methane Reduction Project in Enosburg Falls, VT.</p> <p>Water Offset: In 2013, we partnered with the Bonneville Environmental Foundation (BEF) to offset our water consumption at our office in Portsmouth, New Hampshire through the purchase of Water Restoration Certificates (WRC). Every WRC purchased by Pax World represents 1,000 gallons of water restored to streams, through projects certified by the National Fish & Wildlife Foundation.</p>	<p>Greenhouse Gas Emissions Offset: Pax offset 252.35 metric tons CO₂ through its carbon offset for the year ended 2013. The majority of our carbon footprint is related to air travel (43.7%) and employee commuting (34.1%), while building and energy use (17.8%) and accommodations (4.4%) accounted for the remainder of our carbon footprint.</p> <p>Water Offset: Pax World purchased 172 WRCs to offset our water use for calendar year 2013.</p>

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals

Pax World has seen climate change as a material risk and opportunity factor in our investments for many years. In 2013, we benchmarked our funds' carbon intensity.

Implementation

Carbon Benchmarking: In 2013, Trucost compared the carbon intensity of our five largest funds to the carbon intensity of those funds' passive benchmarks.

Pax World Global Environmental Markets Fund (PGRNX): Pax offers one environmental fund, the [Pax World Global Environmental Markets Fund \(PGRNX\)](#), whose investment objective is to seek long-term growth of capital by investing in innovative companies around the world whose businesses and technologies focus on environmental markets, including renewable energy and energy efficiency, water pollution control and environmental services, and waste management. Pax World chose to offset all the greenhouse gas emissions of our Global Environmental Markets Fund, a fund which is already fossil fuel-free.

Measurement of Outcomes

Carbon Benchmarking: Four of Pax World's five largest actively managed funds were less carbon-intensive than their benchmarks, while one, the Growth Fund, was more carbon-intensive than its benchmark. (See Table 1 and Table 2 on page 17 of this report for more detailed information.)

The Global Environmental Markets Fund total portfolio emissions of greenhouse gases were 13,102 tonnes, CO₂ equivalent. Pax World arranged to offset these emissions by investing in projects that reduce greenhouse gas emissions from the levels they would have reached without the project; all these emission reductions (or offsets) are third-party verified. Bonneville Environmental Foundation managed the process of identifying and purchasing offsets.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals	Implementation	Measurement of Outcomes
	<p><i>Fossil Fuel Investments:</i> In 2013, Pax World implemented a new policy regarding climate change for our managed portfolios: Pax World avoids investing in companies with primary businesses in coal mining and production of oil from tar sands, two of the most environmentally destructive and carbon-intensive fossil fuels. In addition, Pax World seeks to avoid investments in any electric utility that relies on coal for power generation at levels above the national coal usage, as reported by the US Energy Information Administration, unless the utility demonstrates a significant commitment to renewable energy and is reducing its coal dependence.</p>	<p>As a result of this policy, the Pax World Funds divested from Suncor Energy Inc. (SU) in 2013.</p>

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals

Pax World incorporates an assessment of the environmental impacts of all companies and other security-issuing enterprises in our investment process, and each security or company must meet or exceed our minimum standards for environmental management before it is approved for investment.

Our criteria for the environment include such issues as air and water emissions, recycling and waste reduction, use of clean and renewable energy, climate change initiatives, and other policies and practices focused on attaining and promoting environmental sustainability.

Implementation

Generally, we favor companies with comprehensive environmental policies, practices, and performance, those with good environmental performance compared with their peers, and those that are working to manage and reduce their environmental impacts. We seek to avoid companies with inadequate environmental policies, management systems, performance and reporting.

Shareholder Engagement: Pax World participated in several investor environmental initiatives in 2013. As we have in the past, Pax World continues to be a signatory to the Carbon Disclosure Project (CDP), including the CDP, CDP Water Disclosure, and Carbon Action; the Forest Footprint Disclosure Project; and the Investor Network on Climate Disclosure. Pax World continued its participation in a structured engagement through the United Nations Principles for Responsible Investment (PRI) for the CDP Water Disclosure initiative and another engagement for CDP on the CDP Leadership Initiative (CDPLI). Pax is also a member of the Ceres coalition, and through that coalition, we have participated in multi-stakeholder working groups on sustainability.

Measurement of Outcomes

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals	Implementation	Measurement of Outcomes
	<p>In addition, Pax was also a participant in several environmental initiatives during 2013:</p> <p>Letter to the U.S. SEC on inadequate climate disclosure by Tesoro Pax World signed on to a letter, sponsored by the Investor Network on Climate Risk (INCR), to the SEC discussing inadequate disclosure by Tesoro. The letter is focused on regulatory risks related to California's AB 32 cap and trade program and low carbon fuel standard.</p> <p>Solar Scorecard Pax World signed on to a letter, sponsored by the Silicon Valley Toxics Coalition (SVTC), to solar PV companies regarding the 2013 SVTC solar company environmental survey. This was the second year that Pax was a signatory to this initiative.</p>	<p>In terms of our shareholder engagement, some of the work does not have measurable outcomes, or is ongoing work that may have effects over several years. Where we have information, we have provided it below:</p>

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals	Implementation	Measurement of Outcomes
	<p>Endorsement of Ceres' Climate Declaration</p> <p>Pax joined a campaign sponsored by Ceres to demonstrate the business community's support for tackling climate change. The campaign will highlight the steps businesses have already taken in reducing energy emissions, increasing energy efficiency and switching to renewable energy. Additionally, the campaign will also call on political leaders in Washington to lead in this effort by establishing a national climate strategy.</p>	
	<p>Letter to U.S. EPA supporting Tier 3 Motor Vehicle Emission and Fuel Standards</p> <p>Pax joined several investors in a letter to the U.S. Environmental Protection Agency in support of the proposed Tier 3 Motor Vehicle Emission and Fuel Standards. The letter contends that the standards are the most cost effective way to reduce harmful emissions of carbon monoxide, nitrogen oxide, and volatile organic compounds, which contribute to smog and soot, cause respiratory and heart disease, and drive up healthcare costs. Furthermore, Tier 3 will result in net economic gains and job growth, and help ensure the United States' leadership position in vehicle and emission control technology.</p>	

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Letter to the EPA regarding the agency's proposed Carbon Pollution Standards

Pax World provided comments to the EPA regarding the agency's proposed Carbon Pollution Standards for New Power Plants (Docket ID EPA-HQ-OAR-2013-0495), which Pax World supports. The rule will help to provide more predictability for investors considering allocations of capital toward utilities or power projects but who are uncertain of the impacts of the future regulatory environment with respect to greenhouse gas emissions.

Investor Comment to EPA review of Pebble Mine

Pax World signed a comment letter to the EPA written by Trillium and Calvert in response to the revised draft environmental assessment and report on the Bristol Bay region. The letter does not call for any particular outcome, but rather is supportive of the EPA Clean Water Act 404(c) review process. It is also for all intents and purposes the same letter that this group submitted last year, but with updated information based on the findings of the most recent revised draft assessment and other developments since the last letter in July 2012.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Letters Supporting Ban on Polystyrene

Food Packaging in NY City

Pax World signed on to a letter coordinated by As You Sow supporting New York City Mayor Michael Bloomberg's current effort to ban polystyrene-based (foam) food packaging in the city. Foam packaging has already been banned in more than 100 U.S. cities including Portland, San Francisco and Seattle. If New York bans foam packaging, it will send an even stronger message to corporations about the importance of using safe, readily recyclable food service packaging that poses no harm to the environment.

Carbon Asset Risk Letter

Pax World signed on to a letter coordinated by Ceres and INCR to fossil fuel companies regarding the carbon bubble. In letters to 30 of the largest fossil fuels companies, investors asked these companies to assess and report to shareholders the viability of their capital expenditure plans and the risks associated with development and use of their reserves under both 2 degree and business-as-usual scenarios in light of the above issues. The letters also asked the companies to assess and report on the likely effects of climate change and resulting extreme weather impacts on the companies' assets and workforce.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals	Implementation	Measurement of Outcomes
	<p>Letter to EPA regarding the withdrawal of Anglo American from the Pebble Mine</p> <p>Previously, Pax World signed a comment letter to the EPA written by Trillium and Calvert in response to the revised draft environmental assessment and report on the Bristol Bay region.</p>	<p>Since the time of our letter, Anglo American withdrew from the Pebble Mine project, a major development. This letter reiterates our support for the EPA assessment process and urges the agency to initiate a Section 404(c) review process for the Bristol Bay region.</p>
	<p>Letter to President Obama supporting Carbon Pollution Standards</p> <p>Pax World signed a letter to President Obama urging him to support the Environmental Protection Agency's (EPA) proposed Carbon Pollution Standard for new power plants. As noted in the letter, electric power plants are the largest individual source of carbon pollution in the US, and there are currently no federal limits on the amount of carbon pollution these plants can emit. Performance standards for new and existing plants are essential steps toward spurring innovation and investment in low and no-carbon technologies as well as new energy infrastructure and energy efficiency. The letter was coordinated by the Investor Network on Climate Risk (INCR).</p>	

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Pax World signed a letter asking Statoil ASA (STL NO) to curtail operations in the tar sands: Statoil is known for its leading environmental practices for its oil and gas operations in the North Sea that provide Statoil over 60 percent of its revenues. Statoil has made carbon efficiency one of its strategic objectives. However, Statoil's involvement in Canada's tar sands, representing less than 3% of total reserves, has been very controversial in Norway for many reasons since Statoil started its oil sands investments in 2007. We believe Statoil has greater managerial and technical expertise in developing oil and gas resources elsewhere than it does in developing oil sands, and that the firm's capital would be more fruitfully deployed elsewhere or returned to shareholders.

Together with the Shareholder Association for Research and Education (SHARE) and others, Pax World participated in an outreach campaign to Talisman Energy (TLM) over disclosure of environmental data in its shale operations. The campaign urged Talisman to promptly start reporting on a number of key quantitative data to fulfill its commitments under its Shale Operating Principles, and thereby establish itself as a leader in its industry.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Pax World wrote to Apple regarding the policies and procedures the company has adopted to protect itself from potential reputational and legal risks associated with the purchasing and recycling of lead batteries used in company business. This was Pax World's third attempt to engage in a dialogue with the company on this issue.

In September, we received a comprehensive response from Apple which largely addressed our concerns. We suggested to the company that it make the information it provided to us publicly available to all shareholders.

Pax World sent a letter to Mardin Cimento (MRDIN:TI), which is involved in cement production, seeking further information regarding the company's efforts to mitigate the risks associated with climate change and how they relate to its operations. Cement production is an energy intensive process and is a major contributor to climate change through the release of greenhouse gas (GHG) emissions. The letter specifically asked for information about the management of the company's GHG emissions.

Pax did not receive a response by December 31, 2013.

Pax World filed a shareholder resolution at Google (GOOG) asking for greater disclosure regarding the company's policies governing the sourcing and disposal of lead batteries. The resolution was filed following a lack of response to letter Pax World sent to Google in October 2012.

The proposal was voted on by all shareholders at the company's 2013 Annual General Meeting and received support of 7%.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ENVIRONMENTAL (PRINCIPLES 7, 8 & 9):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Unburnable Carbon Risk Letter

Pax World sent letters to 42 fossil fuel companies in May 2013 asking them to conduct risk assessments on unburnable carbon, or the risks that fossil fuel reserves might become significantly less valuable as a result of climate change concerns or regulation, or, if they did not believe that their assets would be impaired, the risks of operating in a world that is four degrees warmer than now.

Update from 2012: In March 2012, Pax signed on to a [letter](#)* addressed to the CEOs of companies with major shale oil holdings. The production of shale oil carries with it all of the environmental risks that accompany shale gas production. In addition, companies producing shale oil frequently burn off large amounts of associated natural gas, claiming that high oil prices and low natural gas prices make it uneconomic to capture and get to market. The letter sought information about the amount of flaring, as well as details about plans to reduce flaring at existing wells and prevent it at future wells at the companies. (Our participation in the effort was reported in our 2012 UN COP.)

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We received responses from nine companies. The responses to our letter varied, with some companies affirming our view that business models based solely on fossil fuels needed to be reevaluated and describing programs to diversify into energy efficiency or renewable energy, while others thanked us for our letter but dismissed the risks as not material.

During the publication of this report, we learned that an oil industry trade group pledged to capture most of the natural gas that is currently being flared in the Bakken shale oil field by the end of the decade. The announcement was made in January 2014.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals

Pax World incorporates an assessment of corporate governance impacts of all companies and other security-issuing enterprises in our investment process, and each security or company must meet or exceed our minimum standards before it is approved for investment. Pax World believes that strong, transparent corporate governance policies are the foundation for a company's long-term sustainability. As with our other sustainability criteria, we believe that examining corporate governance practices provides us with crucial insight into the quality of a company's management.

Implementation

When evaluating a company for investing, we specifically review each company's policies and performance related to bribery, corruption, and money-laundering as a key governance issue. This includes an examination of settlements and compliance with the Foreign Corrupt Practices Act (FCPA) and other trade import/export controls for U.S. business and those with significant business operations in the US. In industries that are subject to extensive oversight, Pax may evaluate compliance programs and procedures related to political contributions, which can also raise concerns related to bribery and corruption.

Measurement of Outcomes

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals

In addition to using governance criteria in the construction of Pax World's actively managed funds, we also work to improve and strengthen our own corporate governance and transparency through implementing effective compliance programs and policies, including anti-corruption principles.

Pax World is committed to the highest standards of ethics, business integrity and corporate governance. As the adviser to the Pax World family of mutual funds, we have a fiduciary responsibility to the funds' shareholders. To that end, Pax World's corporate governance practices are designed to establish and preserve accountability and transparency, while avoiding conflicts of interest (or even the appearance of conflict).

Implementation

Pax World has established policies regarding issues such as anti-money laundering, insider trading, communications (social media and public correspondence), whistleblowing and the so-called "pay-to-play" rule, which refers to various arrangements by which investment advisers may seek to influence the award of advisory business by making or soliciting political contributions to the government officials charged with awarding such business, among others. While some of these are required by law, our policies on social media and communication and whistleblowing go beyond what is required to establish standards of behavior that aim for a higher standard than compliance alone.

Measurement of Outcomes

Gift and Entertainment Policy: Pax has a detailed gift and entertainment policy that clearly outlines the company's policy to avoid conflicts of interest. Specifically, the policy requires that supervised persons should avoid, or not accept or provide any gifts or favors that might influence business decisions within the company. Our premise for this policy is that giving, receiving or soliciting gifts may give rise to an appearance of impropriety. This policy also includes reporting requirements for supervised persons for the purpose of helping Pax monitor the activities of its employees.

Insider Trading Policy: Pax has a detailed insider trading policy that seeks to comply with anti-fraud provisions of federal securities laws, which generally make it unlawful for any person to trade securities for themselves or for their clients while in possession of material non-public information.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals

Pax World also participates in public policy initiatives related to various anti-corruption/corporate governance concerns.

Implementation

Pax participated in the following initiatives during 2013:

Sustainable stock exchanges

Pax World signed on to a letter, sponsored by the Principles for Responsible Investment (PRI) initiative, sent on behalf of all members of the Sustainable Stock Exchanges Initiative, to the World Federation of Exchanges and the International Organization of Securities Commissions (IOSCO) asking for a public commitment to principles of sustainable stock exchanges.

Measurement of Outcomes

“Pay-to-Play” Policy: Pax has a policy that seeks to avoid various arrangements by which investment advisers may seek to influence the award of advisory business by making or soliciting political contributions to the government officials charged with awarding such business. As part of this policy, Pax shall not make any political contributions to individuals or state political parties. Although Pax may make contributions to PACs and certain non-profit organizations, we will not do so with the intention of influencing any official of a government entity to which we are seeking to provide services.

Our work in this area does not always have measurable outcomes, or is ongoing work that may have effects over several years. Where we have information, we have provided it below:

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Letter to the U.S. State Department on Myanmar (Burma)

Pax joined several investors in a letter to the U.S. State Department about business reporting requirements in Myanmar (Burma). The letter is a follow-up to previously filed investor comments and a letter sent through the Conflict Risk Network (dated October 4, 2012 and February 12, 2013, respectively). The letter seeks comprehensive and timely information on the impact of new investments and business activity in Myanmar (Burma) on behalf of U.S. companies.

Letter to the U.S. SEC supporting conflict minerals disclosure

Pax joined several investor groups in a letter to the U.S. Securities and Exchange Commission (SEC) to express our opposition to the lawsuit filed by the U.S. Chamber of Commerce, the National Association of Manufacturers, and the Business Roundtable against the Commission, which was seeking to derail conflict mineral disclosure requirements for public companies. Signatories to the letter believe companies must disclose their use of conflict minerals in their supply chain.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Letter to Japanese companies regarding corporate governance issues

Pax signed a letter organized by Glass Lewis encouraging Japanese companies to improve their disclosure practices and proxy voting deadlines either independently or through participation in ICJ's (Investor Communications Japan) proxy information and voting platform.

Letter to the NFMN about water and sewer transactions

Pax signed a letter to the Chairman of the National Federation of Municipal Analysts (NFMN) urging the association to update its Recommended Best Practices in Disclosure for Water and Sewer Transactions to incorporate trends of material relevance to issuers and investors. Specifically, the letter encourage the NFMA to consider incorporating the factors captured in Ceres' Disclosure Framework for Water and Sewer Enterprises into the recommended content of financial filings for water and sewer transactions.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

US/UK Political Contribution

Disclosure Initiative

Pax World signed on to letter written by Boston Common and Sarasin & Partners LLC to raise awareness and engage UK companies on the potential business and reputational risks associated with political and lobbying expenditures. The letter asked companies to annually disclose their policies and procedures governing the lobbying of legislators and regulators, the criteria used to evaluate memberships in or contributions to third party organizations and the details of all memberships in and payments to third-party organizations.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Letter to Congress supporting the Incorporation Transparency and Law Enforcement Assistance Act

Pax World joined several investors supporting the Incorporation Transparency and Law Enforcement Assistance Act, which requires companies to disclose information about the real people who own or control them (often called the “beneficial owners”) at the time they are created. Currently, across the US, companies can be created anonymously, effectively removing personal responsibility or accountability from the corporate equation. As a result, such companies have been implicated in money laundering associated with drug traffickers, terrorist organizations, tax evaders, corrupt politicians, and others. This legislation would provide law enforcement with information crucial for combating these types of criminal activities.

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals

Implementation

Measurement of Outcomes

Pax World filed a shareholder resolution at **Amazon.com (AMZN)** asking the company to publish a report explaining how the board is overseeing privacy and data security risks.

Pax World held a conversation with the company's legal team and successfully negotiated changes to Amazon's audit committee charter to include references to privacy and data security. Amazon indicated that it would be open to discussions about the company's broader sustainability profile in the coming months.

In May 2013, Amazon confirmed that its board had approved changes to its Audit Committee charter to include "data privacy and security." This information is available on the company's investor relations website: <http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-govCommittee&Committee=5310>

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See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals	Implementation	Measurement of Outcomes
	<p>As part of a Ceres campaign, Pax World sent letters to eight companies that are members of the American Legislative Exchange Council (ALEC), urging them to publicly express their support for renewable energy mandates, which ALEC has been trying to roll back. Pax World wrote to eight companies held in its funds, including American Express (AXP), CenturyLink (CTL), Time Warner Cable (TWC), Emerson Electric (EMR), Pfizer (PFE), Xcel (XEL), Allergan (AGN), and Occidental Petroleum (OXY).</p> <p>Pax World is a signatory to a letter encouraging the top 10 retail firms in the US to respond favorably to a new consumer initiative to minimize the presence of toxic chemicals in products sold on company store shelves. This investor letter is a joint initiative between Green Century and the Investor Environmental Health Network (IEHN), and will be sent to Wal-Mart, Target, Costco, Kroger, Walgreens, Home Depot, CVS, Lowe's, Best Buy, and Safeway.</p>	<p>Xcel (XEL), Pfizer (PFE) and American Express (AXP) responded to our letter. Both Xcel (XEL) and American Express (AXP) informed us that they are no longer involved with ALEC. Pfizer noted that although ALEC's position on renewable portfolio standards (RPS) is contrary to the company's position, it would continue its membership with ALEC.</p> <p>In June 2013, Pax World sent a follow-up letter to Best Buy's CEO and corporate secretary. As of December 31, 2013, we have not received a response from Best Buy.</p>

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

ANTI-CORRUPTION (PRINCIPLES 10):

Assessment, Policy & Goals	Implementation	Measurement of Outcomes
	<p>Pax World joined Green Century Capital Management, Trillium Asset Management, Domini Social Investments, Harrington Investments, Zevin Asset Management and Clean Yield Asset Management in a letter urging Google (GOOG) to withdraw from the U.S. Chamber of Commerce.</p> <p>Pax World signed on to a letter to Amazon.com, coordinated by Domini, regarding the sale of military-style assault rifle accessories through Amazon. The letter requested a dialogue on these topics, and a senior-level review of Amazon's policies regarding the sale of firearms accessories.</p> <p>Pax World participated in a call with Autoliv (ALV) regarding the company's sustainability reporting. The call was the result of Autoliv's CEO directly reaching out to Pax World for input regarding the company's overall sustainability profile.</p>	<p>Both Pax World and Autoliv indicated that they would be interested in continuing the engagement into the future. No further information is available.</p>

See page 61 for top ten holdings as of 12/31/13. Holdings are subject to change.

FOOTNOTES

¹The FDIC insurance coverage limit of \$250,000 applies per depositor, per insured depository institution for each account ownership category. The amount that you have on deposit in the Pax World Money Market Account will be added to any other money you may have on deposit at Urban Partnership Bank for determining your insurance limit. An investment in the Pax World Funds is not a deposit in a bank account and is not insured or guaranteed by the FDIC or any other government agency. The Pax World Funds are not affiliated with any bank and are not insured by the FDIC. ALPS Distributors, Inc., Pax World Management LLC and Urban Partnership Bank are not affiliated. The PWMMA is not distributed by ALPS Distributors, Inc.

²The funds that were benchmarked include the Pax World Balanced Fund, the Pax World Growth Fund, the Pax World International Fund, the Pax World Global Women's Equality Fund, and the Pax World Global Environmental Markets Fund. Pax World's other two actively managed funds, the Pax World Small Cap Fund and the Pax World High Yield Bond Fund, could not be benchmarked because no service provider covered enough of these funds' passive benchmarks or holdings to make the analysis reliable.

³Carbon benchmarking measures a fund's carbon intensity, which is the total metric tons of carbon emissions per million dollars of revenue of the companies in its portfolio, as compared to the emission levels of companies included in a fund's benchmark index. The fund's share of the emissions is based on its proportional ownership of the stock of each company in its portfolio.

BENCHMARK DISCLOSURES

The Blended Index is comprised of 60% S&P 500 Index and 40% Barclays U.S. Aggregate Bond Index. The S&P 500 Index is an unmanaged index of large capitalization common stocks. The Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities and asset-backed securities.

The Russell 1000 Growth Index ("Benchmark") measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Index measures the performance of the 1,000 largest companies, as measured by market capitalization. Effective December 12, 2013, the Russell 1000 Growth Index replaced the Russell 3000 Growth Index as the primary benchmark for Pax World Growth Fund (the "Fund") because Pax World Management believes the Russell 1000 Growth Index is a more appropriate representation of the universe of securities in which the Fund may invest.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. Performance for the MSCI EAFE Index is shown "net", which includes dividend reinvestments after deduction of foreign withholding tax.

The BofA Merrill Lynch U.S. High Yield BB-B (Constrained 2%) Index tracks the performance of BB- and B-rated fixed income securities publicly issued in the major domestic or eurobond markets, with total index allocation to an individual issuer limited to 2%. The benchmark of High Yield Bond Fund was changed to the BofA Merrill Lynch U.S. High Yield BB-B (Constrained 2%) Index effective June 30, 2010. Pax World believes the BofA Merrill Lynch U.S. High Yield BB-B (Constrained 2%) Index more closely corresponds to the investments of the Fund.

The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World (Net) Index consists of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Performance for the MSCI World Index is shown "net", which includes dividend reinvestments after deduction of foreign withholding tax.

ESG Managers Growth Portfolio: The Blended Index is comprised of 66% S&P 500 Index and 34% MSCI EAFE (Net) Index. The S&P 500 Index is an unmanaged index of large capitalization common stocks. The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. Performance for the MSCI EAFE Index is shown "net", which includes dividend reinvestments after deduction of foreign withholding tax.

ESG Managers Growth and Income Portfolio: The Blended Index is comprised of 55% S&P 500 Index, 25% MSCI EAFE (Net) Index and 20% Barclays U.S. Aggregate Bond Index. The S&P 500 Index is an unmanaged index of large capitalization common stocks. The Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities and asset-backed securities.

ESG Managers Balanced Portfolio: The Blended Index is comprised of 42% S&P 500 Index, 18% MSCI EAFE (Net) Index and 40% Barclays Aggregate U.S. Bond Index. The S&P 500 Index is an unmanaged index of large capitalization common stocks. The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. Performance for the MSCI EAFE Index is shown "net", which includes dividend reinvestments after deduction of foreign withholding tax.

ESG Managers Income Portfolio: The Blended Index is comprised of 24% S&P 500 Index, 11% MSCI EAFE (Net) Index and 65% Barclays U.S. Aggregate Bond Index. The S&P 500 Index is an unmanaged index of large capitalization common stocks. The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. Performance for the MSCI EAFE Index is shown “net”, which includes dividend reinvestments after deduction of foreign withholding tax. The Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities and asset-backed securities. One cannot invest directly in an index.

TOP TEN HOLDINGS

Pax World Balanced Fund top ten holdings as of 12/31/13: Becton Dickinson & Co. 2.4%; Apple, Inc. 2.0%; Morgan Stanley 1.8%; BlackRock, Inc. 1.8%; Occidental Petroleum Corp. 1.7%; DIRECTV 1.6%; El du Pont de Nemours & Co. 1.5%; American Express Co. 1.5%; UnitedHealth Group, Inc. 1.5%; and Zoetis, Inc. 1.3%.

Pax World Growth Fund top ten holdings as of 12/31/13: Apple, Inc. 4.0%; Google, Inc., Class A 3.2%; PepsiCo, Inc. 2.3%; IBM 2.0%; QUALCOMM, Inc. 2.0%; 3M Co. 1.8%; Microsoft Corp. 1.8%; VF Corp. 1.8%; Cummins, Inc. 1.6%; and Thermo Fisher Scientific, Inc. 1.6%.

Pax World Small Cap Fund top ten holdings as of 12/31/13: Compuware Corp. 3.9%; Cinemark Holdings, Inc. 3.8%; Gannett Co, Inc. 3.6%; Capitol Federal Financial, Inc. 3.4%; Westell Technologies, Inc., Class A 3.4%; Amdocs, Ltd. 3.1%; Oritani Financial Corp. 3.1%; Chicopee Bancorp, Inc. 3.1%; TheStreet, Inc. 3.0%; and Bob Evans Farms, Inc. 2.8%.

Pax World International Fund top ten holdings as of 12/31/13: Nestle SA 3.0%; BG Group PLC 2.8%; Anheuser-Busch InBev NV 2.8%; Hennes & Mauritz AB, B Shares 2.8%; AstraZeneca PLC, ADR 2.6%; Toronto-Dominion Bank, The 2.5%; Honda Motor Co, Ltd., ADR 2.5%; Australia & New Zealand Banking 2.3%; Cie de St-Gobain 2.3%; and SAP AG, ADR 2.3%.

Pax World High Yield Bond Fund top ten holdings as of 12/31/13: Phi, Inc., 8.625%, 10/15/18 2.1%; Emerald Expositions Holdings, Inc., 9.000%, 06/15/21 1.7%; Valassis Communications, Inc., 6.625%, 02/01/21 1.6%; Syncreon Group BV/Global Finance US, Inc., 144A, 8.625%, 11/01/21 1.6%; Penn Virginia Corp., 8.500%, 05/01/20 1.6%; Charlotte Russe, Inc., Term Loan 1.5%; Perry Ellis International Corp., 7.875%, 04/01/19 1.5%; Chaparral Energy, Inc., 7.625%, 11/15/22 1.5%; Univeg Holding BV, 7.875%, 11/15/20 1.5%; and Belden, Inc., 144A, 5.500%, 09/01/22 1.5%.

Pax World Global Women's Equality Fund top ten Holdings as of 12/31/13: Royal Bank of Canada 2.4%; 3M Co. 2.3%; Statoil ASA, ADR 2.2%; BG Group PLC 2.1%; Bank of New York Mellon Corp., The 2.0%; American Express Co. 2.0%; Woodside Petroleum, Ltd. 2.0%; Johnson Controls, Inc. 1.8%; Google, Inc., Class A 1.8%; and Deutsche Telekom AG 1.8%.

Pax World Global Environmental Markets Fund top ten holdings as of 12/31/13: GEA Group AG 3.5%; Pall Corp. 3.5%; Agilent Technologies, Inc. 3.2%; Pentair, Ltd. 3.2%; ENN Energy Holdings, Ltd. 3.1%; ABB, Ltd., ADR 3.0%; Pennon Group PLC 3.0%; Kemira Oyj 2.9%; Linde AG 2.8%; and Emerson Electric Co. 2.8%.

Holdings are subject to change.

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. 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 smaller companies generally will experience greater price volatility. Derivatives involve special risks and may result in losses.



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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.

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