

Conservative Portfolio Quarterly Commentary

As of September 30, 2011

By Jon Hale, Ph.D., CFA®, Managing Consultant, Morningstar Associates

The ESG Managers Conservative Portfolio is a diversified multi-manager fund¹ consisting of underlying equity and fixed-income strategies, each run by a separate manager, all of whom pursue a Sustainable Investing approach. Assets are allocated primarily on the basis of Morningstar Associates' long-term strategic asset-class targets, although at any given time allocations may depart from the targets due to particular market conditions.

Market Overview

The third quarter of 2011 will go down as one of the most discouraging since the onset of the financial crisis and economic woes of the past four years. We began the quarter with a modestly positive outlook, expecting the economy to continue along its very slow but still-growing trajectory with the risk of sliding back into recession very low. Then, in short order, we confronted the wholly unnecessary drama in Washington over raising the debt ceiling and Standard & Poor's subsequent downgrade of U.S. debt, the eurozone sovereign debt crisis moving to a worrisome new phase as leaders struggled to come up with a credible rescue package for Greece, and finally, revisions to U.S. gross domestic product (GDP) data indicating that the recession had been deeper and subsequent growth more anemic than previously thought. Suddenly it seemed the chances of another recession in the U.S., and especially in Europe, increased significantly, consumer confidence fell, and stock markets sold off.

When all was said and done, stocks around the globe posted double-digit losses for the quarter. In the U.S., the large-cap S&P 500 Index⁵ shed 13.9% while the small-cap Russell 2000 Index⁶ lost 21.9%. The non-U.S. developed markets MSCI EAFE (Net) Index³ lost 19.0% and the MSCI Emerging Markets Index⁷ lost 22.6%. Despite their ultra-low yields and the credit downgrade, U.S. Treasuries benefited from the flight away from risky securities. The Barclays Capital U.S. Treasury Index⁸ gained 6.5%.

continued

Fund Performance

RETURNS ¹ as of 9/30/11	TYPE	QUARTER	YTD	1 YEAR	INCEPTION ^f
Conservative Portfolio — Class A ⁹ (PWMAX)	NAV ¹¹	-5.71%	-1.80%	1.00%	3.14%
	POP	-10.73%	-7.08%	-4.48%	-0.15%
Conservative — Class C ¹⁰ (PWMCX)	NAV ¹¹	-5.84%	-2.26%	0.29%	2.36%
	CDSC	-6.79%	-3.24%	-0.71%	—
Conservative Portfolio — Institutional Class (PWMIX)		-5.61%	-1.60%	1.31%	3.39%
Blended Index ²		-3.28%	0.38%	2.79%	5.01%
MSCI EAFE (Net) Index ³		-19.01%	-14.98%	-9.36%	-5.95%
Barclay's Capital U.S. Aggregate Bond Index ⁴		3.82%	6.65%	5.26%	7.55%

Performance data quoted represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month end performance please call 877.374.7678 or visit www.esgmanagers.com

⁹A 1.00% CDSC (contingent deferred sales charge) may be charged on any shares sold within 1-year of purchase over \$1million. POP (public offering price) reflects the maximum sales load for the Fund's A Class Shares of 5.50%. NAV performance does not reflect the deduction of the sales load and if reflected, the sales load would reduce the performance quoted.

¹⁰A 1.00% CDSC (contingent deferred sales charge) may be charged on shares redeemed within 1-year of purchase. NAV performance does not reflect the deduction of the CDSC and if reflected, the fee would reduce the performance quoted.

¹¹NAV- Net Asset Value.

^fFigures include reinvested dividends, capital gains distributions, and changes in principal value.

⁷Inception date is January 4, 2010.

Total Conservative Portfolio operating expenses, net of fee waivers, reimbursements and acquired fund fees and expenses, are 1.14%, 1.89% and 0.89% for Class A, Class C and Institutional Class, respectively. Total Conservative Portfolio operating expenses, gross of any fee waivers or reimbursements, are 6.67%, 7.41% and 6.41% for Class A, Class C and Institutional Class, respectively. The Adviser has agreed contractually to reimburse a portion of each Fund's expenses until at least December 31, 2012.

Against that backdrop, the Conservative Portfolio (A share) posted a 5.71% loss that trailed its blended benchmark's² 3.28% drop.

Portfolio Performance

To evaluate the Portfolio's performance, it's helpful to examine the impact of three factors: strategic diversification, active-allocation decisions and underlying manager performance.

The first is strategic diversification. The Portfolio's blended benchmark is a basic mix of U.S. and non-U.S. stocks, represented by the S&P 500 and the MSCI EAFE indices, respectively, and bonds, represented by the Barclay's Capital Aggregate Bond Index⁴. On the equity side, our current long-term strategic targets call for diversification into U.S. small- and mid-cap stocks and, internationally, emerging-markets stocks. On the bond side, we have strategic allocations to high-yield and inflation-protected bonds. As noted above, U.S. small-caps lost significantly more during the quarter than did the S&P 500 Index, while emerging markets lost more than did international developed markets. High-yield bonds followed stocks into the red during the quarter, while the Barclay's Capital U.S. Aggregate Bond Index gained 3.8%. Even though we believe strategic diversification will help the Portfolio outperform over the long run, our strategic allocations to U.S. small-caps, emerging-markets equities and high-yield bonds negatively impacted performance for the third quarter by a modest amount. Our strategic-allocation targets trailed the blended benchmark by about one percentage point.

The second component of performance evaluation is active allocation—the impact of our shorter-term decisions to overweight or underweight particular areas of the Portfolio. Entering the third quarter, the Portfolio was two percentage points above its equity target, with that equity overweight in non-U.S. stocks. This hurt performance during August as equity markets fell, and international stocks fell more than U.S. stocks. These active allocations detracted an estimated 0.8% from performance for the quarter.

Finally, how did our underlying managers fare, after accounting for the impact of our strategic diversification and active allocations? On the whole, underlying managers negatively impacted performance for the quarter. The best performers were some of our value-oriented domestic managers, Miller/Howard, Parnassus Equity-Income and ClearBridge. Miller/Howard, especially, benefited from its emphasis on dividends. Among the worst performers were Ariel, our small/mid value manager, hurt by its economically sensitive domestic orientation, and Schroder Emerging Markets. Because this Portfolio is heavily invested in bonds, however, it was the underlying fixed-income managers' failure to keep up with the Barclay's Capital U.S. Aggregate Bond Index that had a large negative impact on performance. Because our Environmental, Social and Governance (ESG) and community-investment oriented bond managers generally avoid Treasuries, they trailed the index during a quarter when Treasuries outperformed all other bonds as investors sought safety and liquidity.

Outlook

Looking ahead over the next several quarters, we expect the U.S. economy to muddle through and avoid recession, but would not be surprised to see a mild recession in the eurozone amid its continuing difficulties with bringing the sovereign debt crisis under control.

Because we remain cautious of the risks to equity markets, we currently expect the Portfolio's equity position to remain modestly underweight during the quarter. In our bond portfolio, we have reduced inflation-protected bonds due to the reduced risk of inflation in a struggling economy. Within equities, the Portfolio is underweight international developed-markets equity and overweight U.S. equity. Emerging markets appear to have made it through a period of worrisome inflation earlier this year while the recent market downdraft has improved valuations. We remain fully weighted in those stocks, as emerging-market economies appear to us to be poised to be the main engine of global growth for the foreseeable future. Within the U.S., we are overweight large-caps, because they are often cheaper on a relative basis than small-caps, have proven historically to be more resilient to economic difficulties, and many large U.S.-based companies could benefit from growth in emerging markets. We also have increased our allocation to Miller/Howard to benefit from its dividend orientation.

An investment in ESG Managers® Portfolios involves risk, including loss of principal. Funds that emphasize investments in smaller companies generally experience greater price volatility. Foreign investing involves risks such as currency fluctuations and political uncertainty.

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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. Please read it carefully before investing.

Diversification does not eliminate the risk of losses.

Yield and share price will vary with changes in interest rates and market conditions. Investors should note that if interest rates rise significantly from current levels, bond total returns will decline and may even turn negative in the short term. There is also a chance that some of the fund's bond holdings may have their credit rating downgraded or may default.

Portfolio holdings as of 9/30/11. Holdings are subject to change.

¹ESG Managers® Portfolios are multi-manager funds, which are a mix of underlying Sleeve Subadviser portfolios. The Funds' allocations may change due to market fluctuations and other factors.

²The Blended Index is comprised of 23% S&P 500 Index, 12% MSCI EAFE (Net) Index and 65% Barclays Capital U.S. Aggregate Bond Index. Investors cannot invest directly in any index.

³The 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. As of July 2010 the MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, 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. Investors cannot invest directly in any index.

⁴The Barclays Capital 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. Investors cannot invest directly in any index.

⁵The S&P 500 Index is an unmanaged index of large capitalization common stocks.

⁶The 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. Investors cannot invest directly in any index.

⁷The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

⁸The Barclays Capital Treasuries TR Index is an unmanaged index of public obligations of the U.S. Treasury with a remaining duration of one year or less.

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