

## IMPORTANT TAX INFORMATION FOR SHAREHOLDERS OF PAX WORLD MUTUAL FUNDS AND ESG MANAGERS PORTFOLIOS

Please note that the information below does not constitute tax advice. Please consult your personal tax adviser to determine how new tax laws and your state's reporting requirements will affect your individual tax return.

### QUALIFIED DIVIDENDS:

In December 2011, The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was passed, which extends the reduced maximum tax rate on long-term capital gains and "qualified dividends" at 15% (0% for those in an income tax bracket of 15% or less). What this means to you: **Form 1099-DIV** will report the total amount of the distribution paid in **box 1a**. In **box 1b**, the Form will report the portion of that distribution that may be considered Qualified Dividend Income.

The percentage of income earned in 2011 by each of the Pax World Funds and ESG Managers Portfolios that is Qualified Dividend Income (QDI) is provided in the table below. This percentage of the total ordinary income distribution is qualified for the QDI tax rate based on how long the fund held the securities that paid dividends. However, in order to enjoy the lower tax rate you would have had to have owned your fund shares for at least 60 days during the 121 day period that began 60 days before the fund's ex-dividend date.

Fund Name	% QDI
Pax World Balanced Fund	76.33%
Pax World High Yield Bond Fund	0.48%
Pax World Global Women's Equality Fund	100.00%
Pax World International Fund	100.00%
Pax World Small Cap Fund	100.00%
ESG Managers Aggressive Growth Portfolio	100.00%
ESG Managers Growth Portfolio	100.00%
ESG Managers Moderate Portfolio	81.43%
ESG Managers Conservative Portfolio	59.06%

### FOR YOUR STATE AND LOCAL TAX RETURNS:

*Tax-deferred and tax-exempt account holders (i.e. IRA, SEP-IRA, 403b, self-directed retirement plan) may disregard the following tax information.*

Certain Pax World Funds and ESG Managers Portfolios hold U.S. government obligations, such as Federal Home Loan Bank (FHLB) and Federal Farm Credit Bank (FFCB) bonds, in their portfolios. Interest earned from these bonds is subject to federal income tax, but may be exempt from state and local income taxes in most states. Please consult your tax adviser or local tax office to determine whether your state allows you to exclude pass-through income from mutual funds that invest in U.S. government obligations. If allowed, multiply the amount in **box 1a** of your **Form 1099-DIV** by the applicable percentage listed in the table below to determine the amount of exempt interest.

Fund Name	% Exemption Rate
Pax World Balanced Fund	5.89%
Pax World High Yield Bond Fund	0%
Pax World Global Women's Equality Fund	0%
Pax World International Fund	0%
Pax World Small Cap Fund	0%
Pax World Global Green Fund	0%
ESG Managers Aggressive Growth Portfolio	0%
ESG Managers Growth Portfolio	0.77%
ESG Managers Moderate Portfolio	2.19%
ESG Managers Conservative Portfolio	2.75%

If your state imposes threshold requirements or an intangibles tax, it may affect your ability to claim a pass-through exemption. The following information should be provided to your tax adviser to help determine if you are eligible for any exemptions.

**Balanced Fund Quarterly Percentage Breakdown of Federal Obligations:**

<b><u>Percentage of Net Assets:</u></b>	<b><u>3/31</u></b>	<b><u>6/30</u></b>	<b><u>9/30</u></b>	<b><u>12/31</u></b>
US Treasuries and Gov't Obligations	2.2%	2.2%	3.0%	3.2%
State and Municipal Obligations	1.9%	1.9%	2.2%	1.9%
Federal Farm Credit Bank	1.1%	1.1%	0.6%	1.1%
Federal Home Loan Bank	1.4%	1.4%	1.2%	0.7%
Freddie Mac	2.2%	1.9%	1.9%	1.9%
Fannie Mae	4.7%	4.4%	5.4%	5.8%
<b>TOTAL</b>	<b>13.5%</b>	<b>12.9%</b>	<b>14.3%</b>	<b>14.6%</b>

**ESG Managers Growth Portfolio Quarterly Percentage Breakdown of Federal Obligations:**

<b><u>Percentage of Net Assets:</u></b>	<b><u>3/31</u></b>	<b><u>6/30</u></b>	<b><u>9/30</u></b>	<b><u>12/31</u></b>
US Treasuries and Gov't Obligations	3.6%	4.4%	4.5%	3.3%
State and Municipal Obligations	0.2%	0.0%	0.0%	0.0%
Federal Home Loan Bank	0.1%	0.0%	0.0%	0.2%
Freddie Mac	0.8%	0.8%	1.1%	1.0%
Fannie Mae	2.0%	0.9%	0.4%	0.7%
Farmer Mac	0.6%	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>7.3%</b>	<b>6.1%</b>	<b>6.0%</b>	<b>5.2%</b>

**ESG Managers Moderate Portfolio Quarterly Percentage Breakdown of Federal Obligations:**

<b><u>Percentage of Net Assets:</u></b>	<b><u>3/31</u></b>	<b><u>6/30</u></b>	<b><u>9/30</u></b>	<b><u>12/31</u></b>
US Treasuries and Gov't Obligations	8.3%	12.2%	8.8%	6.8%
State and Municipal Obligations	2.3%	2.9%	2.1%	1.6%
Federal Home Loan Bank	0.4%	0.0%	0.0%	0.5%
Freddie Mac	4.4%	6.0%	5.4%	3.5%
Fannie Mae	3.9%	4.0%	1.1%	1.7%
Farmer Mac	1.0%	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>20.3%</b>	<b>25.1%</b>	<b>17.4%</b>	<b>14.1%</b>

**ESG Managers Conservative Portfolio Quarterly Percentage Breakdown of Federal Obligations:**

<b><u>Percentage of Net Assets:</u></b>	<b><u>3/31</u></b>	<b><u>6/30</u></b>	<b><u>9/30</u></b>	<b><u>12/31</u></b>
US Treasuries and Gov't Obligations	11.3%	10.5%	11.5%	9.4%
Federal Home Loan Bank	0.7%	0.0%	0.0%	0.8%
Freddie Mac	6.3%	6.2%	8.0%	5.7%
Fannie Mae	1.0%	3.6%	1.2%	2.5%
<b>TOTAL</b>	<b>19.3%</b>	<b>20.3%</b>	<b>20.7%</b>	<b>18.4%</b>

**FOREIGN TAX CREDIT AND FOREIGN SOURCE INCOME:**

For 2011, the **Pax World International Fund** has elected to pass-through foreign tax credits to shareholders. As a result, the total taxable income reported to you in **box 1a** of Form **1099-DIV** includes not only income distributions paid or reinvested, but also the amount of foreign taxes passed through to you by the fund. The total foreign tax amount passed through to you appears in **box 6** of Form **1099-DIV**. Depending on certain holding period requirements, this amount can be claimed as a foreign tax credit on your return or as an itemized deduction. The foreign tax credit is advantageous as it is a dollar-for-dollar reduction in your tax burden. To be able to claim the foreign tax credit, you would have had to have owned your fund shares for at least 15 days during the 31 day period that began 15 days before the fund's ex-dividend date. Otherwise, foreign taxes may be claimed as an itemized deduction. (Note – you cannot claim foreign taxes paid as both a credit and an itemized deduction.) Refer to **IRS Publication 514, Foreign Tax Credit for Individuals**, for more information.

If you do not meet the holding period requirement or choose to take the itemized deduction rather than the credit, you can do so by entering on **Line 8 of Schedule A** the amount from **box 6** on your **Form 1099-DIV**.

If you meet the holding period requirement and choose to take the foreign tax credit, there are two methods to claim the credit. If you qualify for the simplified method, you can simply claim the credit directly on your return without filing **Form 1116**. Enter the amount from **box 6** on your **1099-DIV** (plus any other eligible foreign taxes) onto **Line 47 “Foreign Tax Credit” of Form 1040**. The simplified method is available if all of the following criteria are met:

- All of your foreign source income is “passive” (ordinary income from Pax World International Fund is passive income)
- Your qualified foreign taxes for the tax year are not more than \$300 (\$600 if married, filing joint)
- All of your gross foreign income and foreign taxes paid were reported to you on a payee statement (such as Form 1099-DIV)

If you do not qualify for the simplified method, under the standard method, you will be required to complete **Form 1116**. (**Form 1118** for corporate shareholders).

The table below provides information regarding foreign taxes paid and foreign source income earned by the **Pax World International Fund** in 2011 to assist you in completing **Form 1116** (or **Form 1118** for corporate shareholders). No foreign income was received from or foreign taxes paid to U.S. sanctioned foreign countries that would not qualify for the credit under Section 901(j).

Ex-Dividend Date	Foreign Taxes Paid Per Share	Foreign Source Income %	Foreign Source QDI %
June 22, 2011	0.021444	99.98%	84.93%
December 22, 2011	0.006901	99.98%	84.93%

**Again, due to the complexity of federal and individual state tax requirements, we strongly suggest that you consult your tax advisor.**

*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. An investment in the Funds involves risk, including loss of principal.*

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