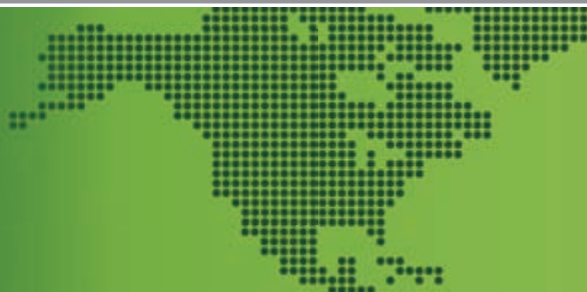


December 31, 2010

2010 ANNUAL REPORT

**Pax MSCI North America
ESG Index ETF
(NASI)**



ESGShares  [®]
Bringing Sustainable Investing to the ETF Market

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For More Information

General Fund Information

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Letter to Shareholders

by Joseph Keefe, President & CEO



Dear fellow shareholders,

As 2010 came to a close, we began to see strong signals that the U.S. economy was on the road to recovery. Not recovery at a blistering pace, mind you, but steady, forward progress just the same. In fact, we saw the equity markets begin to recover as early as September 2010. By the end of December, the S & P 500 was up 15.06% for the year. Some parts of the market performed even better—the Russell 2000 Index of small-cap companies was up 26.85% for the year. As the New Year began, many if not most economic forecasters were projecting positive, if moderate, GDP growth together with improving equity returns for 2011.

At Pax World, all of our funds delivered positive returns for 2010. Moreover, we are optimistic about the prospects for continued economic recovery together with positive investment returns in 2011.

As markets continue to recover, however, we should not forget about what caused the precipitous decline in the first place. As a mutual fund company focused on sustainable investing, we need to remind ourselves that it was ultimately a set of *unsustainable* business practices in the financial sector that led to the crisis in the first place—a myopic, short-term focus, poor risk management, excessive leverage, and the financial engineering of opaque derivatives and other financial instruments meant to serve the short-term interests of traders rather than the long-term interests of investors.

Nor should we forget that too many people are still unemployed and too many homes are still being foreclosed.

We need to remember that the financial sector failed the American people. It seems to me that we have an obligation to learn the lessons of this failure and to offer investors sound, sustainable financial strategies going forward.

At Pax World, we are trying our best to do this. In 2010, we continued to advocate for sound financial regulations and more sustainable business practices. We sent letters to Congress, the White House, and the Securities and Exchange Commission (SEC) supporting key provisions of the Dodd-Frank financial reform legislation, such as proxy access allowing investors to nominate board candidates. We used our power as a shareholder to file “Say-on-Pay” resolutions at several companies asking for an advisory vote on executive compensation. We also filed shareholder resolutions asking companies to review their political contributions policies in light of the

U.S. Supreme Court's decision in *Citizens United vs. Federal Election Commission* allowing unlimited use of corporate assets to fund independent political ads.

On the environmental front, Pax World filed shareholder resolutions on the ecological impacts of oil sands operations and hydraulic fracturing (or “fracking”) for natural gas extraction, and with fellow institutional investors sent letters to Congress, the EPA and others urging action on climate change legislation, increased fuel economy standards, and improved sustainability reporting.

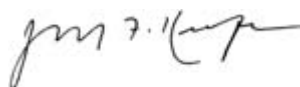
We continued our ongoing work on gender equality and women's empowerment by withholding support from all-male board slates while leading campaigns to encourage companies to embrace gender diversity on their boards and to endorse the Women's Empowerment Principles, an initiative of the UN Global Compact and UNIFEM.

We also launched two new series of funds for sustainable investors in 2010: the ESG Managers™ Portfolios, a series of multi-manager asset allocation funds with asset allocation, manager selection and portfolio construction by Morningstar Associates; and ESG Shares reported on herein, the first family of ETFs focused exclusively on a sustainable investing approach.

One hopes that we have learned some of the hard lessons from the financial crisis and economic downturn. Certainly the financial sector needs to focus on real, long-term value creation rather than continued short-term profits derived from asset bubbles, financial engineering and hyper trading. As investors, we can take steps designed to ensure that corporations and markets produce better long-term social, environmental and financial outcomes. That's what sustainable investing is all about. At Pax World, we tried our best to advance these goals in 2010, and we enter 2011 with renewed commitment and enthusiasm.

Thank you for your continued confidence.

Sincerely,



Joseph F. Keefe
President and CEO

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. Distributed by ALPS Distributors, Inc.

Sustainable Investing



Sustainability Update

The beginning of a new year is, in our world, a time to anticipate the start of a new proxy season and the opportunities it gives us to help improve the prospects of the companies in which we invest. This year marks the first year that public companies will be required to offer shareholders the opportunity to cast an advisory vote on their executive compensation plans, and to offer shareholders the choice of having such a vote every one, two or three years.

Corporate governance is a comprehensive measure, including hundreds of individual data points and criteria. While there is a great deal of variation in how different investors and rating agencies see governance, executive compensation is included in all of them. In fact, there is probably no single indicator of governance that is more important than executive compensation, and none that is more fundamentally broken. Despite increasingly frequent episodes of outrage over the size of executive compensation—most recently during the financial crisis—and increasingly specific regulation over what must be reported, it is difficult to point to any real progress in reining in excessive executive compensation over the past two decades. In part because of the financial crisis, and revelations that some of the most outlandish compensation was awarded to CEOs and other executives of some of the firms most responsible for the economic woes we have endured, the SEC last year required all companies to offer their shareholders the opportunity to provide an advisory vote on their executive compensation packages, and further stipulated that companies must do this at least every three years. Companies can choose whether to do this annually, or less frequently.

We are now on the threshold of seeing those advisory votes on company proxies. Since the regulation was finalized, we have seen nine executive compensation plans on company proxies, and we are about to see them for most, if not all, U.S. companies in our portfolios, most of them during proxy season (roughly March through June). We have voted against two-thirds of them, and we anticipate a great many more votes against compensation packages as the proxy season heats up. We have voted in favor of every resolution proposing an annual vote, and against all those proposing less frequent reporting.

Executive compensation is one of the most effective ways that the incentives of corporate management can be aligned with those of shareholders. Compensation packages with vague or sparse ties to financial performance are common, and we now have a new tool to use to let companies know how we feel

Sustainability Update, continued

about it. If all shareholders did this, reform might indeed happen. It took a lot of momentum to get to this point, and Pax World was one of the investors that helped create and sustain that momentum: we sent comments to the SEC on its proposed rule on executive compensation; we filed several “Say on Pay” resolutions; and we communicated our strong support for the advisory vote to the drafters of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which made such votes mandatory for the first time. Driving wedges into the largely opaque and cloistered system of lavish executive compensation hasn’t been easy, and progress hasn’t been fast. But we’ve struck pay dirt, and we will continue to dig.

In a much less well-publicized rulemaking last year, the SEC also began for the first time to require boards to report on their diversity, and again, Pax World was one of the enterprises that supported this new rule when the SEC proposed it. Pax World has been co-leading a global engagement on board diversity under the auspices of the United Nations Principles for Responsible Investment for nearly a year, and we have conducted a thorough review of the academic literature linking women’s empowerment with financial performance. What we know from this experience is that diverse boards are more likely to do a better job of overseeing and managing corporate governance than homogeneous ones—in the United States, that means all-white, all-male boards—and that those differences actually matter in financial measures like earnings quality and more conservative earnings reporting. We are working hard to create investor momentum in favor of more diverse boards. If most investors voted as we do at Pax World—withholding votes from every board slate that includes no women—we could make real progress in the dismal statistics on board diversity, and very likely in the quality of corporate governance. We will be launching new initiatives to encourage other investors to vote as we do.

On both issues—executive compensation and board diversity—we have been part of what Margaret Mead called a small group of committed individuals, which she maintained was the only thing that has ever changed the world. As a small firm dedicated to sustainable investing, we are always aware that progress on all measures of sustainability is needed, and that even a large investor working alone probably won’t get very far. But working with others, and leading where we can, we have shown that progress is not just possible, it’s underway.

Commentary

The Pax MSCI North America ESG Index ETF (NASI) employs a passive management approach, seeking to track the performance of the MSCI North America ESG Index, a broadly diversified, sector-neutral index of American and Canadian companies with superior ESG performance as rated by MSCI ESG Research.

The Fund’s NAV return of 11.58% since inception (5/18/2010) through December 31, 2010 closely tracked the benchmark MSCI North America ESG Index of 11.96%. The industrial sector made the most positive contribution to performance. While all of the sectors produced positive returns, a notable laggard to the overall performance was cash (1.48% average weight of total investments for the period) held by the Fund. Positions that contributed most positively to performance included Oracle Corp., a company that supplies enterprise information management software; Google, Inc., a global internet search engine company; and International Business Machines, a provider of information technology solutions (1.03%, 2.41% and 3.27%, respectively, average weights of total investments for the period). Positions that detracted most from performance included Cisco Systems, Inc., a data networking company; Hewlett-Packard Co., a personal computer, printer and technology services company; and Manulife Financial Corp., a Canadian financial services firm (2.41%, 1.94% and .26%, respectively, average weights of total investments for the period).

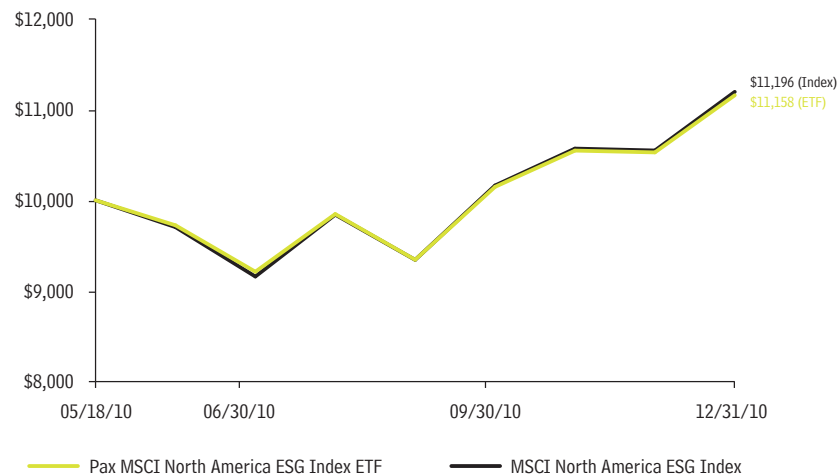
The Fund described herein is indexed to an MSCI index. The Fund referred to herein is not sponsored, endorsed or promoted by MSCI or its affiliates, and MSCI and its affiliates bear no liability with respect to any such fund or any index on which such fund is based.

The MSCI North America ESG Index is designed to measure the performance of equity securities of issuers organized or operating in the United States and Canada that have high Environmental, Social and Governance (ESG) ratings relative to their sector and industry group peers, as rated by MSCI ESG Research annually.

The MSCI North America ESG Index includes or utilizes data, ratings, analysis, reports, analytics or other information or materials from MSCI’s ESG Research Group within Institutional Shareholder Services Inc., an indirect wholly-owned subsidiary of MSCI.

Portfolio Highlights

Total Return—Historical



Returns—Period ended December 31, 2010

	3 Months	Total Return Since Inception ¹
NAV Return ²	9.95%	11.58%
Market Value Return ²	9.83%	11.98%
MSCI North America ESG Index ³	10.16%	11.96%

All total return figures assume reinvestment of dividends and capital gains at net asset value; actual returns may differ. Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance data may be higher or lower than actual data quoted. Total returns have not been annualized.

An index is a statistical measure of a specified financial market or sector. An index does not actually hold a portfolio of securities, incur expenses or pay any transaction costs. Therefore index returns do not reflect deductions for fees or expenses and are not available for direct investment. In comparison, the Fund's performance is negatively impacted by these deductions. Fund returns do not reflect brokerage commissions or taxes on transactions in Fund shares or that a shareholder would pay on Fund distributions.

¹The Fund's inception date is May 18, 2010.

²The NAV return is based on the closing NAV (net asset value per share) of the Fund and the Market Value return is based on the market price per share of the Fund. The market prices used for Market Value returns are based on the midpoint of the bid/ask spread at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times.

³The MSCI North America ESG Index is designed to measure the performance of equity securities of issuers organized or operating in North America that have high environmental, social and governance (ESG) ratings from MSCI, selected initially and adjusted annually by MSCI. One cannot invest directly in an index.

Shareholder Expense Examples

Examples As a shareholder of the Pax MSCI North America ESG Index ETF, you incur two types of costs: (1) transaction costs, including brokerage commissions on purchases and sales of your fund shares and (2) ongoing costs, including management fees, and other Fund expenses. The examples below are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and compare these costs with the ongoing costs of investing in other mutual funds. For more information, see the prospectus or talk to your financial adviser.

The examples are based on an investment of \$1,000 invested at the beginning of the period and held for the entire period beginning on July 1, 2010 and ending on December 31, 2010.

Actual Expenses The first line in the table provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Examples for Comparison Purposes The second line in the table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare these 5% hypothetical examples with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the tables are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value (7/1/10)	Ending Account Value (12/31/10)	Annualized Expense Ratio	Expenses Paid During Period ¹
Based on Actual Fund Return	\$ 1,000	\$ 1,211.20	0.50%	\$ 2.79
Based on Hypothetical 5% Return	1,000	1,022.68	0.50%	2.55

¹ Expenses are equal to the Fund's annualized expense ratio, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the period beginning on July 1, 2010 and ending on December 31, 2010).

Portfolio Highlights

Asset Allocation

	Percent of Net Assets
Common Stocks.....	99.9%
Money Market Funds.....	0.7%
Other Assets & Liabilities.....	(0.6)%
Total Net Assets.....	100.0%

Top Ten Holdings

Company	Percent of Net Assets
International Business Machines Corp.	3.0%
Procter & Gamble Co.	3.0%
Johnson & Johnson.....	2.8%
Wells Fargo & Co.	2.5%
Google, Inc. (Class A).....	2.4%
Oracle Corp.	2.1%
Intel Corp.	1.9%
Cisco Systems, Inc.	1.9%
Merck & Co., Inc.	1.8%
PepsiCo, Inc.	1.7%
Total.....	23.1%

Ten largest holdings do not include money market securities, certificates of deposit, commercial paper or cash and cash equivalents, if applicable.

Sector Diversification

Sector	Percent of Net Assets
Information Technology.....	18.5%
Financials.....	17.7%
Industrials.....	11.8%
Consumer Discretionary.....	11.1%
Health Care.....	10.7%
Consumer Staples.....	10.0%
Energy.....	9.7%
Materials.....	5.5%
Utilities.....	2.8%
Telecommunication Services.....	2.1%
Cash and cash equivalents plus other assets less liabilities.....	0.1%
Total.....	100.0%

Geographical Diversification

Country	Percent of Net Assets
Canada.....	11.7%
United States.....	88.9%
Other Assets & Liabilities.....	(0.6)%
Total.....	100.0%

Schedule of Investments

Security Description	Shares	Value	Security Description	Shares	Value
COMMON STOCKS: 99.9%			COMMON STOCKS, continued		
Consumer Discretionary: 11.1%			Consumer Discretionary, continued		
Advance Auto Parts, Inc.	38	\$ 1,237	Yellow Media, Inc.	265	\$ 1,652
American Eagle Outfitters, Inc.	88	1,287			305,888
AutoZone, Inc. (a)	13	3,544	Consumer Staples: 10.0%		
Bed Bath & Beyond, Inc. (a)	117	5,751	Avon Products, Inc.	190	5,521
Best Buy Co., Inc.	173	5,932	Campbell Soup Co.	90	3,128
BorgWarner, Inc. (a)	52	3,763	Clorox Co.	62	3,923
Canadian Tire Corp., Ltd. (Class A)	34	2,332	Coca-Cola Enterprises, Inc.	133	3,329
CarMax, Inc. (a)	99	3,156	Colgate-Palmolive Co.	218	17,521
Coach, Inc.	136	7,522	ConAgra Foods, Inc.	197	4,448
Darden Restaurants, Inc.	59	2,740	Empire Co. Ltd. (Class A)	12	674
DeVry, Inc.	28	1,343	General Mills, Inc.	295	10,499
Discovery Communications, Inc. (Series A) (a)	60	2,502	H.J. Heinz Co.	141	6,974
Discovery Communications, Inc. (Series C) (a)	62	2,275	Hansen Natural Corp. (a)	33	1,725
Ford Motor Co. (a)	1,402	23,540	Hormel Foods Corp.	32	1,640
GameStop Corp. (Class A) (a)	64	1,464	Kellogg Co.	118	6,027
Garmin, Ltd.	52	1,611	Kimberly-Clark Corp.	183	11,536
Genuine Parts Co.	70	3,594	Kraft Foods, Inc. (Class A)	781	24,609
Gildan Activewear, Inc. (a)	50	1,426	Loblaws Cos., Ltd.	48	1,949
Harley-Davidson, Inc.	104	3,606	McCormick & Co., Inc.	53	2,466
Hasbro, Inc.	58	2,736	Metro, Inc. (Class A)	47	2,137
J.C. Penney Co., Inc.	94	3,037	PepsiCo, Inc.	723	47,234
Johnson Controls, Inc.	299	11,422	Procter & Gamble Co.	1,276	82,085
Kohl's Corp. (a)	130	7,064	Ralcorp Holdings, Inc. (a)	24	1,560
Liberty Global, Inc. (Series A) (a)	58	2,052	Safeway, Inc.	172	3,868
Liberty Global, Inc. (Series C) (a)	51	1,728	Saputo, Inc.	64	2,548
Liberty Media Corp. – Interactive (Class A) (a)	252	3,974	Sara Lee Corp.	279	4,885
Limited Brands, Inc.	134	4,118	Sysco Corp.	263	7,732
Lowe's Cos., Inc.	641	16,076	The Estee Lauder Cos., Inc. (Class A)	51	4,116
Macy's, Inc.	187	4,731	The J.M. Smucker Co.	52	3,414
Marriott International, Inc. (Class A)	146	6,065	The Kroger Co.	272	6,082
Mattel, Inc.	161	4,094	Viterra, Inc. (a)	164	1,531
McDonald's Corp.	482	36,998	Whole Foods Market, Inc. (a)	64	3,238
NIKE, Inc. (Class B)	168	14,351			276,399
Nordstrom, Inc.	89	3,772	Energy: 9.7%		
O'Reilly Automotive, Inc. (a)	61	3,686	Apache Corp.	171	20,388
Omnicom Group, Inc.	136	6,229	ARC Resources, Ltd. (a)	62	1,584
PetSmart, Inc.	54	2,150	Athabasca Oil Sands Corp. (a)	89	1,351
Staples, Inc.	324	7,377	Cabot Oil & Gas Corp.	46	1,741
Starbucks Corp.	331	10,635	Cameron International Corp. (a)	108	5,479
Starwood Hotels & Resorts Worldwide, Inc.	84	5,106	Canadian Oil Sands Trust	105	2,793
Target Corp.	311	18,700	Cenovus Energy, Inc.	332	11,112
The Gap, Inc.	214	4,738	Chesapeake Energy Corp.	289	7,488
The Washington Post Co. (Class B)	3	1,318	Cimarex Energy Co.	37	3,276
Thomson Reuters Corp.	169	6,330	Concho Resources, Inc. (a)	40	3,507
Tiffany & Co.	56	3,487	Crescent Point Energy Corp.	103	4,578
Tim Hortons, Inc.	77	3,183	Denbury Resources, Inc. (a)	168	3,207
Time Warner Cable, Inc.	158	10,433	Devon Energy Corp.	188	14,760
TJX Cos., Inc.	181	8,035	Diamond Offshore Drilling, Inc.	30	2,006
V.F. Corp.	46	3,964	El Paso Corp.	313	4,307
Virgin Media, Inc.	140	3,814	Enbridge, Inc.	159	8,998
Whirlpool Corp.	33	2,931	EOG Resources, Inc.	112	10,238
			EQT Corp.	60	2,690
			FMC Technologies, Inc. (a)	53	4,712
			Hess Corp.	134	10,256

Schedule of Investments, continued

Security Description	Shares	Value	Security Description	Shares	Value
COMMON STOCKS, continued					
Energy, continued			Financials, continued		
Kinder Morgan Management, LLC (a)	35	\$ 2,341	Invesco, Ltd.	193	\$ 4,644
Marathon Oil Corp.	316	11,701	Keycorp	391	3,460
National-Oilwell Varco, Inc.	186	12,509	Kimco Realty Corp. (b)	180	3,247
Newfield Exploration Co. (a)	59	4,255	Legg Mason, Inc.	72	2,611
Nexen, Inc.	232	5,320	Liberty Property Trust (b)	50	1,596
Noble Corp.	114	4,078	Lincoln National Corp.	134	3,727
Noble Energy, Inc.	77	6,628	M&T Bank Corp.	36	3,134
Pacific Rubiales Energy Corp.	114	3,870	Marshall & Ilsley Corp.	222	1,536
Penn West Energy Trust (a)	205	4,915	New York Community Bancorp, Inc.	183	3,450
Petrohawk Energy Corp. (a)	134	2,446	Northern Trust Corp.	98	5,430
Pioneer Natural Resources Co.	51	4,428	NYSE Euronext	116	3,478
Plains Exploration & Production Co. (a)	62	1,993	PartnerRe, Ltd.	32	2,571
Pride International, Inc. (a)	78	2,574	People's United Financial, Inc.	166	2,326
QEP Resources, Inc.	77	2,796	PNC Financial Services Group, Inc.	233	14,148
Range Resources Corp.	70	3,149	Principal Financial Group, Inc.	142	4,623
Southwestern Energy Co. (a)	154	5,764	ProLogis (b)	211	3,047
Spectra Energy Corp.	288	7,197	Regency Centers Corp. (b)	36	1,521
Suncor Energy, Inc.	701	26,988	Regions Financial Corp.	530	3,710
Sunoco, Inc.	53	2,136	Royal Bank of Canada	642	33,782
Talisman Energy, Inc.	451	10,033	SEI Investments Co.	58	1,380
The Williams Cos., Inc.	260	6,427	State Street Corp.	223	10,334
Ultra Petroleum Corp. (a)	67	3,201	SunTrust Banks, Inc.	222	6,551
Weatherford International, Ltd. (a)	328	7,478	T. Rowe Price Group, Inc.	115	7,422
		<u>266,698</u>	The Bank of New York Mellon Corp.	539	16,278
			The Charles Schwab Corp.	486	8,315
			The Macerich Co. (b)	57	2,700
Financials: 17.7%			The NASDAQ OMX Group, Inc. (a)	60	1,423
Affac, Inc.	208	11,737	The Progressive Corp.	283	5,623
AMB Property Corp. (b)	74	2,347	The Toronto-Dominion Bank	393	29,348
American Express Co.	492	21,117	The Travelers Cos., Inc.	220	12,256
Ameriprise Financial, Inc.	114	6,561	U.S. Bancorp	852	22,978
Annaly Capital Management, Inc. (b)	275	4,928	Ventas, Inc. (b)	69	3,621
Arch Capital Group, Ltd. (a)	22	1,937	Vornado Realty Trust (b)	72	6,000
Assurant, Inc.	51	1,964	W.R. Berkley Corp.	61	1,670
Axis Capital Holdings, Ltd.	53	1,902	Wells Fargo & Co.	2,240	69,418
Bank of Nova Scotia	464	26,646	White Mountains Insurance Group, Ltd.	3	1,007
BB&T Corp.	308	8,097	XL Group PLC	152	3,317
BlackRock, Inc.	40	7,623			<u>489,965</u>
Boston Properties, Inc. (b)	61	5,252			
Capital One Financial Corp.	202	8,597	Health Care: 10.7%		
Chubb Corp.	145	8,648	Abbott Laboratories	712	34,112
Cincinnati Financial Corp.	68	2,155	Aetna, Inc.	188	5,736
CME Group, Inc.	29	9,331	Allergan, Inc.	137	9,408
Comerica, Inc.	78	3,295	Baxter International, Inc.	266	13,465
Discover Financial Services	241	4,466	Becton, Dickinson & Co.	103	8,705
Duke Realty Corp. (b)	110	1,371	Bristol-Myers Squibb Co.	765	20,257
Eaton Vance Corp.	52	1,572	Genzyme Corp. (a)	118	8,402
Everest Re Group, Ltd.	25	2,120	Gilead Sciences, Inc. (a)	395	14,315
Federal Realty Investment Trust (b)	26	2,026	Hospira, Inc. (a)	73	4,065
Fifth Third Bancorp	353	5,182	Johnson & Johnson	1,247	77,127
Franklin Resources, Inc.	70	7,785	Life Technologies Corp. (a)	81	4,495
Genworth Financial, Inc. (Class A) (a)	217	2,851	McKesson Corp.	120	8,446
HCP, Inc. (b)	131	4,819	Medco Health Solutions, Inc. (a)	203	12,438
Health Care REIT, Inc. (b)	55	2,620	Medtronic, Inc.	489	18,137
Host Hotels & Resorts, Inc. (b)	281	5,021	Merck & Co., Inc.	1,397	50,348
Hudson City Bancorp, Inc.	215	2,739			
Intercontinental Exchange, Inc. (a)	30	3,574			

Schedule of Investments, continued

Security Description	Shares	Value	Security Description	Shares	Value
COMMON STOCKS, continued					
Health Care, continued			Industrials, continued		
Valeant Pharmaceuticals International, Inc.	125	\$ 3,555	Waste Management, Inc.	203	\$ 7,485
Waters Corp. (a)	41	3,186			<u>325,335</u>
		<u>296,197</u>	Information Technology: 18.5%		
Industrials: 11.8%			Accenture PLC (Class A)	283	13,723
3M Co.	304	26,235	Adobe Systems, Inc. (a)	234	7,202
AMETEK, Inc.	71	2,767	Advanced Micro Devices, Inc. (a)	254	2,078
Avery Dennison Corp.	43	1,821	Agilent Technologies, Inc. (a)	155	6,422
Bombardier, Inc. (Class B)	636	3,205	Applied Materials, Inc.	597	8,388
C.H. Robinson Worldwide, Inc.	77	6,175	Autodesk, Inc. (a)	102	3,896
Canadian National Railway Co.	211	14,080	CA, Inc.	182	4,448
Canadian Pacific Railway, Ltd.	74	4,809	CGI Group, Inc. (Class A) (a)	111	1,920
Caterpillar, Inc.	282	26,412	Cisco Systems, Inc. (a)	2,571	52,011
Cooper Industries PLC	74	4,313	Dell, Inc. (a)	819	11,097
CSX Corp.	172	11,113	EMC Corp. (a)	914	20,931
Cummins, Inc.	84	9,241	Google, Inc. (Class A) (a)	111	65,931
Danaher Corp.	248	11,698	Hewlett-Packard Co.	1,054	44,373
Deere & Co.	188	15,613	Intel Corp.	2,519	52,975
Delta Air Lines, Inc. (a)	116	1,462	International Business Machines Corp.	569	83,506
Dover Corp.	83	4,851	Intuit, Inc. (a)	133	6,557
Dun & Bradstreet Corp.	22	1,806	Motorola Solutions, Inc. (a)	981	8,898
Eaton Corp.	70	7,106	Open Text Corp. (a)	24	1,104
Emerson Electric Co.	338	19,323	Oracle Corp.	1,816	56,841
Equifax, Inc.	56	1,994	Research In Motion, Ltd. (a)	220	12,849
Expeditors International Washington, Inc.	94	5,132	Salesforce.com, Inc. (a)	51	6,732
Fastenal Co.	60	3,595	Symantec Corp. (a)	355	5,943
FedEx Corp.	132	12,277	Texas Instruments, Inc.	543	17,647
Finning International, Inc.	75	2,043	Xerox Corp.	613	7,062
Fluor Corp.	79	5,235	Yahoo!, Inc. (a)	585	9,728
Foster Wheeler AG (a)	56	1,933			<u>512,262</u>
Illinois Tool Works, Inc.	204	10,894	Materials: 5.5%		
Ingersoll-Rand PLC	143	6,734	Agnico-Eagle Mines, Ltd.	74	5,701
Iron Mountain, Inc.	81	2,026	Agrium, Inc.	69	6,350
J.B. Hunt Transport Services, Inc.	42	1,714	Air Products & Chemicals, Inc.	94	8,549
Manpower, Inc.	36	2,259	Airgas, Inc.	34	2,124
Masco Corp.	159	2,013	Alcoa, Inc.	454	6,987
Norfolk Southern Corp.	164	10,302	Allegheny Technologies, Inc.	39	2,152
PACCAR, Inc.	147	8,441	Ball Corp.	38	2,586
Pall Corp.	51	2,529	Celanese Corp. (Series A)	69	2,841
Pentair, Inc.	43	1,570	Cliffs Natural Resources, Inc.	60	4,681
Pitney Bowes, Inc.	92	2,225	Crown Holdings, Inc. (a)	72	2,403
Precision Castparts Corp.	63	8,770	Eastman Chemical Co.	31	2,606
Quanta Services, Inc. (a)	93	1,853	Ecolab, Inc.	103	5,193
R.R. Donnelley & Sons Co.	91	1,590	Inmet Mining Corp.	23	1,787
Robert Half International, Inc.	63	1,928	International Flavors & Fragrances, Inc.	35	1,946
Rockwell Automation, Inc.	63	4,518	International Paper Co.	184	5,012
Roper Industries, Inc.	41	3,134	Kinross Gold Corp.	504	9,585
Southwest Airlines Co.	83	1,077	Lubrizol Corp.	30	3,206
SPX Corp.	21	1,501	Martin Marietta Materials, Inc.	19	1,753
Tyco International, Ltd.	228	9,448	MeadWestvaco Corp.	75	1,962
United Parcel Service, Inc. (Class B)	323	23,443	Nucor Corp.	140	6,135
Verisk Analytics, Inc. (Class A) (a)	44	1,499	Owens-Illinois, Inc. (a)	73	2,241
W.W. Grainger, Inc.	30	4,143	Potash Corp. of Saskatchewan, Inc.	133	20,660

Schedule of Investments, continued

Security Description	Shares	Value	Security Description	Shares	Value
COMMON STOCKS, continued			COMMON STOCKS, continued		
Materials, continued			Utilities, continued		
Praxair, Inc.	136	\$ 12,984	NextEra Energy, Inc.	174	\$ 9,046
Sealed Air Corp.	70	1,781	NiSource, Inc.	123	2,167
Sigma-Aldrich Corp.	53	3,528	Northeast Utilities	78	2,487
Teck Resources, Ltd. (Class B)	263	16,344	NSTAR	47	1,983
United States Steel Corp.	63	3,680	ONEOK, Inc.	44	2,441
Vulcan Materials Co.	56	2,484	Pepco Holdings, Inc.	99	1,807
Yamana Gold, Inc.	327	4,200	PG&E Corp.	186	8,898
		<u>151,461</u>	Pinnacle West Capital Corp.	48	1,990
			PPL Corp.	208	5,475
			SCANA Corp.	52	2,111
Telecommunication Services: 2.1%			Sempra Energy	104	5,458
American Tower Corp. (Class A) (a)	179	9,244	TransAlta Corp.	97	2,063
BCE, Inc.	111	3,945	Wisconsin Energy Corp.	51	3,002
CenturyLink, Inc.	133	6,141	Xcel Energy, Inc.	204	4,804
Crown Castle International Corp. (a)	129	5,654			<u>77,116</u>
Frontier Communications Corp.	434	4,223	TOTAL COMMON STOCKS		<u>2,758,698</u>
MetroPCS Communications, Inc. (a)	110	1,389	(Cost \$2,459,418)		
NII Holdings, Inc. (a)	74	3,305	SHORT TERM INVESTMENT: 0.7%		
Qwest Communications International, Inc.	695	5,289	MONEY MARKET FUND: 0.7%		
Rogers Communications, Inc. (Class B)	198	6,890	State Street Institutional Liquid Reserves Fund		
SBA Communications Corp. (Class A) (a)	49	2,006	(Cost \$19,653)	19,653	19,653
Sprint Nextel Corp. (a)	1,310	5,541	TOTAL INVESTMENTS: 100.6%		2,778,351
Telephone & Data Systems, Inc.	21	767	(Cost \$2,479,071)		
Windstream Corp.	214	2,983	OTHER ASSETS AND LIABILITIES: (0.6)%		(15,665)
		<u>57,377</u>	Net Assets: 100.0%		<u>\$2,762,686</u>
Utilities: 2.8%			(a) Non-income producing security.		
Alliant Energy Corp.	49	1,802	(b) REIT = Real Estate Investment Trust		
American Water Works Co., Inc.	77	1,947			
Calpine Corp. (a)	158	2,108			
Canadian Utilities, Ltd. (Class A)	37	2,024			
CenterPoint Energy, Inc.	175	2,751			
Consolidated Edison, Inc.	125	6,196			
DTE Energy Co.	74	3,354			
Integrus Energy Group, Inc.	33	1,601			
MDU Resources Group, Inc.	79	1,601			

Statement of Assets and Liabilities

ASSETS	
Investments, at value (Note B)	\$2,778,351
Cash	48
Foreign currency (Cost \$99)	99
Receivable for investments sold	8,291
Dividends receivable (Note B)	3,555
Total Assets	<u>2,790,344</u>
LIABILITIES	
Distributions payable	26,492
Accrued advisory fee (Note C)	1,166
Total Liabilities	<u>27,658</u>
NET ASSETS	<u>\$2,762,686</u>
NET ASSETS CONSIST OF:	
Paid in capital	\$2,500,970
Undistributed (distribution in excess of) net investment income	138
Accumulated net realized gain (loss) on:	
Investments and foreign currency transactions	(37,708)
Net unrealized appreciation (depreciation) of:	
Investments	299,280
Foreign currency	6
NET ASSETS	<u>\$2,762,686</u>
NET ASSET VALUE PER SHARE	
Net asset value per share	<u>\$ 27.63</u>
Outstanding beneficial interest shares (unlimited amount authorized, \$0.01 par value)	<u>100,000</u>
COST OF INVESTMENTS	
Investments, at cost (Note B)	<u>\$2,479,071</u>

Pax MSCI North America ESG Index ETF

Period Ended December 31, 2010*

Statement of Operations

INVESTMENT INCOME	
Dividend income (net of foreign withholding tax of \$780).....	\$ 34,635
Total Investment Income	<u>34,635</u>
EXPENSES	
Advisory fee (Note C)	7,906
Total Expenses	<u>7,906</u>
Net Investment Income (Loss)	<u>26,729</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized gain (loss) on:	
Investments	(38,018)
Foreign currency transactions	211
Net change in unrealized appreciation (depreciation) on:	
Investments	299,280
Foreign currency translation	<u>6</u>
Net realized and unrealized gain (loss) on investments and foreign currency	<u>261,479</u>
Net increase (decrease) in net assets resulting from operations.....	<u>\$ 288,208</u>

* Commencement of operations—May 18, 2010

Pax MSCI North America ESG Index ETF

Period Ended December 31, 2010*

Statement of Changes in Net Assets

INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:	
Net investment income (loss).....	\$ 26,729
Net realized gain (loss) on investments and foreign currency transactions	(37,807)
Net change in unrealized appreciation (depreciation) on investments and foreign currency translation	299,286
Net increase (decrease) in net assets resulting from operations	<u>288,208</u>
Distributions to shareholders from:	
Net investment income	(26,492)
Total distributions to shareholders	<u>(26,492)</u>
From capital share transactions:	
Proceeds from sale of shares sold.....	2,500,000
Cost of shares redeemed.....	<u>(49,030)</u>
Net increase (decrease) in net assets from capital share transactions ...	2,450,970
Net increase (decrease) in net assets during the period	2,712,686
Net assets at beginning of period.....	<u>50,000</u>
Net assets end of period (1)	<u>\$2,762,686</u>
(1) Including undistributed net investment income	<u>\$ 138</u>
Shares of beneficial interest:	
Shares sold.....	100,000
Shares redeemed	<u>(2,000)</u>
Net increase in shares outstanding	<u>98,000</u>

* Commencement of operations—May 18, 2010

Financial Highlights

Selected data for a share outstanding throughout each period

Net asset value, beginning of period	\$ 25.00
Income (loss) from investment operations:	
Net investment income (loss) ¹	0.27
Net realized and unrealized gain (loss) ²	2.62
Total from investment operations	2.89
Distributions to shareholders from:	
Net investment income	(0.26)
Total distributions	(0.26)
Net asset value, end of period	\$ 27.63
Total return ³	11.58%
Net assets, end of period (in 000's)	\$ 2,763
Ratio of expenses to average net assets	0.50% ⁴
Ratio of net investment income (loss) to average net assets	1.69% ⁴
Portfolio turnover rate	30% ⁵

¹Based on average shares outstanding during the period.

²Amounts shown in this caption for a share outstanding may not accord with the change in aggregate gains and losses in securities for the fiscal period because of the timing of sales and repurchases of Fund shares in relation to fluctuating market values for the Fund.

³Total return is calculated assuming a purchase of shares at net asset value on the first day of the period, reinvestment of all dividends and distributions at net asset value during the period, and a sale at net asset value on the last day of the period. Total return for periods of less than one year is not annualized. Broker commission charges are not included in this calculation.

⁴Annualized.

⁵Portfolio turnover rate excludes the value of securities received or delivered from in kind processing of creations or redemptions of the Fund's capital shares.

* Commencement of operations—May 18, 2010

Notes to the Financial Statements

NOTE A—Organization

Pax World Funds Trust II (the “Trust”), which is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), is an open-end management investment company organized under the laws of the Commonwealth of Massachusetts on February 7, 2008.

As of December 31, 2010, the Trust offered one portfolio which represents a series of beneficial interest in the Trust, the Pax MSCI North America ESG Index ETF (referred to as the “Fund”), which commenced operations on May 18, 2010. The financial statements herein relate to the Fund which operates as a non-diversified investment company. The Fund’s investment objective is to seek investment returns that closely correspond to the price and yield performance, before fees and expenses, of the FTSE KLD North America Sustainability Index.

NOTE B—Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements:

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Indemnifications and Guarantees Under the Trust’s organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust enters into contracts with service providers that contain general indemnification clauses. The Trust’s maximum exposure under these arrangements is unknown as this could involve future claims that may be made against the Trust that have not yet occurred. The Trust expects the risk of loss to be remote.

Security Valuation The Fund’s investments for which market quotations are readily available are valued at fair value. Market values for various types of securities and other instruments are determined on the basis of closing prices or last sales prices on an exchange or other market, or based on quotes or other market information obtained from quotation reporting systems, established market makers or pricing services. Short-term investments having a maturity of

Notes to the Financial Statements, continued

60 days or less are generally valued at amortized cost, which approximates fair value.

If market quotations are not readily available (including in cases when available market quotations are deemed unreasonable), the Fund's investments will be valued determined in good faith pursuant to policies and procedures approved by the Board of Trustees (so called "fair value pricing"). Fair value pricing may require subjective determinations about the value of a security or other asset, and fair values used to determine the Fund's net asset value per share ("NAV") may differ from quoted or published prices, or from prices that are used by others, for the same investments. Also, the use of fair value pricing may not always result in adjustments to the prices of securities or other assets held by the Fund.

The Fund may determine that market quotations are not readily available due to events relating to a single issuer or events relating to multiple issuers (e.g., governmental actions or natural disasters). The Fund may determine the fair value of investments based on information provided by pricing services and other third-party vendors, which may recommend fair value prices or adjustments with reference to other securities, indices or assets. In considering whether fair value pricing is required and in determining fair values, the Fund may, among other things, consider significant events (which may be considered to include changes in the value of U.S. securities or securities indices) that occur after the close of the relevant market and the usual time of valuation. Fair value pricing could result in a difference between the prices used to calculate the Fund's NAV and the prices used by the Fund's benchmark index, which, in turn, could result in a difference between the Fund's performance and the performance of the Fund's benchmark index.

Non-U.S. markets can be significantly more volatile than domestic markets, causing the prices of some of the Fund's investments to fluctuate significantly, rapidly and unpredictably. Non-U.S. securities may be less liquid than domestic securities; consequently, the Fund may at times be unable to sell non-U.S. securities at desirable times or prices. Other risks related to non-U.S. securities include delays in the settlement of transactions; less publicly available information about issuers; different reporting, accounting and auditing standards; the effect of political, social, diplomatic or economic events; seizure, expropriation or nationalization of the issuer or its assets; and the possible imposition of currency exchange controls. If the Fund invests substantially in securities of non-U.S. issuers tied economically to a particular country or geographic region, it will be subject to the risks associated with such country or geographic region

to a greater extent than a fund that is more diversified across countries or geographic regions.

The Board of Trustees of the Trust has determined that, because shares of the Fund are purchased or redeemed principally by the delivery of in-kind securities, rather than cash, the use of local market closing prices to determine the value of foreign securities, rather than fair values determined as of the New York Stock Exchange ("NYSE") Close to give effect to intervening changes in one or more indices, is unlikely to result in material dilution of the interests of the Fund's shareholders. Therefore, and in order to minimize tracking error relative to the respective index (which is based on local market closing prices), the Fund generally intends to use local market closing prices to value foreign securities, and may determine in the future to value foreign securities using a different methodology.

Investments initially valued in currencies other than the U.S. dollar are converted to U.S. dollars using exchange rates obtained from pricing services. As a result, the NAV of the Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of investments traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the NYSE is closed, and the NAV of the Fund's shares may change on days when an investor is not able to purchase, redeem or exchange shares.

For purposes of calculating NAV, the Fund normally uses pricing data for domestic equity securities received shortly after the NYSE Close and do not normally take into account trading, clearances or settlements that take place after the NYSE Close. Domestic fixed income and foreign securities are normally priced using data reflecting the earlier closing of the principal markets for those securities, subject to possible fair value adjustments. Information that becomes known to the Fund or its agents after NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or NAV determined earlier that day.

Fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tier hierarchy has been established to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the

Notes to the Financial Statements, continued

risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

Equity securities, including restricted securities and options on equity securities, for which market quotations are readily available, valued at the last reported sale price or official closing price as reported by an independent pricing service, are generally categorized as Level 1 in the hierarchy. Debt securities are valued at evaluated prices received from independent pricing services and are generally categorized as Level 2 in the hierarchy. Investments in mutual funds are generally categorized as Level 1. Short-term securities with remaining maturities of sixty days or less, which are valued at amortized cost, are generally categorized as Level 2 in the hierarchy.

Investments that use Level 2 or Level 3 inputs may include, but are not limited to: (i) an unlisted security related to corporate actions; (ii) a restricted security (e.g., one that may not be publicly sold without registration under the Securities Act of 1933, as amended); (iii) a security whose trading has been suspended or which has been de-listed from its primary exchange; (iv) a security that is thinly traded; (v) a security in default or bankruptcy proceedings for which there is no current market quotation; (vi) a security affected by currency controls or restrictions; and (vii) a security affected by a significant event (e.g., an event that occurs after the close of the markets on which a security is traded but before the time at which the Fund's net assets are computed and that may materially affect the value of the Fund's investments). Examples of events that may be "significant events" are government actions, natural disasters, armed conflict, acts of terrorism, and significant market fluctuations. Utilization of inputs for such investments may result in transfers between Levels. The inputs

or methodology used for valuation are not necessarily an indication of the risk associated with investing in those investments.

The following is a summary of the inputs used to value the Fund's net assets as of December 31, 2010:

	Level One	Level Two	Level Three	Total
Common Stocks	\$ 2,758,698	\$ —	\$ —	\$ 2,758,698
Money Market Fund	19,653	—	—	19,653
Total	\$ 2,778,351	\$ —	\$ —	\$ 2,778,351

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements". Portions of ASU No. 2010-06 which involve improved disclosures surrounding amounts and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements as well as inputs and valuation techniques used to measure fair value within Level 2 or Level 3, became effective for the current fiscal yearend and have been adopted by the Funds. The remaining portion of ASU No. 2010-06 requires more detailed disclosures of information pertaining to purchases, sales, issuances and settlements on a gross basis in the reconciliation of activity in Level 3 fair value measurements. These new and revised disclosures are required to be implemented for fiscal years beginning after December 15, 2010. Management is currently evaluating the impact that the adoption of this remaining portion of ASU No. 2010-06 may have on the Funds' financial statement disclosures.

The Fund did not hold any Level 3 categorized securities and there were no significant transfers between Level 1 and Level 2 during the period from May 18, 2010 through December 31, 2010.

Investment Transactions Investment transactions are recorded as of the date of purchase, sale or maturity. Net realized gains and losses from the sale or disposition of securities are determined on the identified cost basis, which is also used for federal income tax purposes. Corporate actions (including cash dividends) are recorded net of foreign tax withholdings.

Investment Income Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis and includes accretion of discount and amortization of premiums, if any. The value of additional securities received as dividend payments is recorded as income and as an increase to the cost basis of such securities.

Distributions to Shareholders Distributions to shareholders are recorded by the Fund on the ex-dividend date. The Fund expects to pay dividends of net investment income and to make distributions of capital gains, if any, at least

Notes to the Financial Statements, continued

annually. Income and capital gains distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles.

Expenses The Fund is charged a unified management fee that includes all the costs and expenses of the Fund (other than taxes, charges of governmental agencies, interest, brokerage commissions incurred in connection with portfolio transactions and extraordinary expenses), including accounting expenses, administrator, transfer agent and custodian fees, Fund legal fees and other expenses.

Federal Income Taxes The Fund intends to elect to be treated and qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). If the Fund so qualifies and satisfies certain distribution requirements, such Fund will ordinarily not be subject to federal income tax on its net investment income (which includes short-term capital gains) and net capital gains that it distributes to shareholders. The Fund expects to distribute all or substantially all of its income and gains to shareholders every year. Therefore, no Federal income or excise tax provision is required.

Foreign Currency Transactions The accounting records of the Fund are maintained in U.S. dollars. In addition, purchases and sales of investment securities, dividend and interest income, and certain expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Net realized and unrealized foreign currency exchange gains or losses occurring during the holding period of investment securities are a component of realized gain (loss) on investment transactions and unrealized appreciation (depreciation) on investments, respectively.

NOTE C—Investment Advisory Fee and Transactions with Affiliated and Other Parties

The Trust has entered into an Investment Advisory Contract (the “Agreement”) with Pax World Management LLC (the “Adviser”). Pursuant to the terms of the agreement, the Adviser, subject to the supervision of the Board of Trustees of the Trust, is responsible for managing the assets of the Fund in accordance with the Fund’s investment objective, investment programs and policies.

Pursuant to the Agreement the Adviser has contracted to furnish the Fund continuously with an investment program, determining what investments to purchase, sell and exchange for the Fund and what assets to hold uninvested. The Adviser also has contracted to provide office space and certain

management and administrative facilities for the Fund. The Fund pays a unified management fee to the Adviser at the following annual rates (expressed as a percentage of the average daily net assets of such Fund):

	Annual Rate
Pax MSCI North America ESG Index ETF	0.50%

Out of the management fee, the Adviser pays all expenses of managing and operating the Fund, except taxes, charges of governmental agencies, interest, brokerage commissions incurred in connection with portfolio transactions and extraordinary expenses.

NOTE D—Investment Information

At December 31, 2010, the Fund had in-kind contributions, in-kind redemptions, purchases and sales of investment securities of \$2,463,219, \$0, \$777,954, and \$743,758, respectively. At December 31, 2010, the cost of investments for federal income tax purposes was \$2,479,804, accordingly, gross unrealized appreciation was \$334,894 and gross unrealized depreciation was \$36,347, resulting in net unrealized appreciation of \$298,547.

At December 31, 2010, the Fund had capital loss carryforwards which may be used to offset any net realized gains, expiring December 31, 2018 of \$36,976.

The tax character of distributions paid during the period from May 18, 2010 through December 31, 2010 was \$26,492 of ordinary income.

As of December 31, 2010, the components of distributable earnings on the tax basis were: undistributed ordinary income of \$138, undistributed long term capital gain of \$0, capital loss carryover of \$36,976 and unrealized appreciation/depreciation of \$298,554.

Tax Information The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations, which may differ from GAAP. These differences primarily relate to investments in foreign denominated securities and real estate investment trusts. Additionally, timing differences may occur due to wash sale loss deferrals. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions

Notes to the Financial Statements, continued

during such period, and may result in reclassification among certain capital accounts. For tax purposes, short-term capital gains are considered ordinary income.

The Fund has yet to complete its first tax reporting period. Management has analyzed the Fund's current tax positions which will be subject to examination by the Fund's major tax jurisdictions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. Management has concluded that, as of and during the period ended December 31, 2010, no provision for federal income tax is necessary and, therefore, the Funds did not have a liability for any unrecognized tax expenses.

NOTE E—Shareholder Transactions

The Fund issues and redeems shares only to Authorized Participants (typically broker-dealers) in exchange for delivery of a basket of assets (securities and/or cash), referred to as a Creation Unit, in aggregations of 50,000 shares. The Fund may impose a creation transaction fee and a redemption transaction fee to offset transfer and other transaction costs associated with the issuance and redemption of Creation Units. The standard creation and redemption transaction fee of \$1,000 is charged to each purchaser on the day such purchaser creates a Creation Unit. The fee is a single \$1,000 charge regardless of the number of Creation Units purchased by an investor on the same day. Similarly, the standard redemption transaction fee will be \$1,000 regardless of the number of Creation Units redeemed that day. Purchasers and redeemers of Creation Units for cash (when cash creations and redemptions are permitted) will also be subject to an additional variable charge of up to a maximum of four times the standard creation/redemption transaction fee to offset the transaction cost to the Fund of buying portfolio securities. In addition, purchasers and redeemers of Creation Units are responsible for payment of the costs of transferring securities to or from a Fund. From time to time, the Adviser may cover the cost of any transaction fees.

Retail investors may only buy and sell shares of the Fund on a national securities exchange (NYSE Arca) through a broker-dealer. Such transactions may be subject to customary brokerage commission charges. Shares can be bought and sold throughout trading day like other publicly-traded securities, trading at current market prices, which may be different from the Fund's net asset value.

NOTE F—Other

Subsequent Events Effective January 27, 2011, a second ETF of the Trust commenced operations, the Pax MSCI EAFE ESG Index ETF.

Management has evaluated the possibility of subsequent events existing in the Fund's financial statements, and has determined that there are no material events that would require disclosure in the Fund's financial statements through this date.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Pax World Funds Trust II:

We have audited the accompanying statement of assets and liabilities of Pax MSCI North America ESG Index ETF (one of three funds constituting the Pax World Funds Trust II) (the “Fund”), including the schedules of investments, as of December 31, 2010, and the related statements of operations, changes in net assets and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2010, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Pax MSCI North America ESG Index ETF of Pax World Funds Trust II at December 31, 2010, the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.



Boston, Massachusetts
February 23, 2011

Other Information

Frequency Distribution of Discounts and Premiums Bid/Offer Midpoint vs. Nav as of December 31, 2010 (Unaudited)

The following chart is provided to show the frequency at which the daily market price on the NYSE Arca, Inc. (“Exchange”), the secondary market for shares of the Fund, was at a discount or premium to such Fund’s NAV. The market price of the Fund generally is determined using the midpoint between the highest bid and the lowest offer on the Exchange, as of the time that the Fund’s NAV is calculated (referred to as the “Bid/Offer Midpoint”). The Fund’s Bid/Offer Midpoint may at times be at, above or below its NAV. The discount or premium is the percentage difference between the NAV and the Bid/Offer Midpoint of a Fund. A discount is the amount that a Fund is trading below the reported NAV, expressed as a percentage of the NAV. A premium is the amount that a Fund is trading above the reported NAV, expressed as a percentage of NAV. The NAV of the Fund will fluctuate with changes in the market value of its portfolio holdings. The Bid/Offer Midpoint of the Fund will fluctuate in accordance with changes in its NAV, as well as supply and demand.

	Bid/Offer Midpoint Above NAV			Bid/Offer Midpoint Below NAV		
	50-99 Basis Points	100-199 Basis Points	>200 Basis Points	50-99 Basis Points	100-199 Basis Points	>200 Basis Points
Commencement of Trading 5/18/10 through 12/31/10	7	0	0	4	0	0

Tax Information (Unaudited)

For Federal income tax purposes, the percentage of Trust distributions which qualify for the corporate dividends paid deduction for the fiscal period ended December 31, 2010 is 100.00%.

For the fiscal period ended December 31, 2010, 100% of dividends paid by the Trust were designated as qualified dividend income and subject to a maximum tax rate of 15%, as provided for the Jobs and Growth Tax Relief Reconciliation Act of 2003. Complete information will be reported in conjunction with your 2010 Form 1099-DIV.

Proxy Voting (Unaudited)

You may obtain a description of the policies and procedures that the Fund uses to determine how to vote proxies relating to their portfolio securities, without charge, upon request by contacting the Fund at 888.729.3863 or on the SEC’s website at www.sec.gov. The information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12 month period

ended June 30 is available without charge, upon request, by telephoning ESG Shares (toll-free) at 888.729.3863 or visiting ESG Shares website at www.esg-shares.com and will be available without charge by visiting the SEC’s website at www.sec.gov.

Quarterly Portfolio Holdings Disclosure (Unaudited)

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Form N-Qs are available on the SEC website at www.sec.gov and may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Information contained in the Fund’s Form N-Qs may also be obtained by visiting ESG Shares website at www.esgshares.com or telephoning ESG Shares (toll-free) at 888.729.3863.

Management of the Funds (Unaudited)

The business of the Trust is managed under the direction of the Trust’s Board of Trustees. The Adviser serves as investment adviser to the Funds pursuant to an investment advisory agreement between the Adviser and the Trust. The Trust’s Board of Trustees oversees the Adviser and decides upon matters of general policy. The Board of Trustees meets at least four (4) times per year, and reviews the performance and operations of the Funds. The Adviser, either directly or through others selected by the Adviser, furnishes daily investment advisory services.

Officers/Trustees

The following table reflects the name and age, position(s) held with the Trust, the term of office and length of time served, the principal occupation(s) during the past five (5) years, other directorships held, and the number of portfolios overseen in the Pax World Fund Family of those persons who are the trustees and/or officers of the Funds. The trustees and officers set forth in the first table below (Interested Trustees and Officers) are considered interested persons under the 1940 Act by virtue of their position or affiliation with the Adviser. The trustees in the second table (Disinterested Trustees) are not considered interested persons and have no affiliation with the Adviser. The business address of each trustee and officer is 30 Penhallow Street, Suite 400, Portsmouth, NH 03801.

None of the officers or trustees of the Funds are related to one another by blood, marriage or adoption.

Interested Trustees and Officers

Name and Age	Position(s) Held With the Trust; Term of Office ¹ ; and Length of Time Served	Principal Occupation(s) During Past Five Years and Other Directorships Held by Trustee or Officer	Number of Portfolios in the Pax World Fund Family Overseen by Trustee
Laurence A. Shadek (61)	Trustee (since 2008)	Chairman of the Board of the Adviser (1996-present); Executive Vice-President of Wellington Shields & Co. LLC or its predecessor (1986-present); Trustee of Pax World Funds Series Trust I (2006-present); Executive Vice President of Pax World Money Market Fund (1998-2008); Chairman of the Board of Directors of the Pax World Balanced Fund (1996-2006), Pax World Growth Fund (1997-2006), and Pax World High Yield Bond Fund (1999-2006); member of the Board of Trustees of Franklin & Marshall College (1998- present).	12
Joseph Keefe (57)	Trustee, Chief Executive Officer (since 2008)	Chief Executive Officer (2005-present) and President (2006-present) of the Adviser; Trustee of Pax World Funds Serer Trust I (2006-present); President of Pax World Money Market Fund (2006-2008); Senior Vice President of the Pax World Balanced, Pax World Growth, and Pax World High Yield Bond Fund (2005-2006); President of New Circle Communications LLC (2000-2005); Co-Chair of The Carbon Coalition (2003-present); member of the Boards of Directors of Americans for Campaign Reform (2003-present), Women Thrive Worldwide (2009-present) and the Social Investment Forum (2000-2006).	12
John Boese (47)	Chief Compliance Officer (since 2008)	Chief Compliance Officer of the Adviser (2006-present); Chief Compliance Officer of Pax World Funds Series Trust I (2006-present); Vice President and Chief Regulatory Officer of the Boston Stock Exchange, Boston, MA (2000-2006).	N/A
Maureen Conley (48)	Secretary (since 2008)	Senior Vice President of Shareholder Services/Operations (2005-present) and Manager of Shareholder Services (2000-2005) for the Adviser; Secretary of Pax World Funds Series Trust I (2006-present).	N/A

Pax MSCI North America ESG Index ETF

December 31, 2010 (Unaudited)

Name and Age	Position(s) Held With the Trust; Term of Office ¹ ; and Length of Time Served	Principal Occupation(s) During Past Five Years and Other Directorships Held by Trustee or Officer	Number of Portfolios in the Pax World Fund Family Overseen by Trustee
Alicia K. DuBois (51)	Treasurer (since 2008)	Chief Financial Officer for the Adviser (2006-present); Treasurer of Pax World Funds Series Trust I (2006-present); Assistant Treasurer for both Jefferson Pilot Investment Advisory Corp. and Jefferson Pilot Variable Fund, Inc. (2001-2006); and Assistant Vice President at Lincoln Financial Group (formerly Jefferson-Pilot Corp.) (2005-2006).	N/A
Scott LaBreche (38)	Assistant Treasurer (since 2010)	Director, Portfolio Analysis & Reporting for the Adviser (2009-present), Fund Administration Manager & Portfolio Analyst for the Adviser (2007-2009), Securities Fund Analyst, Lincoln Financial Group (formerly Jefferson Pilot Financial) (2000-2007); Assistant Treasurer of Pax World Funds Series Trust I (2010-present).	N/A

Disinterested Trustees

Name and Age	Position(s) Held With the Trust; Term of Office ¹ ; and Length of Time Served	Principal Occupation(s) During Past Five Years and Other Directorships Held by Trustee or Officer	Number of Portfolios in the Pax World Fund Family Overseen by Trustee
Adrian P. Anderson (56) ²	Trustee (since 2008)	Trustee of Pax World Funds Series Trust I (2007-present); Chief Executive Officer of North Point Advisors, LLC (2004-present); Senior Consultant of Gray and Co. (1999-2004).	12
Carl H. Doerge, Jr. (72) ²	Chairman of the Board of Trustees; Trustee (since 2008)	Trustee of Pax World Funds Series Trust I (2006-present); private investor (1995-present); member of the Board of Trustees and Police Commissioner of the Village of Upper Brookville, NY (1998-present); member of the Board of Directors (1998-present) and Chairman of the Investment Committee (1999-present) of St. Johnland Nursing Home in Kings Park, NY.	12

Pax MSCI North America ESG Index ETF

December 31, 2010 (Unaudited)

Name and Age	Position(s) Held With the Trust; Term of Office ¹ ; and Length of Time Served	Principal Occupation(s) During Past Five Years and Other Directorships Held by Trustee or Officer	Number of Portfolios in the Pax World Fund Family Overseen by Trustee
Cynthia Hargadon (54) ³	Trustee (since 2008)	Trustee of Pax World Funds Series Trust I (2006-present); Managing Director of CRA Rogers Casey (2006-2010); Senior Consultant of North Point Advisors, LLC (2003-2006); President of Potomac Asset Management, Inc. (2000-2002).	12
Louis F. Laucirica (69) ²	Trustee (since 2008)	Trustee of Pax World Funds Series Trust I (2006-present); Associate Dean and Director of Undergraduate Studies of Stevens Institute of Technology, Howe School (1999-2010).	12
John L. Liechty (56) ³	Trustee (since 2010)	Trustee of Pax World Funds Series Trust I (2010-present); Principal, Integrated Investment Solutions (2009-present); President and CEO, MMA Praxis Mutual Funds (1997-2008).	12
Nancy S. Taylor (55) ³	Trustee (since 2008)	Trustee of Pax World Funds Series Trust I (2006-present); Senior Minister, Old South Church in Boston, MA (2005-present); Minister and President, Massachusetts Conference, United Church of Christ (2001-2005); Trustee, Andover Newton Theological School (2002-present); Chair of the Board of Trustees of Andover Newton Theological School; Board of Managers, Old South Meeting House (2005-present); Director, Ecclesia Ministries, a ministry to Boston's homeless population (2003-present).	12

¹ Trustees of the Funds hold office until a successor is chosen and qualifies. Officers of the Funds are appointed by the Board of Trustees and hold office until a successor is chosen and qualifies.

² Designates a member of the Audit Committee. The Audit Committee has the responsibility of overseeing the establishment and maintenance of an effective financial control environment, for overseeing the procedures for evaluating the system of internal accounting control and for evaluating audit performance. The Audit Committee meets on at least a quarterly basis.

³ Designates a member of the Nomination, Compensation & Compliance Committee. The Nomination, Compensation & Compliance Committee is responsible for considering and recommending Board candidates, reviewing and recommending Board compensation, and overseeing regulatory and fiduciary compliance matters. The Nomination, Compensation & Compliance Committee meets on at least a quarterly basis.

The Statement of Additional Information includes additional information about the trustees and is available upon request without charge by calling 888.729.3863 between the hours of 9:00 a.m. and 6:00 p.m. Eastern time or by visiting our website at www.esgshares.com.



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