

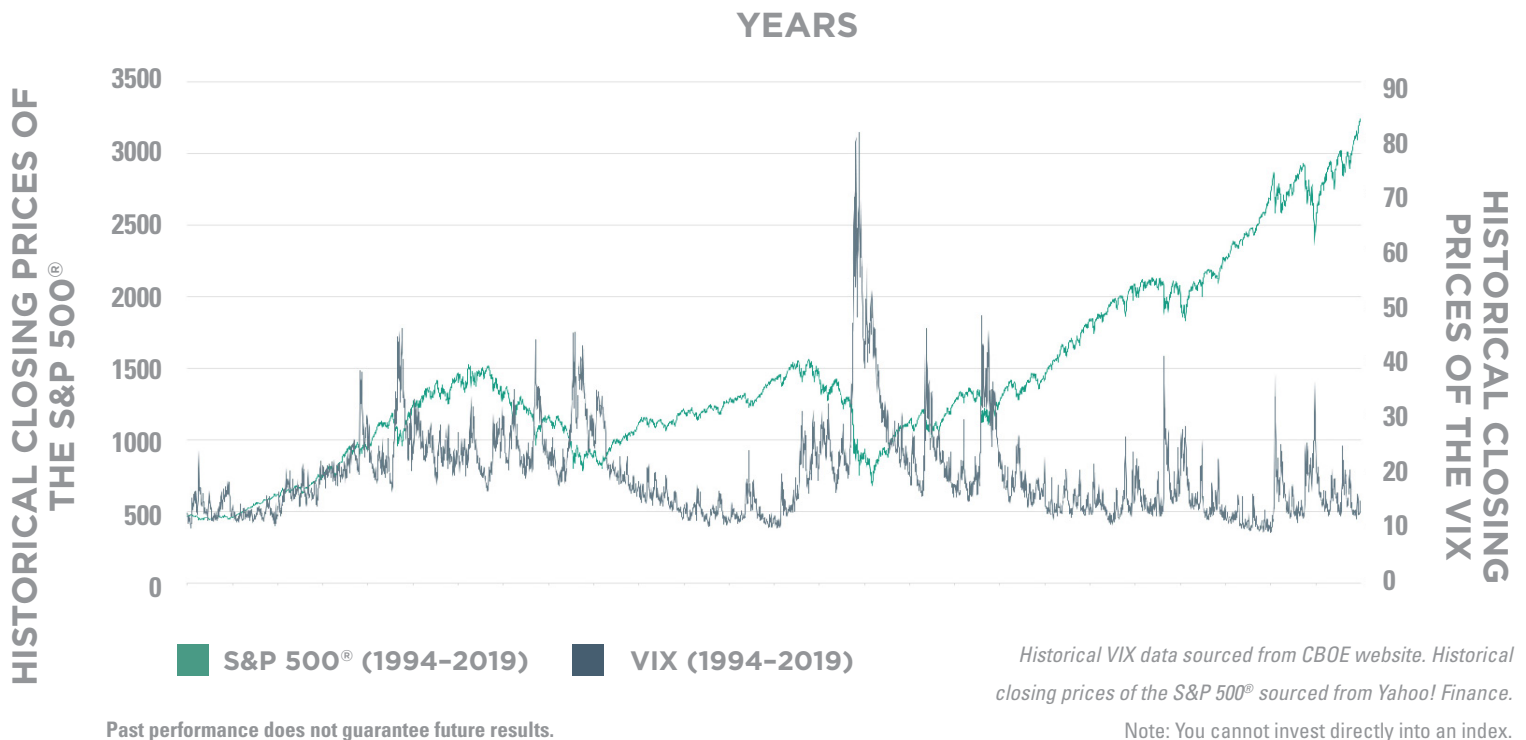
# IS THE BEST OFFENSE A GOOD DEFENSE?

**A NEW APPROACH TO PREPARING  
FOR MARKET VOLATILITY**

# Volatility is unpredictable.

No one can look to the past and forecast exactly when it will come or when it will go. The best anyone can do is make an educated guess based on historical observations.

For example, one can examine the relationship between the CBOE Volatility Index (VIX) — which measures the expected volatility of the S&P 500® — and the actual performance of the S&P 500®.



By studying the correlation between the two over the last 25 years, the following trends are easily identified:

- ▶ Periods of low volatility typically correspond to equity market increases.
- ▶ Pronounced volatility spikes typically correspond to equity market declines.

When specifically analyzing today's market environment, it's important to note that, while the VIX remains low relative to historical norms, volatility has ticked up over the past couple of years.

This begs the question: Should we expect volatility to continue?

While what happens next remains unknown, there are proactive steps investors can take to manage the impact of volatility on their portfolios.

## ■ Is fixed income really the best option?

In times of volatility — or when it is anticipated — a reallocation from equities to fixed income is the traditional play. Many investors believe that reducing equity exposure can shelter them from the full weight of an equity market decline.

And that may be true — if investors can get the timing right.

Move out of equities too soon, and investors miss potential investment gains. Move out of equities too late, and investors experience potential investment losses. The truth is, even professional investors find it impossible to

recognize when markets are in a downturn until after a downturn has already started.

Fear-based portfolio reallocations are a form of market timing that assumes investors know not just when to get out of equities but also when to get back in. By missing even the three best days of a market rebound, an investor can inflict more long-term harm on a portfolio than if they had simply ridden through the downturn with their original portfolio allocation.

## ■ If not fixed income, then what?

What if investors didn't have to think about portfolio reallocations in times of volatility? What if investors could remain invested in equities through all market environments? What if there was a mutual fund that was professionally managed to offer benefits in both up and down markets?

The GuideStone Defensive Market Strategies® Fund (Fund) is designed to do just that. By utilizing a unique combination of investment strategies and processes, the Fund seeks to provide long-term capital appreciation with reduced volatility compared to the equity market — as indicated by its targeted beta to the S&P 500® Index of approximately 0.50.

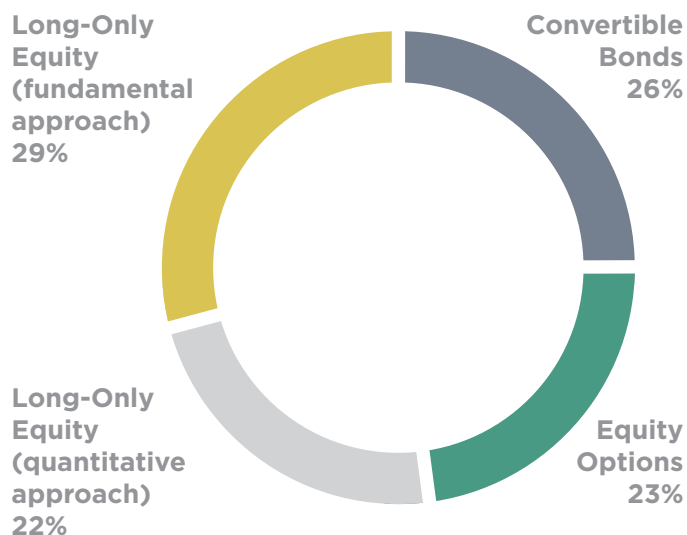
Here is a quick breakdown of the Fund:

Data as of December 31, 2019

**0.54** BETA VS. S&P 500®

**6.62%** STANDARD DEVIATION

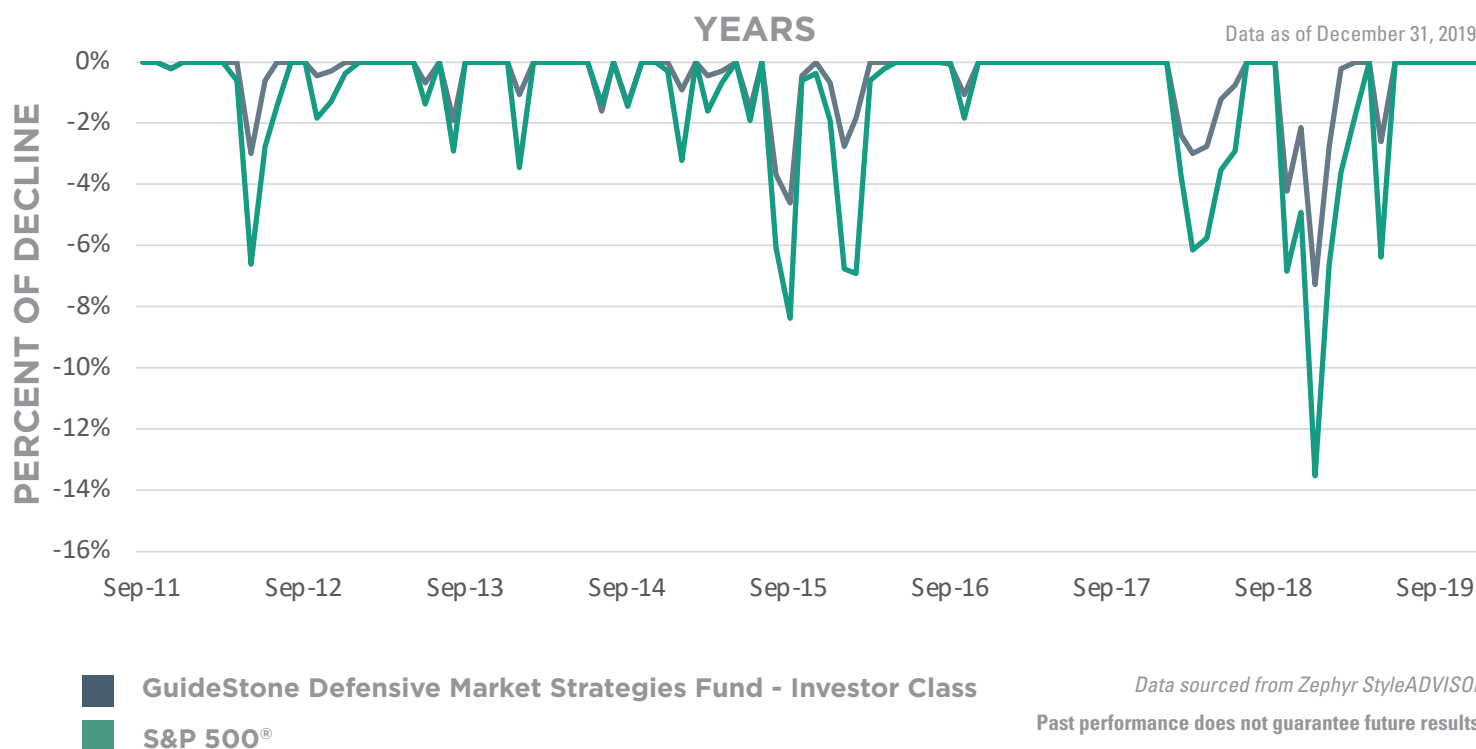
**1.12** SHARPE RATIO



## ■ Why consider the GuideStone Defensive Market Strategies Fund?

Throughout significant ups and downs in the market, our approach has proven successful. But don't just take our word for it; look at the historical performance of the Fund. Since its inception, the Fund has helped investors avoid the full brunt of nearly every equity market decline — in many cases capturing less than half of the drop.

Additionally, the Fund has allowed investors to fully participate in any market upswing that followed because it remained invested in equities through each market decline.



### GUIDESTONE DEFENSIVE MARKET STRATEGIES FUND

Investor and Institutional  
Share Classes



CATEGORY:  
ALLOCATION -- 50% TO 70% EQUITY

Overall  
3-year  
★★★★★  
5-year

AMONG 643 FUNDS

AMONG 643 FUNDS

AMONG 570 FUNDS

As of 12/31/2019, Morningstar Rating™ based on risk-adjusted returns.

## **FIRST QUARTILE FUND**

over 1-, 3- and 5-year measurement periods

## **2017 LIPPER AWARD WINNER**

**Flexible Portfolio Funds Award**  
**(3-year and 5-year) Institutional shares**

As of December 31, 2019, the Defensive Market Strategies Fund - Institutional share class in the Flexible Portfolio Funds category ranks 115 out of 542 (1st quartile) over the 1-year period, 31 out of 469 (1st quartile) over the 3-year period and 10 out of 364 (1st quartile) over the 5-year period. The Defensive Market Strategies Fund - Investor share class in the Flexible Portfolio Funds category ranks 131 out of 542 (1st quartile) over the 1-year period, 44 out of 469 (1st quartile) over the 3-year period and 11 out of 364 (1st quartile) over the 5-year period.

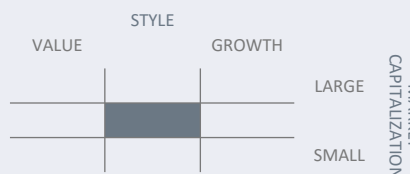
The Fund was named best among similar funds by Lipper in its Flexible Portfolio Funds category as of November 30, 2016, out of 147 funds in the 3-year period and out of 107 funds in the 5-year period. The 2017 Lipper Fund Awards honor funds for their consistently strong risk-adjusted performance relative to their peers.

## ■ Next Steps

Consider the Fund to help your clients remain invested through volatile markets and help them avoid fear-driven “buy high, sell low” moves that may derail their long-term investment goals. The fund seeks to provide long-term capital appreciation with reduced volatility compared to equity markets. It is designed to be a risk-managed investment option that pursues equity-like returns while providing enhanced diversification, seeking capital preservation and a reduction in overall volatility.

Learn more at  
***[GuideStoneFunds.com/Funds.](https://www.guidestonefunds.com/funds)***



**Equity Investment Approach**


**Investment Objective:** The Fund seeks to provide long-term capital appreciation with reduced volatility compared to the equity market.

**Investment Strategy:** The Fund is actively managed and combines multiple principal investment strategies that, when combined, are intended to result in the Fund obtaining investment returns consistent with the equity market, but with lower volatility when compared to the equity market.

**Investment Suitability:** This Fund may be suitable for investors who have a medium- to long-term investment horizon, possess a moderate tolerance for risk and seek to participate in the return potential of stocks at a slightly lower risk level than an all stock portfolio.

This Fund is subject to credit risk and interest rate risk. Interest rate risk means, when interest rates rise, the value of the existing bonds decrease and vice versa. Changes in interest rates have a bigger impact on long duration holdings than on short duration holdings. The value of convertible securities increase and decrease with the value of the underlying common stock, but may also be sensitive to changes in interest rates. Foreign securities may be subject to greater risk than domestic securities due to currency volatility, reduced market liquidity and political and economic instability. This description of risks is provided as a summary of the principal investment risks associated with this mutual fund. Refer to the Fund's prospectus for more detailed risk information.

**Benchmark^**

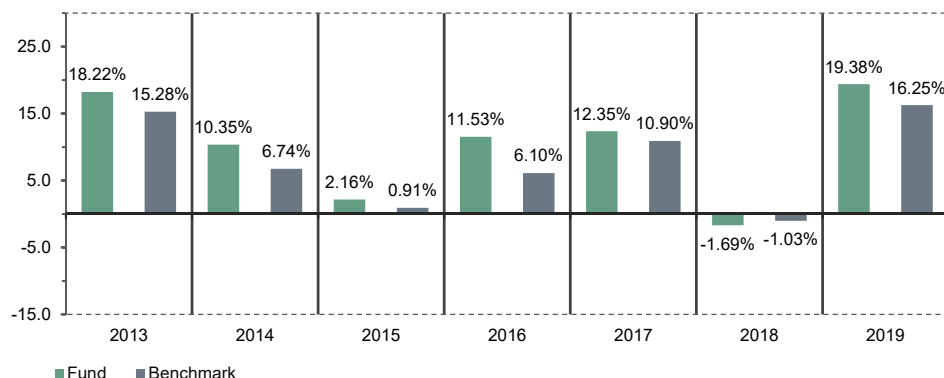
S&P 500® Index	50%
FTSE 3-Month Treasury Bill Index	50%

**Annual Operating Expenses**

Gross Expense Ratio	Net Expense Ratio
0.94%	0.94%

**PERFORMANCE¹**

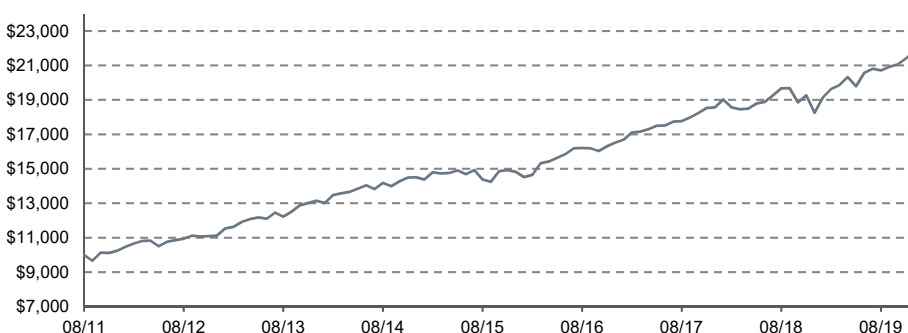
	Three Month	Year to Date	One Year	Three Year (Annualized)	Five Year (Annualized)	Ten Year (Annualized)	Since Inception (Annualized)
Fund	4.19%	19.38%	19.38%	9.66%	8.48%	N/A	9.80%
Benchmark	4.71%	16.25%	16.25%	8.46%	6.43%	N/A	7.68%

**CALENDAR YEAR PERFORMANCE¹**


*The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Performance data current to the most recent month-end and complete calendar year performance may be obtained at [GuideStoneFunds.com/funds](http://GuideStoneFunds.com/funds). The investment return of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance would have been lower without fee waivers and reimbursements to the Fund in effect. Year 2011 annual performance began 09/01/2011. Returns exceeding 20% reflect unusual market conditions and may not be sustained at this level over the long term.*

**GROWTH OF \$10,000 INVESTMENT**

Ending Value: \$21,792


**MORNINGSTAR RATING BASED ON RISK ADJUSTED RETURN²**

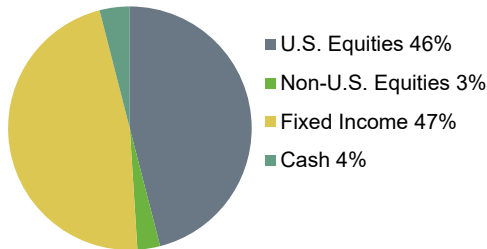
Category: Allocation--50% to 70% Equity

Overall	Three Year	Five Year
★★★★★	★★★★	★★★★★
among 643 funds	among 643 funds	among 570 funds

**You should carefully consider the investment objectives, risks, charges and expenses of GuideStone Funds before investing. For a copy of the prospectus with this and other information about the funds, please call 1-888-98-GUIDE (1-888-984-8433) or visit [GuideStoneFunds.com/funds](http://GuideStoneFunds.com/funds) to view or download a prospectus. You should read the prospectus carefully before investing.**

GuideStone Funds shares are distributed by Foreside Funds Distributors LLC. GuideStone Capital Management, LLC, an affiliate of GuideStone Financial Resources, provides investment advisory services for the funds.

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**PORTFOLIO DETAILS<sup>3 4</sup>**
**Asset Allocation**


\* Cash is maintained by the fund for liquidity purposes and may be overlaid with equity and / or U.S. Treasury futures to provide capital market exposure.

**Fund Size (\$ in millions)**

Total Fund Net Assets for All Share Classes	\$1,261
Number of Holdings*	719

\*Does not include currencies or forward currency contracts

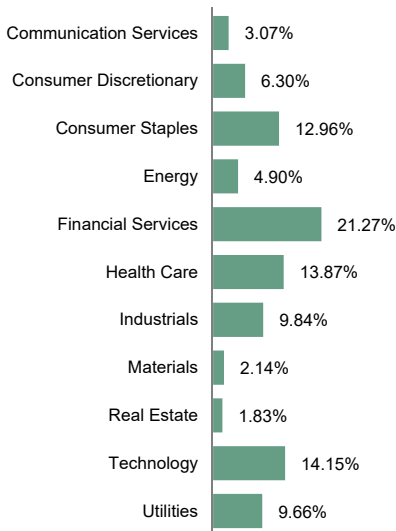
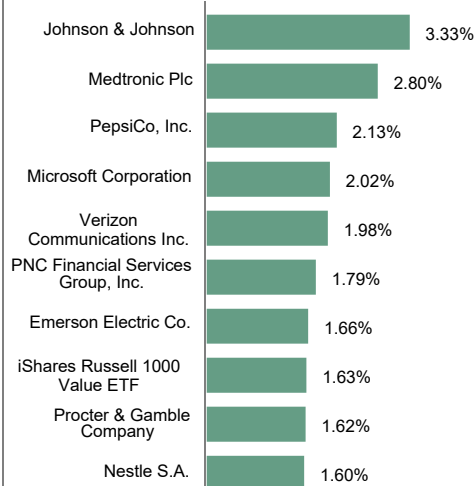
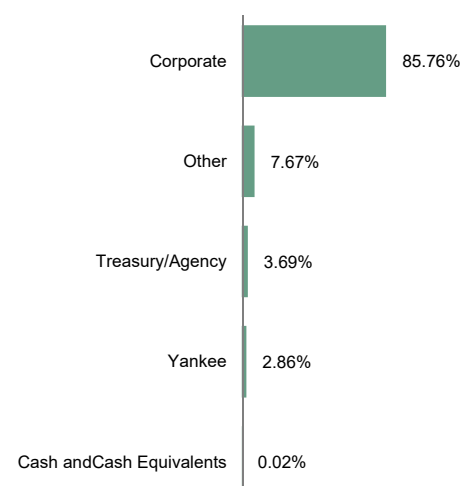
**Return/Risk Characteristics\*\***

Standard Deviation	6.62%
R-Squared	94.98%
Beta vs. Benchmark	1.09
Beta vs. S&P 500 Index	0.54
Sharpe Ratio	1.12
Information Ratio	1.30

\*\*Calculated over previous 5 years.

**Sub-Adviser Composite**

American Century Investment Management, Inc.	29%
Shenkman Capital Management, Inc.	26%
Parametric Portfolio Associates LLC	23%
AQR Capital Management, LLC	22%

**Equity Sector Holdings**

**Top Ten Equity Holdings**

**Fixed Income Holdings**


Standard deviation—Depicts how widely returns varied over a certain period of time. A high standard deviation implies greater volatility and greater risk.

R-squared—Shows the percentage of a fund's performance that is explained by movements in the benchmark index. An R-squared of 100% indicates that all movements of a fund can be explained by movements in the benchmark.

Beta vs. Benchmark—Beta is a measure of a fund's sensitivity to market movements as defined by the fund's benchmark. A fund with a higher beta relative to the benchmark is more volatile than the benchmark.

Beta vs. S&P 500® Index—Beta is a measure of a fund's sensitivity to market movements as defined by the S&P 500® Index. A fund with a higher beta relative to the S&P 500® Index is more volatile than the S&P 500® Index.

Sharpe Ratio—A risk-adjusted measure that measures reward per unit of risk. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Information Ratio—Measures how much the fund outperformed the benchmark per unit of additional risk taken.

<sup>1</sup> The performance quoted reflects fee waivers in effect, and would have been lower in their absence. All figures shown represent total return, except for those identified as yield. Total return is based on net change in NAV with reinvestment of all distributions. Returns for periods less than one year are aggregate and for periods greater than one year are annualized. Unlike a mutual fund, the performance of an index assumes no taxes, transaction costs, management fees or other expenses.

<sup>2</sup> The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The

Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating / 40% three-year rating for 60-119 months of total returns, and 50% 10-year rating / 30% five-year rating / 20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings are for the share class shown only; other classes may vary. **Past performance is no guarantee of future results.**

<sup>3</sup> Portfolio composition subject to change at any time.

<sup>4</sup> Due to rounding, portfolio holdings data may not sum to 100%.

<sup>5</sup> The S&P 500 Index is a market capitalization-weighted equity index composed of approximately 500 U.S. companies representing all major industries. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of its constituents. "Standard & Poor's®", "S&P®", "S&P 500®", "Standard & Poor's 500" and "500" are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by GuideStone Funds. The Product is not sponsored, endorsed, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the Product. The FTSE 3-Month Treasury Bill Index measures monthly return equivalents of yield averages that are not marked to market, consisting of the last three three-month Treasury bill issues. All rights in the FTSE 3-Month Treasury Bill Index vest in FTSE Fixed Income LLC ("FTSE FI"). "FTSE®" is a trademark of the London Stock Exchange Group companies and is used by FTSE FI under license. The FTSE 3-Month Treasury Bill Index is calculated by FTSE or its agent. FTSE FI and its licensors are not connected to and do not sponsor, advise, recommend, endorse or promote the product and do not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Index or (b) investment in or operation of the product. All indexes used with permission. It is not possible to invest directly in an index.

## Important Information:

Lipper Inc., a Refinitiv Company, is a nationally recognized organization that compares the performance of mutual funds having similar investment objectives. The comparison is made across registered mutual funds, ranking the funds with similar objectives according to total returns. These investment returns are calculated after operating expenses have been deducted from each fund, but the rankings do not take sales charges into account. Lipper rankings are subject to change monthly, and past rankings are no guarantee of future results.

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*You should carefully consider the investment objectives, risks, charges and expenses of the GuideStone Funds® before investing. A prospectus with this and other information about the Funds may be obtained by calling **1-888-GS-FUNDS** (1-888-473-8637) or downloading one at [GuideStoneFunds.com/Funds](http://GuideStoneFunds.com/Funds). It should be read carefully before investing.*

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