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LIPPER FUND AWARDS  
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# An investing approach based on values and long-term value

GuideStone looks for investments in line with its century-old mission

**R**ecognized for excellence in the past, this year's Overall Lipper Award Fund Family winner in the Small Firm category is GuideStone Funds Trust. *InvestmentNews* Content Strategy Studio recently spoke with David S. Spika, President of GuideStone Capital Management, the investment adviser to the GuideStone Funds. He also is part of the executive leadership team of the parent company, GuideStone Financial Resources, chairs the firm's Socially Responsible Investing Committee and oversees management of the unregistered alternative investments held by the firm. His edited comments follow.

**INCSS:** *GuideStone Financial Resources' history is somewhat unusual for a financial services company. Tell us about it.*

**David Spika:** We recently celebrated the 100th anniversary of our founding in 1918 as a subsidiary of the Southern Baptist Convention to provide financial support to pastors and their widows. We have grown into a diversified financial services firm over the years, historically providing insurance, retirement and investments to Convention entities such as churches, schools, mission-sending groups, hospitals and universities.

In 2014, we decided to offer our mutual funds to the broader public, and today we have about \$13 billion in assets under management in the fund complex, most of that from the Southern Baptist community. Most of our growth is coming from outside that community, and we're currently on 50 platforms to serve broker-dealers and RIAs. We're still committed to our mission of serving the Lord and providing Christian-screened funds, while at the same time believing there is a broad market for our funds among advisers interested in our philosophy, our process and our Christian underpinnings.

**INCSS:** *Explain the GuideStone process, which sounds similar to SRI or ESG investing.*

**DS:** We like to call it investing according to faith-based principles. We screen out industries operating in five areas: alcohol,



**“**One of the things we've done for our investors is create strategies that perform better during periods of volatility. We offer a defensive, low-volatility strategy fund and a liquid-alternatives fund, which are designed to be good diversifiers during periods of greater volatility.**”**

David Spika, President, GuideStone Capital Management

tobacco, gambling, pornography and abortion. We also have the ability to screen out companies based on other activities, such as anything to do with child labor or predatory lending. Our aim is to promote the emotional and physical well-being of society through our investments, and one of the other ways do that is by advocating for change among companies that we own. One of our efforts currently is trying to reduce the incentives to produce and sell opioids.

**INCSS:** *Let's talk about your equity investing process and what you see ahead for stocks.*

**DS:** We have a multi-manager process, in which there are two to five sub-advisers for each of our funds. Our philosophy is based on having a fundamental, long-term, risk-management focus.

As we head into the 11th year of a bull market, we're seeing the Fed pause in its rate-raising and the impact of tax cuts in the rear-view mirror. With sentiment weakening and growth slowing globally, we believe we're nearing the end of the cycle, which means that returns are growing harder to come by and volatility moves higher, and we're starting to move into a period where the market anticipates an impending recession.

Because we've always managed for retirement, we're very focused on fundamentals, managing risk and managing for the long term, which are especially important now, when the market can overreact to something like a tweet. Many people in the market today, professionals and individual

investors alike, have never experienced a recession or a downturn and will be caught off guard when that happens. It's important not to bail out at those times, which is why we want to own companies that are best positioned for the long term.

**INCSS:** *What's GuideStone's fixed-income outlook?*

**DS:** We believe rates probably have peaked for the current cycle. The 10-year Treasury note is below 3%, and the yield curve is relatively flat. Particularly at the long end, rates will be a function of growth expectations and inflation. On the other hand, we have to watch spreads. After widening in December's market sell-off, spreads between corporates and Treasuries have returned to being very narrow. When the economy starts to turn, spreads will widen out again, and many kinds of debt will underperform. That's something we're watching because prices may become volatile again even if interest rates don't go down.

One of the things we've done for our investors is create strategies that perform better during periods of volatility. We offer a defensive, low-volatility strategy fund and a liquid-alternatives fund, which are designed to be good diversifiers during periods of greater volatility.

**INCSS:** *And everything meets your standards?*

**DS:** Yes. We have two analysts whose job is to evaluate securities and create a restricted list of those that don't meet our standards. That list is given to all our sub-advisers. ■

## Faith-based firm wins overall award

BY JEFF BENJAMIN

**THE 2019 LIPPER FUND** Awards by Refinitiv for the best risk-adjusted mutual fund performance recognizes more than 300 individual fund winners across multiple categories,

### ▶ KEY POINTS

- GuideStone Capital didn't pick up a single fund award, but won small-company category.
- Vanguard dropped to fourth place in number of trophies.

but one of the biggest winners this year is a fund company that didn't win a single fund award.

Dallas-based GuideStone Capital, a faith-based firm that manages \$13 billion across 24 funds, pulled off the unusual feat of winning the overall fund company award in the small-company category.

"Guidestone has no individual winning funds but has the best risk-adjusted return for all their funds added up; that means these guys are top-performers for each fund they manage," said Tom Roseen, head of research services at Lipper.

David Spika, Guidestone president, said the overall small-company award falls in line with what the asset manager is hoping to accomplish.

"We're not trying to be first decile every year, our goal is to be in the top 30%, preferably top quartile," he said. "If you're

the best, you're probably taking on too much risk."

The annual Lipper Awards, which were announced last Thursday at a ceremony in New York, recognizes individual mutual fund performance over 3-, 5-, and 10-year periods. Eleven funds stood out this year for ranking first in all three time periods.

### ENTIRE LINEUP

But the company awards, which are divided into groups of firms with more than and less than \$76.8 billion, considers the fund company's entire lineup over the trailing three-year period.

Pacific Investment Management Company is this year's overall large-company winner.

Pimco also won the award for best performance as a large-company equity fund manager, and won 17 individual fund awards, earning the firm a fifth place ranking in terms of individual awards.

TIAA Investments won the award for large-company mixed assets for the fourth consecutive year, and Morgan Stanley Investment Management won the large-company award for fixed income funds for the third straight year.

### MIXED-ASSET CATEGORY

In the small-company asset-class categories, Thrivent Mutual Funds won the mixed-asset category again this year after winning it from 2015 through 2017, but missing it last year.

Primecap Management Company won the equity cat-



egory for the fourth consecutive year.

Ashmore Funds won the fixed-income category for the second straight year.

In terms of total trophy count, T. Rowe Price Group leads the pack this year with 22 winners, edging out Fidelity In-

vestments, which tends to eliminate strategies that swing for the fences and experience more volatile performance.

### TARGET-DATE FUNDS

At T. Rowe, where 10 of the 22 winning funds were target-date strategies, portfolio strategist Joe Martel said the target-date funds are managed both on a glide path as well as some "tactical movements around that glide path based on our shorter-term view of the markets."

"For example, for much of the past 18 months, we've been underweight stocks relative to bonds based on our view of risk in the markets," he added. "But we closed that to neutral in 2019."

Steve Neff, head of Asset Management at Fidelity Investments, said the firm's 21 awards "are a reflection of our dedication to helping individual investors and financial advisers and their clients achieve their long-term investment goals."

## "OUR GOAL IS TO BE IN THE TOP 30%, PREFERABLY TOP QUARTILE."

DAVID SPIKA, PRESIDENT  
GUIDESTONE

vestments, which brings home 21 trophies.

The Vanguard Group, which led all fund companies last year by taking home 29 trophies, dropped to fourth place this year with 19 trophies.

As Mr. Roseen points out, the awards are based on quantitative risk-adjusted performance measurements that are designed to reward positive

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LIPPER FUND AWARDS  
FROM REFINITIV

2019 WINNER  
UNITED STATES

BEST OVERALL SMALL  
FUND FAMILY 2019

# PERFORMANCE + VALUES WINS AGAIN

Do well. Do right.<sup>®</sup> **Do MORE.**

Awarded for performance guided by Christian values — this is what doing more looks like.

The entire GuideStone Funds<sup>®</sup> family won the Lipper Fund Award for 2019 Best Overall Small Company over 3 years (out of 29 eligible as of November 30, 2018). Based on risk-adjusted total return.

**Learn more** at [GuideStoneFunds.com](http://GuideStoneFunds.com).



Investing involves risk, including the potential loss of principal. **The funds may experience negative performance and past performance does not guarantee future results.**

The U.S. Lipper Fund Awards for Best Overall Small Fund Family is based on a review of 29 fund families for 2019 and based on risk-adjusted performance for the three-year period ended November 30, 2018.

In order to qualify for Lipper's Overall Small Fund Family Group Award, a fund family will need to have at least three distinct portfolios in each of the following asset classes: equity, bond and mixed-asset. An overall Group Award will be given to the fund family with the lowest average decile ranking of its respective asset class results based on the three-year Consistent Return measure of the eligible funds per asset class and group. The Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure, is calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Lipper Fund Award. The Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. Additional information is available at [LipperFundAwards.com](http://LipperFundAwards.com).

Group Award Methodology: For the 2019 Lipper Fund Awards from Refinitiv, a small fund family is defined as having assets of \$76.8 billion or less.

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As of December 31, 2018, GuideStone Funds has \$12.1 billion in assets, which makes GuideStone Funds the nation's largest faith-based mutual fund family. No other fund family with a Christian screen exceeds GuideStone Funds in asset size.

*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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