

# THE SCOUTING REPORT

## ANALYSIS OF GUIDESTONE'S MANAGER-OF-MANAGERS INVESTMENT APPROACH

### EXECUTIVE SUMMARY

- ▶ GuideStone® offers a substantial array of traditional equity and fixed income investment options, as well as access to recognized niche managers in outlying asset classes such as options and real assets.
- ▶ We consider both qualitative and quantitative factors when making sub-adviser hire, fire and allocation decisions, with qualitative factors accounting for approximately 80% of our decision-making process.
- ▶ We seek to emphasize specific risks within each Fund that we believe will provide investors with the highest probability for above-average risk-adjusted returns over longer-term time frames.



Millions of American adults participate in online fantasy sports leagues.

The popularity of these leagues is largely because they give everyday people a glimpse into the world of sports management. From the comfort of home, armchair quarterbacks can become general managers — researching statistics, drafting players, negotiating trades and making ongoing strategic adjustments to their lineups.

And while a fantasy league victory may serve as a measure of sports knowledge, it is not indicative of an ability to actually construct and manage a professional sports team.

In reality, a general manager is constantly evaluating an ever-changing flow of information, including both quantitative factors — like player efficiency ratings and team salary caps — and qualitative factors — like how a player’s skills work in the lineup and how his or her personality fits in the locker room.

But in the same way that the nuances and complexities of sports management cannot be completely simulated in a fantasy league, investment management is far more complicated than simply using the internet to locate financial data. Successful long-term investing requires an in-depth understanding of financial theory and the ability to translate information into action across a wide range of investment strategies.

This is where we believe GuideStone Funds® can provide meaningful value.

**As a manager-of-managers, we seek to identify best-in-class sub-advisers for our mutual funds and optimally allocate capital among them.** Our investment professionals use sophisticated data models to make informed decisions based on current or anticipated market and investor actions. And as the nation’s largest faith-based mutual fund family, we have delivered proven results and helped investors build well-diversified portfolios that meet unique return objectives and risk tolerances — all while staying true to their personal values.



# BREAKING DOWN GUIDESTONE'S INVESTMENT APPROACH

Investors and professional sports teams have the same target — a championship. Every game played, every move made and every risk taken is in strategic pursuit of this goal. For investors, proof of success is the attainment of a specific financial outcome, such as financial security in retirement or generating wealth to enhance their lifestyle. With GuideStone as the general manager, investors can know that their hard-earned investments are being actively managed by a deep bench of experienced professionals.

In fact, GuideStone Funds is a two-time winner of the Lipper Fund Award for Best Overall Small Fund Family. We believe these awards demonstrate that investors can invest according to their values while also realizing attractive risk-adjusted returns.

The entire GuideStone Funds family won the Lipper Fund Award for 2019 Best Overall Small Fund Family-3 year (out of 29 fund families as of November 30, 2018). In addition, the entire GuideStone Funds family won the Lipper Fund Award for 2012 Best Overall Small Fund Family-3 year (out of 26 eligible fund families as of November 30, 2011). Awards are based on risk-adjusted total return.

GuideStone offers diversified investment options across most major asset classes — all of which implement our time-tested approach to money management that is built on a foundation of integrity, discipline and excellence. As the investment adviser to GuideStone Funds, GuideStone Capital Management, LLC®, believes:



Innovative and competitive investment options can be created that align with **Christian** values.

**Active** portfolio management via a manager-of-managers investment approach adds value over a full market cycle.

Broad diversification and an emphasis on **intentional** risk produces attractive risk-adjusted returns.

At GuideStone, our experienced investment professionals are committed to the ongoing development of our Fund lineup and strive to build mutual funds that are specialized, analyzed and optimized for investor portfolios.



## GUIDESTONE FUNDS ARE SPECIALIZED.

Individual investors are typically not able to invest in mandates or strategies that are designed for institutional investors; however, with \$16.7 billion in assets under management as of March 31, 2021, GuideStone is large enough to access a broad universe of institutional investment strategies and can negotiate reduced fee levels for the investments we make. Additionally, our manager-of-managers approach connects investors to what we believe to be some of the industry's strongest investment management talent — providing multiple layers of money management expertise and higher levels of portfolio customization and diversification.

While GuideStone offers a substantial array of traditional equity and fixed income investment options, we also provide access to recognized niche managers with demonstrated expertise in outlying asset classes such as options and real assets. By incorporating these strategies into our investment lineup, we are able to offer several specialized mutual funds that, when added to a well-diversified portfolio, aim to deliver meaningful diversification and enhanced returns to investors.



# GUIDESTONE FUNDS ARE ANALYZED.

As a manager-of-managers, GuideStone follows a rigorous sub-adviser evaluation, selection and monitoring process — performing thorough due diligence research so our investors don't have to.

We consider the following qualitative and quantitative factors when making sub-adviser hire, fire and allocation decisions, with qualitative factors accounting for approximately 80% of our decision-making process:

## QUALITATIVE

- Assess the firm's competitive advantage
- Analyze the investment team
- Review infrastructure and business
- Understand value-added components of the investment process
- Evaluate consistency and repeatability of process

## QUANTITATIVE

- Validate the firm's investment process
- Complete fundamental portfolio analysis
- Conduct performance analysis
- Perform risk management analysis

Over the years, we have **analyzed** hundreds of investment managers across most asset classes and investment styles in search of the appropriate sub-adviser combinations. We currently enlist more than 30 distinct sub-advisers throughout our Fund lineup — each one hired to make a clearly defined contribution to a Fund's overall objective.



## GUIDESTONE FUNDS ARE OPTIMIZED.

GuideStone conducts proprietary research to validate our investment theses and identify potential areas of portfolio risk. We seek to understand the specific risks within each Fund and intentionally emphasize the risks that we believe will provide investors with the highest probability for above-average risk-adjusted returns over longer-term time frames.

GuideStone uses sophisticated analytical tools to help understand how sub-advisers should be expected to perform in relation to one another within a Fund. This allows us to strategically combine multiple strategies and divide assets appropriately amongst complementary sub-advisers — optimizing the risk/return profile of our Funds. We regularly evaluate our investment portfolios and use diversification at both the Fund and sub-adviser levels to increase operational efficiency and manage risk more effectively.

# INVESTING TOWARD THE FUTURE ISN'T A GAME, SO DON'T TREAT IT LIKE ONE.

There is too much at stake to play games with one's investments. By utilizing GuideStone's Fund lineup that is specialized, analyzed and optimized for investor portfolios, we work to provide enhanced diversification to those we serve.

To learn more about our investment philosophy and process, visit [GuideStoneFunds.com](https://www.GuideStoneFunds.com).

Our first recognition as the Best Overall Small Fund Family came in 2012 for the Best Overall Small Company Award (out of 26 eligible fund families as of November 30, 2011). Of the 182 small fund families, only 26 met the standards to be considered for the Best Overall Small Fund Family with up to \$40 billion in assets under management. At that time, fund groups with at least three equity, three bond and three mixed-asset classes were eligible for a Group Award, with the lowest average decile rank of the three years' Consistent Return measure of the eligible funds per asset class and group determining the award winner over the three year period ended 11/30/2011. In case of identical results, the lower average percentile rank was determined the winner.

**Past performance does not guarantee future results.**

## Important Information:

All mutual funds are subject to market risk, including possible loss of principal.

Diversification cannot assure a profit or protect against loss in a declining market.

Investing in stocks involves the risk of declining share prices. Investing in bonds is subject to interest rate and credit risk. Investments overseas generally carry more risk than investments in U.S. assets, including unfavorable currency exchange rates and political or economic uncertainty abroad.

There is no guarantee that GuideStone Funds will achieve its investment objective. The information is not intended as a personalized recommendation or fiduciary advice and should not be relied upon for investments, accounting, legal or tax advice.

The U.S. Lipper Fund Award 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](https://www.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. Lipper Fund Awards from Refinitiv, © 2019 Refinitiv. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution or retransmission of this content without express written permission is prohibited.

***You should carefully consider the investment objectives, risks, charges and expenses of the GuideStone Funds® before investing. For a copy of the prospectus with this and other information about the Funds, please call 1-888-GS-FUNDS (1-888-473-8637) or visit [GuideStoneFunds.com/Funds](https://www.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, not an advisor affiliate. GuideStone Capital Management, LLC®, an affiliate of GuideStone Financial Resources®, provides investment advisory services for the Funds.

As of March 31, 2021, GuideStone Funds has \$16.7 billion in assets, which makes GuideStone Funds the nation's largest faith-based mutual fund family. No other faith-based fund family exceeds GuideStone Funds in asset size.



